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Geneva CEO to step down

Johnsen helped arrange full payback to creditors

By Dave Anderton
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Ken C. Johnsen, chief executive officer of Geneva Steel LLC, said Wednesday that he will step down from the Vineyard-based company on May 15, handing control of its affairs to a bankruptcy trustee yet to be named.

Johnsen said his departure was a mutual decision between himself and Geneva's Official Committee of Unsecured Creditors.

Ken C. Johnsen

Once the trustee is appointed, Geneva's board of directors will be dissolved. Joseph A. Cannon, chairman of Geneva's board, also will step down at that time.

Cannon led a group of investors to buy the steel mill in 1987 for $40 million from U.S. Steel. Under Cannon's tenure, the mill employed 2,850 people.

Johnsen had served as president and CEO of the integrated steel company since April 2001, presiding over its final turbulent months before it shut down operations in November 2001.

Prior to his appointment as CEO, Johnsen served as vice president. He joined the company in February 1991 as manager of special projects.

During the height of the recent depressed U.S. steel market, Johnsen fought to secure a $250 million loan that would have saved the company from insolvency and preserved roughly 1,200 jobs.

The loan never materialized. That, coupled with cheap foreign steel imports and flat sales, proved too much, forcing the company to file for Chapter 11 bankruptcy protection for a second time in January 2002.

Yet under Johnsen, experts say, Geneva accomplished what most other U.S. steel producers in bankruptcy could not do — pay off creditors.

Johnsen helped orchestrate the $40 million sale of Geneva's core assets to China-based Qingdao Iron & Steel Group Co. And just last week, the company received approval from the bankruptcy court on an $88.5 million sale of its water rights to the Central Utah Water Conservancy District.

Those two sales nearly satisfy the $135 million owed to Geneva's secured creditors. And with 1,700 acres of property yet to be sold — as well as tons of scrap metal and additional emissions credits — it appears Geneva's unsecured creditors, estimated to be owed $60 million to $80 million, also will see their claims paid off.

Stephen Garcia, an attorney for Geneva, recently said that the company's liquidation is expected to bring in $205 million over the next 24 to 36 months.

The feat is noteworthy, as most bankrupt U.S. steel firms paid off less than 50 percent of their outstanding liabilities, according to Michael Locker, president of Locker Associates Inc., a New York-based consulting firm.

"That's a pretty unusual event," Locker said. "I think it would stand out as exceptional."

Geneva's secured creditors, Johnsen said, believed that they would receive only cents on the dollar. But in the coming weeks, he said, the secured creditors will be paid in full with interest.

Johnsen's departure follows on the heels of a controversy in February in which secret information from the unsecured creditors committee on a negotiating position was leaked to Geneva and eventually shared with Johnsen.

A member of the committee resigned over the incident. Johnsen has maintained he was fully aware of the unsecured creditors committee's position and did not learn anything different from the leaked documents.

Calls seeking comment from J. Thomas Beckett, an attorney representing the unsecured creditors, were not immediately returned.

"Their preference was to appoint a trustee, have me step down, and let their trustee manage the real estate," Johnsen said. "This trustee will be responsible for essentially running the company. It's just a transition from one part of the case to another."

Geneva's plans for a mixed-use development of commercial and residential sites will be handed over to the trustee. The trustee will have the option of continuing to develop the property or taking the property in a new direction.

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