



Craig Bouchard:

play hard, fight hard, win

The competitiveness comes naturally. Bouchard was raised in a household which embraced and thrived on a 'winner-take-all' attitude and where the former Inland Steel put food on the table.

No matter the weapon of choice—the nearest pillow, a blazing fastball, a crushing backhand or a high-stakes proxy vote—Craig Bouchard loves a good fight. And over a career spanning more than three decades and stints as an investment banker, chief executive officer of a risk management software company, dealmaker, takeover artist, financial wizard, steel mogul, author and entrepreneur, he's made a habit of winning.

"I grew up in a large family—five boys and two girls. It was a very competitive house. We

grew up playing sports," Bouchard recalled recently.

"For me, business activities are a lot like sport," said the co-founder of Esmark Inc., founder of Shale-Inland LLC, founder and chairman of Cambelle-Inland LLC and, since June of this year—and after a high-pitched proxy fight—chairman and chief executive officer of Signature Group Holdings Inc. "You play hard, fight hard, love everybody when you are done and go on to the next fight in the morning. It's just like that."

The competitiveness comes naturally. The

son of Robert C. (Bob) and Helen Clancy Bouchard, both employees of the former Inland Steel Co., Craig Bouchard was raised in a household that embraced and thrived on a winner-take-all attitude.

In an October 1963 *Midwest Industry Magazine* cover story, Bob Bouchard, then sales manager of Inland's Kansas City, Mo., district, said he never let his sons beat him at chess, checkers, ping-pong or anything else. "I don't play that way," he said. "I've never competed in anything when I wasn't out to win."

Fast forward 50 years and Craig Bouchard is fresh from his second successful proxy fight and was quick to point out in early August that the stock in Sherman Oaks, Calif.-based Signature Group Holdings Inc., a diversified enterprise with principal activities in industrial supply and special situations finance, had more than doubled to \$1.40 per share since he took the reins in June.

Ask Bouchard what the market likes about him and he's quick to answer: "Honesty and growth. That's a strange and unusual combination on Wall Street."

Bouchard is characteristically bullish on Signature Group's future. "It is a company with roughly \$80 million of cash, \$900 million of net operating loss carryforwards and a very healthy electronics distribution business," he said. "The assets will help us continue to acquire profitable companies. My goal is to make another Fortune 500 company."

Backing Bouchard's efforts is legendary investor Sam Zell, who provided strong support to Bouchard's hostile slate and growth plan for the company.

Bouchard did not show up in Signature's boardroom unprepared for battle. "This is my second hostile. I learned from the first time around," said Bouchard, who co-founded Esmark in 2004 with his younger brother, James. "Building Esmark—it seems like 20 years ago—we filed a hostile proxy to throw out nine of the 11 directors of Wheeling-Pittsburgh Steel Corp. It took six months, but we were successful."

That success not only landed the Wheeling, W.Va.-based steelmaker in the Esmark stable but marked the first hostile reverse tender merger in Wall Street history. Two years later, Esmark—including Wheeling-Pitt and

Bouchard's original steel distribution company—were sold to Russian steel giant OAO Severstal as part of a purchase agreement valued at about \$1.25 billion, including the assumption of debt.

Bouchard moved on, and in 2010 founded Shale-Inland, a leading master distributor of stainless steel pipe, valves and fittings, and stamped and fabricated parts to the U.S. energy industry. The company, which is publicly traded in the bond market and has recorded revenues approaching \$1 billion since its inception, is the first of an expanding family of companies named after Inland Steel and one of Bouchard's three daughters, Shale.

Bouchard exited Shale-Inland in late February 2013, citing a desire to explore opportunities in China. He is reluctant to address in detail what prompted his change in direction but is positive on its performance and future prospects. Asked about his investment, he smiles and says: "I'm saving that material for my next book about Wall Street.

"Shale-Inland is positioned perfectly where

I wanted it, the leading master distributor of pipe valve fittings into the energy patch," he said. "With 47 plants in the United States, thousands of customers, and doing business globally, it will do fine.

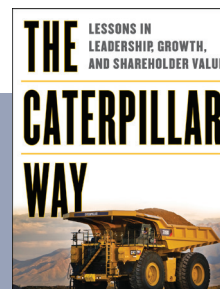
"I had bigger aspirations for the company so I turned the reins over

to a few good managers," Bouchard said. "I remain one of the largest shareholders and expect Shale-Inland to provide me a good return on my investment. My time now is limited and my highest priority now is to the public shareholders of Signature Group Holdings. And, of course, China matters."

Only weeks after the official announcement that Frank Riddick, former chief executive officer of Chicago-based JMC Steel Group Inc., would replace Bouchard, China Gerui Advanced Materials Group Ltd. announced it had retained Cambelle-Inland LLC as an adviser for its strategic planning and expansion in North America and around the world. A Delaware company based in Naples, Fla., Cambelle-Inland was founded by Bouchard to house his investment activities in China and named after another of his daughters, Cambelle.

High-powered, well-connected and China-savvy, Cambelle-Inland's board of directors consists of Raj Maheshwari, who also is

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Once upon a time in Peoria ...

It's three o'clock in the morning. Do

you know where Craig Bouchard is? Try in front of the closest computer feeding a passion that popped up after the publication in 2009 of his first book with coauthor James V. Koch, *America for Sale: How the Foreign Pack Surrounded and Devoured Esmark*.

"I got the bug," Bouchard said. "I write from 3 a.m. to 4 a.m., then go back to sleep. It's the best time to think."

Today, many, many wee hours of the morning later, Bouchard and Koch—Board of Visitors Professor of Economics and President Emeritus at Old Dominion University, Norfolk, Va., a former teacher, and long-time mentor and friend of his coauthor—are anticipating the Oct. 15 release by McGraw-Hill of their second book: *The Caterpillar Way: Lessons in Leadership, Growth, and Shareholder Value*.

"I was invited with Jim Koch to explain how Caterpillar went from losing \$1 million a day for three years in the early 1980s to global dominance of the industry. The book tells the story of the strategic decisions that allowed Cat to climb out of that terrible problem into a dominant position," Bouchard said. "It's a pure American success story. I began the project thinking that Cat is a good company. I finished thinking Caterpillar is the best-managed company in the United States. The story of how they did it is the essence of the book."

Koch, who over the past 40 years has authored or coauthored just shy of a dozen books sees three natural audiences for his latest effort. "One would certainly be executives of manufacturing firms. A second would be board members," he said. "And a third would be investors, people who would say, 'Gee, how do you identify the firms out there that are really worth investing in?'"

The Caterpillar Way took a year and a half to write, roughly half the time that Bouchard, flying solo, spent writing *The Adventures of Ai*, scheduled for release in the first quarter of next year. "It's a children's adventure novel about an 11-year-old girl in the forest of Hokkaido, Japan, in 1514. The book is for the pre-Hunger Games crowd and their tiger parents," said Bouchard, who has three young daughters. "I wrote the book as a survival guide for modern pre-teen girls, hoping to prepare them to be thoughtful, independent, strong and ready for the world, he says.

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president and chief operating officer; music industry legend Quincy Jones, a composer, producer, 27-time Grammy Award winner and producer of the Beijing Olympic ceremonies; Cliff Perlman, former chairman and chief executive officer of Caesars Palace in Las Vegas; and media mogul Yue-Sai Kan, often cited as one of the most powerful women in China.

Zhengzhou, China-based China Gerui, which Bouchard described at the time of the tie-up as “the pound-for-pound profit champion of the Chinese steel market,” is a Nasdaq-traded, niche and high-value-added steel converter specializing in high-precision, ultra-thin, high-strength cold-rolled steel products.

“China Gerui wants to diversify their product base and their customer base,” Bouchard said, citing one of the factors spurring the team-up. Another is to use the tandem as a ready-made platform to pursue

the farmers in China and to the inner cities. There are about five companies involved. We will eventually get involved with the design and distribution of the vehicle.”

A rough time frame? “I’m hoping that within the next 12 months we will make progress. There is a lot of work to be done. We are still in the early stage, but the prospects are good,” he said.

Although it’s early in the game, Bouchard goes so far as to say that the vehicle will incorporate “Western” know-how, be priced in the \$2,000 to \$4,000 range and could find its way to other developing countries. “It is Western technology, Western ideas, applied to a Chinese problem with Chinese participation,” he said. “If we are successful, you will find these vehicles in India, Indonesia, Mexico, Thailand and other parts of the industrializing world.”

Although Bouchard’s high-octane energy level, entrepreneurial interests and drive have

6.9 million people in the world working for steel mills. Four million of them live in China. If you think the Chinese are going to lay off those people, given the current level of economic activity, think again. We will continue with this structural problem.”

Bouchard, who said he would not invest in the steel industry today—“the input providers have made all the money”—does not see a light at the end of the tunnel. “With continuing excess capacity, we will see a very stable, not growing, band of hot-rolled prices,” he said. “That being the case, our current capacity utilization—75 percent or in that neighborhood—is likely to continue. We are looking at a dull steel market for many years.”

Asked about the recent fusillade of trade cases filed by U.S. producers, Bouchard was blunt bordering on radical. “If you look at the world right now, where are the good markets for steel? Comparatively speaking,



The company he keeps. Bouchard has named music industry legend Quincy Jones (second from left) to an all-star board of directors of Cambelle-Inland LLC. Economics professor, two-times coauthor, teacher, mentor and career-long friend James V. Koch (right) claims to have learned more from his former student “than I ever taught him.”

and help facilitate Cambelle-Inland’s investment plans in China. “Cambelle-Inland captures American/Chinese flows of commerce,” Bouchard said simply. “As everybody knows, you take China and the United States and you’ve got most of the world’s future economy. There are other countries that matter. But in terms of world commerce, being important in China and being important in the United States is a notable achievement. That is the goal of Cambelle-Inland.”

Predictably, Bouchard, who spent several years in Hong Kong in the 1980s as a managing director of an investment bank in Beijing, is thinking big. “Cambelle-Inland wants to take on the world’s largest industrial pollution problem: the pollution in the inner cities of China,” he said. “We have orchestrated discussions with several companies interested in offering an electric vehicle both to

distanced him recently from direct contact with the mill floor, he remains an astute student of the North American steel industry and its fortunes from a global and investment standpoint. Bouchard is negative on each, and puts China squarely at the center of the industry’s plight. “In the steel industry, China is *the* difficult problem because of their 200 million tons of excess capacity. That amount is twice what is consumed in the United States. It is a huge structural constraint that is going to continue to darken the industry globally,” he said.

Bouchard disagrees outright with those who believe that China will put its own house in order and pare capacity. “There is not an optimal solution,” he said. “Some suggest the Chinese will get a handle on it, consolidate and bring capacity down. I suggest that is *not* going to happen. There are

the U.S. is a good market, Japan is a good market and Russia is a good market. China is not a good market, and Europe, in general, is not a good market,” he said. “We’ve got lots of ‘not good’ markets. Where are people going to sell steel? In the United States, Japan and Russia. You can expect imports to come here as long as we allow them to come.

“You could look to two outrageous solutions to the import problem,” he said. “One is to open up the borders, have no tariffs but trade only with those countries that allow free trade. The other is to allow no imports. Period. And tariff everything to death. That’s the closed-door solution. Most people would view both of those as impossible. I think either would be better than being stuck in the middle, struggling to survive without much money in our pocket.”

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