

BUTLER MANUFACTURING CO  
Form DEFM14A  
March 25, 2004

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

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

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
- Soliciting Material Pursuant to §240.14a-12

**BUTLER MANUFACTURING COMPANY**

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(Name of Registrant as Specified In Its Charter)

N/A

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

Payment of Filing Fee (Check the appropriate box):

- No fee required.
  - Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.
    - (1) Title of each class of securities to which transaction applies:  
Common Stock, no par value, of Butler Manufacturing Company
- 

- (2) Aggregate number of securities to which transaction applies:  
6,431,382 shares of Butler Common Stock, which includes 97,000 shares of Butler Common Stock underlying stock options that have an exercise price per share less than \$22.50 that may be cashed out in connection with the merger.
- 

- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):  
\$22.50, which represents the price per share of Butler Common Stock to be paid in the merger.
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(4) Proposed maximum aggregate value of transaction:  
\$144,706,095

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(5) Total fee paid:  
\$18,335

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ý Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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1540 Genessee Street  
(P.O. Box 419917)  
Kansas City, Missouri 64102

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March 25, 2004

To the Stockholders:

You are cordially invited to attend the special meeting of stockholders of Butler Manufacturing Company, a Delaware corporation ("Butler"), to be held on Tuesday, April 27, 2004, at 10:30 a.m., local time, at City Stage Theater, Union Station Kansas City, 30 West Pershing Road, Kansas City, Missouri.

At the special meeting you will be asked to vote upon a proposal to approve and adopt an Agreement and Plan of Merger, dated as of February 15, 2004 (the "Merger Agreement"), pursuant to which BlueScope Steel Limited, a corporation organized under the laws of Australia, has agreed to acquire Butler. If Butler stockholders approve and adopt the Merger Agreement and the merger is completed, each of your shares of Butler common stock will be automatically canceled and converted into the right to receive \$22.50 in cash without interest.

**Butler's board of directors has unanimously determined that the Merger Agreement is advisable and approved the Merger Agreement and recommends that Butler stockholders vote "FOR" approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement.**

The accompanying proxy statement provides you with detailed information about the proposed merger and the special meeting. Please give this material your careful attention. You may also obtain more information about Butler from documents it has filed with the Securities and Exchange Commission.

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Butler common stock is listed on The New York Stock Exchange under the trading symbol "BBR." On the close of trading March 23, 2004, the price of Butler common stock was \$22.38 per share.

YOUR VOTE IS IMPORTANT REGARDLESS OF THE NUMBER OF SHARES OF BUTLER COMMON STOCK YOU OWN. BECAUSE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT REQUIRES THE AFFIRMATIVE VOTE BY THE HOLDERS OF A MAJORITY OF BUTLER'S ISSUED AND OUTSTANDING SHARES OF COMMON STOCK AS OF THE RECORD DATE, A FAILURE TO VOTE WILL COUNT AS A VOTE AGAINST THE MERGER. ACCORDINGLY, YOU ARE REQUESTED TO PROMPTLY VOTE YOUR SHARES BY COMPLETING, SIGNING AND DATING THE ENCLOSED PROXY CARD AND RETURNING IT IN THE ENVELOPE PROVIDED, WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING. Voting in this manner will not prevent you from voting your shares in person if you subsequently choose to attend the special meeting.

Thank you for your cooperation.

Sincerely,

John J. Holland  
*Chairman and Chief Executive Officer*

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**THIS PROXY STATEMENT IS DATED MARCH 25, 2004 AND IS  
FIRST BEING MAILED TO STOCKHOLDERS ON OR ABOUT MARCH 25, 2004**

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### **NOTICE OF SPECIAL MEETING OF STOCKHOLDERS TO BE HELD ON TUESDAY, APRIL 27, 2004**

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To the Stockholders of BUTLER MANUFACTURING COMPANY.

NOTICE IS HEREBY GIVEN that a special meeting of stockholders of Butler Manufacturing Company, a Delaware corporation ("Butler"), will be held on Tuesday, April 27, 2004, at 10:30 a.m., local time, at City Stage Theater, Union Station Kansas City, 30 West Pershing Road, Kansas City, Missouri, for the following purposes:

1. To vote upon a proposal to approve and adopt the Agreement and Plan of Merger, dated as of February 15, 2004 (the "Merger Agreement"), among Butler, BlueScope Steel Limited, a corporation organized under the laws of Australia ("BlueScope"), and BSL Acquisition Corporation, a Delaware corporation (the "BlueScope Subsidiary") and a wholly-owned subsidiary of BlueScope. A copy of the Merger Agreement is attached as Appendix A to the accompanying proxy statement. Pursuant to the terms of the Merger Agreement, the BlueScope Subsidiary will merge with and into Butler (the "Merger"). In the Merger, Butler will be the surviving corporation (sometimes referred to herein as the "Surviving Corporation") and become a wholly-owned subsidiary of BlueScope, and each share of common stock of Butler, other than those shares held by any stockholders who properly exercise their appraisal rights under Delaware law, will be converted into the right to receive \$22.50 in cash without interest.
2. To transact such other business as may properly come before the special meeting or any adjournment or postponement of the meeting.

Only stockholders of record at the close of business on March 19, 2004 are entitled to vote at the special meeting and at any adjournment or postponement of the special meeting. All stockholders of record at such time are cordially invited to attend the special meeting in person.

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However, to assure your representation at the meeting in case you cannot attend, you are urged to vote your shares by completing, signing, dating and returning the enclosed proxy card as promptly as possible in the postage prepaid envelope enclosed for that purpose. If you attend the special meeting, you may vote in person even if you have previously completed and returned a proxy card.

Butler stockholders have the right to dissent from the Merger and obtain payment in cash of the fair value of their shares of common stock under applicable provisions of Delaware law. In order to perfect and exercise appraisal rights, stockholders must give a written demand for appraisal of their shares before the vote on the Merger is taken at the special meeting and must not vote in favor of the Merger. A copy of the applicable Delaware statutory provisions is included as Appendix B to the accompanying proxy statement, and a summary of these provisions can be found under "Dissenters' Rights of Appraisal" in the accompanying proxy statement.

The approval and adoption of the Merger Agreement requires the affirmative vote by the holders of a majority of the issued and outstanding shares of Butler common stock as of the record date. In the event that there are not sufficient votes to approve the proposed Merger at the time of the special meeting, the special meeting may be adjourned or postponed in order to permit further solicitation by Butler. YOUR VOTE IS IMPORTANT. WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON AND REGARDLESS OF THE NUMBER OF SHARES YOU OWN, PLEASE COMPLETE, SIGN, DATE AND RETURN THE ENCLOSED PROXY CARD PROMPTLY IN THE ENCLOSED PRE-ADDRESSED ENVELOPE. NO POSTAGE IS REQUIRED IF MAILED IN THE UNITED STATES. YOU MAY, OF COURSE, ATTEND THE SPECIAL MEETING, REVOKE YOUR PROXY AND VOTE IN PERSON EVEN IF YOU HAVE ALREADY RETURNED YOUR PROXY CARD.

Please do not send your stock certificates at this time. If the Merger Agreement is approved and adopted, you will be sent instructions regarding the surrender of your stock certificates.

BY ORDER OF THE BOARD OF DIRECTORS,

Sincerely,

John J. Holland  
*Chairman and Chief Executive Officer*

Kansas City, Missouri  
March 25, 2004

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### SUMMARY TERM SHEET

*The following summary briefly describes the material terms of the proposed Merger. This summary does not contain all of the information that may be important to you to consider when evaluating the Merger. We encourage you to read this proxy statement and the documents we have incorporated herein by reference before voting. We have included section references to direct you to a more complete description of the topics described in this summary.*

*The Merger.* Butler Manufacturing Company ("Butler") has entered into an Agreement and Plan of Merger, dated as of February 15, 2004 (the "Merger Agreement"), among Butler, BlueScope Steel Limited, a corporation organized under the laws of Australia ("BlueScope"), and BSL Acquisition Corporation, a Delaware corporation (the "BlueScope Subsidiary") and a wholly-owned subsidiary of BlueScope. Pursuant to the terms of the Merger Agreement, the BlueScope Subsidiary will merge with and into Butler (the "Merger"). In the Merger, Butler will be the surviving corporation (sometimes referred to herein as the "Surviving Corporation") and become a wholly-owned subsidiary of BlueScope. Please read the discussion under the heading "The Merger Agreement" beginning on page 37.

*The Companies.* Butler, a Delaware corporation, is primarily engaged in the design, production and marketing of building systems and components for nonresidential structures. Butler conducts its business from offices located in Kansas City, Missouri, and other offices worldwide. BlueScope is an Australian company that produces and sells a variety of steel products, and specializes in flat steel products. BlueScope conducts its business from its head office located in Melbourne, Australia and from other offices worldwide. Please read the discussions under the headings "Summary The Parties" and "The

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Parties to the Merger" beginning on pages 3 and 9, respectively.

*Merger Consideration.* If the Merger is completed, each share of common stock of Butler, other than those shares held by any stockholders who properly exercise their appraisal rights under Delaware law, will be converted into the right to receive \$22.50 in cash without interest. Please read the discussion under the heading "The Merger Agreement Consideration to Be Received in Merger" beginning on page 37.

*Special Meeting and Record Date.* A special meeting of Butler stockholders will be held at 10:30 a.m., local time, at City Stage Theater, Union Station Kansas City, 30 West Pershing Road, Kansas City, Missouri, on Tuesday, April 27, 2004, to vote on the proposal to adopt and approve the Merger Agreement and the transactions contemplated by the Merger Agreement. Only Butler stockholders of record on March 19, 2004 are entitled to receive notice of and vote at the special meeting. On that date, there were 6,334,382 shares of Butler common stock outstanding held by approximately 1,966 record holders. Please read the discussions under the headings "The Special Meeting of Butler Stockholders Time, Place and Purpose of the Special Meeting" and "The Special Meeting of Butler Stockholders Who Can Vote at the Special Meeting" each beginning on page 10.

*Vote Required.* Each share of Butler common stock held by stockholders of record on the record date will be entitled to vote. The approval and adoption of the Merger Agreement and the transactions contemplated by the Merger Agreement requires the affirmative vote by the holders of a majority of the shares of Butler common stock issued and outstanding on the record date. Each share of common stock is entitled to one vote. Butler stockholders should vote by filling out their proxy card and sending it to Butler (which vote may be rescinded at any time before the special meeting of stockholders). Please see the discussions under the headings "The Special Meeting of Butler Stockholders Vote Required for Approval of Merger" and "The Special Meeting of Butler Stockholders Voting by Proxy" beginning on pages 10 and 11, respectively.

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*Recommendation of Butler Board of Directors.* Butler's board of directors, after considering many factors, unanimously recommends that Butler stockholders vote "FOR" adoption and approval of the Merger Agreement and the transactions contemplated by the Merger Agreement. Please see the discussion under the heading "The Merger Recommendation of Butler's Board of Directors" beginning on page 20.

*Conditions to Consummate Merger.* The Merger will be consummated only if certain conditions and obligations have been satisfied or waived such as approval by Butler stockholders, regulatory approval and satisfaction of other conditions and obligations contained in the Merger Agreement. If law permits, either Butler or BlueScope could choose to waive a condition to its obligation to complete the Merger even though that condition has not been satisfied. Please see the discussion under the heading "The Merger Agreement Conditions to Consummation of the Merger" beginning on page 37.

*Failure to Complete the Merger.* It is possible the Merger will not be completed. This would happen if the Butler stockholders do not approve and adopt the Merger Agreement or if certain other conditions are not satisfied or waived. If the Merger is not completed, Butler will have to pursue alternate transactions in order to resolve its continuing defaults under its borrowing agreements, preserve the value of its assets and continue its operations as a going concern. Butler believes that one of the conditions of the Merger Agreement relating to its cash flow for the first quarter of 2004 will not be satisfied, which would give BlueScope the ability to choose not to consummate the Merger or to terminate the Merger Agreement. Please see the discussions under the headings "The Merger Agreement Conditions to Consummation of the Merger," "The Merger Agreement Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements" and "The Merger Failure to Approve and Complete the Merger" beginning on pages 37, 42 and 20, respectively.

*Dissenters' Rights.* If a Butler stockholder does not wish to vote in favor of the Merger and fulfills several procedural requirements, including not voting in favor of the Merger Agreement, Delaware law entitles such stockholder to a judicial appraisal of the fair value of the shares of Butler common stock held by that stockholder. Please read the discussion under the heading "The Merger Dissenters' Rights of Appraisal" beginning on page 32.

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*Tax Consequences.* The Merger will be a taxable transaction to Butler stockholders. Please read the discussion under the heading "The Merger Material United States Federal Income Tax Consequences" beginning on page 30.

*Interest of Certain Persons in the Merger.* Some of our directors and officers have interests that are different from or in addition to the interests of other Butler stockholders. These interests include, among others, change of control payments, acceleration of and/or vesting of restricted stock, deferred compensation and fees and stock options. Please read the discussion under the heading "The Merger Interests of Butler's Directors and Officers in the Merger" beginning on page 26.

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**QUESTIONS AND ANSWERS ABOUT THE MERGER**

**Q: WHY ARE BLUESCOPE AND BUTLER PROPOSING THE MERGER?**

A: Butler believes that the Merger will provide immediate and fair value to its stockholders for their interest in Butler and will provide Butler with the ability to satisfy its financial obligations to its creditors. BlueScope believes that the Merger will enhance its growth opportunities in two important markets the United States and China. To review the reasons for the Merger in greater detail, see "The Merger Background of Merger," "The Merger Butler's Reasons for the Merger," and "The Merger Recommendation of Butler's Board of Directors."

**Q: WHEN DO YOU EXPECT TO COMPLETE THE MERGER?**

A: The Merger cannot be completed until certain conditions have been satisfied or waived. See "The Merger Agreement Conditions to Consummation of the Merger." However, we anticipate that all such conditions will be satisfied or waived prior to or shortly after the special meeting.

**Q: WHAT WILL I RECEIVE IN THE MERGER?**

A: You will receive \$22.50 in cash (without interest) for each share of Butler common stock that you own. See "The Merger Agreement Consideration to Be Received in Merger."

**Q: WHAT SHOULD I DO NOW IN ORDER TO VOTE ON THE MERGER?**

A: After carefully reading this document, please indicate on your proxy card how you want to vote and sign and mail it in the enclosed return envelope as soon as possible, so that your shares may be represented at the special meeting.

**Q: WHAT HAPPENS IF I DO NOT VOTE?**

A: Because the affirmative vote by the holders of a majority of the outstanding shares of Butler common stock is required to approve and adopt the Merger Agreement and the Merger, if you fail to vote, it will have the same effect as if you voted "AGAINST" the Merger.

**Q: IF MY BROKER HOLDS MY SHARES IN "STREET NAME", WILL MY BROKER VOTE MY SHARES FOR ME?**

A: Your broker will vote your shares only if you direct him or her to do so.

**Q: WHAT DO I DO IF I WANT TO CHANGE MY VOTE AFTER I HAVE MAILED MY SIGNED PROXY CARD?**

A: You may revoke or change your proxy at any time prior to its use at the special meeting by giving Butler a new proxy, giving a written direction to the Secretary of Butler to revoke your proxy, or attending the special meeting and voting in person. See "The Special Meeting of Butler Stockholders Voting by Proxy."

**Q: HOW DO I GET THE CASH IN EXCHANGE FOR MY SHARES OF BUTLER COMMON STOCK?**

A: After the Merger is completed, BlueScope will send Butler stockholders written instructions for surrendering their shares. If you hold Butler shares in physical form, please do not send in your stock certificates now.



**Q: HOW WILL THE MERGER AFFECT HOLDERS OF OPTIONS TO ACQUIRE BUTLER COMMON STOCK?**

A: BlueScope will distribute cash to holders of outstanding stock options with exercise prices less than \$22.50. The amount of cash will be determined by reference to the spread between \$22.50 and the exercise price, as provided in the Merger Agreement. See "The Merger Agreement Butler Stock Options."

**Q: WILL I GET APPRAISAL RIGHTS IN THE MERGER?**

A: Yes. Under the Delaware General Corporation Law (the "DGCL"), Butler

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stockholders are entitled to appraisal rights in connection with the Merger. Any Butler stockholder who wants to exercise appraisal rights must strictly comply with the rules governing the exercise of appraisal rights or else it will lose those appraisal rights. If a Butler stockholder returns a signed proxy card not marked "AGAINST" or "ABSTAIN" with respect to the approval and adoption of the Merger Agreement, such proxy will be voted "FOR" the approval and adoption of the Merger Agreement and will result in that stockholder waiving his, her or its appraisal rights. We have described the procedures for exercising appraisal rights in this proxy statement and have attached the provisions of the DGCL that govern appraisal rights as Appendix B. See "The Merger Dissenters' Rights of Appraisal."

**Q: WHO CAN ANSWER MY QUESTIONS?**

A: You can find more information about Butler from various sources described under "Where You Can Find More Information." If you have questions about the special meeting, where to send your proxy or other matters with respect to voting after reading this proxy statement, you should contact:

MacKenzie Partners, Inc.  
105 Madison Avenue  
New York, New York 10016  
Telephone: (212) 929-5500

If you have additional questions about the Merger, you should contact:

Butler Manufacturing Company  
1540 Genessee Street  
Kansas City, Missouri 64102  
Attn: Secretary  
Telephone: (816) 968-3000

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## SUMMARY

*The following summarizes the material information set forth in this proxy statement. It does not contain all of the information in this proxy statement. In order to fully understand the Merger, you should carefully read the entire proxy statement, the Merger Agreement attached as Appendix A to this proxy statement and the other appendices attached to this proxy statement. We encourage you to read the Merger Agreement because it is the legal document that governs the Merger.*

## The Parties

*Butler.* Butler is a corporation organized under the laws of the State of Delaware. Its principal executive offices are located at 1540 Genessee Street, Kansas City, Missouri 64102. Butler common stock is listed on The New York Stock Exchange (the "NYSE"). Through its subsidiaries, Butler is engaged in the business of producing and selling pre-engineered building systems, supplying architectural aluminum systems and components, and providing construction and real estate services for the nonresidential construction market. Butler conducts its business from offices located in Kansas City, Missouri, and other offices worldwide.

*BlueScope.* BlueScope is a corporation organized under the laws of Australia. Its principal executive offices are located at Level 11, 120 Collins St., Melbourne, Victoria 3000, Australia. BlueScope's ordinary shares are listed on the Australian Stock Exchange. Through its subsidiaries, BlueScope produces and sells a variety of steel products, and specializes in flat steel products. BlueScope conducts its business from its head office located in Melbourne, Australia, and from other offices worldwide.

*The BlueScope Subsidiary.* The BlueScope Subsidiary is an indirect wholly-owned subsidiary of BlueScope formed solely to facilitate BlueScope's acquisition of Butler. The Merger Agreement provides that the BlueScope Subsidiary will not perform any activities other than those related to its formation or the consummation of the Merger.

See "The Parties to the Merger."

## The Proposed Acquisition

*Structure of the Merger.* In the Merger, the BlueScope Subsidiary will merge with and into Butler, Butler will be the Surviving Corporation of the Merger and will become an indirect wholly-owned subsidiary of BlueScope.

*Stockholder Vote.* You are being asked to vote to approve and adopt the Merger Agreement.

*Effectiveness of the Merger.* The Merger will be effective upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware (the "Effective Time") in accordance with the DGCL. The Merger Agreement provides that such filing will be made as promptly as practicable after the conditions set forth in the Merger Agreement are satisfied or waived, unless another time is agreed to by Butler and BlueScope. See "The Merger Agreement Conditions to Consummation of the Merger."

*Price for Your Stock.* Unless you exercise dissenters' rights, as a result of the Merger you will receive \$22.50 in cash (without interest) for each share of your Butler common stock.

## Butler Stock Price

Shares of Butler are listed on the NYSE under the symbol "BBR." On October 29, 2003, the day before Butler's board of directors publicly announced that it had authorized management to explore strategic alternatives, including private investment capital, asset sales, and the sale of Butler, Butler common stock closed at \$16.98 per share. The average closing price of Butler common stock for the 30 days prior to such date was \$15.79. On February 13, 2004, the last full trading day immediately preceding the public announcement of the proposed Merger, Butler common stock closed at \$22.10 per share. On March 23, 2004, which is the latest practicable date prior to the date of this proxy statement, Butler common stock closed at \$22.38 per share. See "Recent Market Prices Of, and Dividends On, Butler Common Stock."

## Conversion of Butler Stock Options

All unvested Butler stock options issued under the Butler stock option plans and

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outstanding at the Effective Time will vest at such time. If you are a holder of a Butler stock option with an exercise price of less than \$22.50 and you confirm the termination of your option, then promptly after the Effective Time, BlueScope will pay you an amount of cash equal to the product of (A) the difference between \$22.50 and the per share exercise price of your option, and (B) the number of shares of Butler common stock covered by your option, less applicable withholding taxes. Simultaneously with the completion of the Merger, the Butler stock option plans and each outstanding Butler stock option under the Butler stock option plans will be terminated.

## Board Recommendation

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Butler's board of directors has unanimously determined that the Merger Agreement is advisable, has approved the Merger Agreement and recommends that Butler stockholders vote "FOR" approval and adoption of the Merger Agreement. See "The Merger Recommendation of Butler's Board of Directors."

### **Butler's Reasons for the Merger**

Before reaching its decision to approve and recommend the Merger Agreement and the transactions it contemplates, Butler's board of directors consulted with senior management and Butler's financial and legal advisors and considered a number of factors, including:

the current state of the business, operations, assets, financial condition, results of operations, and prospects of Butler;

the current and historical market prices of Butler common stock relative to the \$22.50 per share merger consideration, and the increases in the market price prior to signing the Merger Agreement;

the analysis presented by George K. Baum Advisors LLC ("Baum") and the fairness opinion Baum delivered to Butler's board of directors, which is described below under "Opinion of Butler's Financial Advisor";

a review of Butler's prospective financial condition, results of operations and business if it remained independent, including Butler's anticipated liquidity and capital resource needs;

the continuing defaults by Butler under its borrowing agreements, Butler's inability to date to obtain from its lenders any waivers of its defaults or agreements to forebear collection, the lenders' ability to accelerate and demand immediate repayment of all amounts owed, the lenders' requirement that Butler repay in full all amounts owed to the lenders, and the going-concern qualification to be received from Butler's independent outside accounting firm in connection with Butler's audited 2003 year-end financial statements;

the fact that the Merger will provide sufficient funds to satisfy Butler's lenders;

the adverse impact that filing for bankruptcy would have on Butler's business and the value of its common stock;

the likelihood that the Merger would be consummated, in light of the experience, reputation and financial capability of BlueScope; and

the terms of the Merger Agreement.

Butler's board of directors viewed all of these factors and the others discussed in "The Merger Butler's Reasons for the Merger" as important in reaching its conclusion. For a more detailed discussion of the board's considerations see "The Merger Background of the Merger" and "The Merger Butler's Reasons for the Merger."

### **The Special Meeting**

*Place, Date and Time.* The special meeting will be held at 10:30 a.m., local time, at City Stage Theater, Union Station Kansas City, 30 West Pershing Road, Kansas City, Missouri, on Tuesday, April 27, 2004.

*What Vote is Required for Approval and Adoption of the Merger Agreement.* The approval and adoption of the Merger Agreement requires the affirmative vote by the holders of a majority of the shares of Butler common stock issued and outstanding as of the record date referred to below. Failing to vote will have the same effect

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as a vote "AGAINST" approval and adoption of the Merger Agreement.

*Who Can Vote at the Meeting.* At the special meeting you can vote all of the shares of Butler common stock you own of record as of March 19, 2004, which is the record date for the special meeting. If you own shares that are registered in someone else's name such as a broker or nominee, you need to direct that person to vote those shares or obtain an authorization from them to vote the shares yourself at the special meeting. As of the close of business on March 19, 2004, there were 6,334,382 shares of Butler common stock outstanding held by approximately 1,966 holders of record.

*Procedure for Voting.* You can vote your shares by attending the special meeting and voting in person or by mailing the enclosed proxy card. If you submit a proxy, you may revoke it at any time before the vote is taken at the special meeting. To revoke your proxy, you must either advise the Secretary of Butler in writing, deliver a proxy dated after the date of the proxy you wish to revoke, or attend the meeting and vote your shares in person. Merely attending the special meeting will not constitute revocation of your proxy. See "The Special Meeting of Butler Stockholders Vote by Proxy."

### **Opinion of Butler's Financial Advisors**

Baum, Butler's financial advisor, delivered to Butler's board of directors its verbal opinion on February 11, 2004, and its written opinion, dated February 15, 2004, to the effect that, as of those dates and based upon and subject to the matters and assumptions stated in the written opinion, the merger consideration of \$22.50 in cash per share was fair from a financial point of view to Butler stockholders. See "The Merger Opinion of Butler's Financial Advisor."

### **Interests of Directors and Executive Officers in the Merger that Differ from Your Interests**

Some of Butler's directors and officers have interests in the Merger that are different from, or are in addition to, their interests as stockholders in Butler. Butler's board of directors knew about these additional interests and considered them when it approved the Merger Agreement. See "The Merger Interests of Butler's Directors and Officers in the Merger."

### **Material United States Federal Income Tax Consequences**

The Merger will be a taxable transaction to you. In general, for United States federal income tax purposes, your receipt of cash in exchange for your shares of Butler common stock will cause you to recognize a gain or loss measured by the difference, if any, between the cash you receive in the Merger and your adjusted tax basis in your shares of Butler common stock. Tax matters are very complicated, and the tax consequences of the Merger to you will depend on the facts of your particular situation. We urge you to consult your own tax advisor as to the specific tax consequences to you of the Merger, including the applicable federal, state, local and foreign tax consequences. See "The Merger Material United States Federal Income Tax Consequences."

### **Regulatory Filings and Approvals**

The Merger is subject to review by the Antitrust Division of the Department of Justice and the Federal Trade Commission (the "Federal Antitrust Agencies"). On February 27, 2004, Butler and BlueScope each filed the required information and materials with the Federal Antitrust Agencies. Early termination of the applicable waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), was granted effective March 11, 2004. These agencies, state antitrust authorities or a private person or entity could challenge the Merger at any time before or after its completion. See "The Merger Regulatory Filings and Approvals."

### **Dissenters' Rights of Appraisal**

The DGCL provides you with appraisal rights in the Merger. This means that if you are not satisfied with the amount you would receive in the Merger, you are entitled to have the value of your shares determined by the Delaware Court of Chancery (the "Chancery Court") and to receive payment based on that valuation. The ultimate amount you receive as a dissenting stockholder in an appraisal proceeding may be more or less than, or the same as, the amount

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you would have received in the Merger. To exercise your appraisal rights, you must deliver a written objection to the Merger to the Secretary of Butler at or before the vote is taken at the special meeting and you must not vote in favor of approval and adoption of the Merger Agreement. Your failure to follow exactly the procedures specified under the DGCL will result in the loss of your appraisal rights. See "The

Merger Dissenters' Rights of Appraisal."

### **When the Merger will be Completed**

We are working to complete the Merger as soon as possible. We anticipate completing the Merger immediately following the special meeting, subject to receipt of stockholder approval and satisfaction of other requirements, including the conditions described immediately below. See "The Merger Agreement Effective Time of the Merger."

### **Conditions to Completing the Merger**

The completion of the Merger depends on a number of conditions being satisfied, including the following, among others:

approval and adoption of the Merger Agreement by the stockholders of Butler in accordance with the DGCL;

no Company Material Adverse Change having occurred with respect to Butler. See "The Merger Agreement Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements";

the absence of any legal action or restraint blocking or seeking to block the Merger;

Butler and BlueScope having performed in all material respects all of their requisite obligations under the Merger Agreement (and each party having received the certificate of appropriate executive officers of the other party to that effect);

the representations and warranties of Butler which are qualified by materiality in the Merger Agreement being true and correct in all respects when made and as of the closing date (and BlueScope having received the certificate of the CEO and the CFO of Butler to that effect), provided that this condition will be deemed satisfied unless failure of such representations and warranties to be so true and correct is, or is reasonably likely to be, a Company Material Adverse Effect;

the representations and warranties of BlueScope which are qualified by materiality in the Merger Agreement being true and correct in all respects when made and as of the closing date (and Butler having received the certificate of an executive officer of BlueScope to that effect);

the representations and warranties of each of Butler and BlueScope which are not qualified by materiality in the Merger Agreement being true and correct in all material respects when made and as of the closing date (and each party having received the certificate of appropriate executive officers of the other party to that effect); and

obtaining all necessary regulatory approvals.

If law permits, either Butler or BlueScope could choose to waive a condition to its obligation to complete the Merger even though that condition has not been satisfied. See "The Merger Agreement Conditions to Consummation of the Merger" and "The Merger Agreement Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements."

### **Failure to Approve and Complete the Merger**

It is possible the Merger will not be completed. This would happen if the Butler stockholders do not approve and adopt the Merger Agreement or if certain other conditions are not satisfied or waived. See "The Merger Conditions to Consummation of the Merger" and "The Merger Agreement Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements." If the Merger is not completed, none of BlueScope, Butler or any other person will be under any obligation to make or consider any alternate proposal regarding the acquisition of Butler. If

the Merger is not completed, Butler will have to pursue alternate transactions in order to resolve its continuing defaults under its borrowing agreements, preserve the value of its assets and continue its operations as a going concern. These alternate transactions could include restructurings, recapitalizations, an alternate sale or merger, disposals of assets, procurement of new equity or any combination of these and may or may not involve a filing under Chapter 11 of the U.S. Bankruptcy Code. Butler's board of directors and management believe that if the Merger is not completed it will be difficult to obtain a workable arrangement with its lenders to continue existing operations as currently conducted.

### **Termination of the Merger Agreement**

Butler and BlueScope can mutually agree in writing to terminate the Merger Agreement whether before or after approval and adoption by the Butler stockholders. Each of Butler and BlueScope may terminate the Merger Agreement unilaterally if certain events occur, including, among other things, breaches by the other party, the Merger not being consummated by August 1, 2004, and the Butler stockholders not adopting the Merger Agreement. In addition, BlueScope may unilaterally terminate the agreement if Butler's board of directors withdraws or adversely modifies its recommendation of the Merger. See "The Merger Agreement Termination of Merger Agreement."

### **Termination Fees and Expenses**

Butler will be required to pay a termination fee of \$5.5 million to BlueScope and reimburse BlueScope for expenses of up to \$1.5 million if the Merger Agreement is terminated under certain circumstances. See "The Merger Agreement Termination of Merger Agreement" and "The Merger Agreement Termination Fees and Expenses."

### **Accounting Treatment**

The Merger will be accounted for as a "purchase" as such term is used under U.S. generally accepted accounting principles ("GAAP"), for accounting and financial reporting purposes. See "The Merger Accounting Treatment of Merger."

### **Procedure for Receiving Merger Consideration**

BlueScope will appoint a paying agent to coordinate the payment of the cash merger consideration following the Merger. The paying agent will send you written instructions for surrendering your certificates and obtaining the cash merger consideration after Butler and BlueScope have completed the Merger. Do not send in your Butler stock certificates now. See "The Merger Agreement Exchange Procedures."

### **Shares Held by Directors and Executive Officers**

As of March 19, 2004, approximately 4.1% of the outstanding shares of Butler common stock were held by directors and executive officers of Butler and its affiliates and entities controlled by them, and no shares of Butler common stock were held by BlueScope. Each of those persons has advised Butler that he, she or it will vote the shares held by him, her or it in favor of the proposal to approve and adopt the Merger Agreement. See "Security Ownership of Certain Beneficial Owners and Management."

### **Questions**

If you have questions about the special meeting, where to send your proxy or other matters with respect to voting after reading this proxy statement, you should contact:

MacKenzie Partners, Inc.  
105 Madison Avenue  
New York, New York 10016  
Telephone: (212) 929-5500

If you have additional questions about the Merger, you should contact:

Butler Manufacturing Company  
1540 Genessee Street  
Kansas City, Missouri 64102  
Attn: Secretary  
Telephone: (816) 968-3000

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**CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING INFORMATION**

This proxy statement, and the documents to which you are referred in this proxy statement, contain forward-looking statements based on estimates and assumptions. Forward-looking statements include information concerning possible or assumed future results of operations of each of BlueScope and Butler as well as information relating to the Merger. There are forward-looking statements throughout this proxy statement, including, among others, under the headings "Summary," "The Merger" and "Opinion of Butler's Financial Advisor," and in statements containing the words "believes," "expects," "anticipates," "intends," "estimates" or other similar expressions. For each of these statements, Butler claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

You should be aware that forward-looking statements involve known and unknown risks and uncertainties. Although we believe that the expectations reflected in these forward-looking statements are reasonable, we cannot assure you that the actual results or developments we anticipate will be realized, or even if realized, that they will have the expected effects on the business or operations of each of Butler and BlueScope. These forward-looking statements speak only as of the date on which the statements were made.

In addition to other factors and matters contained or incorporated in this document, we believe the following factors could cause actual results to differ materially from those discussed in the forward-looking statements:

uncertainties relating to general economic, industry, business and social conditions;

actions by Butler's lenders to accelerate Butler's debt due to its ongoing defaults and the potential that such an acceleration would force Butler to file for protection under Chapter 11 of the U.S. Bankruptcy Code;

changes in the willingness of vendors or trade creditors to deal with Butler or in the credit or other commercial terms on which they are willing to do so;

changes in customer confidence in Butler and its products;

the timing of, and legal, regulatory and other conditions associated with, the completion of the Merger;

competitive pressures in the markets in which Butler competes;

other consolidations, restructurings or other ownership changes in the construction or steel industries;

the loss of key employees;

the supply and price of materials used by Butler;

the demand and price for Butler's products and services; and

other trends affecting Butler's financial condition or results of operations including changes in manufacturing capacity utilization and corporate cash flow in both domestic and international markets.

You should not place undue reliance on any forward-looking statements. Except as expressly required by the federal securities laws, Butler undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this proxy statement.

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## THE PARTIES TO THE MERGER

The parties to the Merger Agreement are Butler, BlueScope and the BlueScope Subsidiary, an indirect wholly-owned subsidiary of BlueScope.

### **Butler**

Butler was founded as a partnership in 1901, incorporated in Missouri in 1902, and later reincorporated in Delaware in 1969. Its corporate headquarters are located in Kansas City, Missouri. Butler operates manufacturing facilities, engineering offices and service centers at various places in the continental United States and 15 foreign countries. Principal international operations are conducted through two Chinese wholly-owned subsidiaries, Butler (Shanghai) Inc., and Butler (Tianjin) Inc., and through Saudi Building Systems Ltd. and Vistawall International (UAE) Ltd., minority-owned joint ventures in Saudi Arabia and the United Arab Emirates.

Butler is primarily engaged in the design, production and marketing of building systems and components for nonresidential structures. Products and services fall into five principal business segments:

North American Building Systems, consisting primarily of custom designed and pre-engineered steel and wood frame building systems for commercial, community, industrial, governmental, and agricultural uses;

International Building Systems, consisting primarily of custom designed and pre-engineered steel buildings for commercial, community, industrial, and governmental use;

Architectural Products, consisting primarily of curtain wall and storefront framing systems, standard and custom window systems, skylights, and roof vents for low-rise, medium-rise, and high-rise nonresidential buildings;

Construction Services, providing construction management services for purchasers of large, complex, or multiple site building projects; and

Real Estate, providing build-to-suit-to-lease development services for corporations that prefer to lease rather than own their facilities.

Butler's products are sold, installed, and serviced through over 4,000 independent dealers or contractors that serve the commercial, community, industrial, agricultural, and governmental markets.

### **BlueScope**

BlueScope is the largest steel company in Australia and New Zealand. It is the only producer of flat steel in these countries and has a significant presence in the Asian steel industry. BlueScope produces about 60% of Australia's overall steel production, and supplies around 80% of all flat steel products sold in Australia and New Zealand. BlueScope serves customers primarily in the building and construction, packaging, pipe and tube, automotive and general manufacturing industries. Its focus is on supplying value-added metallic coated, painted and roll-formed steel products, and other flat steel products like slab, hot rolled coil and plate. BlueScope conducts its business from its head office located in Melbourne, Australia and from several other offices worldwide.

### **BlueScope Subsidiary**



The BlueScope Subsidiary is an indirect wholly-owned subsidiary of BlueScope formed solely to facilitate BlueScope's acquisition of Butler. The Merger Agreement provides that the BlueScope Subsidiary will not perform any activities other than of those related to its formation or the consummation of the Merger.

## THE SPECIAL MEETING OF BUTLER STOCKHOLDERS

### Time, Place and Purpose of the Special Meeting

The special meeting will be held at 10:30 a.m., local time, at City Stage Theater, Union Station Kansas City, 30 West Pershing Road, Kansas City, Missouri, on Tuesday, April 27, 2004. The purpose of the special meeting is (1) to vote on the proposal to approve and adopt the Merger Agreement, pursuant to which, upon the terms and subject to the conditions of the Merger Agreement, (a) the BlueScope Subsidiary will be merged with and into Butler, with Butler being the Surviving Corporation and becoming an indirect wholly-owned subsidiary of BlueScope; and (b) each share of Butler common stock outstanding at the Effective Time (other than shares held by Butler or its subsidiaries, any shares held by BlueScope or its subsidiaries, or stockholders who perfect their statutory appraisal rights under the DGCL) will be converted into the right to receive \$22.50 in cash, without interest; and (2) to transact such other business as may properly come before the special meeting.

Butler's board of directors has unanimously determined that the Merger Agreement is advisable and approved the Merger Agreement and recommends that Butler stockholders vote "FOR" approval and adoption of the Merger Agreement.

### Who Can Vote at the Special Meeting

The holders of record of Butler common stock as of the close of business on March 19, 2004, which is the record date for the special meeting, are entitled to receive notice of, and to vote at, the special meeting. If you own shares that are registered in someone else's name, such as a broker or nominee, you need to direct that person to vote those shares or obtain an authorization from them to vote the shares yourself at the special meeting. On March 19, 2004, there were 6,334,382 shares of Butler common stock outstanding held by approximately 1,966 holders of record.

### Vote Required for Approval of Merger

The approval and adoption of the Merger Agreement requires the affirmative vote by the holders of a majority of the shares of Butler common stock issued and outstanding on the record date. Each share of common stock is entitled to one vote. Failure to return a properly executed proxy card or to vote in person will have the same effect as a vote "AGAINST" approval and adoption of the Merger Agreement.

Under the rules of the NYSE, brokers who hold shares in street name for customers have the authority to vote on "routine" proposals when they have not received instructions from beneficial owners. However, brokers are precluded from exercising their voting discretion with respect to the approval of non-routine matters such as the approval and adoption of the Merger Agreement. As a result, without specific instructions from the beneficial owner of shares they hold in street name, brokers are not empowered to vote those shares (referred to generally as "broker non-votes"). Abstentions and broker non-votes will be treated as shares that are present and entitled to vote at the special meeting for purposes of determining whether a quorum exists and will have the same effect as votes "AGAINST" approval and adoption of the Merger Agreement.

The holders of a majority of the shares of Butler common stock issued and outstanding on the record date, represented in person or by proxy, will constitute a quorum for purposes of the special meeting. A quorum is necessary to hold the special meeting. Once a share is represented at the special meeting, it will be counted for the purpose of determining a quorum and any adjournment of the special meeting, unless the holder is present solely to object to the special meeting. However, if a new record date is set for an adjourned meeting, then a new quorum will have to be established.

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This proxy statement is being sent to you on behalf of Butler's board of directors for the purpose of requesting that you allow your shares of Butler common stock to be represented at the special meeting by the persons named in the enclosed proxy card. All shares of Butler common stock represented at the meeting by properly executed proxy cards will be voted in accordance with the instructions indicated on that proxy. If you sign and return a proxy card without giving voting instructions, your shares will be voted "FOR" approval and adoption of the Merger Agreement.

The persons named in the proxy card will use their own judgment to determine how to vote your shares regarding any matters not described in this proxy statement that are properly presented at the special meeting. Butler does not know of any matter to be presented at the meeting other than the proposal to approve and adopt the Merger Agreement.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must either advise the Secretary of Butler in writing, deliver a proxy dated after the date of the proxy you wish to revoke or attend the meeting and vote your shares in person. Merely attending the special meeting will not constitute revocation of your proxy.

If your shares are held in "street name" by your broker, you should instruct your broker on how to vote your shares using the instructions provided by your broker. If you do not instruct your broker to vote your shares, they will not be voted and this will have the same effect as if they were voted "AGAINST" approval and adoption of the Merger Agreement.

Butler will pay the cost of this proxy solicitation. Butler has engaged MacKenzie Partners, Inc. to assist in the solicitation of proxies for the special meeting and will pay MacKenzie Partners, Inc. a fee of \$7,500 plus reimbursement of reasonable out of pocket expenses for these services. In addition to soliciting proxies by mail, directors, officers and employees of Butler may solicit proxies personally and by telephone. None of these persons will receive additional or special compensation for soliciting proxies. Butler will, upon request, reimburse brokers, banks and other nominees for their expenses in sending proxy materials to their customers who are beneficial owners and obtaining their voting instructions.

### THE MERGER

#### General Description of the Merger

In the Merger, the BlueScope Subsidiary, an indirect wholly-owned subsidiary of BlueScope, will merge with and into Butler and Butler will be the Surviving Corporation and become an indirect wholly-owned subsidiary of BlueScope. The Merger will be effective upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL. The Merger Agreement provides that such filing will be made as promptly as practicable after the conditions set forth in the Merger Agreement are satisfied or waived, unless another time is agreed to by Butler and BlueScope. See "The Merger Conditions to Consummation of the Merger." As a result of the Merger, you will receive \$22.50 in cash (without interest) for each share of Butler common stock that you own.

#### Background of the Merger

In June 2001, Butler entered into a three-year, \$50 million credit agreement (the "Credit Agreement") with a group of banks and issued \$50 million of related senior unsecured notes (the "2001 Notes") to institutional investors for the purpose of funding certain capital expenditures and providing additional liquidity for operations. This debt was in addition to \$50 million of aggregate principal then outstanding under the senior unsecured notes that Butler issued in 1994 and 1998 (together with the 2001 Notes, the "Notes").

Principally due to general weakness in the domestic nonresidential construction industry, Butler was unable to comply with certain financial covenants set forth in the Credit Agreement for the third quarter of 2002. Butler sought and received a waiver for this non-compliance from its banks and subsequently amended the terms of the Credit Agreement to revise certain financial covenants. In exchange for this amendment to the Credit Agreement, Butler agreed to reduce the amount of credit available under the Credit Agreement to \$35 million, amend certain terms under the Notes and grant equal and ratable security interests to the banks and Note holders in Butler's domestic cash, accounts receivable, inventory, equipment and subsidiary stock. The amendment process, which included revisions to terms of certain financial covenants under the Notes, was concluded in February 2003.

In March 2003, Kirby Adams, Managing Director and CEO of BlueScope, and John Holland, Chairman and CEO of Butler, first spoke regarding Butler and BlueScope by way of a telephone call initiated by Mr. Adams, which was followed by a meeting between the two on April 9, 2003 in Kansas City. At that meeting, Mr. Adams indicated that BlueScope had identified Butler as a company that would be a

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complementary fit with BlueScope, especially with respect to its China operations, but indicated that BlueScope had no intention of any hostile action. Mr. Holland indicated he would inform Butler's board of directors regarding the meeting and BlueScope's interest, which he did at the June 2003 board meeting. Mr. Adams subsequently left a telephone message for Mr. Holland in early July 2003 indicating he would stop in Kansas City to meet with Mr. Holland if Mr. Holland desired. Mr. Holland did not respond to this message and took no further action to initiate talks with BlueScope at that time.

On May 15, 2003, Butler announced that it had signed a letter of intent to sell substantially all the assets of its Lester Buildings Systems business to a management group headed by the current Lester division president.

On May 22, 2003, Butler engaged Baum to serve as Butler's placement agent to assist in securing a new \$50 million credit facility to provide additional funding for operations and replace the current Credit Agreement that terminates on June 20, 2004. In conjunction with this process, Baum solicited and received a number of refinancing proposals from asset-based lenders. However, none of these proposals provided sufficient liquidity for Butler's anticipated needs without adversely modifying the existing security interests of the Notes, and the Note holders were not willing to consent to that modification. Accordingly, Butler was unable to move forward with any of the refinancing proposals and instead began to negotiate with its existing lenders to restructure the terms of the Credit Agreement and the Notes.

On June 17, 2003, Butler announced that it was reducing its quarterly cash dividend to \$0.04 per share from \$0.18 per share due to the continued downturn in the domestic nonresidential construction industry, poor financial results for the first half of 2003 and the need to maintain financial flexibility in the face of a weakening near-term outlook.

As a result of the continued decline in the domestic nonresidential construction markets, Butler's financial condition, and the difficulties experienced in securing a replacement to the current Credit Agreement, Butler's board of directors engaged Baum on July 9, 2003 to serve as Butler's financial advisor to assist the board of directors in evaluating the strategic options available to Butler, including but not limited to, private investment capital, asset sales, and the sale of Butler. Baum was selected as a financial advisor by Butler's board of directors based upon its knowledge and familiarity with Butler and its industry as well as Baum's qualifications, expertise and reputation.

In conjunction with the announcement of operating results for the second quarter of 2003, Butler stated that although it was in compliance with all provisions of the Credit Agreement and the Notes, there was uncertainty with regard to its ability to comply with the financial covenants of these debt agreements in the future. As a result of this uncertainty, Butler continued to negotiate with its lenders to restructure its debt agreements to provide more financial and operational flexibility and protect

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against potential covenant defaults during the prolonged downturn in the domestic nonresidential construction market.

Due to ongoing market weakness and further concern with respect to Butler's financial condition and liquidity requirements, Butler announced on September 8, 2003 that it was suspending payment of quarterly cash dividends.

On September 18, 2003 together with its bankruptcy counsel and other advisors, Butler initiated a series of discussions with representatives of the existing lenders, subsequent to which Butler made proposals regarding a multi-year restructuring of the terms of the Credit Agreement and the Notes and the extension of additional loans under new arrangements with its existing lenders. These negotiations extended into December 2003 without resulting in any arrangements that were satisfactory to both Butler and its lenders. (The absence of any agreements with the lenders to waive the continuing defaults resulted in the reclassification in the third quarter of 2003 of all of Butler's funded debt under the Notes as short term debt.)

On September 26, 2003, before Butler's board of directors had determined which strategic option to pursue and before Baum and Butler had solicited any proposals with respect to any strategic option, Butler received an unsolicited proposal from a strategic buyer interested in acquiring Butler. Butler's board of directors held a special meeting to review the unsolicited proposal and authorized its advisors to obtain further clarification of the terms of the proposal and Baum to continue the process of exploring other available strategic alternatives for Butler, particularly the solicitation of additional offers to purchase Butler.

In addition to discussions with the party making the unsolicited proposal, Baum worked with Butler's senior management during October 2003 to solicit additional offers and to explore other strategic alternatives. Baum and Butler contacted several parties they thought were reasonably likely to be interested in various strategic alternatives, including four strategic buyers and eight financial buyers.

As part of this process, on October 9, 2003, Mr. Holland sent an e-mail to Mr. Adams to advise him of Butler's decision to explore strategic alternatives. On October 23, 2003, Mr. Holland made a follow-up telephone call to Mr. Adams. Mr. Holland and Mr. Adams determined that

discussions should remain confidential and that each of Butler and BlueScope should execute a mutual confidentiality agreement. On the same day, Butler submitted a confidentiality agreement to BlueScope.

On October 29, 2003, Butler informed its lenders that it was no longer in compliance with certain financial covenants under the Credit Agreement and the Notes. Because of this noncompliance, Butler's lenders had and continue to have the right to demand repayment of \$90 million of debt recorded on Butler's balance sheet and to require cash funding for approximately \$25 million of outstanding stand-by letters of credit. The lenders did not exercise these rights and Butler continued its discussions with the lenders to restructure the debt under the Credit Agreement and the Notes. In conjunction with any demand for repayment of the principal outstanding under the Notes, Butler would also be required to pay any make-whole amount due under the Notes. See "The Merger Negotiations and Agreements with the Note Holders."

On October 30, 2003, concurrent with its announcement of operating results for the third quarter of 2003, Butler publicly announced the defaults under the Credit Agreement and the Notes. In conjunction with this release, Butler also announced that its board of directors had authorized management to explore the strategic options available to Butler, including the solicitation of private investment capital, asset sales, and the sale of Butler, and its financial advisor, Baum, had been authorized to assist in the process. As a result of this announcement, Butler and Baum received and responded to a number of inquiries from strategic buyers, financial buyers and investors who were interested in exploring a variety of transactions with Butler.

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On November 16, 2003, Butler and BlueScope executed a confidentiality agreement. At this time, through their financial advisors BlueScope and Butler made arrangements for BlueScope to commence due diligence during the second half of November 2003. BlueScope's due diligence review of Butler included reviewing data room materials, holding meetings with Butler management, participating in discussions with Butler's accountants, lawyers and outside consultants, and visiting Butler facilities in the United States and abroad.

In addition to BlueScope, Butler executed confidentiality agreements with seven other interested parties, including four strategic buyers that were considered to be among the most likely to express strong interest in pursuing a transaction with Butler. Each of these parties was either provided with certain financial materials or participated in meetings with Butler management and was provided access to data room materials.

On November 25, 2003, Butler announced that it had terminated the previously announced agreement to sell substantially all the assets of its Lester Building Systems business to a management group headed by the current Lester division president. Butler and the Lester management group had previously executed a definitive agreement which called for the transaction to be completed by November 21, 2003. The closing of the Lester transaction was subject to receipt of consent from Butler's lenders, which was not received by November 21, 2003. As a result, Butler and the Lester management group executed an agreement terminating the sale.

On December 1, 2003, Baum sent a letter to the various qualified prospective strategic buyers of Butler who had expressed strong interests in a transaction with Butler indicating that Butler would be accepting written indications of interest by December 12, 2003.

On or prior to December 12, 2003, Butler received indication of interest letters from several prospective strategic buyers, including BlueScope. BlueScope's letter proposed to acquire Butler in an all-cash merger at an indicative price between \$23.00 and \$26.00 per share following additional due diligence by BlueScope and subject to the assumptions and terms and conditions contained in the letter. In addition to proposing the highest indicative price for Butler, BlueScope's letter incorporated a willingness to work with Butler's lenders, a provision that was deemed to be material due to the ongoing defaults under the Credit Agreement and the Notes.

On the afternoon of December 14, 2003, Butler's board of directors met and discussed the indication of interest letters and authorized Butler's senior management and Baum to proceed with further negotiations with BlueScope, including an exclusivity period in return for an increased indicative price from BlueScope.

Later in the evening on December 14, 2003, the respective representatives of Baum and Credit Suisse First Boston, BlueScope's financial advisor, negotiated an exclusivity period through the end of January 2004 in return for modifying BlueScope's indicative price per share to \$25.00 per share. From December 15, 2003 to December 16, 2003, the parties negotiated the terms of the letter reflecting this understanding and executed it on December 17, 2003.

On December 15, 2003, a draft merger agreement prepared by Butler's legal counsel, Katten Muchin Zavis Rosenman, was distributed to BlueScope's legal counsel, Sullivan & Cromwell LLP, for their review and comment in connection with the proposed transaction.

On December 30, 2003, Butler reached an agreement with the Note holders to defer the December 30, 2003 and March 20, 2004 principal payments due under certain of the Notes in the aggregate amount of \$8.5 million (the "Noteholder Amendment Agreement"). In exchange,

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Butler agreed, among other things, to deposit scheduled interest payments owed under the Notes in a separate account for the benefit of the lenders and to satisfy certain milestones related to a transaction, including delivering to the Note holders a definitive merger or purchase agreement providing for a transaction that would result in the repayment in full of the Notes by April 30, 2004. The Note holders

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did not otherwise waive any defaults by Butler and reserved the right to exercise all remedies for Butler's defaults. See "The Merger Negotiations and Agreements with the Note Holders."

BlueScope continued its due diligence investigation of Butler throughout January 2004. On January 26, 2004, the parties and their respective legal counsel initiated negotiations on the merger agreement.

On January 30, 2004, Butler received a revised indication of interest letter from BlueScope indicating that BlueScope was willing to acquire Butler in an all-cash merger at an indicative price of \$22.50 per share, subject to the assumptions and terms and conditions contained in the letter, which included the extension of the exclusivity period through February 9, 2004.

Butler's board of directors met on the morning of January 31, 2004 and discussed the revised indication of interest letter and authorized Butler's senior management and Baum to proceed with further negotiations with BlueScope, including an extension of the exclusivity period.

Later in the evening on January 31, 2004, Butler, with its legal and financial advisors, and BlueScope, with its legal and financial advisors, held a series of negotiations on the terms of the revised indication of interest letter, which included direct telephone conversations between Mr. Holland and Mr. Adams. The parties agreed to an extension of the exclusivity period, and a letter reflecting this understanding was executed on February 1, 2004.

From February 3, 2004 to February 10, 2004, the parties and their respective legal counsel and financial advisors negotiated the terms of the Merger Agreement. Concurrently, the parties also negotiated with Butler's Note holders the amount of the make-whole amounts that become due and payable to the Note holders upon a change in control of Butler in addition to the principal and interest owed under the Notes by Butler.

On February 4, 2004, Butler received an unsolicited proposal from one of the other bidders which reconfirmed its interest in a transaction with Butler. Butler's board of directors held a special meeting on February 6, 2004 to review the status of the negotiations with BlueScope and this unsolicited proposal. After consulting with Butler's legal counsel and financial advisors, the board determined that the unsolicited proposal was not, and was not reasonably likely to result in, a proposal superior to BlueScope's current proposal. In reaching its decision, the board concluded that the unsolicited proposal equated to a price of approximately \$20.25 per common share after deducting the make-whole amounts which would become payable on the Notes if the proposal was implemented. While the unsolicited proposal assumed there would be no such make-whole amounts, the board believed this assumption to be unwarranted given the terms of the Notes and the fact that the Note holders had consistently refused all prior requests for a waiver of all or any portion of those make-whole amounts (which the board estimated at that time to be equivalent to approximately \$2.75 per share for these purposes, before considering the effect of income taxes). Butler's board also recognized that the unsolicited proposal did not specifically address the bidder's financing sources and contemplated an exclusivity and negotiating period which would run through March 15, 2004, significantly after the date by which Butler had to reach a definitive agreement under the Noteholder Amendment Agreement and the date by which the board believed it could reach a definitive agreement with BlueScope.

On February 11, 2004, Butler's board of directors met to consider the Merger. Baum delivered its oral opinion, which was subsequently confirmed in writing, that the consideration to be received by Butler stockholders was fair from a financial point of view to such stockholders. Subject to completion of final documentation and satisfactory agreements with the Note holders, Butler's board of directors unanimously approved the Merger.

On February 13, 2004, the parties reached substantive agreement with the Note holders and on February 15, 2004, the parties signed the definitive Merger Agreement and other transaction

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documents, exchanged signatures with the Note holders (described below) and issued press releases announcing the Merger.

### **Negotiations and Agreements with the Note Holders**

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As described above, Butler has been in continuing default with its lenders since October 28, 2003, and despite repeated attempts, Butler has been unable to obtain any waivers or cures of the defaults. Consequently, the lenders have maintained their right to at any time accelerate and demand payment in full of all amounts owed by Butler to the lenders. On December 30, 2003, Butler and the Note holders executed the Noteholder Amendment Agreement which included the following arrangements:

The Note holders agreed to allow Butler to defer principal payments otherwise regularly payable by Butler on December 30, 2003 and March 20, 2004, provided there were no new defaults by Butler and Butler otherwise performed its obligations under the Noteholder Amendment Agreement.

On or before December 30, 2003, Butler would deposit \$2,580,500 in a blocked account (which represents the interest otherwise regularly payable on the Notes on December 30, 2003), and on or before March 19, 2004, Butler would deposit \$1,412,250 into a blocked account (which represents the interest otherwise regularly payable on March 20, 2004).

Butler agreed to provide to the Note holders no later than February 9, 2004, definitive merger documentation which provided for a merger which at closing would result in Butler's immediate repayment in full of all obligations to the Note holders, including principal, interest, default interest and make-whole amounts (as defined in the Notes) and fees. The purchaser was required to have financial qualifications acceptable to the Note holders and the merger agreement was required to be reasonably satisfactory to the Note holders with respect to the treatment of the Notes at closing of the merger and the conditions to the closing.

Butler agreed that the merger transaction contemplated by a definitive merger agreement (to be delivered by February 9, 2004) would close no later than April 30, 2004.

As a result of the understandings in the Noteholder Amendment Agreement, Butler's continuing defaults under the Notes, and the complexity of the make-whole amount calculations, BlueScope, Butler and the Note holders were engaged in extensive and lengthy negotiations during the weeks of February 2, 2004 and February 9, 2004, and reached mutually acceptable agreements among the parties to (1) provide the Note holders assurance from BlueScope that the Notes would be immediately paid in full if BlueScope closed the Merger, (2) provide BlueScope and Butler assurance that the Merger Agreement between BlueScope and Butler satisfied the requirements of the Noteholder Amendment Agreement, and (3) agree among BlueScope, Butler and the Note holders regarding the proper calculation of the make-whole amount. The make-whole amount calculated as agreed upon is approximately \$18 million, assuming a closing on April 30, 2004 and a reference interest rate for U.S. Treasuries as in effect during the week of February 9, 2004. Butler estimates that a 25 basis points change in the reference rates would cause the make-whole amount to increase or decrease, as applicable, by approximately \$1.5 million. Contemporaneously with the execution of the Merger Agreement, a Noteholder Acknowledgement Agreement, dated as of February 15, 2004, was entered into by Butler and the Note holders (the "Noteholder Acknowledgement Agreement"); and Payout Arrangement Agreements, dated as of February 15, 2004, were entered into by Butler, BlueScope, the Note holders and others (the "Payout Arrangement Agreements"), documenting these new agreements.

### **Butler's Reasons for the Merger**

The terms of the Merger Agreement and the transactions contemplated by the Merger Agreement are a result of Butler's board of directors and senior management conducting a comprehensive search

for Butler's strategic alternatives following continuing weakness in the nonresidential commercial construction industry and Butler's non-compliance with the terms and conditions of the Credit Agreement and the Notes. These alternatives included raising private investment capital, selling Butler assets, and the sale of Butler. Butler's board of directors consulted with senior management and Butler's financial and legal advisors in conducting this evaluation of strategic alternatives and considered a number of other factors, including those set forth below, in reaching its decision to approve the Merger Agreement and the transactions contemplated by the Merger Agreement, and to recommend that Butler's stockholders vote "FOR" approval and adoption of the Merger Agreement. Following is a summary of the factors considered material by Butler's board of directors when making its determination to approve and recommend the Merger Agreement and the transactions contemplated by the Merger Agreement.

The following factors were considered that are supportive of the determination by Butler's board of directors:

the consideration to be received by Butler stockholders, which represented a 32.5% premium over the \$16.98 per share price of Butler common stock on October 29, 2003, the day before Butler's board of directors publicly announced that it had authorized management to explore strategic alternatives, a 47.2% premium over \$15.29, the volume weighted average price of Butler common stock for the three-month period ending on October 29, 2003, a 37.6% premium over \$16.35, the volume weighted average price of Butler common stock for the six-month period ending on October 29, 2003, and a 9.2% premium over \$20.61, the volume weighted average price of Butler common stock from October 30, 2003 through February 19, 2004;

the process undertaken by Butler to evaluate strategic alternatives, including remaining independent, soliciting additional private investors in Butler, a sale of Butler assets or business units, a sale of Butler and refinancing Butler's credit facilities. In pursuing these strategic alternatives, and ultimately choosing the sale of Butler as the best strategic alternative, Butler's board of directors considered the following:

Butler's defaults under the Credit Agreement and the Notes had made it exceedingly difficult to borrow additional money to continue to operate the company as an independent going concern and the prolonged economic slump in the domestic non-residential construction industry made it necessary that Butler obtain additional capital to continue its operations independently;

Raising private capital would further dilute the value of the Butler common stock and, while immediately addressing the financial situation of Butler, would not present a long-term solution to Butler's operating budget deficits and the continuing weakness in the industry; and

Butler's continuing dialogue with its banks and Note holders throughout the second half of 2003 had not resulted in any productive solutions which would allow Butler to continue to operate as an independent company while receiving relief from these lenders.

the Louisiana-Pacific litigation in which Butler has been awarded approximately \$29.6 million is currently in the appeals process. While Butler's board of directors feels this award will ultimately be decided favorably for Butler, the continuing appeals process provides no assurances regarding the ultimate resolution, timing and amount of the payment of such award. As such, Butler is unable to rely on this payment to continue its operations as an independent company. Furthermore, while such award would partially address the immediate financial difficulties of Butler, it would not present a long-term solution to Butler's operating budget deficits and the continuing weakness in the industry. Butler's board of directors was aware of and considered the

possibility that a ruling on this matter could be issued shortly following the board's approval of the Merger Agreement and the transactions contemplated by the Merger Agreement.

*Subsequent to the board's determination, a Minnesota Court of Appeals, on February 17, 2004, affirmed the award, except for \$11.2 million of the award which a federal district court in Oregon had previously enjoined from being collected. Louisiana-Pacific has publicly disclosed its intent to appeal this judgment, and Butler is currently appealing the injunction in the Federal Ninth Circuit Court of Appeals. If this favorable ruling is upheld after further appeal, it would only provide limited assistance to Butler in addressing its immediate financial difficulties and it would not represent a solution to Butler's immediate or longer term financial requirements. Butler's board of directors has not and does not expect to reevaluate its recommendation that Butler stockholders approve and adopt the Merger Agreement as a result of this judgment, or any future decision in the appeals process, or settlement of this litigation before the special meeting of Butler stockholders;*

Butler's board of directors' knowledge of the current state of the business, operations, assets, financial condition, results of operations, and prospects of Butler;

Butler's anticipated liquidity and capital resource needs immediately and over the next several years;

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defaults by Butler under the Credit Agreement and the Notes, Butler's inability to date to obtain any waiver of such defaults or forbearances from these creditors, and the going-concern qualification to be received from Butler's independent outside accounting firm in connection with Butler's audited 2003 year-end financial statements;

the requirements of the Noteholder Amendment Agreement to deliver to the Note holders and senior lenders no later than February 9, 2004 a definitive merger agreement (which the Merger Agreement with BlueScope satisfied), which will result in consummation of a transaction that provides for repayment in full of the Notes by April 30, 2004;

the adverse impact that filing for bankruptcy would have on Butler's business, creditors, vendors, customers and stockholders and the likelihood that the value of Butler common stock would be substantially diminished following filing for bankruptcy;

the analysis presented by Baum and the fairness opinion of Baum delivered to Butler's board of directors as described below under "Opinion of Butler's Financial Advisor";

the potential adverse effect on Butler and the market price of Butler's common stock if the Merger is not consummated;

the terms of the Merger Agreement, which among other things permits Butler's board of directors properly to discharge its fiduciary duties, which may include responding to unsolicited inquiries and proposals from third parties interested in the possible acquisition of Butler and providing information to, and entering into discussions and negotiations with, such parties and withdrawing the board's recommendation in favor of the Merger, if the board of directors determines the other proposal is a superior proposal subject to the terms of the Merger Agreement;

the fact that the merger consideration is all cash, which provides greater certainty of value to Butler stockholders than would a transaction in which Butler stockholders would receive stock;

the likelihood that the Merger would be completed prior to April 30, 2004 in light of the experience, reputation and financial capability of BlueScope; and

the Merger's terms and timetable, in light of the results of the bidding process conducted by Butler with Baum's assistance, the indication of interest letters received by Butler, and the

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general industry and market awareness, based on Butler's public statements, that Butler was exploring strategic options including a sale of Butler.

Butler's board of directors also was aware of the possible negative consequences, or factors not supportive, of entering into the Merger Agreement, including the following:

that Butler will no longer exist as an independent company, and its stockholders will no longer benefit from any future increase in the value of Butler, including from any recent or potential future improvements in operating results, the industry or economy;

the potential disruption of Butler's business that could result from the announcement and pendency of the Merger, including potential loss of customers or strategic partners, inability to retain key management, strategic, sales and marketing personnel and the potential negative impact on the process of certain business and construction projects;



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the possibility that the Merger will not be completed and the potentially negative impact on Butler's revenues, sales, earnings, operating results, financial condition, business and stock price in the event the Merger does not close following its public announcement;

the fact that gains from an all-cash transaction would be taxable to Butler stockholders for U.S. federal income tax purposes;

certain terms of the Merger Agreement, including agreements with BlueScope which limit the way in which Butler's business can be operated until the Merger is consummated or the Merger Agreement is terminated;

the interests that certain executive officers and directors of Butler may have with respect to the Merger that are different from, or in addition to, their interests as stockholders of Butler, generally as described below under "The Merger Interests of Butlers' Directors and Officers in the Merger";

that if the Merger does not close, Butler and its directors and officers will have (1) expended extensive efforts attempting to complete the transaction, (2) experienced significant distraction from their work during the pendency of the transaction, and (3) incurred substantial transaction costs that could negatively impact Butler's operating results; and

that Baum's analysis indicated that the ratio of the equity value of Butler implied by the merger consideration of \$22.50 per share to the book value of stockholders' equity for Butler (excluding for this purpose a \$24.7 million decrease in stockholders' equity due to the deferred tax asset valuation reserves established, and related income tax expense recognized, by Butler as required by GAAP on Butler's audited balance sheet as of December 31, 2003 due to the uncertainty as to Butler's realization of Butler's deferred tax assets) was below the range indicated by the Comparable Companies analyzed by Baum. (However, Butler's board considered this particular analysis in light of the other financial analyses prepared by Baum, which are described below, and the opinion ultimately rendered by Baum.)

The foregoing discussion of the information and factors considered by Butler's board of directors in determining that the Merger Agreement and the transactions contemplated by the Merger Agreement is fair to, and in the best interests of, Butler and its stockholders is not intended to be exhaustive, but is believed to include the material factors Butler's board of directors considered in connection with its evaluation of the transaction. In view of the wide variety of factors considered and the complexity of such matters, Butler's board of directors did not attempt to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and considered all of the aforementioned factors in reaching its conclusion that the Merger Agreement and the transactions contemplated by the Merger Agreement are fair to, and in the best interests of, Butler and its stockholders. Butler's board of directors determined that the reasons supporting

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recommendation of the Merger Agreement and the transactions contemplated by the Merger Agreement significantly outweighed the potential negative consequences of entering into and recommending adoption and approval of the Merger Agreement.

### **Recommendation of Butler's Board of Directors**

After careful consideration, Butler's board of directors has unanimously determined that the Merger Agreement is advisable, has approved the Merger Agreement and recommends that Butler stockholders vote "FOR" approval and adoption of the Merger Agreement.

### **Failure to Approve and Complete the Merger**

It is possible the Merger will not be completed. This would happen if the Butler stockholders do not approve and adopt the Merger Agreement or if certain other conditions are not satisfied or waived. See "The Merger Conditions to Consummation of the Merger." If the Merger is not completed, none of BlueScope, Butler or any other person will be under any obligation to make or consider any alternate proposal regarding the acquisition of Butler. If the Merger is not completed, Butler will have to pursue alternate transactions in order to resolve its continuing defaults under its borrowing agreements, preserve the value of its assets and continue its operations as a going concern. These alternate transactions could include restructurings, recapitalizations, an alternate acquisition, disposals of assets, procurement of new equity or any combination of these and may or may not involve a filing under Chapter 11 of the U.S. Bankruptcy Code. Butler's board of directors and management believe if the Merger is not completed, it will be difficult to obtain a workable arrangement with its senior creditors to continue

existing operations as currently conducted.

Butler currently believes that the level of its cash flow for the first quarter of 2004 will fall within the definition of a Company Material Adverse Change in the Merger Agreement. The absence of a Company Material Adverse Change is a condition to BlueScope's obligation to consummate the Merger. Accordingly, if this were to occur, BlueScope would have the right not to consummate the Merger even if all of the other conditions to closing were satisfied. It would also have the right to terminate the Merger Agreement. Alternatively, BlueScope could decide, in its sole discretion, not to exercise those rights and proceed with the Merger. Butler has discussed this issue with BlueScope and BlueScope has advised Butler that it has not yet decided whether it would exercise those rights in that circumstance. BlueScope has further advised Butler that it does not expect to be in a position to make a decision on that issue until after it has received and reviewed Butler's full unaudited financial statements for the first quarter, which it does not expect to be able to do before the last two weeks in April, and has the opportunity to consider the issue in the context of all the other facts and circumstances then existing. BlueScope has indicated to Butler that it remains very interested in pursuing the Merger. See "The Merger Agreement Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements."

#### **Opinion of Butler's Financial Advisor**

On February 11, 2004, Baum delivered certain of its written analyses and its oral opinion to Butler's board of directors, which was subsequently confirmed in writing, to the effect that, subject to the assumptions, procedures, and limitations set forth therein, as of such date, the merger consideration to be received by the holders of Butler common stock pursuant to the terms and conditions set forth in the Merger Agreement was fair, from a financial point of view, to the holders of Butler common stock.

*The full text of the written opinion of Baum, dated February 15, 2004, which sets forth assumptions made, matters considered, and limitations on the review undertaken in connection with the opinion, has been approved for use in this proxy statement by Baum and is attached to this proxy statement as Appendix C and is incorporated herein by reference. Holders of Butler common stock are urged to, and should, read carefully*

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*the opinion in its entirety in conjunction with this proxy statement. The analysis and opinion of Baum were prepared for the benefit and use of the board of directors of Butler in connection with its deliberations regarding the Merger and such opinion does not constitute a recommendation as to how any holder of Butler common stock should vote with respect to the Merger.*

In connection with its opinion, Baum reviewed, among other things, the terms and conditions describing or otherwise directly relating to the merger consideration set forth in the Merger Agreement; certain publicly available business and historical financial information relating to Butler, including without limitation Annual Reports, Forms 10-K, Forms 10-Q and other filings with the SEC; current and historical market prices and trading volumes of Butler common stock; certain historical internal financial information and other data relating to the businesses and financial prospects of Butler, as well as estimates, financial forecasts and analyses prepared by the senior management of Butler that are not publicly available; and the process and background that led to the Merger. Further, Baum reviewed and considered the facts and circumstances relating to the events of default that exist under the Credit Agreement and the Notes as well as the Noteholder Amendment Agreement, the Noteholder Acknowledgement Agreement, and the Payout Arrangement Agreements. In addition, Baum held discussions with members of the senior management of Butler regarding past and current business operations, financial condition and future prospects. Baum also reviewed publicly available financial and stock market data with respect to certain companies that Baum believed to be comparable in certain respects to Butler; financial terms of certain business combinations that Baum deemed to be comparable in certain respects to the Merger; certain historical data relating to premiums paid in mergers and acquisitions of publicly traded companies of a similar size to Butler; and conducted such other financial studies, analyses and investigations, and considered such other information that Baum deemed necessary or appropriate.

In preparing its opinion, Baum relied upon and assumed the accuracy and completeness of all the financial and other information that was publicly available or provided to Baum by or on behalf of Butler, and was not engaged to verify any such information. Baum relied upon and assumed, without independent verification, that the information provided by Butler, including projections, and related analyses and judgments thereto, reflected the best currently available estimates and judgments of the senior management of Butler as to recent and likely future performance or other matters covered thereby. Baum also relied upon the assurances of the senior management of Butler that they were not aware of any information or fact that would make the information provided to Baum incomplete or misleading. Baum did not undertake nor obtain any independent evaluations or appraisals of any of the assets, properties or liabilities of Butler, nor make any physical inspection of the properties or assets of Butler for such purposes. Baum has not been engaged to independently verify any legal or accounting matters relative to the Merger Agreement. Baum has assumed the Merger will be validly consummated in accordance with the terms and conditions of the Merger Agreement.

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The opinion of Baum addressed only the fairness, from a financial point of view, of the merger consideration to the holders of Butler common stock and did not address any other aspect of the Merger. Baum was not asked to, nor did it, express an opinion as to the effect of any other transaction in which Butler might engage or the underlying business decision of the board of directors of Butler to proceed with the Merger.

The opinion of Baum necessarily is based on the information made available to Baum and the conditions and circumstances as they existed on February 15, 2004, and can be evaluated only as of such date. Events occurring after the date of the opinion could materially affect the assumptions used in preparing the opinion.

In preparing its opinion, Baum considered, and viewed various analyses in light of, certain risks associated with Butler's financial condition and the ongoing defaults under the Credit Agreement and the Notes, which include, but are not limited to, the rights of the Note holders to accelerate the

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maturity of outstanding indebtedness under the Notes (which would, among other things, require immediate repayment of the Notes as well as payment of the make-whole amount); the rights of the banks under the Credit Agreement to require cash collateral for reimbursement obligations under letters of credit; the maturity of the Credit Agreement occurring on June 20, 2004; and any adverse effect that may result from any failure of Butler to satisfy its obligations under the terms of the Noteholder Amendment Agreement. In addition, Baum considered the fact that it had been informed by Butler's senior management that Butler expected to receive a going-concern qualification from its auditors with regard to the audit opinion for the year ended December 31, 2003, as well as the potential for a material adverse impact on Butler's operations and financial condition brought about by the future actions of Butler's lenders, vendors, suppliers, customers and employees as a result of these matters. Baum also considered industry performance, general business and economic conditions, and other matters it deemed relevant pertaining to Butler and its business existing as of the date of the opinion.

The financial analyses summarized below include information presented in tabular format. In order to fully understand Baum's financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data set forth in the tables below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Baum's financial analyses.

The following is a summary of the principal financial analyses performed by Baum and reported to the board of directors of Butler and is qualified in its entirety by reference to the full text of Baum's opinion.

### *Historical Stock Price Analysis*

Baum analyzed Butler's historical stock prices on a volume-weighted basis over various periods of time rather than the historical prices of Butler common stock on any particular trading day. Baum performed its analysis of the merger consideration compared to volume-weighted average stock prices of Butler's common stock over various periods ending on October 29, 2003, the day prior to the public announcement of Butler's intent to explore strategic options, which included the solicitation of private investment capital, asset sales and the sale of Butler. For purposes of computing the premiums to volume-weighted historical stock prices for Butler implied by the Merger, Baum used the merger consideration of \$22.50 per share. This analysis indicated the following premiums:

| <b>Period</b>            | <b>Volume Weighted<br/>Average Price</b> | <b>Implied<br/>Premium</b> |
|--------------------------|--|----------------------------|
| 2 Years Ending 10/29/03  | \$ 20.95                                 | 7.4%                       |
| 1 Year Ending 10/29/03   | \$ 17.22                                 | 30.7%                      |
| 6 Months Ending 10/29/03 | \$ 16.35                                 | 37.6%                      |
| 3 Months Ending 10/29/03 | \$ 15.29                                 | 47.2%                      |
| At 10/29/03              | \$ 16.98                                 | 32.5%                      |

### *Comparable Company Analysis*

Baum noted that no company utilized in the comparable company analysis is directly comparable to Butler. Accordingly, it is Baum's view that an analysis of the following results necessarily involves complex considerations and judgments concerning the differences in financial and operating characteristics and other factors that could affect the value of Butler common stock or other publicly traded companies that Baum

deemed comparable in certain respects to Butler.

Baum analyzed selected financial and operating data of Butler and the following nine publicly traded companies: Apogee Enterprises, Inc., Huttig Building Products, Inc. International Aluminum Corporation, Modtech Holdings, Inc., NCI Building Systems, Inc., Paul Mueller Company, Quanex Corporation, Simpson Manufacturing Company, Inc. and Valmont Industries, Inc. (collectively, the "Comparable Companies"). Baum selected the Comparable Companies based on the size of those companies and their participation in either building products and materials manufacturing or engineered industrial steel product fabrication. Though similar in certain respects, there are significant differences between the Comparable Companies and Butler. It is Baum's belief that due to the differences in financial and operating characteristics of the Comparable Companies, the comparable company analysis is not readily susceptible to summary description.

Baum examined certain publicly available financial and stock market trading data for the Comparable Companies to evaluate the implied trading multiples of enterprise value (equity value plus total net debt, preferred stock and minority interest) to (i) revenue, (ii) earnings before interest, taxes, depreciation and amortization ("EBITDA"), and (iii) earnings before interest and taxes ("EBIT"), each for the latest 12 months ("LTM"). Likewise, Baum also evaluated the implied trading multiples of equity value to (i) net income (earnings per share with a multiple expressed as a "P/E", or share price/earnings per share) and (ii) book value of stockholders' equity for the Comparable Companies. For purposes of computing valuation multiples for Butler implied by the Merger, Baum used the merger consideration of \$22.50 per share and, where appropriate, included as a component of net debt the estimated amount of the make-whole amount payable to the Note holders upon a change in control of Butler. The LTM financial data for Butler was based upon unaudited financial results for the period ended December 31, 2003, as adjusted to exclude certain restructuring, non-recurring or extraordinary charges and gains. Because certain of the financial results for the LTM period were negative in value, certain of the multiples implied for Butler by the merger consideration are not mathematically meaningful but are instructive nonetheless. This analysis indicated the following trading multiples for the Comparable Companies as compared to the multiples implied for Butler by the merger consideration:

|                                | Comparable Companies |       |        | Butler<br>(Merger Consideration) |
|--------------------------------|----------------------|-------|--------|----------------------------------|
|                                | Range                | Mean  | Median |                                  |
| Enterprise Value / LTM Revenue | 0.2x - 1.9x          | 0.7x  | 0.8x   | 0.3x                             |
| Enterprise Value / LTM EBITDA  | 4.8x - 11.2x         | 8.1x  | 8.0x   | 17.8x                            |
| Enterprise Value / LTM EBIT    | 7.4x - 18.3x         | 12.9x | 12.4x  | n/m                              |
| Price / Earnings               | 9.6x - 25.0x         | 20.1x | 20.6x  | n/m                              |
| Equity Value / Book Value      | 1.1x - 2.8x          | 1.7x  | 1.8x   | 1.0x                             |

#### *Comparable Transaction Analysis*

Baum noted that no merger or acquisition transaction utilized in the comparable transaction analysis is identical to the Merger. Accordingly, Baum believed that an analysis of the following results necessarily involves complex considerations and judgments concerning differences in financial, operating and other characteristics of Butler and the companies involved in the comparable transactions.

Baum identified and performed an analysis of 14 merger and acquisition transactions that occurred since 1998 in the building products and materials manufacturing and engineered industrial steel product

fabrication industries that it deemed comparable in certain respects to the Merger. The transactions analyzed included the following:

| Acquiror                            | Target                          | Date     |
|-------------------------------------|---------------------------------|----------|
| Nortek, Inc.                        | Investor Group                  | 01/09/03 |
| Associated Materials, Inc.          | Harvest/AMI Holdings, Inc.      | 04/20/02 |
| VP Buildings Inc. (LTV Corporation) | Grupo IMSA SA de CV             | 09/19/01 |
| Robertson-Ceco Corporation          | HEICO Acquisitions, Inc.        | 06/16/00 |
| Cameron Ashley Building Products    | Guardian Industries Corporation | 06/13/00 |

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| Acquiror                         | Target                       | Date     |
|----------------------------------|------------------------------|----------|
| Jannock Ltd.                     | Onex Corporation             | 03/10/00 |
| TJ International, Inc.           | Weyerhaeuser Company Limited | 02/28/00 |
| Republic Builders Products Co.   | Onex Corporation             | 09/01/99 |
| American Building Company        | Onex Corporation             | 05/30/99 |
| SPI Manufacturing, Inc.          | Modtech Holdings, Inc.       | 02/17/99 |
| Alumax, Inc.                     | Alcoa, Inc.                  | 07/31/98 |
| Beaird Industries, Inc.          | Industrial Holdings, Inc.    | 06/30/98 |
| Metal Buildings Components, Inc. | NCI Buildings Systems, Inc.  | 05/08/98 |
| Masterview Window Company LLC    | Atrium Companies, Inc.       | 03/27/98 |

For these transactions, Baum calculated multiples of enterprise value to LTM revenue, EBITDA and EBIT where such data was available. Likewise, Baum also calculated the multiples of equity value to book value of stockholders' equity. For purposes of computing valuation multiples for Butler implied by the Merger, Baum used the merger consideration of \$22.50 per share and, where appropriate, included as a component of net debt the estimated amount of the make-whole amount payable to the Note holders upon a change in control of Butler. This analysis indicated the following multiples as compared to the multiples implied for Butler by the merger consideration:

|                                | Comparable Transactions |      |        | Butler<br>(Merger Consideration) |
|--------------------------------|-------------------------|------|--------|----------------------------------|
|                                | Range                   | Mean | Median |                                  |
| Enterprise Value / LTM Revenue | 0.1x - 1.4x             | 0.7x | 0.7x   | 0.3x                             |
| Enterprise Value / LTM EBITDA  | 2.3x - 8.8x             | 5.5x | 5.5x   | 17.8x                            |
| Enterprise Value / LTM EBIT    | 3.1x - 13.5x            | 7.6x | 7.5x   | n/m                              |
| Equity Value / Book Value      | 0.5x - 3.5x             | 1.8x | 1.7x   | 1.0x                             |

In addition, Baum reviewed multiples of enterprise value to LTM EBITDA for leveraged buyout acquisitions in the general industrial, building materials, manufacturing and construction sectors with enterprise values from \$50 million to \$500 million that occurred since January 1, 1998, as reported by Standard & Poor's Portfolio Management Data. This analysis indicated the following multiples as compared to the multiples implied for Butler by the merger consideration:

| Sector / Industry  | Enterprise Value / LTM EBITDA Multiples |              |      |                                  |
|--------------------|---|--------------|------|----------------------------------|
|                    | Comparable Transactions                 |              |      | Butler<br>(Merger Consideration) |
|                    | Data Points                             | Range        | Mean |                                  |
| General Industrial | 187                                     | 2.5x - 13.0x | 6.6x | 17.8x                            |
| Building Materials | 16                                      | 5.3x - 11.3x | 6.9x | 17.8x                            |
| Manufacturing      | 16                                      | 4.8x - 8.8x  | 6.7x | 17.8x                            |
| Construction       | 5                                       | 5.5x - 8.5x  | 6.9x | 17.8x                            |

Baum also calculated the enterprise value multiple for Butler implied by the Merger in relation to certain projected financial results put forth by Butler's senior management for 2004. In performing these computations, Baum used the merger consideration of \$22.50 per share and included as a component of net debt the estimated amount of the make-whole amount payable to the Note holders

upon a change in control of Butler. On this basis, Baum calculated forward-looking valuation multiples based on 2004 projected results for Butler of 0.2x revenue, 5.7x EBITDA and 10.3x EBIT. Baum noted that, because data regarding projected financial results was not available for the comparable merger and acquisition transactions considered, these calculations were not directly comparable to the foregoing analyses.

Baum further noted that the applicability of the forward-looking valuation multiples calculated for Butler was subject to and limited by the assumptions on which the financial projections prepared by Butler's senior management were based, which included, among others, the assumption that Butler remained independent, continued to operate its business as a going concern and was able to restructure the terms of the Credit Agreement and the Notes or otherwise refinance its existing indebtedness without adverse consequence. In considering these assumptions, Baum made note of the fact that Butler's senior management had informed Baum that Butler expected to receive a going-concern qualification from its auditors with regard to the audit opinion for the year ended December 31, 2003. Baum also considered certain risks

associated with Butler's financial condition and the ongoing defaults under the Credit Agreement and Notes, as well as the fact that Butler had previously been unable to achieve any satisfactory arrangement with its lenders regarding a debt restructuring. In addition, Baum observed and considered that Butler had historically achieved operating results that were below the levels set forth in previous forecasts for the same time periods.

#### *Discounted Cash Flow Analysis*

Baum performed an analysis of the present value of Butler's projected future free cash flows. The future free cash flows were derived from financial projections prepared by Butler's senior management on the basis of detailed operating assumptions and estimates of market condition for the years ending December 31, 2004, 2005 and 2006.

For purposes of this analysis, Baum calculated a terminal value for free cash flows beyond the forecast period by applying terminal multiples to Butler's projected EBIT for the year ending December 31, 2006, ranging from 4.5x to 6.0x. Based on Baum's estimate of Butler's weighted average cost of capital, which incorporated a cost of equity reflective of the risks arising from Butler's financial condition, the free cash flows and terminal values were discounted to the present using a range of discount rates from 12.0% to 20.0%. Baum calculated a corresponding range of values for Butler common stock from \$18.46 to \$33.04 per share, as compared to the merger consideration of \$22.50 per share.

The financial projections prepared by Butler's senior management, which form the basis for the discounted cash flow analysis, were developed under that assumption that Butler remained independent, continued to operate its business as a going concern and was able to restructure the terms of the Credit Agreement and the Notes or otherwise refinance its existing indebtedness without adverse consequence. In considering these assumptions, Baum made note of the fact that Butler's senior management had informed Baum that Butler expected to receive a going-concern qualification from its auditors with regard to the audit opinion for the year ended December 31, 2003. Baum further noted certain risks associated with Butler's financial condition and the ongoing defaults under the Credit Agreement and the Notes in the context of considering the assumptions of Butler's senior management, as well as the fact that Butler had previously been unable to achieve any satisfactory arrangement with its lenders regarding a debt restructuring. In addition, Baum observed and considered that Butler had historically achieved operating results that were below the levels set forth in previous forecasts for the same time periods. In light of these factors, it is Baum's view that applicability of the discounted cash flow analysis was limited in this instance.

The foregoing does not purport to be a complete description of the analyses performed by Baum, but describes, in summary form, the principal elements of the analyses performed by Baum in arriving

at its opinion. The preparation of a fairness opinion is a complex process involving subjective judgments and is not necessarily susceptible to partial analysis or summary description. In arriving at its opinion, Baum did not attribute any particular weight to any analysis or factor it considered, but rather made qualitative judgments as to the significance and relevance of each analysis and factor. Accordingly, Baum's analysis must be considered as a whole. Selecting portions of its opinion and factors considered by Baum, without considering all the analysis and factors, could create a misleading or incomplete view of the processes underlying such analyses and Baum's opinion. The description of the analyses set forth herein does not purport to be a complete description of the analyses underlying Baum's opinion.

#### *Fee And Other Information*

Baum was selected as a financial advisor by the board of directors of Butler in connection with the Merger based upon its knowledge and familiarity with Butler and its industry as well as Baum's qualifications, expertise and reputation, including the fact that it is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, private placements and valuations for corporate and other purposes.

Butler paid Baum a non-refundable retainer of \$250,000 for this engagement. Under the terms of its engagement, Butler has agreed to pay Baum for its financial advisory services a transaction fee based on a percentage of the total consideration, including outstanding indebtedness assumed or extinguished, payable in the Merger. The aggregate fee payable to Baum for its financial advisory services for the Merger has been agreed to be \$2,950,000, which fee is contingent upon completion of the Merger. Baum also received a fee of \$280,000 for its fairness opinion that was not contingent upon the conclusion reached in the opinion, one half of which was payable on delivery of the opinion and, on consummation the Merger, the balance is deemed paid from the financial advisory fee. Butler also has agreed to reimburse Baum for reasonable expenses incurred by Baum in performing its services, including fees and expenses of its legal counsel, and to indemnify Baum and related persons against liabilities arising out of its engagements, including without limitation certain liabilities under federal securities laws. The terms of Baum's fee arrangements were negotiated at arm's length between Butler and Baum. In addition, during the past two years, Baum or its affiliates rendered investment banking services to Butler for which compensation was or may be received as follows: (1) an affiliate of Baum

was engaged by Butler in early 2003 to assist in the sale of Butler's Lester Buildings Systems business. Butler paid Baum a \$100,000 retainer for these services; and (2) Baum was again engaged by Butler in February 2004 to assist in the sale of Butler's Lester Buildings Systems business. Butler has agreed that it will pay a fixed fee of \$250,000 to Baum, which represents an additional \$150,000 fee after satisfaction of amounts otherwise due under the original engagement, if the Lester Building Systems business is sold.

Baum or its affiliates have previously rendered investment banking services to Butler for which customary compensation was received. In the ordinary course of business, Baum's affiliates may actively trade or hold the securities of Butler or BlueScope for the accounts of others and, accordingly, may at any time hold a long or short position in those securities.

#### **Interests of Butler's Directors and Officers in the Merger**

Some of Butler's directors and executive officers have interests in the Merger that are different from, or are in addition to, their interests as stockholders in Butler. Butler's board of directors knew

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about these additional interests and considered them when it approved the Merger Agreement. These interests include the following:

#### *Change of Control Employment Agreements*

Butler had executed Change of Control Employment Agreements with John J. Holland, Ronald E. Rutledge, John W. Huey, Larry C. Miller, and Barbara B. Bridger. The agreements provided the following:

upon a change of control (as defined in the agreements), the executive would be entitled to receive until the third anniversary of the change in control a base salary, annual cash bonuses and other fringe benefits at the highest levels provided to the executive during certain periods immediately preceding the change in control;

upon a termination of the executive other than for cause, or upon the executive's resignation for good reason (as defined) or resignation during a 30-day period following the first anniversary of the change of control, the executive would be entitled to receive a lump sum cash payment consisting of:

the executive's base salary through the date of termination;

a proportionate bonus based upon the executive's annual bonus for the last three fiscal years;

three times the sum of the base salary plus bonus the executive is entitled to under the agreement;

other accrued obligations;

the difference between the actuarial equivalent of the retirement benefit the executive would receive if he or she remained employed for the employment period and the actuarial equivalent of the executive's actual retirement benefit; and

for the remainder of the employment period, the executive would be entitled to continued employee welfare benefits, including life and family health insurance.

if any payment to the executive, whether pursuant to the agreement or otherwise, would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then the executive was entitled to receive an additional payment equal to the excise tax and other taxes with respect thereto.

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The agreements continued for a three-year term with provision for automatic renewal. Benefits were to be provided subsequent to the expiration of the agreement if a change of control occurred during the initial or any renewal term.

In connection with the Merger, BlueScope required that prior to the signing of the Merger Agreement, Butler and the executives enter into new agreements canceling their Change of Control Employment Agreements and containing new non-competition and other restrictive covenants by the executives. BlueScope further required that all payments to be made to the executives in connection with such cancellations and restrictive covenants be fully paid and discharged by Butler prior to the closing of the Merger. In exchange for such cancellations and restrictive covenants, Butler agreed to make the cash payments to the executives set forth below prior to the closing of the Merger and to provide them with health and welfare benefits for a period of three years following the closing of the Merger.

Under the new agreements, each executive agreed to refrain from having an ownership interest over 5% or associating in general or participating as an employee or in the management of:

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certain specific companies for a period of three years following the executive's termination, or

competitors of Butler in general for a period of one year following the executive's termination.

Each new agreement also contains other restrictive covenants under which the executives are prohibited from taking the following actions over the applicable non-compete periods:

soliciting clients of Butler to do business with certain competing enterprises of Butler;

transacting business with clients of Butler;

divulging or using for his or her own benefit any confidential information of Butler;

interfering with relationships between Butler and its clients; or

soliciting employees of Butler to work for a competing enterprise.

Under the new agreements, each executive will receive cancellation payments and payment in consideration for the restrictive covenants in his or her agreement in the following amounts:

| <b>Executive</b>   | <b>Cancellation<br/>Payment</b> | <b>Restrictive Covenants<br/>Payment</b> |
|--------------------|---------------------------------|--|
| John J. Holland    | \$ 431,878                      | \$ 1,200,000                             |
| Ronald E. Rutledge | 525,302                         | 740,000                                  |
| John W. Huey       | 429,948                         | 360,000                                  |
| Larry C. Miller    | 439,965                         | 490,000                                  |
| Barbara B. Bridger | 346,623                         | 330,000                                  |

Each of the executives has agreed, from and after such payments, to release Butler, BlueScope and their affiliates from any and all rights and claims in connection with or arising from such executive's employment relationship with Butler or any termination of that employment relationship, including but not limited to any rights or claims under the Change of Control Employment Agreements. BlueScope and its existing affiliates have no obligations under the Change of Control Employment Agreements or the new agreements.

Butler believes that the cancellation of the existing Change of Control Employment Agreements and the new restrictive covenants will provide certain prospective financial benefits to Butler which redound to the benefit of Butler's shareholders.



*Stock Options*

Some of the officers and directors of Butler hold stock options to purchase shares of common stock of Butler. Immediately prior to the Effective Time, any unvested options will immediately become vested, and all options will be cancelled. Promptly after the Effective Time, BlueScope will pay or will cause the Surviving Corporation to pay to each option holder for each option an amount in cash equal to the product of (A) the difference between \$22.50 and the per share exercise price of such option, and (B) the number of shares of Butler common stock covered by such option, less any applicable withholding taxes. The aggregate amount of cash to be paid to director and management option holders in connection with the Merger is expected to be approximately \$172,000, including \$62,250 to Mr. Holland, \$49,800 to Mr. Rutledge, \$4,980 to Mr. Miller, \$4,980 to Mr. Huey, \$4,980 to Ms. Bridger, and \$9,920 to Mark A. McCollum.

*Restricted Stock*

Some of the officers of Butler have been awarded bonuses in the form of restricted stock of Butler. As of the date Butler stockholders approve and adopt the Merger Agreement and the transactions contemplated by the Merger Agreement (the "Shareholder Approval Date"), any

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restrictions and provisions for forfeiture on this restricted stock will automatically expire and lapse and all such restricted stock will immediately be fully vested. The amount of restricted stock currently held by officers is approximately 11,817 shares, including 1,128 by Mr. Holland, 564 by Mr. Rutledge, 64 by Mr. Miller and 66 by Ms. Bridger.

*Deferred Compensation*

Some of the officers of Butler have elected to defer a portion of their compensation to provide funds for retirement or death. As of the Shareholder Approval Date, participants in the plan will be eligible for a lump sum cash payment of the balance of the participant's deferred benefit account to be paid within 15 days of the Shareholder Approval Date. The amount of such lump sum cash payment for all participants as of December 31, 2003 is \$5,316,837, including \$114,410 to Mr. Holland, \$288,285 to Mr. Rutledge, \$168,453 to Mr. Miller and \$77,369 to Mr. Huey.

Some of the directors of Butler have elected to defer fees earned for serving as a director of Butler. The deferred fees were converted into units, each of which generally is equivalent to a share of Butler common stock. At or immediately prior to the Effective Time, such directors will receive a lump sum cash distribution equal to the number of units in their respective account multiplied by \$22.50. As of December 31, 2003, the units available for distribution totaled 20,311, including 6,581 units to K. Dane Brooksher, 3,458 units to Gary Christensen, 3,554 units to Susan F. Davis, 980 units to retired director Robert J. Novello, 2,281 units to Gary L. Tapella, and 3,458 units to William D. Zollars.

*Supplemental Benefit Plan and Split Dollar Life Insurance Agreements*

Butler maintains a Supplemental Benefit Plan for which certain of its officers are eligible. Within 15 days following the Shareholder Approval Date, all accrued benefits under this plan become vested and Butler will be obligated to pay to all actively employed, terminated with vested benefits and retired participants under such plan a lump sum amount equal to the total of the actuarial equivalent of any accrued benefits under the supplemental benefit plan plus an additional amount equal to the incremental income tax of the participant with respect to receipt of such lump sum. In the event that the participant under the Supplemental Benefit Plan is a party to a split dollar life insurance agreement (as described below), the Supplemental Benefit Plan also provides for payment of an additional cash payment equal to the incremental income tax of the participant with respect to the cash surrender value of the split dollar life insurance policy to be received by the participant.

To offset certain payment obligations under Butler's Supplemental Benefit Plan, Butler has entered into individual split dollar life insurance agreements with certain of its current and former officers under which Butler has funded the participant's insurance premiums and has secured its financial interest with collateral assignments on the various life insurance policies. At or immediately prior to the Shareholder Approval Date, Butler's interest in the insurance policies will terminate, resulting in an economic benefit to the participants, including certain of its officers.

Butler's aggregate lump sum obligation under the Supplement Benefit Plan is approximately \$7 million which is partially offset in the amount of \$2.5 million by various individual split dollar life insurance arrangements resulting in a remaining cash payment obligation of \$4.5 million. These numbers are estimated based upon settlement of these obligations on April 30, 2004, Butler's estimates of each participant's incremental income tax rates and employment by Butler of currently employed participants through April 30, 2004. All of Butler's obligations to its current officers under the Supplemental Benefit Plan are offset by individual split dollar life insurance agreements as noted below, except for the payments in respect of the related incremental income tax liability. As a consequence, the \$4.5 million cash payment includes cash payments of approximately \$420,000, \$126,000 and \$49,000 to Messrs. Holland, Rutledge and Miller, respectively.

Under the provisions of the Split Dollar Life Insurance Agreements, at or immediately prior to the Shareholder Approval Date, Butler's interest in the insurance policies secured by a collateral assignment under the split dollar life insurance agreements will terminate, resulting in an economic benefit to the participant. The amount of such benefit to all participants with split dollar arrangements is \$2.5 million, including approximately \$933,000 to Mr. Holland, \$280,000 to Mr. Rutledge and \$110,000 to Mr. Miller. Mr. Huey and Ms. Bridger do not have split dollar life insurance agreements.

#### *Indemnification and Insurance*

The Merger Agreement provides for continuing indemnification of present and former directors and officers of Butler at the Effective Time against any costs or expenses (including reasonable attorneys' fees and expenses), judgments, fines, losses, claims, damages and liabilities incurred in connection with any actual or threatened claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigation, arising out of or relating to any action or omission occurring or alleged to occur prior to the Effective Time or the Merger or the other transactions contemplated by the Merger Agreement in each case to the fullest extent that Butler would have been permitted under Delaware law and Butler's certificate of incorporation and by-laws in effect on the date of the Merger Agreement to indemnify such director or officer (and BlueScope will also advance expenses as incurred to the fullest extent that Butler would have been permitted to do so thereunder; provided that the person to whom expenses are advanced provides an undertaking to repay such advances if it is ultimately determined that such person is not entitled to such indemnification).

Prior to the Effective Time, Butler will purchase the extended reporting period coverage option as provided under certain of its existing directors' and officers' liability insurance policies, which shall provide coverage for a period of six years commencing from the Effective Time. In addition, Butler will purchase the extended reporting period coverage option as provided under its existing fiduciary liability insurance policy and one of its existing directors' and officers' liability insurance policies, in each case providing coverage for a period of three years commencing from the Effective Time. The purchase of the extended reporting period options will provide insurance limits of not less than \$15 million in the aggregate, which is a reduction of \$10 million from the directors' and officers' liability coverage in effect prior to the Effective Time, and no reduction from the \$15 million of fiduciary liability insurance limits in effect prior to the Effective Time.

#### **Completion and Effectiveness of the Merger**

Butler is working to complete the Merger as soon as possible. Butler anticipates completing the Merger immediately following the special meeting, subject to receipt of stockholder approval and adoption and satisfaction or waiver of the conditions set forth in the Merger Agreement. The Effective Time will be upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware in accordance with the DGCL. The Merger Agreement also provides that such filing will be made as soon as is practicable after satisfaction or waiver of the conditions set forth in the Merger Agreement unless another time is agreed to by the parties.

#### **Material United States Federal Income Tax Consequences**

The following is a summary of United States federal income tax consequences of the Merger relevant to beneficial holders of Butler common stock, including beneficial holders that exercise their dissenters' rights. The discussion does not purport to consider all aspects of federal income taxation that might be relevant to beneficial holders of Butler common stock. The discussion is based on current provisions of the Internal Revenue Code of 1986, as amended, existing, proposed and temporary regulations promulgated thereunder, rulings, administrative pronouncements and judicial decisions, changes to which could materially affect the tax consequences described herein and could be made on a retroactive basis. The discussion applies only to beneficial holders of Butler common stock in whose

hands shares are capital assets and may not apply to beneficial holders who acquired their shares pursuant to the exercise of employee stock options or other compensation arrangements with Butler or hold their shares as part of a hedge, straddle or conversion transaction or who are subject to special tax treatment under the Code (such as dealers in securities, insurance companies, other financial institutions, regulated investment companies, tax-exempt entities, S corporations and taxpayers subject to the alternative minimum tax). In addition, this discussion does not discuss the federal income tax consequences to a beneficial holder of Butler common stock who, for United States federal income tax purposes, is a non-resident alien individual, a foreign corporation, a foreign partnership or a foreign estate or trust, nor does it consider the effect of any state, local or foreign tax laws.

The receipt of cash for Butler common stock pursuant to the Merger, including as a result of the exercise of dissenters' rights, will be a taxable transaction for United States federal income tax purposes. In general, a beneficial holder who receives cash in exchange for shares pursuant to the Merger will recognize gain or loss for federal income tax purposes equal to the difference, if any, between the amount of cash received and the beneficial holder's adjusted tax basis in the shares surrendered for cash pursuant to the Merger. Gain or loss will be determined separately for each block of shares (i.e., shares acquired at the same cost in a single transaction) surrendered for cash pursuant to the Merger. Such gain or loss will be capital gain or loss, and will be long-term capital gain or loss if the beneficial holder's holding period for such shares is more than one year at the time of consummation of the Merger.

Backup withholding at a 28% rate may apply to cash payments a beneficial holder of shares receives pursuant to the Merger. Backup withholding generally will apply only if the beneficial holder fails to furnish a correct taxpayer identification number, or otherwise fails to comply with applicable backup withholding rules and certification requirements. Each beneficial holder should complete and sign the substitute Form W-9 that will be part of the letter of transmittal to be returned to the exchange agent in order to provide the information and certification necessary to avoid backup withholding, unless an applicable exemption exists and is otherwise proved in a manner acceptable to the exchange agent. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules will be allowable as a refund or credit against a beneficial holder's United States federal income tax liability provided the required information is furnished to the Internal Revenue Service.

Because individual circumstances may differ, each beneficial holder of shares is urged to consult such beneficial holder's own tax advisor as to the particular tax consequences to such beneficial holder of the Merger, including the application and effect of state, local, foreign and other tax laws.

### **Accounting Treatment of the Merger**

The Merger will be accounted for as a "purchase", as such term is used under GAAP, for accounting and financial reporting purposes. Accordingly, a determination of the fair value of Butler's assets and liabilities will be made in order to allocate the purchase price to the assets acquired and the liabilities assumed.

### **Regulatory Filings and Approvals**

Under the HSR Act, and the rules promulgated thereunder by the Federal Trade Commission, certain acquisition transactions, including the Merger, may not be consummated until specified notification requirements have been satisfied and waiting periods have been terminated or expired. On February 27, 2004, the Notification and Report Forms required pursuant to the HSR Act were filed by Butler and BlueScope with the Federal Antitrust Agencies for review in connection with the Merger. Early termination of the applicable waiting period under the HSR Act was granted effective March 11, 2004. Even though the HSR Act waiting period has been terminated, the Federal Antitrust Agencies

could take such actions under the antitrust laws as they deem necessary or desirable in the public interest, including seeking divestiture of substantial assets of Butler or BlueScope. In certain cases, state antitrust regulators or other persons may also have the right to challenge the Merger under applicable antitrust laws. The parties do not believe that consummation of the Merger will result in a violation of any applicable antitrust laws. However, there can be no assurances that a challenge to the Merger on antitrust grounds will not be made or, if such a challenge is made, of the result of any challenge. See also "The Merger Agreement Conditions to Consummation of the Merger."

### **Dissenters' Rights of Appraisal**

Under the DGCL, if you do not wish to accept the cash payment provided for in the Merger Agreement, you have the right to dissent from the Merger and to receive payment in cash for the fair value of your Butler common stock. Butler stockholders electing to exercise appraisal rights must comply with the provisions of Section 262 of the DGCL in order to perfect their rights. Butler will require strict compliance with the statutory procedures. A copy of Section 262 is attached to this proxy statement as Appendix B.

The following is intended as a brief summary of the material provisions of the Delaware statutory procedures required to be followed by a stockholder in order to dissent from the Merger and perfect appraisal rights. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 262 of the DGCL.

Section 262 requires that stockholders be notified that appraisal rights will be available not less than 20 days before the special meeting to vote on the Merger. A copy of Section 262 must be included with such notice. This proxy statement constitutes Butler's notice to its stockholders of the availability of appraisal rights in connection with the Merger in compliance with the requirements of Section 262. If you wish to consider

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exercising your appraisal rights, you should carefully review the text of Section 262 contained in Appendix B since failure to timely and properly comply with the requirements of Section 262 will result in the loss of your appraisal rights under Delaware law.

If you elect to demand appraisal of your shares, you must satisfy each of the following conditions:

You must deliver to Butler a written demand for appraisal of your shares before the vote with respect to the Merger is taken. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or voting against approval and adoption of the Merger Agreement. Voting against or failing to vote for approval and adoption of the Merger Agreement by itself does not constitute a demand for appraisal within the meaning of Section 262.

You must not vote in favor of approval and adoption of the Merger Agreement. A vote in favor of the approval and adoption of the Merger Agreement, by proxy or in person, will constitute a waiver of your appraisal rights in respect of the shares so voted and will nullify any previously filed written demands for appraisal.

If you fail to comply with either of these conditions and the Merger is completed, you will be entitled to receive the cash payment for your shares of Butler common stock in the amount of \$22.50 per share (without interest), as provided for in the Merger Agreement, but you will have no appraisal rights with respect to your shares of Butler common stock.

All demands for appraisal should be addressed to the Secretary at Butler Manufacturing Company, 1540 Genessee Street (P. O. Box 419917), Kansas City, Missouri, 64102, before the vote on the Merger is taken at the special meeting, and should be executed by, or on behalf of, the record holder of the shares of Butler common stock. The demand must reasonably inform Butler of the identity of the stockholder and the intention of the stockholder to demand appraisal of his, her or its shares.

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To be effective, a demand for appraisal by a holder of Butler common stock must be made by, or in the name of, such registered stockholder, fully and correctly, as the stockholder's name appears on his or her stock certificate(s) and cannot be made by the beneficial owner if he or she does not also hold the shares of record. The beneficial holder must, in such cases, have the registered owner submit the required demand in respect of those shares.

If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a demand for appraisal should be made in that capacity; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. An authorized agent, including an authorized agent for two or more joint owners, may execute the demand for appraisal for a stockholder of record; however, the agent must identify the record owner or owners and expressly disclose the fact that, in executing the demand, he or she is acting as agent for the record owner. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her right of appraisal with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners. In that case, the written demand should state the number of shares as to which appraisal is sought. Where no number of shares is expressly mentioned, the demand will be presumed to cover all shares held in the name of the record owner.

If you hold your shares of Butler common stock in a brokerage account or in other nominee form and you wish to exercise appraisal rights, you should consult with your broker or the other nominee to determine the appropriate procedures for the making of a demand for appraisal by the nominee.

Within 10 days after the Effective Time, the Surviving Corporation must give written notice that the Merger has become effective to each Butler stockholder who has properly filed a written demand for appraisal and who did not vote in favor of the Merger. At any time within 60 days after the Effective Time, any stockholder who has demanded an appraisal has the right to withdraw the demand and to accept the cash payment specified by the Merger Agreement for his or her shares of Butler common stock. Within 120 days after the Effective Time, either the Surviving Corporation or any stockholder who has complied with the requirements of Section 262 may file a petition in the Chancery Court demanding a determination of the fair value of the shares held by all stockholders entitled to appraisal. The Surviving Corporation has no obligation to file such a petition in the event there are dissenting stockholders. Accordingly, the failure of a stockholder to file such a petition within the period specified could nullify the stockholder's previously written demand for appraisal.

If a petition for appraisal is duly filed by a stockholder and a copy of the petition is delivered to the Surviving Corporation, the Surviving Corporation will then be obligated, within 20 days after receiving service of a copy of the petition, to provide the Chancery Court with a duly verified list containing the names and addresses of all stockholders who have demanded an appraisal of their shares. After notice to dissenting stockholders, the Chancery Court is empowered to conduct a hearing upon the petition, and to determine those stockholders who have complied with Section 262 and who have become entitled to the appraisal rights provided thereby. The Chancery Court may require the stockholders who have demanded payment for their shares to submit their stock certificates to the Register in Chancery for notation thereon of the pendency of the appraisal proceedings; and if any stockholder fails to comply with that direction, the Chancery Court may dismiss the proceedings as to that stockholder.

After determination of the stockholders entitled to appraisal of their shares of Butler common stock, the Chancery Court will appraise the shares, determining their fair value exclusive of any element of value arising from the accomplishment or expectation of the Merger, together with a fair rate of interest. When the value is determined, the Chancery Court will direct the payment of such value, with interest thereon accrued during the pendency of the proceeding, if the Chancery Court so

determines, to the stockholders entitled to receive the same, upon surrender by such holders of the certificates representing those shares.

In determining fair value, the Chancery Court is required to take into account all relevant factors. You should be aware that the fair value of your shares as determined under Section 262 could be more, the same, or less than the value that you are entitled to receive under the terms of the Merger Agreement.

Costs of the appraisal proceeding may be imposed upon the Surviving Corporation and the stockholders participating in the appraisal proceeding by the Chancery Court as the Chancery Court deems equitable in the circumstances. Upon the application of a stockholder, the Chancery Court may order all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including, without limitation, reasonable attorneys' fees and the fees and expenses of experts, to be charged pro rata against the value of all shares entitled to appraisal. Any stockholder who had demanded appraisal rights will not, after the Effective Time, be entitled to vote shares subject to that demand for any purpose or to receive payments of dividends or any other distribution with respect to those shares, other than with respect to payment as of a record date prior to the Effective Time; however, if no petition for appraisal is filed within 120 days after the Effective Time, or if the stockholder delivers a written withdrawal of his or her demand for appraisal and an acceptance of the terms of the Merger within 60 days after the Effective Time, then the right of that stockholder to appraisal will cease and that stockholder will be entitled to receive the cash payment for shares of his, her or its Butler common stock pursuant to the Merger Agreement. Any withdrawal of a demand for appraisal made more than 60 days after the Effective Time may only be made with the written approval of the Surviving Corporation and must, to be effective, be made within 120 days after the effective time.

In view of the complexity of Section 262, Butler stockholders who may wish to dissent from the Merger and pursue appraisal rights should consult their legal advisors.

#### **Delisting and Deregistration of Butler Stock after the Merger**

If the Merger is completed, Butler common stock will be delisted from the NYSE and will be deregistered under the Securities Exchange Act.

#### **CERTAIN PROJECTIONS**

During the course of discussions between Butler and BlueScope that led to the execution of the Merger Agreement, Butler provided BlueScope with certain non-public financial projections for Butler for 2004, 2005, and 2006, which were subsequently updated to reflect further Butler financial results and termination of the agreement to sell the Lester Building Systems business of Butler. These projections were prepared on the assumption that even if a merger or similar transaction was not completed, Butler could continue its business and operations as currently conducted. For the reasons described under "The Merger Negotiations and Agreement with the Note Holders," " Butler's Reasons for the Merger," and " Failure to Approve and Complete the Merger," such continued operation is not possible in Butler's current financial condition. Given Butler's current financial condition and situation with its lenders, if the Merger is not completed, Butler will not be able to continue to conduct

its business as currently conducted and will have to pursue alternate transactions in order to resolve its continuing defaults under its borrowing agreements and preserve the value of its assets. Thus, the projections provided to BlueScope do not reflect the business Butler would be able to conduct, or the results it would be likely to generate, on a stand alone basis in the absence of the Merger being completed. In addition, the projections were not prepared with a view towards public disclosure or compliance with published guidelines of the SEC, the guidelines established by the American Institute of Certified Public Accounts for Prospective Financial Information or GAAP and are included in this proxy statement only because they were provided to BlueScope.

Aside from the fundamental assumption that Butler's business could continue as currently conducted on a stand alone basis, which we do not believe is possible in Butler's current financial condition, the projections are also forward-looking statements that are subject to other assumptions, risks and uncertainties that could cause actual results to differ materially from those statements, and otherwise requires that they be read with caution. They are subjective in many respects and thus susceptible to interpretations and periodic revisions based on actual experience and recent developments. While presented with numerical specificity, the projections were not prepared by Butler in the ordinary course and are based upon a variety of estimates and hypothetical assumptions made by Butler's management with respect to, among other things, industry performance, general economic, market, interest rate and financial conditions, operating and other revenues and expenses, effective income tax rates, capital expenditures and working capital, and other matters. Because Butler will not be able to continue its business as currently conducted if the Merger is not completed, the projections and the other assumptions made are not reasonably expected to materialize.

For these reasons, as well as the bases and assumptions on which the projections were compiled, Butler stockholders are cautioned that the projections are not, in Butler's opinion, an accurate indication of the likely future results of Butler if the Merger is not completed. Given the limitations of these projections, Butler believes they should not be meaningful to a Butler stockholder's evaluation in making a decision regarding voting for or against adoption and approval of the Merger Agreement and the transactions contemplated by the Merger Agreement. Except as required by applicable securities laws, Butler does not intend to update or otherwise revise the projections to reflect circumstances existing after the date when made or to reflect the occurrences of future events even in the event that any or all of the assumptions are shown to be in error.

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The financial projections provided by Butler to BlueScope as updated in early 2004 are as follows:

**Projected Operating Results**

|                  | For the Year<br>Ending December 31, |          |            |
|------------------|-------------------------------------|----------|------------|
|                  | 2004                                | 2005     | 2006       |
|                  | (dollars in millions)               |          |            |
| Net Sales        | \$ 957.7                            | \$ 963.4 | \$ 1,054.3 |
| Gross Profit     | 128.5                               | 139.2    | 167.8      |
| EBITDA           | 39.5                                | 48.7     | 68.8       |
| EBIT             | 21.7                                | 31.2     | 51.6       |
| Interest Expense | 9.8                                 | 10.1     | 8.6        |
| Pretax Income    | 11.9                                | 21.1     | 43.0       |
| Net Income       | \$ 9.7                              | \$ 15.0  | \$ 29.0    |

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**THE MERGER AGREEMENT**

**Structure of Merger**

In the Merger, the BlueScope Subsidiary, an indirect wholly-owned subsidiary of BlueScope, will merge with and into Butler, and, as a result, Butler will become an indirect wholly-owned subsidiary of BlueScope.

### Effective Time of the Merger

The Merger will become effective upon the filing of a Certificate of Merger with the Secretary of State of the State of Delaware. Such filing will take place as soon as practicable after the conditions contained in the Merger Agreement have been satisfied or waived (subject to certain restrictions), or at a time as Butler and BlueScope agree.

### Consideration to Be Received in Merger

As of the Effective Time, each share of Butler common stock outstanding (other than shares held by Butler or its subsidiaries or stockholders who perfect their statutory appraisal rights under the DGCL), will be converted into the right to receive \$22.50 in cash without interest. Shares of common stock of Butler held as treasury stock will be canceled at the Effective Time.

### Conditions to Consummation of the Merger

*Butler and BlueScope.* Butler's and BlueScope's obligations to effect the Merger are subject to the satisfaction or waiver of various conditions, including the following:

the holders of a majority of the outstanding shares of Butler common stock have voted in favor of approving and adopting the Merger Agreement;

all regulatory approvals have been obtained;

no law, court order, judgment, decree or injunction (whether temporary, preliminary or permanent) is in effect or has been promulgated, enacted, entered or enforced, and no other action has been taken, by any governmental entity or by any court of competent jurisdiction, that has the effect of preventing the completion of the Merger; and

the waiting period required under the HSR Act has expired or been terminated and all consents, approvals, authorizations and actions of, filings with and notices to, any governmental entity required of BlueScope, the BlueScope Subsidiary, Butler or any of its subsidiaries to consummate the Merger and the other transactions contemplated by the Merger Agreement, have been obtained or made, subject to the terms of the Merger Agreement.

*BlueScope.* The obligations of BlueScope to consummate the Merger are further subject to the fulfillment of the following conditions, any of which may be waived in whole or part by BlueScope:

the representations and warranties of Butler set forth in the Merger Agreement which are qualified by materiality or a Butler material adverse effect or words of similar effect must be true and correct without regard to any such qualifications as of the date of the Merger Agreement and as of the closing date as though made on and as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date in which case such representations and warranties must be true and correct as of such earlier date); provided, however, that notwithstanding the foregoing, this condition will be deemed to be satisfied unless the failures of such representations and warranties to be so true and correct, individually or in the aggregate, has, or is reasonably likely to have or result in, a Butler material adverse effect;

the representations and warranties of Butler set forth in the Merger Agreement which are not so qualified by materiality or a Butler material adverse effect or words of similar effect must be true and correct in all material respects as of the date of the Merger Agreement and as of the closing date as though made on and as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date in which case such representations and warranties must be true and correct in all material respects as of such earlier date);

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Butler must have performed in all material respects all obligations required to be performed by it under the Merger Agreement at or prior to the closing of the Merger;

Butler must not be liable for environmental liabilities which individually or in the aggregate are reasonably likely to cost more than \$5 million to remediate;

members of Butler's board of directors must have resigned as of the closing date;

no material adverse effect on or material adverse change regarding Butler has occurred since the date of the Merger Agreement (see "Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements" herein);

the Rights Agreement, which is an agreement designed to protect Butler's stockholders against change of control transactions not approved by Butler's board of directors by giving them the rights to purchase common stock at a significant discount, must be terminated as of the closing date;

Butler must have paid all payments to executives under the Amendment and Termination of Change of Control Employment Agreements; and

Butler must have delivered an affidavit to BlueScope regarding "United States real property interest" under Section 897(c) of the Internal Revenue Code of 1986, as amended.

*Butler.* The obligations of Butler to consummate the Merger are further subject to the fulfillment of the following conditions, any of which may be waived in whole or part by Butler:

the representations and warranties of BlueScope set forth in this Agreement which are qualified by materiality or a BlueScope material adverse effect or words of similar effect must be true and correct as of the date of the Merger Agreement and as of the closing date as though made on and as of the closing date (except to the extent such representations and warranties expressly relate to an earlier date in which case such representations must be true and correct as of such earlier date);

the representations and warranties of BlueScope set forth in this Agreement which are not so qualified by materiality or a BlueScope material adverse effect or words of similar effect must be true and correct in all material respects as of the date of the Merger Agreement and as of the closing date as though made on the closing date (except to the extent such representations and warranties expressly relate to an earlier date in which case such representations and warranties must be true and correct in all material respects as of such earlier date); and

BlueScope and the BlueScope Subsidiary must have performed in all material respects all obligations required to be performed by them under the Merger Agreement at or prior to the closing of the Merger.

### **Exchange Procedures**

BlueScope will appoint a paying agent for the purpose of exchanging certificates representing shares of Butler common stock for the cash consideration. BlueScope will deposit with the paying agent

the funds sufficient to pay the aggregate merger consideration to the Butler stockholders and to satisfy all of its other obligations under the Merger Agreement.



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As soon as practicable after the consummation of the Merger, the paying agent will mail to each former holder of record of Butler common stock a letter with instructions on how to exchange stock certificates for the cash consideration.

Please do not send in your stock certificates until you receive the letter of transmittal and instructions from the paying agent. Do not return your Butler stock certificates with the enclosed proxy card. If your shares of Butler common stock are held through a broker, your broker will surrender your shares for cancellation.

After you mail the letter of transmittal, duly executed and completed in accordance with its instructions, and your stock certificates to the exchange agent, the paying agent will mail a check to you. The stock certificates you surrender will be canceled. After the completion of the Merger, there will be no further transfers of Butler common stock, and stock certificates presented for transfer after the completion of the Merger will be canceled and exchanged for the cash merger consideration. If payment is to be made to a person other than the registered holder of the shares of Butler common stock, the certificate surrendered must be properly endorsed or otherwise in proper form for transfer and any transfer or other taxes must be paid by the person requesting the payment or that person must establish to the paying agent's satisfaction that such tax has been paid or is not payable.

If your Butler stock certificates have been lost, stolen or destroyed, upon making an affidavit of that fact, and if required by BlueScope, posting a bond as indemnity against any claim with respect to the certificates, the paying agent will issue the cash consideration in exchange for your lost, stolen, or destroyed stock certificates.

### **Representations and Warranties**

The Merger Agreement contains customary representations and warranties relating to, among other things:

corporate organization and similar matters with respect to each of BlueScope and Butler;

Butler's subsidiaries;

Butler's capital structure;

authorization, execution, delivery, performance and enforceability of, and required consents, approvals, orders and authorizations of governmental authorities and third parties relating to, the Merger Agreement and related matters with respect to each of BlueScope and Butler;

entering into the transaction by BlueScope or Butler is not in conflict or violation of any law, court order, judgment, decree or injunction or in violation or breach of each company's respective organizational documents or other contracts;

Butler's non-competition obligations;

documents Butler has filed with the SEC, the accuracy of the financial statements and other information contained in such documents, compliance with the SEC rules and regulations, and the absence of undisclosed liabilities and off-balance sheet arrangements by Butler;

the accuracy of Butler's books and records;

absence on behalf of Butler of, among other things, operations out of the ordinary course of business, material adverse changes, dividends, stock splits, combinations, reclassifications, redemptions or repurchases of Butler capital stock, amendments of organizational documents, sales of certain assets, incurrence of additional indebtedness or liabilities, entering into contracts over a certain dollar amount, entering into additional real estate development projects, settlement of claims, entering into a merger or similar transaction, amending its key insurance policies;

outstanding litigation to which Butler or BlueScope is a party that would have a material adverse effect;

title to Butler's material properties and assets and rights to leasehold interests;

matters relating to the Employee Retirement Income Security Act and other employee benefit and compensation arrangements with respect to Butler;

absence of labor disputes or union organizing activities or violation of labor laws with respect to Butler;

Butler's compliance with its contracts;

Butler's compliance with applicable licenses and permits;

tax matters with respect to Butler;

environmental matters that are reasonably likely to have a material adverse effect on Butler;

Butler's insurance policies;

Butler's intellectual property;

Butler's joint ventures;

transactions between Butler and its affiliates;

applicability of certain state takeover statutes' requirements to Butler and Butler's satisfaction of those statutes;

required percentage of Butler's stockholders for approval and adoption of the Merger;

amendment of Butler's Rights Agreement;

the receipt of a fairness opinion by Butler's board of directors from Baum;

Butler's engagement of, and payment of fees to, brokers, investment bankers and financial advisors, and amounts of fees payable to other advisors by Butler in connection with the Merger Agreement and the Merger;

Butler's compliance with laws, rules, regulations and permits in China; and

Butler's change of control agreements with its executives.

**Conduct of Business Pending the Merger**

Pursuant to the Merger Agreement, Butler has agreed that, except as permitted or contemplated by the Merger Agreement or as consented to by BlueScope in writing, during the period from the date of the Merger Agreement to the completion of the Merger:

Butler and its subsidiaries will (1) carry on their business in the ordinary course, consistent with past practices, (2) make commercially reasonable efforts to retain the services of their officers and employees and preserve the present relationships and goodwill of Butler with customers, suppliers, distributors, creditors, lessors, unions, employees, business associates and other persons with which Butler has significant business relations, and (3) maintain their material properties and assets in good repair and condition;

Butler and its subsidiaries will not amend their respective certificates of incorporation or by-laws;

Butler and its subsidiaries will not (1) issue, sell, pledge, dispose of or encumber any capital stock or voting debt of, or other equity interest in, Butler or any of its subsidiaries (collectively,

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"Capital Stock"); (2) split, combine, subdivide or reclassify any of its outstanding Capital Stock; (3) declare, set aside or pay any dividend or distribution payable in cash, stock or property in respect of any Capital Stock subject to certain restrictions; or (4) repurchase, redeem or otherwise acquire, directly or indirectly, any Capital Stock or any securities convertible into, or exchangeable or exercisable for, any Capital Stock;

Butler and its subsidiaries will not (1) issue, sell, pledge, dispose of or encumber any Capital Stock or securities convertible into, or exchangeable or exercisable for, or options, warrants, calls, commitments or rights of any kind to acquire, any Capital Stock or any other property or assets except under certain conditions; (2) transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of or encumber any properties or assets other than certain permitted sales of inventory, assets and property; (3) make or authorize or commit for capital expenditures over a certain amount; or (4) amend any of the terms of their outstanding securities;

Butler and its subsidiaries will not (1) incur, assume or modify in any material respect any indebtedness for borrowed money (other than for certain borrowing in the ordinary course of business consistent with past practice); (2) incur, assume or modify in any material respect any liability other than in the ordinary and usual course of business in amounts and for purposes consistent with past practice; (3) prepay any such indebtedness except as may be required by the lenders pursuant to the terms of such indebtedness; (4) assume, guarantee, endorse or otherwise become liable or responsible for the obligations of any third party, except in the ordinary and usual course of business consistent with past practice; or (5) change any accounting principle, practice or method except as required by changes in GAAP;

Butler and its subsidiaries will not enter into any contract other than in the ordinary course of business consistent with past practice or, without limiting the foregoing, any contract (subject to certain exceptions) pursuant to which Butler could be obligated to purchase goods or services which does not terminate or can not be terminated by Butler in each case within six months from the effective date of the contract without the payment of any penalty or other consideration, or any contract over certain specified dollar thresholds in the case of any lease or contract to sell goods or services relating to the BUCON businesses, PRC businesses, Lester business, Vistawall businesses or the domestic metal building businesses conducted by Butler, or modify, amend, or terminate any such existing contract or customer discount;

Butler and its subsidiaries will not undertake any new real estate development projects, except certain projects after receiving BlueScope's approval;

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Butler and its subsidiaries will not settle, compromise, waive, terminate, release or assign any material rights or claims of any nature whatsoever other than in the ordinary course of business consistent with past practice;

Butler and its subsidiaries will not merge or consolidate with any person or acquire by any manner any equity interest in, or assets or liabilities of, any other person;

Butler and its subsidiaries will not (1) terminate, establish, adopt, enter into, make any new grants or awards under, amend or otherwise modify, any current Butler compensation and benefit plans or (2) except for normal increases in salary for employees (other than officers) which are made in the ordinary course of business and consistent with its existing policies and practices, increase the salary, wage, bonus or other compensation of any of its directors, officers or employees;

Butler and its subsidiaries will not grant any severance or termination pay to, or enter into any employment or severance agreement with, any existing or prospective director, officer or other employee of the Butler;

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Butler and its subsidiaries will not make any tax election, file any material income tax return, settle any tax audit or proceeding, request any tax private letter ruling, enter into any tax closing agreement or permit any insurance policy naming it as a beneficiary or loss-payable payee to be canceled or terminated except in the ordinary and usual course of business; and

Butler and its subsidiaries will not fail to use commercially reasonable efforts to keep in full force and effect all material insurance policies covering it, its directors, officers and employees and its assets existing as of the date of the Merger Agreement and, for any such policy it is unable to keep in force, to replace it with a substantially similar policy with a substantially similar cost and no lapse in coverage.

### **Material Adverse Effect/Material Adverse Change and First Quarter 2004 Financial Statements**

Several of Butler's representations and warranties contained in the Merger Agreement are qualified by reference to whether the item in question is reasonably likely to have a "Company Material Adverse Effect". Furthermore, a condition to BlueScope being obligated to consummate the Merger is that the representations and warranties of Butler which are qualified by materiality must be true and correct in all respects, disregarding any materiality qualifiers, except as it would not have a Company Material Adverse Effect. The Merger Agreement provides that a "Company Material Adverse Effect" means a material adverse effect on (1) the financial condition, results of operations, assets, liabilities or business of Butler and its subsidiaries, taken as a whole, (2) the ability of Butler to perform without delay or restrictions its obligations under the Merger Agreement or the transactions contemplated on its part thereby, or (3) the consummation or implementation of the transactions contemplated by the Merger Agreement.

It is also a condition to BlueScope's obligation to consummate the Merger that no "Company Material Adverse Change" will have occurred since February 15, 2004. Included in the definition of Company Material Adverse Change are certain failures by Butler to meet financial milestones as described below. Those financial milestones are Butler's consolidated EBIT for the first quarter of 2004, net cash flow for the first quarter of 2004 ("Net Cash Flow") and its backlog as of March 31, 2004 of firm orders with profit margins consistent with past practice ("Backlog"), in each case as reflected in financial statements prepared in accordance with GAAP on a consistent basis (but excluding notes and year end accruals) and on a basis consistent with the forecasts for such period previously provided by Butler to BlueScope. Butler is required by the Merger Agreement to deliver to BlueScope no later than April 19, 2004 unaudited consolidated financial statements for the first quarter of 2004 which also sets forth Butler's EBIT, Net Cash Flows and Backlog for the period.

The Merger Agreement specifies that a "Company Material Adverse Change" means any change, event, occurrence or development which has had or is reasonably likely to have or result in a Company Material Adverse Effect; provided that the following will be conclusively deemed to constitute a Company Material Adverse Change:

any material adverse difference between Butler's audited consolidated financial statements and the annual results announced by Butler on February 15, 2004;

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any default in payment or acceleration of any amounts owed by Butler or any of its Subsidiaries under the Credit Agreement or the Notes;

the commencement of any reorganization, bankruptcy, insolvency, dissolution, liquidation or similar proceeding involving Butler or any of its significant subsidiaries (as defined in Regulation S-X under the Securities Act);

EBIT is less than \$(8.30) million, Net Cash Flow is less than \$(8.25) million or Backlog is less than \$305 million (in the case of two negative numbers, the one with the larger absolute value is considered less than the other one for this purpose); or

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any two of the following are true: EBIT is less than \$(7.25) million, Net Cash Flow is less than \$(7.10) million, and Backlog is less than \$317 million (in the case of two negative numbers the one with the larger absolute value is considered less than the other one for this purpose).

Butler currently believes that the level of its cash flow for the first quarter of 2004 will fall within the definition of a Company Material Adverse Change in the Merger Agreement. Accordingly, if this were to occur BlueScope would have the right not to consummate the Merger even if all of the other conditions to closing were satisfied. It would also have the right to terminate the Merger Agreement. Alternatively, BlueScope could decide, in its sole discretion, not to exercise those rights and proceed with the Merger. Butler has discussed this issue with BlueScope and BlueScope has advised Butler that it has not yet decided whether it would exercise those rights in that circumstance. BlueScope has further advised Butler that it does not expect to be in a position to make a decision on that issue until after it has received and reviewed Butler's full unaudited financial statements for the first quarter, which it does not expect to be able to do before the last two weeks in April, and has the opportunity to consider the issue in the context of all the other facts and circumstances then existing. BlueScope has indicated to Butler that it remains very interested in pursuing the Merger.

### **No Solicitation**

Butler has agreed that neither it nor any of its officers, directors, employees, financial advisors, attorneys, accountants or other agents or representatives will, directly or indirectly:

solicit, initiate or knowingly take any action to facilitate or knowingly encourage any inquiries, or the making of a proposal or offer from any person relating to, or that could reasonably be expected to lead to, an Acquisition Transaction (defined below) (each, an "Acquisition Proposal");

enter into or participate in any discussions or negotiations with, furnish any confidential non-public information relating to Butler or any of its subsidiaries to, or afford access to the business, personnel, properties, assets, books or records of Butler or any of its subsidiaries to, any third party relating to an Acquisition Proposal or otherwise knowingly facilitate or knowingly encourage any effort or attempt to make or implement an Acquisition Proposal with respect to an Acquisition Transaction; or

enter into any contract with respect to an Acquisition Transaction.

The Merger Agreement provides that at any time before the Merger Agreement is submitted for a vote at the special meeting:

Butler may furnish confidential or non-public information to any third party that has made an unsolicited bona fide written Acquisition Proposal which does not result from a breach by Butler of its covenants set forth in the Merger Agreement not to solicit or enter into discussions or contracts with third parties,

Butler may engage in discussions and negotiations with any such third party, and

the board of directors may recommend any such Acquisition Proposal by such third party to the Butler stockholders and withdraw or adversely amend or modify its recommendation of the Merger Agreement and the Merger.

Butler may take the above actions if and only to the extent that before taking any such action:

in the case of all three of the above actions, Butler has complied with the notification provisions outlined below and Butler's board of directors has determined, in good faith and after consultation with its outside legal counsel, that failing to take such action would constitute a breach of their fiduciary duties under applicable law;

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in the case of Butler furnishing confidential or non-public information to any third party, the Acquisition Proposal submitted by such third party constitutes a Superior Proposal (defined below) or Butler's board of directors determines, in good faith after consultation with its financial advisors and outside legal counsel, that such Acquisition Proposal is reasonably likely to lead to a Superior Proposal;

in the case of Butler furnishing confidential or non-public information to any third party and/or engaging in discussions and negotiations with any such third party, Butler and such third party have entered into a confidentiality agreement with terms no more favorable to the terms of the confidentiality agreement entered into between Butler and BlueScope; and

in the case of Butler engaging in discussions and negotiations with any such third party and Butler's board of directors recommending any Acquisition Proposal to the Butler stockholders and withdrawing or adversely amending or modifying its recommendation of the Merger Agreement and the Merger, such Acquisition Proposal constitutes a Superior Proposal and Butler must have given BlueScope written notice of its intent to take such actions at least five business days before doing so and negotiated in good faith any improvements in the terms of the Merger Agreement which BlueScope seeks to make during such notice period.

The Merger Agreement provides that Butler must submit the Merger Agreement and the Merger for adoption and approval by its stockholders at the special meeting even if subsequent to the date of the Merger Agreement, Butler's board of directors determines that the Merger Agreement is no longer advisable and withdraws or adversely modifies or amends its recommendation of the Merger Agreement and the Merger or recommends that its stockholders vote against such adoption and approval.

The Merger Agreement provides that Butler will notify BlueScope as soon as practicable in writing if it receives any Acquisition Proposal or any requests for information, discussions or negotiations from any third party relating to an Acquisition Transaction. Such notice to BlueScope must include the identity of such third party and the material terms and conditions of any such Acquisition Proposal or request, to the extent known. Butler must thereafter keep BlueScope informed, on a current basis, of the status and terms of any such Acquisition Proposal or request and the status of any discussions or negotiations with such third party related thereto. Butler will concurrently provide to BlueScope any information that it provides or makes available to any third party.

The Merger Agreement provides that the term "Acquisition Transaction" means (1) a merger, consolidation, share exchange or other business combination, reorganization, sale of shares of capital stock, tender offer or exchange offer or similar transaction involving Butler or any of its subsidiaries; (2) acquisition in any manner, directly or indirectly, of more than 15% of the outstanding voting securities of, or other equity interests in, or more than 15% of the assets of, Butler or any of its subsidiaries, in any single or multi-step transaction or series of related transactions; or (3) the acquisition in any manner, directly or indirectly, of any material portion of the business or assets of Butler and its subsidiaries.

The Merger Agreement provides that the term "Superior Proposal" means any Acquisition Proposal which involves or affects at least a majority of the shares of capital stock of Butler by voting power or all or substantially all of the assets of Butler and its subsidiaries, taken as a whole, and which, in any such case, Butler's board of directors will have determined, in good faith and after consultation with its financial advisor and outside legal counsel, (1) is reasonably likely to be consummated on the terms proposed, taking into account all legal, financial, regulatory and other aspects of the Acquisition Proposal and (2) if consummated, would result in a transaction more favorable from a financial

point of view to the stockholders of Butler than the transactions contemplated by the Merger Agreement taking into account the proposed timing and any terms proposed by BlueScope which are an improvement over such third party proposal. For a description of fees payable by Butler if the board of

directors adversely changes its recommendation of the Merger as a consequence of a Superior Proposal, see "The Merger Agreement Termination Fees and Expenses" below.

### **Commercially Reasonable Efforts**

Except as otherwise limited by the terms of the Merger Agreement, Butler and BlueScope have each agreed to use its commercially reasonable efforts to take actions necessary, proper or advisable to complete the Merger, including:

obtaining all necessary actions or nonactions, waivers, consents and approvals from governmental entities and the making of all necessary registrations and filings and the taking of all steps as may be necessary to obtain an approval or waiver from, or to avoid an action or proceeding by, any governmental entity;

defending any lawsuits or other legal proceedings, whether judicial or administrative, challenging the Merger Agreement or the consummation of the transactions contemplated by the Merger Agreement or thereby, including seeking to have any stay or temporary restraining order entered by any court or other governmental entity vacated or reversed;

the execution and delivery of any additional instruments necessary to consummate the transactions contemplated by, and to carry out the purposes of, the Merger Agreement;

taking all action necessary to ensure that no state takeover statute or similar statute or regulation is or becomes applicable to the Merger, the Merger Agreement or any of the other transactions contemplated by the Merger Agreement and, if any state takeover statute or similar statute or regulation becomes applicable, taking all action necessary to minimize the effect of such statute or regulation on the Merger and the other transactions contemplated by the Merger Agreement; and

making the filings required of each such party under competition laws with respect to the Merger and the other transactions contemplated by the Merger Agreement and complying with any request under the HSR Act for additional information, documents or other materials received by such party from the Federal Antitrust Agencies.

### **Termination of Merger Agreement**

Butler and BlueScope may terminate the Merger Agreement under certain circumstances including:

by mutual written consent of Butler and BlueScope;

by Butler or BlueScope if:

the Merger has not been consummated by August 1, 2004; provided, however, that no party may terminate the Merger Agreement if such party's failure to fulfill any of its obligations under the Merger Agreement has caused or materially contributed to the failure of the Merger to occur on or before such date;

the vote on the adoption and approval of the Merger Agreement and the Merger is taken at the Butler special meeting and the requisite number of votes to consummate the Merger is not obtained;

a court of competent jurisdiction or governmental entity has enacted any law or issued any order, decree, injunction or ruling or taken any other action (which order, decree, injunction, ruling or actions the parties hereto will use their reasonable best efforts to lift), in each case which has become final and non-appealable and which permanently restrains,

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enjoins or otherwise prohibits or makes illegal the transactions contemplated by the Merger Agreement;

either party has breached any of its respective representations, warranties, covenants or other agreements contained in the Merger Agreement, or any such representation or warranty has become untrue as of, and as if made on, any day after the date of the Merger Agreement, in each case such that any of the conditions to consummation of the Merger would not be satisfied and such breach or failure of condition is not reasonably capable of being cured or, if it is, is not cured within 20 business days after written notice of such breach or failure of condition is given to such breaching party by the other;

by BlueScope if:

Butler's board of directors has failed to recommend, or has withdrawn, adversely modified or adversely amended its approval or recommendation of the Merger Agreement or the Merger to the Butler stockholders or failed to reconfirm such approval or recommendation within ten days after a written request by BlueScope to do so, or there has been any breach of the no solicitation provisions of the Merger Agreement by Butler.

#### **Termination Fees and Expenses**

In the event that the Merger Agreement is terminated by BlueScope due to failure by Butler's board of directors to recommend or reconfirm its recommendation or Butler's board of directors withdrawing, adversely modifying or amending its approval or recommendation, or Butler breaching the no solicitation provisions of the Merger Agreement, then Butler will promptly pay BlueScope a termination fee of \$5.5 million (the "Termination Fee") and pay all of the charges and expenses incurred by BlueScope in connection with the Merger Agreement and the transactions contemplated by the Merger Agreement up to a maximum amount of \$1.5 million (the "Expense Reimbursement").

In the event that (1) an Acquisition Transaction has been proposed to Butler and becomes publicly known or a publicly announced bona fide intention by a third party to enter into Acquisition Transaction with Butler is made, and (2) the Merger Agreement is thereafter terminated because the Merger has not been consummated on or before August 1, 2004, or because Butler's stockholders fail to approve and adopt the Merger Agreement at the special meeting, then Butler must pay to BlueScope the Expense Reimbursement. Furthermore, if (1) and (2) occur and within 12 months following such termination of the Merger Agreement, Butler enters into an Acquisition Transaction, then Butler will pay to BlueScope the Termination Fee.

For purposes of the termination fee provisions only, "Acquisition Transaction" means (1) a merger or consolidation involving Butler or any of its subsidiaries, if immediately after consummation thereof the holders of the Butler's shares immediately prior to such consummation own less than a majority of the outstanding shares of the surviving company, (2) a share exchange or other business combination, reorganization, sale of shares of capital stock, tender offer or exchange offer or similar transaction involving Butler or any of its subsidiaries; (3) acquisition in any manner, directly or indirectly, of a majority of the outstanding voting securities of, or other equity interests in, or a majority of the assets of, Butler or any of its subsidiaries, in any single or multi-step transaction or series of related transactions; or (4) the acquisition in any manner, directly or indirectly, of any material portion of the business or assets of Butler and its subsidiaries.

#### **Amendment, Extension and Waiver**

The Merger Agreement may be amended in writing at any time by agreement of all parties thereto at any time before the Effective Time; provided, however, that after approval and adoption of the Merger Agreement by the Butler stockholders, no amendment may be made that would reduce the

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amount or change the type of consideration into which each Butler share of stock would be converted upon consummation of the Merger or alter or change any of the terms or conditions of the Merger Agreement if such alteration or change would adversely affect the holders of such stock.

At any time before the Effective Time, any party to the Merger Agreement may, in writing:

extend the time for the performance of any of the obligations or other acts of the other parties pursuant to the Merger Agreement;

waive any inaccuracies in the representations and warranties contained in the Merger Agreement or in any document delivered pursuant to the Merger Agreement; and

waive compliance with any of the agreements or conditions contained in the Merger Agreement.

While it has the legal ability to do so, Butler's board of directors anticipates that it would use its ability to waive any inaccuracies of representations and warranties, breaches of covenants or failures of conditions included for Butler's benefit in the Merger Agreement if, and only if, such waivers would not materially adversely affect the amount, type or certainty of receipt of the consideration to be received by Butler stockholders in connection with the Merger. Butler's board does not believe it would or would be required to re-solicit stockholder proxies as a result of any such waiver, although any final decision on that issue would have to be made at the time of any such waiver based on the facts and circumstances then prevailing.

#### **Butler Certificate of Incorporation**

As of the Effective Time, the certificate of incorporation of Butler will be amended and restated to be identical to the certificate of incorporation of the BlueScope Subsidiary, as permitted by the DGCL.

#### **Butler By-Laws**

As of the Effective Time, the by-laws of the BlueScope Subsidiary will become the by-laws of the Surviving Corporation and Butler's by-laws will no longer be in effect.

#### **Butler Board of Directors and Officers**

As of the Effective Time, the board of directors of the BlueScope Subsidiary immediately before the Effective Time will be the initial board of directors of the Surviving Corporation, and the officers of Butler immediately before the Effective Time will be the initial officers of the Surviving Corporation, in each case until their successors are elected or appointed and qualified or their earlier death, resignation or removal.

### **RECENT MARKET PRICES OF, AND DIVIDENDS ON, BUTLER COMMON STOCK**

Butler's shares are traded on the NYSE under the trading symbol "BBR". The following table sets forth the closing high and low prices for the Butler common stock as reported on the NYSE for the indicated periods and the dividends paid per share during such periods.

|  | <u>High</u> | <u>Low</u> | <u>Dividend</u> |
|--|-------------|------------|-----------------|
| <b>Fiscal Year Ended December 31, 2003</b> |             |            |                 |
| First Quarter                              | \$ 20.57    | \$ 15.86   | \$ 0.18         |
| Second Quarter                             | 18.17       | 15.70      | 0.18            |
| Third Quarter                              | 17.20       | 14.61      | 0.04            |
| Fourth Quarter                             | 22.10       | 15.10      | 0.00            |

|  | <u>High</u> | <u>Low</u> | <u>Dividend</u> |
|--|-------------|------------|-----------------|
| <b>Fiscal Year Ended December 31, 2002</b> |             |            |                 |
| First Quarter                              | \$ 27.97    | \$ 24.27   | \$ 0.18         |
| Second Quarter                             | 29.10       | 25.29      | 0.18            |
| Third Quarter                              | 27.63       | 20.40      | 0.18            |
| Fourth Quarter                             | 22.40       | 18.34      | 0.18            |
| <b>Fiscal Year Ended December 31, 2001</b> |             |            |                 |
| First Quarter                              | \$ 28.00    | \$ 22.80   | \$ 0.17         |
| Second Quarter                             | 28.75       | 22.25      | 0.17            |
| Third Quarter                              | 25.90       | 21.30      | 0.17            |
| Fourth Quarter                             | 27.97       | 21.50      | 0.18            |

On the record date of March 19, 2004, the number of holders of record of Butler common stock was approximately 1,966.

On October 29, 2003, the day before Butler's board of directors publicly announced that it had authorized management to explore strategic alternatives, Butler common stock closed at \$16.98 per share. The average closing price of Butler common stock for the 30 days prior to such date was \$15.79. On February 13, 2004, the last full trading day immediately preceding the public announcement of the proposed Merger, Butler common stock closed at \$22.10. On March 23, 2004, which is the latest practicable date prior to the date of this proxy statement, the closing price for Butler common stock on NYSE was \$22.38.

#### SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of March 19, 2004 (except as otherwise indicated) with respect to the beneficial ownership of shares of Butler common stock by (1) each director of Butler, (2) each of the Chief Executive Officer and the other four most highly compensated executive officers of Butler for fiscal 2003 (the "Named Executive Officers"), (3) all directors and executive officers of Butler as a group, and (4) each person, who, to the best of Butler's knowledge, beneficially owns more than 5% of the Butler common stock.

| <u>Stockholder</u>  | <u>Amount and<br/>Nature of<br/>Beneficial<br/>Ownership+</u> | <u>Percent of<br/>Common Stock<br/>Owned</u> |
|---|---|--|
| Barbara B. Bridger(a)                                       | 3,238   | *  |
| K. Dane Brooksher(b)(g)                                     | 6,166   | *  |
| Gary M. Christensen(b)(g)                                   | 5,255   | *  |
| Susan F. Davis(b)(g)  | 5,811   | *  |
| C. L. William Haw(g)  | 27,696  | *  |
| John J. Holland(c)  | 26,119  | *  |
| John W. Huey(d)   | 6,295   | *  |
| Mark A. McCollum  | 5,156   | *  |
| Larry C. Miller(e)  | 18,788  | *  |
| Ronald E. Rutledge(f)                                       | 67,261  | 1.1%   |
| Gary L. Tapella(b)(g)                                       | 7,439   | *  |
| William D. Zollars(b)(g)                                    | 4,205   | *  |
| All Directors and Executive Officers as a Group of 19(b)(h) | 260,569   | 4.1%   |
| Trustee of Butler Manufacturing Company Individual          |   |  |
| Retirement Asset Account (IRAA)(i)                          | 592,496   | 9.4%   |
| Dimensional Fund Advisors, Inc.(j)                          | 366,440   | 5.8%   |
| Wachovia Corporation(k)                                     | 413,456   | 6.5%   |
| Artisan Partners Limited Partnership(l)                     | 494,400   | 7.8%   |
| Third Avenue Management LLC(m)                              | 375,800   | 5.9%   |

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\*

Less than one percent of the outstanding shares of Butler common stock.

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For purposes of the table, except as otherwise indicated, a person is deemed to be a beneficial owner of shares of Butler common stock if the person has or shares the power to vote or dispose of them, or if the person has the right to acquire such power within 60 days through the exercise of a stock option or otherwise ("stock acquisition rights").

Except as otherwise indicated, the address of each person listed in the table is c/o Butler Manufacturing Company, 1540 Genessee, Kansas City, Missouri 64102.

Unless otherwise indicated, each person has sole voting and investment power over the shares listed under "Amount and Nature of Beneficial Ownership" above. Percentage of ownership is calculated on the basis of 6,334,382 shares of Butler common stock outstanding at March 19, 2004, plus the number of shares subject to stock acquisition rights for those persons and groups holding such rights. The stockholders disclaim beneficial ownership in the shares described in the footnotes as being "held by" or "held for the benefit of" other persons.

(a)

Includes 1,667 shares subject to exercisable stock options, 1,292 shares in Ms. Bridger's IRA account and 83 shares in her Butler Employee Savings Trust (BEST) 401(k) account.

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(b)

Does not include phantom stock units allocated to the Directors Deferred Benefit Account under the Director Deferred Fee Plan. At December 31, 2003, the following directors had accumulated phantom stock unit balances as follows: Mr. Brooksher 6,581 units; Mr. Christensen 3,458 units; Ms. Davis 3,554 units; Mr. Tapella 2,281 units; and Mr. Zollars 3,458 units.

(c)

Includes 8,334 shares subject to exercisable stock options, 3,471 shares in Mr. Holland's IRA account and 4,730 shares in his BEST 401(k) account.

(d)

Includes 667 shares subject to exercisable stock options, 2,879 shares in Mr. Huey's IRA account and 93 shares in his BEST 401(k) account.

(e)

Includes 667 shares subject to exercisable stock options, 1,626 shares in Mr. Miller's IRA account and 170 shares in his BEST 401(k) account.

(f)

Includes 46,667 shares subject to exercisable stock options, 2,182 shares in Mr. Rutledge's IRA account and 175 shares in his BEST 401(k) account.

(g)

Includes 4,000 shares subject to exercisable stock options.

(h)

Includes 81,171 shares subject to exercisable stock options, 18,262 shares in officers' IRA accounts and 7,893 shares in officers' BEST 401(k) accounts.

(i)

All of the shares are held for the benefit of Plan participants. Under the Plan, UMB Bank, N.A., as trustee, passes on to participants voting and permitted reinvestment decisions as to allocated shares. The Plan's address is 1540 Genessee (P. O. Box 419917), Kansas City, Missouri, 64102.

(j)

Dimensional Fund Advisors ("DMA") is an investment advisor to four investment companies and investment manager to certain other commingled group trusts and separate accounts, all of which it refers to as "Funds." DMA reports that it possesses sole voting and/or investment power with respect to 366,440 shares, all of which it reports are owned by the Funds. DMA disclaims beneficial ownership

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of all of such shares. All information relating to DMA (other than the percentage ownership) is as of December 31, 2003 and based on its report on Schedule 13G filed on February 6, 2004. DMA's address is 1299 Ocean Avenue, 11th floor, Santa Monica, CA 90401.

- (k) Wachovia Corporation ("Wachovia") is the parent holding company of Wachovia Securities, LLC, Evergreen Investment Management Company, and Wachovia Bank, N.A. Wachovia reports that Wachovia Securities, LLC and Evergreen Investment Management Company are investment advisors for mutual funds and/or other clients, and that it possesses the sole power to dispose or direct the disposition of 413,456 shares, 412,756 shares of which it possesses the sole power to vote or direct the vote. Wachovia's address is One Wachovia Center, Charlotte, North Carolina 28288. All information relating to Wachovia (other than the percentage ownership) is as of December 31, 2003 and based on its report on Schedule 13G filed on February 10, 2004.
- (l) Artisan Partners Limited Partnership ("Artisan Partners") is an investment company registered under Section 203 of the Investment Advisers Act of 1940; Artisan Investment Corporation ("Artisan Corp") is the general partner of Artisan Partners; Andrew A. Ziegler and Carlene Murphy Ziegler are the principal stockholders of Artisan Corp. Artisan Partners reports that it has shared power to vote or to direct the vote and shared power to dispose or to direct the disposition of 494,400 shares. All information (other than the percentage ownership) is as of December 31, 2003 and based on its report on Schedule 13G filed on January 23, 2004. Artisan Partner's address is 875 East Wisconsin Avenue, Suite 800, Milwaukee, Wisconsin 53202.
- (m) Third Avenue Management LLC ("Third Avenue") reports it is an investment advisor registered under the Investment Advisers Act of 1940. Third Avenue reports that it possesses sole voting power and sole power to dispose or direct the disposition of 375,800 shares. Third Avenue's address is 662 Third Avenue, 32nd Floor, New York, NY 11017-6715. All information related to Third Avenue (other than the percentage ownership) is as of December 31, 2003 and based on its report on Schedule 13G filed January 20, 2004.

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### OTHER MATTERS

You should rely only on the information contained in this proxy statement to vote your shares at the special meeting. We have not authorized anyone to provide you with information that is different from what is contained in this proxy statement. This proxy statement is dated March 25, 2004. The information contained in this proxy statement is accurate as of the date of the proxy statement. If any statements set forth in this proxy statement become materially inaccurate before the date of the special meeting, Butler will update these proxy materials through filings of additional definitive materials with the SEC, which will be sent to stockholders or otherwise made available to them as set forth below in the section entitled "Where You Can Find More Information."

Butler's 2004 Annual Meeting of Stockholders will be held only if the Merger is not completed. As set forth in the proxy statement for the Butler 2003 Annual Meeting of Stockholders filed March 13, 2003, proposals for inclusion in Butler's proxy statement for the 2004 Annual Meeting of Stockholders on April 20, 2004 (if held), must have been forwarded to Butler at 1540 Genessee (P. O. Box 419917), Kansas City, Missouri 64102, Attention: Secretary, so that they were received no later than November 10, 2003. In addition, proxies solicited by management may confer discretionary authority to vote on matters which are not included in the proxy statement but which are raised at the annual meeting by stockholders, unless Butler received written notice of the matter by January 15, 2004, at the above address. If the proposal was submitted before that deadline, Butler's management will retain their discretion to vote proxies received as long as Butler includes in its proxy statement for the annual meeting information on the nature of the proposal and how such management intends to exercise their voting discretion, and the proponent of the matter does not issue a proxy statement. In the event that Butler does hold its 2004 Annual Meeting of Stockholders and such meeting is held more than 60 days after April 15, 2004, in Butler's public announcement setting the new meeting date, Butler will indicate new dates by which shareholder proposals must be received as set forth in its by-laws.

Our board of directors does not intend to bring before the special meeting of stockholders any matters other than those set forth in this proxy statement, and has no present knowledge that any other matters will or may be brought before the special meeting of stockholders by others. If, however, any other matters properly come before the special meeting of stockholders, it is the intention of the persons named in the enclosed form of proxy to vote the proxies in accordance with their judgment.

### WHERE YOU CAN FIND MORE INFORMATION

Butler files annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy this information at the following location of the SEC:

Public Reference Room  
450 Fifth Street, N.W.  
Room 1024  
Washington, D.C. 20549

Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms. You may also obtain copies of this information by mail from the Public Reference Section of the SEC, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, at prescribed rates. Butler's public filings are also available to the public from document retrieval services, and Butler's public filings are also available to the public at the Internet website maintained by the SEC at <http://www.sec.gov>.

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### HOUSEHOLDING

Only one copy of this proxy statement has been sent to multiple stockholders of Butler who share the same address and last name, unless Butler has received contrary instructions from one or more of those stockholders. This procedure is referred to as "householding." In addition, Butler has been notified that certain intermediaries, such as brokers or banks, will household proxy materials. Butler will deliver promptly, upon oral or written request, a separate copy of this proxy statement to any stockholder at the same address. If you wish to receive a separate copy of this proxy statement, you may write to Shareholder Relations, Butler Manufacturing Company, 1540 Genessee Street, P. O. Box 419917, Kansas City, MO 64102 or call (816) 968-3000 or you may obtain a copy on Butler's website at "[www.butlermfg.com](http://www.butlermfg.com)". You can contact your broker or bank to make a similar request. Stockholders sharing an address who now receive multiple copies of proxy statements may request delivery of a single copy by writing or calling Butler at the above address or by contacting their broker or bank, provided they have determined to household proxy materials.

### By Order of the Board of Directors

John J. Holland  
*Chairman and Chief Executive Officer*

March 25, 2004

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### APPENDIX A

**AGREEMENT AND PLAN OF MERGER  
BLUESCOPE STEEL LIMITED,  
BSL ACQUISITION CORPORATION AND  
BUTLER MANUFACTURING COMPANY  
AGREEMENT AND PLAN OF MERGER  
DATED AS OF FEBRUARY 15, 2004**

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