



Court Gives Sparrows Point Mill More Time to Find a Buyer *Owner, creditors and lenders agree to extra two to four weeks*

By **Jamie Smith Hopkins**, The Baltimore Sun

June 21, 2012

The Sparrows Point steel mill will have more time to find buyers -- two to four weeks extra -- under an agreement hammered out Thursday in the bankruptcy case.

Owner RG Steel's unsecured creditors had contended that the July 27 deadline to close a deal, just two months after the company filed for bankruptcy protection, was so tight that it would harm the chances of finding a buyer to pay fair value and restart the facilities being idled. The terms of the new deadline were outlined in court papers Thursday.

The extension came a day after the company's lenders said in a court filing that extra time would do no good. Sparrows Point and RG Steel's two other mills have drawn no offers or letters of intent from potential purchasers.

Wells Fargo Capital Finance, the lenders' administrative agent, said in the filing that the "well-worn" steel mills are well known to possible buyers. Those would-be buyers are "limited in number" as a result of the properties' "systematically unprofitable operating history" and the rough market for steel, Wells Fargo said.

Michael Locker, a New York steel industry consultant, said it is not surprising that the secured creditors want to sell quickly and the unsecured creditors want more time.

"The secured would want to hurry because... they have a higher likelihood of getting paid," said **Locker, president of Locker Associates**. "Time is money."

But for the unsecured creditors, farther back in line, as well as for the approximately 2,000 Sparrows Point employees being laid off, "slower is better," **said Locker**, who has represented workers in reorganization cases. "You'll find better buyers."

The new sales timeline, included as an exhibit in an order from Judge Kevin J. Carey, calls for an auction July 31 with closing by Aug. 10 if RG Steel does not have an initial bidder by July 30. If a so-called stalking-horse bidder does emerge in time, the auction will be no later than Aug. 21, with closing by Aug. 24.

The United Steelworkers Local 9477, which represents most workers at Sparrows Point, said potential bidders toured the facility last week. RG Steel's two other mills are in Warren, Ohio, and Wheeling, W.Va.

Locker said he remains optimistic that a buyer can be found for Sparrows Point, but other analysts were skeptical. Falling prices for finished steel means the timing isn't good for a sale, and RG Steel struggled from the beginning after buying the mills in March of last year.

The steelmaker lost \$324 million in its first six months in operation, Wells Fargo disclosed in its filing Wednesday. RG Steel continued losing money this year, with more than \$119 million in negative earnings before interest, taxes, depreciation and amortization from January to April, Wells Fargo said.

By March, a year after it was formed by the Renco Group to purchase the mills, RG Steel was trying to sell, Wells Fargo said. The steelmaker filed for Chapter 11 bankruptcy protection at the end of May. The company is laying off employees in waves, while those employees anxiously hope a purchaser will step in to get them back to work.

The official committee of unsecured creditors contended this week that the original sale deadline in late July made that less likely, calling it "a fire sale that will almost certainly yield fire sale results."

According to RG Steel, the largest unsecured creditors include Baltimore County, owed \$4.5 million in taxes; Kinder Morgan, which operates a terminal in Sparrows Point and is owed nearly \$2.6 million; and Baltimore Gas and Electric, owed nearly \$2 million. Baltimore County says the company also owes it about \$1.9 million in sewage charges.

The Sparrows Point mill has had five owners in the past decade. Bethlehem Steel, which ran Sparrows Point for almost 90 years, filed for bankruptcy protection in 2001 and was sold two years later.

Several former Sparrows Point owners said this week that they're not planning to try for a second go-round. ArcelorMittal is looking to cut rather than grow, CEO Lakshmi Mittal told Reuters. And Severstal, which sold Sparrows Point to RG Steel last year, told Reuters Thursday that it is not expecting to expand in the United States.
