

FORM 8-K/A
AMENDMENT NO. 1

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported) November 29, 1996

SCHNITZER STEEL INDUSTRIES, INC.
(Exact name of registrant as specified in its charter)

OREGON	0-22496	93-0341923
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)
P.O. Box 10047 Portland, OR		97296-0047
(Address of principal executive offices)		(Zip Code)

Registrant's telephone number including area code: (503) 224-9900

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Item 2. Acquisition or Disposition of Assets

On November 29, 1996, PIC Acquisition Corporation ("PIC"), a wholly owned subsidiary of Schnitzer Steel Industries, Inc. (the "Company"), acquired 4,079,225 shares of Common Stock of Proler International Corp. ("Proler") (representing approximately 86% of the outstanding shares of Proler) for \$9.00 cash per share pursuant to a tender offer for all of the outstanding shares of Common Stock of Proler. The tender offer commenced on September 20, 1996 pursuant to the Agreement and Plan of Merger among PIC, Proler, and the Company. PIC subsequently purchased an additional 342,600 shares of Common Stock of Proler, thereby increasing its ownership to approximately 94% of the outstanding Proler shares. On December 6, 1996, the Company completed the merger of PIC with and into Proler. As a result of the merger, all remaining outstanding shares of Proler Common Stock were converted into the right to receive the same \$9.00 per share in cash paid in the tender offer and Proler became a wholly owned subsidiary of the Company.

The total amount of funds required to acquire Proler pursuant to the tender offer and merger was approximately \$42.5 million. The Company borrowed these funds under its existing \$100,000,000 unsecured revolving credit facility with The First National Bank of Chicago, The Chase Manhattan Bank, N.A., Wells Fargo Bank, N.A. and Seattle First National Bank.

Proler is an environmental services company involved in the recovery and recycling of scrap metals and industrial wastes. Through its joint ventures, Proler exports ferrous scrap to foreign markets from scrap collection, processing and deep water facilities in Los Angeles, California; Providence, Rhode Island; Everett, Massachusetts; and Jersey

City, New Jersey. It is the Company's current intention that most of Proler's assets will continue to be used in its business, although the Company intends to review and consider disposing of Proler's businesses outside of its core scrap metal recycling business.

Item 7. Financial Statements and Exhibits

(a) Financial Statements of Businesses Acquired

- (1) The audited Consolidated Balance Sheets of Proler as of January 31, 1996 and 1995, and the related audited Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the three years in the period ended January 31, 1996, are incorporated herein by reference from Part IV, Item 14. (a) 1. of Proler's Form 10-K Annual Report (Commission File Number: 1-5276) for the fiscal year ended January 31, 1996.
- (2) The audited Combined Balance Sheets of Proler's Joint Operations as of January 31, 1996 and 1995, and the related audited Combined Statements of Operations, Stockholders' and Partners' Equity and Cash Flows for each of the three years in the period ended January 31, 1996, are incorporated herein by reference from Part IV, Item 14 (a) 1. of Proler's Form 10-K Annual Report (Commission File Number: 1-5276) for the fiscal year ended January 31, 1996.

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- (3) The unaudited Consolidated Balance Sheet of Proler as of July 31, 1996, and the related unaudited Consolidated Statements of Operations and Cash Flows for each of the six months ended July 31, 1996 and 1995 (Incorporated by reference in the original Form 8-K filed by the Company on December 13, 1996).

(b) Pro Forma Financial Information

- (1) Pro forma balance sheet combining the Company as of August 31, 1996 and Proler as of July 31, 1996 (unaudited).
- (2) Pro forma statement of operations combining the Company for the fiscal year ended August 31, 1996 and Proler for the twelve months ended July 31, 1996 (unaudited).

(c) Exhibits

- 2. Agreement and Plan of Merger dated September 15, 1996 (Incorporated by reference in the original Form 8-K filed by the Company on December 13 1996).
- 23.1 Consent of Coopers & Lybrand L.L.P.
- 23.2 Consents of La Guardia & Petrella, L.L.C.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Dated: February 11, 1997

SCHNITZER STEEL INDUSTRIES, INC.

By/s/Barry A. Rosen

Barry A. Rosen
Vice President, Finance

SCHNITZER STEEL INDUSTRIES, INC.

PRO FORMA FINANCIAL INFORMATION

The following pro forma condensed combined statements (The Statements) give effect to the November 29, 1996 acquisition of Proler International Corp. (Proler) by Schnitzer Steel Industries, Inc. (SSI) for the periods explained therein. The acquisition was accounted for as a purchase. The Statements do not purport to be indicative of the results which would actually have been obtained had the acquisition occurred as of the date or at the beginning of the periods indicated or which may be obtained in the future. The Statements should be read in conjunction with the respective historical financial information of SSI and Proler.

SCHNITZER STEEL INDUSTRIES, INC.

PRO FORMA COMBINED BALANCE SHEET
(unaudited)
(in thousands)

	SSI Twelve Months Ended August 31, 1996	Proler Twelve Months Ended July 31, 1996	Pro Forma	
			Adjustments	Combined
ASSETS				
CURRENT ASSETS:				
Cash	\$ 1,896	\$ 263	\$	\$ 2,159
Accounts receivable	23,542	2,148	(100) (3)	25,590
Accounts receivable from related parties	1,058			1,058
Inventories	90,746	2,703	(600) (3)	92,849
Deferred income taxes	3,128			3,128
Prepaid expenses and other	4,118	872		4,990
Assets held for sale			6,203 (3)	6,203
TOTAL CURRENT ASSETS	124,488	5,986	5,503	135,977
NET PROPERTY, PLANT & EQUIPMENT	150,517	6,273	(1,851) (3)	154,939
OTHER ASSETS:				
Goodwill	43,445			43,445
Investments in joint venture partnerships	9,909	53,642	7,358 (3)	70,909
Advances to joint venture partnerships	4,163			4,163
Other assets	4,967	4,281		9,248
	62,484	57,923	7,358	127,765
	\$ 337,489	\$ 70,182	\$ 11,010	\$ 418,681
	=====	=====	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES:				
Current portion of long-term debt	\$ 254	\$ 25,900	\$ (25,900) (2)	\$ 254
Accounts payable	17,877	4,672		22,549
Accrued payroll liabilities	4,135			4,135
Deferred revenue	392			392
Current portion of environmental liabilities	2,202			2,202
Other accrued liabilities	6,360	2,905	1,442 (4)	10,707
TOTAL CURRENT LIABILITIES	31,220	33,477	(24,458)	40,239
DEFERRED INCOME TAXES	15,994		-	15,994
LONG-TERM DEBT LESS CURRENT PORTION	44,475		68,356 (1)	112,831
ENVIRONMENTAL LIABILITIES, NET OF CURRENT PORTION	20,736	1,200		21,936
OTHER LONG-TERM LIABILITIES	1,251	2,617		3,868
SHAREHOLDERS' EQUITY:				
Preferred stock				
Common stock	10,348	5,351	(5,351) (5)	10,348
Additional paid-in capital	113,747	192	(192) (5)	113,747
Treasury stock		(6,057)	6,057 (5)	
Retained earnings	99,718	33,402	(33,402) (5)	99,718
TOTAL SHAREHOLDERS' EQUITY	223,813	32,888	(32,888)	223,813
	\$ 337,489	\$ 70,182	\$ 11,010	\$ 418,681
	=====	=====	=====	=====

SCHNITZER STEEL INDUSTRIES, INC.

NOTES TO PRO FORMA COMBINED BALANCE SHEET
AS OF AUGUST 31, 1996

The pro forma combined balance sheet presents the audited balances of Schnitzer Steel Industries, Inc. (SSI) as of August 31, 1996 and the unaudited balances of Proler International Corp. (Proler) as of July 31, 1996. The pro forma combined balance sheet assumes that the acquisition of Proler occurred as of August 31, 1996. However, the pro forma combined balances are not necessarily indicative of balances which would have resulted had the acquisition of Proler actually occurred on August 31, 1996. This statement should be read in conjunction with the other financial statements and notes thereto either appearing elsewhere herein or incorporated by reference herein.

In August 1996, a consultant was engaged to estimate the costs to cure environmental liabilities related to Proler's properties. In November 1996, under AICPA Statement of Position No. 96-1, Proler recorded a liability of \$8,600,000 for the probable costs to remediate these properties based upon the consultant's estimates.

The following schedule summarizes preliminary adjustments reflected in the pro forma combined balance sheet :

- (1) Adjustment to record borrowings under line of credit to finance the acquisition of Proler and to refinance Proler's debt outstanding at the date of acquisition.
- (2) Adjustment to remove Proler debt which was retired upon consummation of the acquisition.
- (3) Adjustment to restate reported assets acquired at fair market value.
- (4) Adjustment to record liabilities for exit costs, employee termination costs and relocation costs.
- (5) Adjustment to eliminate Proler's equity accounts.

Certain reclassifications have been made to the Proler balance sheet to conform with the presentation used by SSI.

SCHNITZER STEEL INDUSTRIES, INC.

PRO FORMA COMBINED STATEMENT OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	SSI Twelve Months Ended August 31, 1996	Proler Twelve Months Ended July 31, 1996	Pro Forma	
			Adjustments	Combined
REVENUES	\$ 339,352	\$ 14,134	\$ (4,303) (5)	\$ 349,183
COSTS AND EXPENSES:				
Cost of goods sold and other operating expenses	290,841	15,684	(8,279) (1)(5)	298,246
Selling and administrative	18,860	5,102	(4,789) (6)	19,173
Research and development		1,310	(1,310) (5)	
Asset write-downs and other charges		17,159	(17,159) (4)	
	309,701	39,255	(31,537)	317,419
Income (Loss) From Joint Ventures	3,291	(789)		2,502
INCOME (LOSS) FROM OPERATIONS	32,942	(25,910)	27,234	34,266
OTHER INCOME (EXPENSE):				
Interest (expense) income, net	(3,814)	(1,067)	(2,929) (2)(3)	(7,810)
Gain on sale of assets	209			209
Other income, net	1,452	387		1,839
	(2,153)	(680)	(2,929)	(5,762)
INCOME BEFORE INCOME TAXES	30,789	(26,590)	24,305	28,504
(Provision For) Benefit From Income Taxes	(10,006)	(143)	743 (7)	(9,406)
NET INCOME (LOSS)	\$ 20,783	\$ (26,733)	\$ 25,048	\$ 19,098
EARNINGS PER SHARE	\$ 2.24			\$ 2.05
SHARES USED IN CALCULATION	9,295,705			9,295,705

SCHNITZER STEEL INDUSTRIES, INC.

NOTES TO PRO FORMA COMBINED STATEMENT OF OPERATIONS
FOR THE TWELVE MONTHS ENDED AUGUST 31, 1996

The pro forma condensed combined statement of operations presents the audited balances of Schnitzer Steel Industries, Inc. (SSI) for the twelve months ended August 31, 1996 and the unaudited balances of Proler International Corp. (Proler) for the twelve months ended July 31, 1996. The pro forma condensed combined statement of operations assumes that the acquisition of Proler occurred as of the beginning of the twelve months ended August 31, 1996. However, the pro forma combined balances are not necessarily indicative of balances which would have resulted had the acquisition of Proler actually occurred at the beginning of the twelve months presented. This statement should be read in conjunction with the other financial statements and notes thereto either appearing elsewhere herein or incorporated by reference herein.

The following adjustments are reflected in the pro forma condensed combined statement of operations for the twelve months ended August 31, 1996 :

- (1) Adjustment to decrease depreciation expense by \$982,000 to reflect the restatement to fair value and adjustments in estimated useful lives of Proler's property, plant and equipment as a result of the acquisition.
- (2) Adjustment to remove interest expense of \$1,067,000 incurred by Proler related to debt retired upon acquisition by SSI.
- (3) Adjustment to record interest expense of \$3,996,000 on the borrowings used to fund the acquisition and to refinance Proler's debt outstanding at the date of acquisition.
- (4) Adjustment to reflect elimination of asset write-downs.
- (5) Adjustment to eliminate revenues of \$4,303,000, cost of goods and other operating costs of \$7,297,000 and research and development costs of \$1,310,000 related to operations that have been classified as assets held for sale as a result of the acquisition.
- (6) Adjustment to reflect changes in selling and administrative costs due to the combining of administrative functions as a result of the acquisition.
- (7) Adjustment of the income tax provision due to the effects of the pro forma adjustments on income before taxes.

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Consent of Independent Accountants

We consent to the incorporation by reference in the registration statement of Schnitzer Steel Industries, Inc. on Form S-8 (File No. 33-87008) of our reports dated April 29, 1996, on our audits of the consolidated financial statements of Proler International Corp. and subsidiaries and the combined financial statements of Proler International Corp.'s Joint Operations as of January 31, 1996 and 1995, and for each of the three years in the period ended January 31, 1996, which reports have been incorporated by reference in this Current Report on Form 8-K/A.

/S/ Coopers & Lybrand L.L.P.
Coopers & Lybrand L.L.P.

Houston, Texas
February 11, 1997

SCHNITZER STEEL INDUSTRIES, INC.

Consent of Independent Accountants

We hereby consent to the incorporation by reference in the registration statement of Schnitzer Steel Industries, Inc. on Form S-8 (File No. 33-87008) our report dated March 18, 1996 which appears on page 60 of the Proler International Corp. Annual Report on Form 10-K for the year ended January 31, 1996. We also consent to the incorporation by reference of such report in the Current Report on Form 8-K/A of Schnitzer Steel industries, Inc. dated February 11, 1997 reporting its acquisition of Proler International Corp.

/s/ La Guardia & Petrella, L.L.C.
La Guardia & Petrella, L.L.C.

February 10, 1997
Fort Lee, New Jersey

SCHNITZER STEEL INDUSTRIES, INC.

Consent of Independent Accountants

We consent to the incorporation by reference in the registration statement of Schnitzer Steel Industries, Inc. on Form S-8 (File No. 33-87008) our report dated February 26, 1996 which appears on page 61 of the Proler International Corp. Annual Report on Form 10-K for the year ended January 31, 1996. We also consent to the incorporation by reference of such report in the Current Report on form 8-K/A of Schnitzer Steel Industries, Inc. dated February 11, 1997 reporting its acquisition of Proler International Corp.

/s/ La Guardia & Petrella, L.L.C.
La Guardia & Petrella, L.L.C.

February 10, 1997
Fort Lee, New Jersey