WEBCO INDUSTRIES INC
Form PRER14A
September 29, 2004

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SCHEDULE 14A INFORMATION

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

Filed by the Registrant	x
Filed by a Party other than the Registrant	o

Check the appropriate box:

x Preliminary Proxy Statement

o Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

o Definitive Proxy Statement

o Definitive Additional Materials

o Soliciting Material Pursuant to Section 240.14a-12

Webco Industries, Inc.

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

x No fee required.

o 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:

(2) Aggregate number of securities to which transaction applies:

(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)

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o 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.

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(1) Amount Previously Paid:

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

(3) Filing Party:

(4) Date Filed:

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WEBCO INDUSTRIES, INC.
9101 West 21st Street
Sand Springs, Oklahoma 74063
(918) 241-1000

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
TO BE HELD ON , 2004

NOTICE IS HEREBY GIVEN that a Special Meeting of Stockholders (the Special Meeting or the Meeting) of Webco Industries, Inc., an Oklahoma corporation (the Company or Webco), will be held on , 2004, at 11:00 a.m., central time, at the offices of Webco at 9101 West 21st Street, Sand Springs, Oklahoma, for the following purpose, as more fully described in the Proxy Statement accompanying this Notice:

To consider and vote upon proposals to amend Webco s Certificate of Incorporation to effect one of five alternative reverse/forward stock split combinations (each having the net effect of a one-for-10 reverse split), as determined by the Board of Directors in its discretion.

The proposals to amend Webco s Certificate of Incorporation provide for Webco to effect both a reverse and forward stock split of Webco s issued and outstanding shares of common stock. If these reverse and forward stock splits are approved and effected, Webco anticipates that it will have fewer than 300 stockholders of record. As a result, Webco will be eligible to and intends to terminate the registration of its Common Stock under the Securities Exchange Act of 1934, in which case Webco will no longer be required to file annual and periodic reports or make other filings with the Securities and Exchange Commission that are applicable to public companies and the Common Stock will no longer be listed on the American Stock Exchange.

Webco has set the close of business on , 2004, as the record date for determining stockholders who are entitled to notice of and to vote at the Special Meeting.

All stockholders are cordially invited to attend the Special Meeting in person. Whether or not you expect to attend the Meeting, your vote is important. To assure your representation at the Meeting, please sign and date the enclosed proxy card and return it promptly in the enclosed envelope, which requires no additional postage if mailed in the United States.

By order of the Board of Directors,

F. William Weber

Chairman of the Board

Sand Springs, Oklahoma

, 2004

Your vote is very important, regardless of the number of shares you own. Please read the attached proxy statement carefully, complete, sign and date the enclosed proxy card as promptly as possible and return it in the enclosed envelope.

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WEBCO INDUSTRIES, INC.
9101 West 21st Street
Sand Springs, Oklahoma 74063
(918) 241-1000

PROXY STATEMENT

FOR SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON , 2004

The Board of Directors of Webco Industries, Inc., an Oklahoma corporation (the Company or Webco), is providing this proxy statement to its stockholders to solicit their vote for use at a Special Meeting of Stockholders (the Special Meeting or the Meeting) to be held on , 2004. The Special Meeting will be held at the offices of Webco, 9101 West 21st Street, Sand Springs, Oklahoma, at 11:00 a.m., central time. This proxy statement and the accompanying proxy card are being mailed on or about __________, 2004, to stockholders of record as of __________, 2004.

At the Special Meeting, stockholders will vote on proposals to amend Webco s Certificate of Incorporation to effect, as determined by the Board of Directors in its discretion, one of five alternative reverse/forward stock split combinations (each having a net effect of a one-for-10 reverse split). As permitted under Oklahoma law, stockholders whose shares are converted into less than one share in the reverse split (because they had fewer shares than the reverse split ratio at the effective time of the reverse split) will receive a cash payment from Webco in the amount of $4.75, without interest, for each share of common stock, par value $.01 per share (the Common Stock), they held immediately before the reverse split. Stockholders who own more than one share after the reverse split will receive one share for every 10 shares they owned prior to the reverse split and for each fractional share they would otherwise receive as a result of the forward split, stockholders will receive a cash payment in the amount of $4.75, without interest, per pre-reverse-split share in lieu of a fractional share. The reverse stock split and forward stock split to be effected by the amendment to our Certificate of Incorporation, the cash payments to stockholders and other related matters are referred to in this proxy statement as the Transaction.

After the Transaction, Webco anticipates that it will have fewer than 300 stockholders of record. As a result, Webco will be eligible to, in which case intends to terminate the registration of its Common Stock under the Securities Exchange Act of 1934 and will no longer be required to file annual and periodic reports or make other filings under the federal securities laws that are applicable to public companies. Additionally, the Common Stock will no longer be listed on the American Stock Exchange.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Transaction, passed upon the merits or fairness of the Transaction or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

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FORWARD LOOKING STATEMENTS

Certain statements in this proxy statement, including statements preceded by, or predicated upon the words anticipates, appears, believes, expects, estimated, hopes, plans, should, would or similar words const forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of Webco or industry results to differ materially from any future results, performance or achievements expressed or implied herein. Such risks, uncertainties and factors include, among others: general economic and business conditions, market conditions, labor availability, natural gas prices, changes in manufacturing technology, banking environment, monetary policy, raw material costs and availability, industry capacity, domestic and international competition, loss of significant customers and customer work stoppages, equipment outages, effects of major capital expansions, significant customer claims, technical and data processing capabilities, insurance costs and availability, stockholder lawsuits and the number of record holders after the Transaction.

SUMMARY TERM SHEET FOR REVERSE/FORWARD STOCK SPLIT TRANSACTION

The following summary briefly describes the proposed Transaction. While this summary describes what Webco believes are the most material terms and features of the Transaction, stockholders should read the entire proxy statement and the documents incorporated in this proxy statement by reference before voting. As used in this proxy statement, Transaction refers to the reverse/forward stock split to be effected by the amendment of our Certificate of Incorporation, together with the related cash payments to stockholders and other related matters.

Summary of the Transaction

The Board of Directors has authorized, and recommends that stockholders approve EACH of five proposals to amend Webco s Certificate of Incorporation to effect, as determined by the Board of Directors in its discretion, one of the following five alternative reverse/forward stock split combinations:

- a reverse one-for-200 stock split followed immediately by a forward 20-for-one stock split of the Common Stock;
- a reverse one-for-500 stock split followed immediately by a forward 50-for-one stock split of the Common Stock;
- a reverse one-for-1,000 stock split followed immediately by a forward 100-for-one stock split of the Common Stock;
- a reverse one-for-1,500 stock split followed immediately by a forward 150-for-one stock split of the Common Stock; and
- a reverse one-for-2,000 stock split followed immediately by a forward 200-for-one stock split of the Common Stock.

IN THE FOLLOWING DISCUSSIONS, THE TERMS MINIMUM NUMBER AND FORWARD NUMBER MEAN: 200 AND 20, RESPECTIVELY, IF THE ONE-FOR-200 REVERSE/20-FOR-ONE FORWARD SPLIT IS IMPLEMENTED; 500 AND 50, RESPECTIVELY, IF THE ONE-FOR-500 REVERSE/50-FOR-ONE FORWARD SPLIT IS IMPLEMENTED; 1,000 AND 100, RESPECTIVELY, IF THE ONE-FOR-1,000 REVERSE/100-FOR-ONE FORWARD SPLIT IS IMPLEMENTED; 1,500 AND 150, RESPECTIVELY, IF THE ONE-FOR-1,500 REVERSE/150-FOR-ONE FORWARD SPLIT IS IMPLEMENTED; AND 2,000 AND 200, RESPECTIVELY, IF THE ONE-FOR-2,000 REVERSE/200-FOR-ONE FORWARD SPLIT IS IMPLEMENTED.

Each of these five alternative reverse/forward stock split combinations is comprised of a reverse stock split whereby each Minimum Number of shares of Common Stock held of record by a stockholder at the effective time of the reverse split will be converted into one share of Common Stock, followed immediately by a forward stock split whereby each share of Common Stock outstanding upon consummation of the reverse split will be converted into the Forward Number of shares of Common Stock. As permitted under Oklahoma law, shares of Common Stock that

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would be converted into less than one share of Common Stock in the reverse split will instead be converted into the right to receive a cash payment as described below. However, if a stockholder of record holds the Minimum Number or more shares of Common Stock in his or her account at the effective time of the reverse split, only fractional shares remaining after the forward split will be cashed out such that at the end of the Transaction, each such holder will have a whole number of shares.

Webco is submitting separate proposals to approve each of the five alternative reverse/forward stock split combinations described above, and the Board in its discretion may elect to effect any one (but not more than one) of these five combinations that are approved by the requisite vote of the stockholders of Webco. The Board will also have the discretion to determine if and when to effect any of these reverse/forward stock split combinations that are approved by the stockholders and reserves the right to abandon the Transaction even if it is approved by the stockholders (see Reservation of Rights beginning on page 12). Webco expects that, if stockholders approve and the Board elects to implement one of the five alternative reverse/forward split combinations, it would be consummated within 30 days after the date of the Special Meeting upon the filing of the necessary amendment to Webco s Certificate of Incorporation with the Secretary of State of the State of Oklahoma. If the Board determines to implement any of the five alternative reverse/forward stock split combinations approved by the stockholders, as soon as practicable after the effectiveness of the reverse/forward stock split, Webco will publicly announce in a press release and post on its website at http://www.webcoindustries.com which of the approved alternative combinations the Board has elected to effect. The form of proposed amendment to Webco s Certificate of Incorporation necessary to effect the Transaction is set forth under Proposals to Amend Webco s Certificate of Incorporation Proposed Language Amending Webco s Certificate of Incorporation Reverse/Forward Split Amendment beginning on page 19.

Special Factors

Purpose of the Transaction

The primary purpose of the Transaction is to reduce the number of Webco s stockholders of record to fewer than 300, thereby enabling Webco (1) to terminate its obligation to file annual and periodic reports and make other filings under the federal securities laws and (2) to terminate the registration of its Common Stock under the Securities Exchange Act of 1934, or the 1934 Act. Webco will no longer be subject to the Sarbanes-Oxley Act of 2002 and our officers will no longer be required to certify the accuracy of our financial statements. As a result of the Transaction, Webco would be able to realize the cost savings that would be achieved by eliminating most of the expenses related to its disclosure, reporting and compliance requirements under the 1934 Act and its listing requirements on the American Stock Exchange for its Common Stock. Webco will thereafter be considered a private company. Our Common Stock will no longer be listed on the American Stock Exchange; however, we believe that a market for the Common Stock may be available through the Pink Sheets, LLC. Webco is undertaking the Transaction for the reasons, and to attain the benefits, set forth below. Webco is undertaking the Transaction at this time in order to effect the cost savings referred to below as soon as possible and, in particular, to avoid the significant prospective compliance costs relating to Sarbanes-Oxley described below. In addition, the sooner that Webco completes the Transaction, the sooner stockholders who are to receive cash in the Transaction will receive and be able to reinvest or otherwise make use of such cash payments.

Reasons for and Benefits of the Transaction

The reasons for the Transaction include the following:

Webco believes that the governance requirements of the Sarbanes-Oxley Act of 2002, along with the current environment for public companies, will increase the cost and difficulty of retaining and recruiting qualified and experienced members of its Board of Directors. Our directors fees increased 36% in fiscal 2004 (excluding fees of the Special Committee of the Board appointed to consider the Transaction and all other fees incurred in connection with the Transaction) compared to fiscal 2002, the year before the Sarbanes-Oxley Act was implemented. If we remain a public company, we believe that these costs will increase further.

Webco believes that the legal and liability costs and risks of being public are substantial and increasing. The fees and expenses of securities counsel (excluding fees and expenses relating to the Transaction) totaled

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$30,000 in fiscal 2004. Our directors and officers liability insurance premiums totaled $55,000 in fiscal 2004. We expect both of these costs to increase significantly if we remain a public company. Although the possibility and cost of potential securities litigation cannot be quantified, we believe that any future securities litigation would be time-consuming, disruptive and costly, even if Webco were to prevail in such litigation.

Webco believes that current and foreseeable market conditions limit opportunities for sustained and significant revenue and net income growth. Specifically: (a) we believe that our business is highly cyclical and the current cycle of higher revenues and earnings is similar to our experience in fiscal 1998 when our revenues and earnings increased 18% and 73%, respectively as compared to 1997, but decreased by 11% and 66%, respectively, in 1999; (b) we believe that long term organic growth of our business will be gradual but limited due to the maturity of the industry in which we compete; we have experienced a compounded annual growth rate of revenues of approximately 7% from fiscal 1999 to fiscal 2003; (c) we believe that overcapacity in the tubing marketplace will continue to challenge margins and net income, especially as steel again becomes more readily available; (d) sustained organic growth would require additional facilities, because our manufacturing facilities are currently at or near capacity to meet the current cyclical high demand for our products, however given the long-term overcapacity in our industry, we have no current plans for significant additions to our manufacturing facilities; and (e) we are unaware of any attractive merger or acquisition opportunities in our industry. In addition, increasing expenses of being public due to regulatory requirements will adversely affect future profitability and cash flow.

Webco believes that our characteristics (low market capitalization and relatively low historical average return on assets or equity), the characteristics of our Common Stock (low price, limited trading volume, no dividend and no analyst coverage), as well as the general volatility of our industry, have had and will continue to have a negative effect on our long-term stock price.

Webco believes that the characteristics of our Common Stock discussed above do not allow us to use stock as a currency for acquisition opportunities or to generate additional capital for other strategic opportunities.

Webco recognizes that our stock is already relatively illiquid, (averaging 6,745 and 4,593 shares per day during the 12 and 36 months, respectively, prior to the public announcement of the proposed Transaction) and that this illiquidity causes price volatility whenever relatively large blocks of stock are sought to be purchased or sold.

Webco believes that the disclosures that we are required to make as a public company put us at a competitive disadvantage to our mostly non-public competitors. We believe that we will benefit from no longer having to place this information into the public domain.

Benefits of the Transaction to Webco are expected to include the following:

Eliminating the current cost of being public of approximately $330,000 per year, including: eliminating the costs of our American Stock Exchange listing; reducing audit costs; reducing director s and officer s liability insurance premiums; reducing outside director s fees and costs; and reducing the costs of administering stockholder accounts and inquiries. (For a breakdown of our expected costs, see Special Factors Purpose of and Reasons for the Transaction beginning on page 20);

Avoiding Sarbanes-Oxley compliance costs in 2005, including Section 404 internal control certification costs, which we expect will total approximately $735,000 (which, when combined with the current cost of being public described above, will approximate $1,065,000) for fiscal 2005. These estimates are consistent with a survey conducted by Financial Executives International in January 2004. A recent update to that survey by Financial Executives International found that actual costs are running 40% above the amounts estimated in January by the surveyed companies. (For a breakdown of our expected costs, see Special Factors Purpose of and Reasons for the Transaction beginning on page 20);

Avoiding Sarbanes-Oxley compliance costs beyond 2005, including Section 404 internal control certification costs, which we expect will total approximately $570,000 per year (which, when combined with the current cost of being public described above, will approximate $900,000) for fiscal 2006 and beyond. Again, the updated Financial Executives International survey found that actual costs are running 40% above the amounts estimated in January by the surveyed companies. (For a breakdown of our expected costs, see Special Factors Purpose of and Reasons for the Transaction beginning on page 20);

Reducing the substantial time that management and other employees spend preparing and reviewing the periodic reports required of publicly-traded companies and managing stockholder relations and communications, thus enabling them to devote more of their time and energy to our strategy and operations; and

Increasing management s flexibility to consider and initiate actions that may produce long-term benefits and growth without the pressure and expectation to produce quarterly earnings per share growth.

See Special Factors Purpose of and Reasons for the Transaction beginning on page 20.

Benefits of the Transaction to affiliates of Webco include the following:

Webco s officers and directors will increase their percentage ownership in Webco by between 0.5% to 3%, depending on the reverse/forward split proposal selected;

The Weber family will increase its percentage ownership in Webco by between 0.4% to 2.9%, depending on the reverse/forward split proposal selected;

Webco s officers and employees will benefit from eliminating the time and effort associated with implementation of the Section 404 internal controls certification provisions of the Sarbanes-Oxley Act: and

Webco s officers and directors will benefit from eliminating the legal risks associated with being a public company.

See Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 35.

Benefits of the Transaction to unaffiliated stockholders of Webco include the following:

Unaffiliated stockholders holding fewer shares than the Minimum Number will receive cash for their shares without having to pay brokerage commissions and other transaction costs;

Remaining unaffiliated stockholders may benefit from the reduction in total shares outstanding or from the cost savings by Webco not being public, either or both of which may result in higher earnings per share, which in turn may result in a higher price for their shares than they would have received if Webco remained public; and

Remaining unaffiliated stockholders may benefit from future operating results of Webco.

Disadvantages of the Transaction

Disadvantages of the Transaction to Webco include the following:

Webco s working capital and assets will be decreased and indebtedness increased, to fund the purchase of fractional shares, option buy outs and the other costs of the Transaction, including extending loans to certain officers and employees of Webco, as described below under Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 10; and

The limited ability that Webco has to raise capital in the public securities markets or to use our stock as an acquisition currency will be effectively eliminated.

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Disadvantages of the Transaction to affiliates of Webco include the following:

- The cash price offered to stockholders under the proposed Transaction could be less than the market price at the time the Board decides to implement the Transaction and is substantially less than the $7.67 book value of the Common Stock as of April 30, 2004; and

- Webco s officers and directors and the Weber family are likely to experience reduced liquidity for their shares of Common Stock, even if the Common Stock trades on the Pink Sheets, and this reduced liquidity may adversely affect the market price of the Common Stock.

Disadvantages of the Transaction to unaffiliated stockholders of Webco include the following:

- The cash price offered to stockholders under the proposed Transaction could be less than the market price at the time the Board decides to implement the Transaction and is substantially less than the $7.67 book value of the Common Stock as of April 30, 2004;

- Remaining stockholders are likely to experience reduced liquidity for their shares of Common Stock, even if the Common Stock trades on the Pink Sheets, and this reduced liquidity may adversely affect the market price of the Common Stock;

- Less public information about Webco will be required or available after the Transaction and officers will no longer be required to certify the accuracy of our financial statements, although Webco will continue to provide quarterly press releases as to our financial condition and results of operations, which we expect may be accessed at www.pinksheets.com (see Special Factors Purpose of and Reasons For the Transaction beginning on page 20);

- Stockholders who are cashed out will be unable to participate in any future operating results of Webco unless they buy stock after the Transaction; and

- Stockholders who are cashed out for $4.75 per pre-split share in the Transaction may receive less for their shares than they would if the Common Stock continued trading on the American Stock Exchange.

See Proposals to Amend Webco s Certificate of Incorporation Effect of the Transaction on Stockholders beginning on page 17 and Special Factors Effect of the Transaction on Webco beginning on page 51.

Effects of the Transaction.

The Board is soliciting stockholder approval for each of the five alternative reverse/forward stock split proposals. The availability of five alternatives will provide the Board with the flexibility to implement the Transaction and ensure that Webco s objectives are met. While the Board has not set any specific criteria for determining which one of the alternative reverse/forward stock split combinations to implement, if any, following stockholder approval, the two primary considerations will be to reduce the number of stockholders of record to fewer than 300 and to select the proposal that best fits the covenants of our new senior credit facility, which is currently being negotiated. See Proposals to Amend Webco s Certificate of Incorporation Reservation of Rights beginning on page 20

If approved by the stockholders and implemented by the Board, the Transaction will become effective on such date as may be determined by the Board.

If the Transaction is completed, the following will occur:

- Stockholders who own less than the Minimum Number of shares before the Transaction will receive a cash payment in the amount of $4.75 per pre-reverse split share in exchange for their shares of Common Stock and will no longer have any interest in Webco.

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Stockholders who own exactly the Minimum Number of shares before the Transaction (after giving effect to the reverse and forward splits) will receive one share for every 10 shares they owned prior to the Transaction.

Stockholders who own more than the Minimum Number of shares before the Transaction will receive one share for every 10 shares they owned prior to the Transaction (after giving effect to the reverse and forward splits); for fractional shares remaining after the forward split, they will receive a cash payment in the amount of $4.75 per pre-reverse split share; and they will continue to have an interest in Webco to the extent of their remaining whole shares.

Webco expects to have fewer than 300 record holders of Common Stock and, therefore, will be eligible to terminate registration of the Common Stock with the Securities and Exchange Commission, which will terminate our obligation to continue filing annual and periodic reports and make other filings under the federal securities laws that are applicable to public companies, will terminate the obligation of our officers to certify the accuracy of our financial statements, and we will no longer be considered a public company.

Our Common Stock will no longer be listed on the American Stock Exchange.

Due to the expressed intention of one of our directors to resign upon the occurrence of the Transaction, the number of directors of Webco will be reduced to five immediately after the Transaction; F. William Weber, Dana S. Weber, Jack D. McCarthy, Kenneth E. Case and Christopher L. Kowalski are expected to continue as directors of Webco.

The number of shares subject to currently outstanding options and the corresponding exercise prices will be adjusted in accordance with the terms of Webco s option plan to give effect to the Transaction. Any options for fewer than the Minimum Number will become a right to receive a cash payment in the amount of $4.75 per pre-reverse split share, irrespective of vesting status, less the exercise price, and will result in the elimination of any rights to acquire fractional shares; if the value of this right is $0 or less, the options will be cancelled. Any options for more than the Minimum Number will be adjusted so that the holder will have 1/10th as many options at 10 times the exercise price. The vesting schedule related to options still in effect after the Transaction will remain unchanged.

In addition, based on estimates of record ownership of shares of Common Stock, the number of shares outstanding and other information as of June 28, 2004, the reverse/forward stock split will have the effects set forth below:

rse split ratio (immediately followed by a forwardstock	**one-for-2000**	**one-for-1500**	**one-for-1000**	**one-for-500**	**one-for-**
ional shares cashed out (1)	420,000	350,000	175,000	110,000	60,(
nated Remaining Webco stockholders of record (reduced approximately 343)	64	67	81	89	1
nated outstanding shares of Common Stock (reduced from ,723) (1)	6,660,000	6,730,000	6,900,000	6,970,000	7,020,(
nated percentage decrease of outstanding shares of Common	5.9%	4.9%	2.5%	1.6%	
nate of remaining beneficial stockholders of Common Stock ced from approximately 1,481)	247	278	324	469	6
ns to purchase shares of Common Stock that will be	221,000	202,000	177,000	73,000	1,(
lled or cashed out and the related cost (1)	$ 60,000	$ 42,500	$ 37,750	$ 17,500	$ 1,(
ntage ownership of Common Stock beneficially owned by tive officers and directors as a group (increased from	56.8%	56.5%	55.1%	54.6%	5

%)					
ntage ownership of Common Stock beneficially owned by Veber family (increased from 47.5%) (2)	50.4%	50.0%	48.7%	48.3%	4
rma stockholder equity as of April 30, 2004 (reduced from 99,000)	$51,194,000	$51,536,000	$52,371,000	$52,691,000	$52,938,(
orma book value per share of Common Stock (increased $7.67 per share on an historical basis) (4)	$ 76.87	$ 76.58	$ 75.79	$ 75.60	$ 75
nate of total cash required for the Transaction (3)	$ 5,230,000	$ 4,880,000	$ 4,044,000	$ 3,715,000	$ 3,461,(

(1) Represents pre-split shares.

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(2) Represents Common Stock beneficially owned by F. William Weber, Chairman of the Board and Chief Executive Officer, Dana S. Weber, Vice Chairman of the Board and Chief Operating Officer, and their family members.

(3) Includes the cost to repurchase fractional shares, cash out options, pay the costs of the Transaction and make loans to certain officers and employees to replace currently outstanding loans from third parties to such officers.

(4) Based on shares of Common Stock outstanding after the Transaction.

In addition, if the Transaction had occurred on August 1, 2003, net income per share of Common Stock (including non-recurring income and expenses) for the nine months ended April 30, 2004, would have increased from $0.44 on an historical basis (both basic and fully diluted) to the following.

Reverse Split Ratio	one-for-2,000	one-for-1,500	one-for-1,000	one-for-500	one-for-200
Pro Forma basic net income per share	$ 4.80	$ 4.77	$ 4.68	$ 4.67	$ 4.65
Pro Forma fully-diluted net income per share	$ 4.29	$ 4.27	$ 4.18	$ 4.17	$ 4.17

For a description of the provisions regarding the treatment of shares held in street name, see Proposals to Amend Webco s Certificate of Incorporation Effect of the Transaction on Stockholders beginning on page 17. See also Special Factors beginning on page 20. Shares held in street name are shares held in a stock brokerage account or by a bank or other nominee.

Alternatives Considered

Prior to deciding to pursue the Transaction, Webco and its financial advisor, Benedetto, Gartland and Company, Inc., considered a number of alternatives, including the following:

Maintaining the Status Quo. Webco considered whether maintaining the status quo would be a viable strategy. Webco considered its size and resources compared to the significantly increased costs of maintaining its public company status, the increased risks associated with being a public company and the diminishing benefit to Webco and its stockholders of being a publicly-held company. Based on this analysis, Webco rejected this alternative.

Increasing Public Float. From time to time, Webco has considered issuing additional shares of its Common Stock to increase the public float. Based on the decline of Webco s Common Stock price and the virtual closure in public equity markets during the past two years for issuers of Webco s size, Webco has chosen not to dilute existing stockholders. For similar reasons, Webco has not pursued the private equity markets.

Selling Webco. The sale of Webco was not a viable strategy because of Webco s controlling stockholders opposition to any such sale.

Liquidating Webco. Webco, together with Benedetto Gartland, reviewed orderly liquidation value appraisals of Webco s fixed assets that had been conducted in connection with Webco s renegotiation of its senior credit facility. Based on this review, a liquidation of Webco appeared to be financially unattractive. Additionally, Webco s controlling stockholders would likely oppose such a liquidation.

All-Cash Transaction. Webco believed that the very low appraisal value of its assets would prevent it from obtaining adequate financing to do an all-cash transaction such as a management buyout. Webco discussed with Benedetto Gartland the feasibility of bringing in an outside financial partner to provide the additional cash needed for a management buyout. Benedetto Gartland was of the opinion that very few private equity investors would be interested in a minority position in Webco and would demand terms that would be unacceptable to Webco s controlling stockholders.

Going Private Transactions. Webco considered various forms of going private transactions, such as an odd-lot tender offer and a reverse split followed by an exchange offer, but due to cost and time considerations and the uncertainty of achieving the transaction objectives, Webco did not recommend to the Board that such going private transactions be pursued.

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Webco and Benedetto Gartland presented these alternatives to Webco s Board. Based on that presentation and the factors described in Special Factors Purpose of and Reasons for the Transaction beginning on page 20, the Board determined that changing Webco s status from that of a public, reporting company to that of a private, non-reporting company is the appropriate strategy for Webco. Further, the Board concluded that the Transaction is the most expeditious and economical alternative to accomplish that objective.

See Special Factors Alternatives Considered beginning on page 25.

Board Determination of the Fairness of the Transaction

A Special Committee of independent directors appointed by the Board to consider the Transaction and the Board have determined that the Transaction is fair to the stockholders and unanimously recommend that stockholders vote **FOR** each of the five reverse/forward split combinations in order to effect the Transaction.

The determination of the Special Committee and the Board is based on a number of procedural and substantive factors, including the following:

Procedural Factors:

- The Special Committee was established with sole power to make the decision to recommend the Transaction; and the Special Committee s membership consists entirely of independent directors to represent the interests of Webco s minority stockholders. In assessing the independence of the members of the Special Committee, the Board noted that one member owns 1,700 shares of Common Stock, which may or may not be cashed out depending on the Minimum Number selected. No other members of the Special Committee currently own shares of Common Stock, although all hold options that will remain outstanding after the Transaction.

- The Special Committee retained its own independent financial advisor and legal counsel.

- Webco retained its own financial advisor and legal counsel.

- The stockholders will have an opportunity to make changes to their ownership before the effective date of the Transaction so that they can increase, divide or otherwise adjust their existing holdings prior to the effective date, in order to retain some or all of their shares or to receive cash for some or all of their shares.

- The Special Committee negotiated with Webco and thoroughly deliberated and evaluated the net one-for-10 reverse/forward stock split combinations, with the result that the payment to Webco s cashed-out holders was increased from $4.00 to $4.75 per pre-split share.

- The Transaction will be effected in accordance with applicable requirements under Oklahoma law.

Substantive Factors:

- Based on the Special Committee s determination that the Transaction is in the best interests of Webco and its stockholders, and that the cash price of $4.75 per pre-split share to be paid to holders of less than one share of Common Stock (post-reverse split) and to holders of fractional shares (post-forward split) is fair, the Special Committee recommended the Transaction. The Special Committee determined that the Transaction is fair to unaffiliated stockholders who will be cashed out in the Transaction and to those unaffiliated stockholders who will remain stockholders after the Transaction.

- The terms of the Transaction, including the cash payment to holders of less than one share of Common Stock (post-reverse split) and to holders of fractional shares (post-forward split) in the amount of $4.75 per pre-split share, resulted from arms -length negotiations between Webco and the Special Committee.

The Board believes that the Transaction is the superior transaction for Webco and its stockholders as compared to the feasible alternatives considered. The $4.75 per pre-split share is 62% of the book value per share of $7.67 as of April 30, 2004, but the Board s financial advisor stated that book value as a measure of market value in our industry is of limited utility, because it is not a predictive measure of the present value of future cash flows for Webco. Over the past five years, our Common Stock has not traded at a price in excess of 80% of its then current book value per share, and has typically traded at less than half of book value per share. The Board believes that the other methodologies used by the financial advisor in its valuations are the most appropriate to measure the value of Webco. See Financial Information Market Prices of the Common Stock beginning on page 72 and Special Factors Recommendation of the Board; Fairness of the Transaction Book Value beginning on page 32.

The Special Committee s financial advisor, Hoak Breedlove Wesneski & Co., has rendered its opinion that the cash price of $4.75 per pre-Split share is fair to Webco s cashed-out stockholders from a financial point of view.

The Board noted management s intention after the Transaction to provide quarterly financial information and the expected impact of the forward split to create a per-share price immediately after the Transaction of approximately 10 times the current price of the Common Stock. The Board believes that these two factors will enhance the possibility for trading on the Pink Sheets, which was a critical consideration to them in determining fairness to the remaining stockholders.

Based on the recommendation by the Special Committee, the fairness opinion of Hoak Breedlove, the fact that the $4.75 per share price is within the range of each of the three valuation methods used by Hoak Breedlove as well as the overall valuation and is at the high end of the trading range of the Common Stock over the past five years, and that no commissions will be paid by those receiving cash, the Board concurred with the Special Committee that the Transaction is fair to unaffiliated stockholders who will be cashed out in the Transaction and to those unaffiliated stockholders who will remain stockholders after the Transaction.

See Special Factors Recommendation of the Board; Fairness of the Transaction beginning on page 31 and Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 35.

Approval of Security Holders

Approval of each of the proposals requires the affirmative vote of the holders of at least a majority of the outstanding shares of Common Stock entitled to vote on such proposal. Webco s directors and executive officers, all of whom have indicated to us that they intend to vote their shares for each of the proposals, owned an aggregate of 3,643,015 shares of Common Stock, representing 51% of our outstanding shares as of June 28, 2004. These directors and executive officers also have options that are presently exercisable that, if exercised prior to the record date, would result in these directors and executive officers owning an additional 367,900 shares of Common Stock, which would increase the directors and executive officers share of the Common Stock entitled to vote at the Meeting to 54%, assuming no other options are exercised. See Security Ownership of Certain Beneficial Owners beginning on page 76, and Special Factors Interests of Webco s Directors and Executive Officers in the Transaction beginning on page 35. Accordingly, it is likely that the Transaction will be approved by stockholders at the Meeting. Other than the expressed intent of directors and executive officers and the Weber family to vote their shares for the Transaction, we have not obtained any assurances or agreements from any of our stockholders as to how they will vote on the proposals.

See The Special Meeting Vote Required beginning on page 15.

Special Committee

Due to the potential conflicts involved in the Transaction and for the protection of the minority stockholders, Webco s Board concluded that a special committee needed to be established, consisting of independent directors, to approve or disapprove the Transaction, including the negotiation of the amount of the cash payment to holders of less than one share of Common Stock after the reverse split. The Special Committee was established, with Webco s three outside directors being appointed members after confirming that none of them had any significant past or current relationship with Webco s management. The Special Committee retained its own legal counsel. The Special Committee also selected Hoak Breedlove as its financial advisor to assist with the Transaction and to prepare an opinion as to the fairness, from a financial point of view, of the Transaction to the stockholders who would receive cash in the Transaction.

Fairness Opinion of Hoak Breedlove

On July 23, 2004, Hoak Breedlove delivered to the Special Committee and the Board of Directors its opinion to the effect that, as of the date of such opinion and based upon and subject to the matters stated in the opinion, the cash consideration to be paid in the proposed Transaction is fair, from a financial point of view, to Webco s stockholders receiving such payments. This opinion considered Webco s financial history, Webco s most recently filed Quarterly Report on Form 10-Q for the quarter ended April 30, 2004, as amended, Webco s expectations for the fiscal quarter and year ending July 31, 2004, and management s financial projections through fiscal 2008. The full text of the written opinion of Hoak Breedlove, which sets forth the assumptions made, matters considered and limitations on the review undertaken, is attached as Appendix A to this proxy statement. You should read the opinion carefully in its entirety, along with the discussion under Special Factors Opinion and Report of Hoak Breedlove beginning on page 37.

The opinion of Hoak Breedlove is directed to the Special Committee and the Board of Directors, addresses only the fairness to holders of the Common Stock from a financial point of view of the cash consideration to be paid in the proposed Transaction, and does not constitute a recommendation to any stockholder as to how such stockholder should vote at the Special Meeting.

Interests of Webco s Directors and Executive Officers in the Transaction

In considering the recommendation of the Board of Director