

To: JH From: KENT (ASAP)

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Re: Wheeling-Pitt/EDA foreclosure action on Monessen rail mill - JH meeting with local officials in Pittsburgh, 12.15.86. Room 610 Federal Building 2PM. Briefing Update.

Date: December 15, 1986

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Per JH request, here is the latest on the W-P/EDA situation: As a result of discussions with Judge Bentz's law clerk, W-P general counsel and D.C. lawyer, and EDA officials this morning, little movement has taken place (worth noting that EDA officials directly involved are variously out sick or on travel--CS placed calls too).

Bentz did hook up with W-P's bankruptcy lawyer Bruce McCullough late on Friday and expressed JH, AS and C'men Murphy's interest in moving along the transfer of title from W-P to EDA to a buyer. McCullough said that W-P was working on the transition as far as the Court was concerned, but had run into new problems regarding easements which are not subject to EDA's lien (complicating the transfer of a clear title) and other creditors who have liens on pieces of equipment located within the rail mill (one is led to believe that W-P management and principal stockholders are not in any great hurry). All needed to be contacted.

Kent has asked AS staff on JH behalf to have AS get directly involved with the Judge. No word back yet from AS. Judge Bentz has reiterated his belief that informal discussions with the creditors during hearings next Wed. and Thurs. in Pgh. will be sufficient and no creditor's conference is needed right now. CS agrees; creditors are not central issue now.

W-P claims that they are acting in good faith and are willing to cooperate with EDA in any way they can in order to facilitate the smooth transfer of the mill to EDA and then on to a purchaser. W-P continues to say they have no plans to walk away from the mill and leave the keys on the table. I have attached a copy of the most recent piece of communication from W-P to EDA regarding the mill. Thus far, EDA has remained steadfast in its belief that W-P and the court are in the driver's seat.

In light of the above and CS' off the record conversation with Federal Bankruptcy Judge Joe Cosetti in Pgh., CS and Kent reco three suggestions for your meeting with the local officials today:

1. Discuss the fact that the creditors' conference, although a good idea and one that might happen in the near future, is not critical right now. Judge Bentz meetings with clusters of creditors in Pgh. this Wednesday and Thursday will accomplish some of the flushing out of the junior creditor's interests in this matter, and we can proceed on this one at week's end.
2. More to the point, and as a result of Judge Cosetti's advice, JH could call today on EDA to call a conference of all interested parties - EDA, W-P, all creditors, and potential buyers in order to receive, for instance, sealed proposals as to buying the mill and any other suggestions anyone might have. Such a conference would have a number of results:

a) the conference would educate EDA as to exactly how many problems are out there regarding transfer of the mill and push them to move more efficiently on the negotiations front,

b) the conference would smoke out the intentions of all concerned, and

c) the conference would give EDA a basis upon which to evaluate actions which it needs to take in the weeks ahead.

The problem here is that EDA might need to seek a limited, narrow stay from Judge Bentz in order to allow EDA to go ahead with such a conference. However, Judge Cosetti doubts that this would be a real problem for Bentz.

3. Finally, JH, AS etc. could work to make EDA and the Court stipulate that a successor-buyer operate the property as a minimum requirement for purchasing the mill. (i.e. no liquidation bidders accepted)

To the point for this meeting, JH could discuss with the Mon Valley folks the possibility of EDA calling such a conference ...if they agree, JH could have a letter hand-delivered to Swindle as early as this afternoon, which JH could follow-up on with a phone call to Swindle, requesting EDA to act without delay to call such a conference.