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## **Buyer of Sparrows Point planning major expansion**

*Power plant is among possible projects*

By Paul Adams

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The prospective owner of Sparrows Point steel mill told workers yesterday that he plans to run the Baltimore County plant at full capacity and invest in new facilities, which could lead to more jobs and construction on the 3,000-acre site.

Craig Bouchard, who heads the global investment group that is buying the plant, said future projects could include developing an iron ore processing plant and building a new coal-fired power plant.

Excess power from the power plant could be sold into the regional power grid, generating profits and helping to alleviate the region's growing power shortage.

The site visit came hours before the Justice Department said it had asked a federal judge in Washington to appoint a trustee to make sure the transaction gets done quickly, because seller Mittal Steel NV had missed yesterday's deadline to complete it.

The deadline was set in a consent decree that required the sale to satisfy antitrust concerns arising from the \$38 billion merger between Netherlands-based Mittal and Arcelor SA of Luxembourg.

The consent decree mandated antitrust officials to seek the appointment of a trustee if a divestiture doesn't occur on time, a new release last night said.

In its release last night, the department indicated the trustee could proceed by supporting the pending deal to the group led by Bouchard and his company, Esmark Inc. A spokeswoman for the department was unable to provide further clarification.

"We are disappointed that Mittal has failed to complete a sale within the time prescribed by the consent decree," Thomas O. Barnett, who heads the antitrust division, said in a statement.

"We are therefore asking the court to appoint a trustee under the decree to ensure that the sale of the facility is completed promptly."

Action expected

Bouchard, the chief executive of the joint venture, E2 Acquisition Corp., said the Justice Department action was expected and should have little effect on the plant's sale, at a price sources familiar with the deal estimate at "close" to \$1.35 billion.

The sale is expected to close in 60 days, assuming antitrust officials approve of the deal.

"What this says is the government is going to monitor the closing of the transaction," he said.

Bouchard and several members of his executive team spoke to workers during their first visit to the plant since Arcelor Mittal disclosed Thursday that it was selling the property to E2.

The group held meetings with labor and management throughout the morning and early afternoon, followed by a steamy tour that included stops at the plant's blast furnace and cold mill.

Workers shook hands and joked with Bouchard as he visited the control room at the cold mill, a state-of-the-art facility that opened amid fanfare in 2000 when the plant was still owned by now-defunct Bethlehem Steel.

"I'm very optimistic," said John Cirri, president of the United Steelworkers Local 9477. "I think it will be more production and possibly more people."

### Significant change

The additional steel output and investment at Sparrows Point would represent a significant course-change for the 118-year-old plant, which in recent years has seen employment and production fluctuate along with frequent gyrations in the global steel market.

"We have to push this back up to a high level of utilization," Bouchard said. "They've lost a lot of business in the past year, so this is a big turnaround."

Although it is leading the joint venture, Esmark, a Chicago metals distributor, will be a minority partner along with Wheeling-Pittsburgh Corp., a Wheeling, W.Va., company that Bouchard and his brother, James, took control of last year.

The other major partners include Companhia Vale do Rio Doce (CVRD), a Brazilian iron ore and metals producer; and Industrial Union of Donbass Corp., a Ukrainian steel producer.

The two foreign investors will together hold the biggest share of the company. CVRD said yesterday it is considering building an iron-ore pellet plant or coking-import facility

at Sparrows Point -- two projects that would add jobs and put more of the sprawling facility's acreage to use. Iron ore is used to make steel.

The joint venture will take on \$475 million in short-term bank debt and \$365 million in long-term debt provided by institutional funds.

#### Slab for Wheeling

The involvement of CVRD and Wheeling-Pitt holds the key to E2's business plan.

Bouchard said Wheeling-Pitt, a finishing mill, will eventually take 850,000 tons of slab from Sparrows Point annually and turn it into steel coils for distribution to big customers.

CVRD will continue feeding iron ore to Sparrows Point at a price it reserves for its largest global buyers. When the mill's supply contract with another large iron ore supplier expires in 2008, CVRD will compete to increase its deliveries to Sparrows Point.

The supply of lower-cost ore is expected to help bring down the mill's costs, which have historically hampered the plant's ability to keep customers. Costs will be important because Sparrows Point plans to sell its slab production to Wheeling-Pitt at a below-market price with the hope of boosting profits through high volume.

"Having a foundation customer that's going to buy 850,000 tons and become the biggest customer overnight merits a good price," Bouchard said.

Mittal also has committed to buying up to 200,000 tons of slab from Sparrows Point.

Bouchard said he has been in negotiations with several other North American mills to buy steel from the plant, which will quickly take production to its capacity of about 3.5 million tons, he said.

"I think they have a clear vision for where they want to take the core capabilities of the plant," said Tom Russo, the plant's general manager. "... Sparrows Point will be a stand-alone entity, and we look forward to that."