

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
 In re : Chapter 11
 :
 WP Steel Venture LLC, et al.,¹ : Case No. 12-11661 (KJC)
 :
 Debtors. : (Jointly Administered)
 : Hearing Date: TBD
 : Objections Due: TBD
 -----X

**DEBTORS’ MOTION FOR ENTRY OF AN ORDER,
PURSUANT TO 11 U.S.C. §§ 105(a), 363(b) AND 503(c), AUTHORIZING AND
APPROVING DEBTORS’ ENTRY INTO COMPENSATION AGREEMENTS**

The debtors and debtors in possession in the above-captioned cases (collectively, the “**Debtors**”), by and through their undersigned co-counsel, submit this motion (the “**Motion**”) for entry of an order, pursuant to sections 105(a), 363(b) and 503(c) of title 11 of the United States Code (the “**Bankruptcy Code**”), authorizing and approving the Debtors’ entry into compensation agreements (the “**Compensation Agreements**”) with Richard Caruso and Jeff Gennuso (the “**Senior Employees**”), the form of which is annexed as Exhibit 1 to the proposed form of order attached hereto as Exhibit A. In support of this Motion, the Debtors, by and through their undersigned co-counsel, respectfully represent as follows:

JURISDICTION

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper

¹ If applicable, the last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) WP Steel Venture LLC (7095); (ii) Metal Centers LLC; (iii) RG Steel, LLC (1806); (iv) RG Steel Railroad Holding, LLC (4154); (v) RG Steel Sparrows Point, LLC (3633); (vi) RG Steel Warren, LLC (0253); (vii) RG Steel Wheeling, LLC (3273); and (viii) RG Steel Wheeling Steel Group, LLC (9927). The Debtors’ mailing address is located at PO Box 1847, Bel Air, MD 21014.



before this Court pursuant to 28 U.S.C. §§ 1408 and 1409. The statutory predicates for the relief requested herein are sections 105(a), 363(b) and 503(c) of the Bankruptcy Code.

BACKGROUND

2. On May 31, 2012 (the “**Petition Date**”), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code. The Debtors are continuing in the possession of their respective properties and the management of their respective businesses as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code. By order dated June 1, 2012, these chapter 11 cases were consolidated for procedural purposes.

3. On June 12, 2012, the Office of the United States Trustee for the District of Delaware (the “**U.S. Trustee**”) appointed an official committee of unsecured creditors (the “**Committee**”).

4. On July 18, 2012 the Court entered an order approving a Management Incentive Plan (the “**MIP**”) [D.I. 625] that provides incentive pay to certain key members of the Debtors’ management including the Senior Employees. The MIP terminated pursuant to its terms on December 31, 2012. Although the MIP covered ten management employees, given the status of the Debtors’ cases and the wind-down of their businesses, the Debtors have determined that only the two Senior Employees are needed from and after January 1, 2013 on a full-time basis.

RELIEF REQUESTED

5. By this Motion, the Debtors seek entry of an order, under sections 105(a), 363(b) and 503(c) of the Bankruptcy Code, authorizing and approving the Debtors’ entry into the Compensation Agreements with the Senior Employees. These two individuals ceased to earn

incentive pay under the MIP on December 31, 2012. However, the Debtors, led by the efforts of the Senior Employees, continue to sell and monetize remaining inventory, real estate, and other various assets in order to maximize recoveries and fund the administrative cost of liquidating the Debtors' estates. The Debtors and their counsel also continue to explore alternative sources of recovery, including preference and avoidance actions, and other potential causes of action that may yield additional recoveries for creditors of the Debtors' estates. Finally, the Debtors, their senior lenders, and the Committee continue to work toward a resolution that will facilitate the Debtors' exit from chapter 11. In short, though the Debtors have sold their major facilities, work remains to be done to ensure the highest recoveries possible for all creditors. The Senior Employees are critical to these efforts.

6. With the understanding that the efficient administration of the Debtors' estates would require the employment of the Senior Employees into 2013, the Debtors' board of managers (the "**Board**") negotiated a new, replacement compensation package with the Senior Employees. In formulating such arrangements, the Board recognized that the job descriptions of the Senior Employees have changed materially. Prior to the Petition Date, the Senior Employees' job descriptions included managing an active steel producing company. Today, the Senior Employees are the two individuals responsible for coordinating and administering the liquidation of the Debtors' assets. Therefore, the Board negotiated for a compensation structure that more closely aligned the Senior Employees' interests with those of the Debtors' creditors. The Senior Employees have agreed to continue working for the Debtors on a purely incentive basis, with no salary or additional benefits.² As set forth below, as the Senior Employees are

² Pursuant to his Compensation Agreement, Jeff Gennuso shall be entitled to a Monthly Advance (as defined below) which advance shall be credited against his incentive-based compensation.

able to realize more value from the Debtors' remaining assets for the benefit of creditors, the Senior Employees' compensation will increase.

7. The Senior Employees knowledge of the Debtors' remaining assets and potential claims is critical to maximizing the value that can be realized through the latter stages of these cases. Further, the Senior Employees' familiarity with the Debtors' former operations is essential to investigating and ultimately pursuing any potential valuable causes of action the Debtors may possess. Thus, the Debtors determined that entering into the Compensation Agreements is in the best interests of their estates, creditors, and all parties in interest.

COMPENSATION³

8. The principal terms of Compensation Agreements are as follows:

- Promptly following the end of each calendar month (commencing with January 2013), each of the Senior Employees shall be entitled to receive a lump sum cash payment (a "**Payment**"). Together, the Senior Employees' Payments shall be equal to the sum of:
 - i. 1.25% of the net cash proceeds received by any of the Debtors from any Asset Disposition⁴ that is subsequently

³ In the event of a conflict between any term addressed in this summary with any term in the Compensation Agreements, the Compensation Agreements will govern in all respects.

⁴ The term "**Asset Disposition**" means each of the following: (i) any sale outside of the ordinary course of business, approved by the United States Bankruptcy Court for the District of Delaware, of the Debtors' various physical facilities as well as any other physical or non-physical assets or ownership interests owned by one or more of the Debtors, (ii) any sale of inventory or sale or collection of receivables or the receipt of amounts related to tax refunds, deposits (including the return of any collateral held by Chartis or any other former or current insurer of any Debtor), mineral rights or any other similar rights to payment generated by an asset owned by any of the Debtors but excluding any loans, letters of credit or other similar credit accommodations, or (iii) the resolution or monetization, whether by sale, settlement or otherwise, of any litigation or arbitration proceeding (a) to which any Debtor was a party prior to the filing of its chapter 11 petition, (b) related to the Debtors' assertion of indemnification claims against Arcelor Mittal (or its affiliates) in its capacity as a former owner of the Sparrows Point facility or any affiliate thereof, (c) related to or arising from the administration of the health plan of the former Wheeling operations of the Debtors, or (d) arising under chapter 5 of title 11 of the United States Code; provided, that, either Mr. Caruso or Mr. Gennuso had material involvement in any sale, collection, receipt or resolution set forth in clause (i) or (ii) above or had the level of involvement expected of an officer of a debtor company in any prosecution, resolution or sale set forth in clause (iii) above. For the avoidance of doubt, for purposes of calculating any payments made under the Compensation Agreements, the Debtors' receipt of any Renco Cash Collateral

indefeasibly paid by any of the Debtors⁵ to Cerberus Business Finance, LLC, as agent, for the financial institutions from time to time party to that certain Credit Agreement, dated as of January 17, 2012 (as the same may have been amended, supplemented, or modified) (collectively the “**Junior Lenders**”) or The Renco Group, Inc. (“**Renco**”) during the immediately preceding month, which amount shall be funded from the cash collateral of the Junior Lenders and Renco; and

- ii. 0.7% of the net cash proceeds received by any of the Debtors from any Asset Disposition that is subsequently indefeasibly paid by any of the Debtors to any of their respective Creditors (in their capacity as unsecured creditors) on account of such Creditors’ prepetition claims⁶ during the immediately preceding month, which amount shall be funded from the net cash proceeds of the Asset Disposition giving rise to such payment.
- Notwithstanding the foregoing, to the extent any such distribution by the Debtors to any of the Junior Lenders or Renco is rescinded or must otherwise be returned or restored by the Junior Lenders or Renco, as the case may be, and the amount provided for in clause (i) above has been paid to the Senior Employees with respect to such distribution (a “**Rescinded Distribution**”), then (a) to the extent any proceeds of a Rescinded Distribution are subsequently distributed to any of the Creditors in their capacity as unsecured Creditors, the Senior Employees shall not be entitled to receive the payment described in clause (ii) above with respect to such distribution to such Creditors, and (b) to the extent any proceeds of

(as that term is used in the Final Order (A) Authorizing Debtors to Use Cash Collateral Pursuant to 11 U.S.C. §§ 105 and 363(c)(2) and (B) Modifying the Automatic Stay Pursuant to 11 U.S.C. § 362 (the “**Final Cash Collateral Order**”)) or any proceeds thereof (including without limitation any return or reimbursement to Debtors of any portion thereof which had been applied by Wells Fargo Capital Finance, LLC, as administrative agent under the DIP Credit Agreement, as cash collateral for letter of credit obligations outstanding thereunder) shall not constitute an “Asset Disposition” and any cash distributed to the Junior Lenders, Renco or any Creditor (as that term is defined herein) as a result of the Debtors’ collection of any Renco Cash Collateral shall not be included in the calculation of amounts owed under the Compensation Agreements.

⁵ For purposes of the Compensation Agreements, the term “Debtors” or “Debtor” shall include any successor entity created to make distributions to the Junior Lenders, Renco or Creditors (as that term is defined herein) on account of claims asserted against the Debtors.

⁶ The term “**Creditors**” as used herein means any person holding a prepetition unsecured claim or claims as defined in 11 U.S.C. § 101(5).

a Rescinded Distribution are subsequently re-distributed to the Junior Lenders or Renco, the Senior Employees shall not be entitled to receive the payment described in clause (i) above with respect to such re-distribution. In the event a Rescinded Distribution is to be distributed to Creditors and the amount to be paid to the Senior Employees pursuant to clause (i) of paragraph two of their Compensation Agreements has been paid, the amount of the Rescinded Distribution to be distributed to Creditors shall be reduced by the amount paid to the Senior Employees pursuant to clause (i) of paragraph two of their Compensation Agreements, which shall thereafter be treated as the cash collateral of the Junior Lenders and Renco.

- Each Senior Employee's right to receive the Payments set forth above is contingent upon the Senior Employee's continued employment by RG Steel, LLC ("**RG Steel**") through the end of the applicable calendar month; *provided*, that, in the event that a Senior Employee's employment terminates for any reason prior to the last day of any calendar month, such Senior Employee shall be entitled to receive the amounts accrued pursuant to his Compensation Agreement during such calendar month but prior to the date of such termination, payable promptly following the end of the calendar month of such termination *plus*, if not terminated for Cause,⁷ the applicable percentage of distributions set forth above for any distributions made in the sixty days after the Senior Employee's termination (which period can be extended by joint approval of the Board, the Junior Lenders and Renco) that are the result of activities for which a material portion of the work was completed prior to any such termination; such additional distributions shall be made promptly following the end of the calendar month in which related distributions are made to Cerberus, Renco or Creditors.
- Further, each Senior Employee's right to receive the Payments set forth above is contingent upon the existence of a cash collateral budget or other cash collateral arrangement that is approved by the Junior Lenders and Renco as contemplated by the Final Cash Collateral Order (the "**Cash Collateral Agreement**"); *provided, that*, in the event of the termination of the Cash Collateral Agreement for any reason (without, for the avoidance of doubt, a replacement Cash Collateral Agreement), the Senior Employees

⁷ The term "Cause" as used in the Compensation Agreements shall have the same meaning as it does in those certain Participation Agreements the Senior Employees entered into with RG Steel, pursuant to which they agreed to be bound by the terms of the RG Steel Incentive Compensation Plan.

shall be entitled to receive the amounts accrued pursuant to the Compensation Agreements prior to the date of such termination, payable promptly following the end of the calendar month of such termination.

- Pursuant to his Compensation Agreement, Jeff Gennuso shall be entitled to receive a cash payment of \$15,000 on the 15th day of each calendar month (commencing with January 2013), which amount will be treated as an advance against the Payments (if any), to which he may become entitled under clauses (i) and/or (ii) of the second paragraph of his Compensation Agreement (the “**Monthly Advance**”). Jeff Gennuso shall be entitled to retain the Monthly Advances received regardless of whether any amounts are earned pursuant to clauses (i) or (ii) of the second paragraph of his Compensation Agreement.
- In the event that (x) the resolution of the claims between any Debtor, on the one hand, and any of Severstal US Holdings II, Inc., Severstal US Holdings, LLC, Severstal Sparrows Point, LLC and/or any of their affiliates (collectively, “**Severstal**”), on the other hand, provides for a general release (or final resolution without liability) of the Debtors by Severstal of all claims that were or could have been asserted prior to the execution of such settlement or entry of such resolution, and (y) any Payment to which a Senior Employee is entitled under clause (i) and/or (ii) of the second paragraph of his Compensation Agreement as a result of such settlement or resolution does not exceed \$100,000 (the “**Severstal Payment**”), then such Senior Employee shall be paid in addition to the Severstal Payment, the difference between \$100,000 and the amount of the Severstal Payment, subject to such Senior Employee’s continuous employment with RG Steel through the effective date of such settlement or resolution.
- The Compensation Agreements may be amended at any time with the written consent of the Senior Employees, the Board, Renco and the Junior Lenders; provided, however, the applicable distribution percentages set forth above shall not be increased without further approval of the Bankruptcy Court.

9. The amounts the Senior Employees would earn under the Compensation Agreements represent all of the compensation that the Senior Employees will be eligible to receive for their services from the Debtors from and after January 1, 2013, and is in lieu of any compensation, benefit plans, bonus, or other incentive payments under any applicable

employment agreement, or prior policies or arrangements of the Debtors that may have existed prior to January 1, 2013. Notwithstanding the foregoing, the Senior Employees entry into the Compensation Agreements shall not impact such employees' entitlements under the MIP.

BASIS FOR RELIEF

10. The Debtors request authority to enter into the Compensation Agreements with the Senior Employees pursuant to sections 363 and 503(c) of the Bankruptcy Code. Section 363 of the Bankruptcy Code provides in pertinent part: “[t]he trustee, after notice and a hearing, may, use, sell, or lease, other than in the ordinary course of business property of the estate.” 11 U.S.C. § 363(b). Courts interpreting section 363(b) have held that transactions should be approved pursuant to this provision when, as here, they are supported by management’s sound business judgment. See, e.g., Meyers v. Martin (In re Martin), 91 F.3d 389, 395 (3d Cir. 1996) (citing Fulton State Bankr. v. Schipper (In re Schipper), 933 F.2d 513, 515 (7th Cir. 1991)); Comm. of Equity Sec. Holders v. Lionel Corp. (In re Lionel Corp.), 722 F.2d 1063 (2d Cir. 1983); In re Del. & Hudson Ry. Co., 124 B.R. 169, 176 (D. Del. 1991) (noting that the Third Circuit has adopted the “sound business purpose” test for section 363(b)).

11. Similarly, section 503(c)(3) of the Bankruptcy Code states, in relevant part, that “there shall be neither allowed nor paid . . . other transfers or obligations that are outside the ordinary course of business and not justified by the facts and circumstances of the case. . . .” 11 U.S.C. § 503(c). Courts that have analyzed payments under section 503(c)(3) of the Bankruptcy Code have done so in the context of approving incentive plans rather than compensation agreements. Nevertheless, to the extent section 503(c)(3) of the Bankruptcy Code is relevant to evaluating the payments under the Compensation Agreements, courts have unanimously held that they must use the “business judgment” standard when evaluating

payments under that section. See e.g., In re Nobex Corp., Case No. 05-20050, Jan. 12, 2006, Hearing Tr. at 86-87 (the 503(c)(3) standard is “nothing more than a reiteration of the standard under 363 . . . under which courts had previously authorized transfers outside the ordinary course of business and that [are], based on the business judgment of the debtor”). Thus, the Debtors submit that the standard for evaluating the Compensation Agreements pursuant to section 503(c)(3) of the Bankruptcy Code is the same as the standard pursuant to section 363(b) of the Bankruptcy Code.⁸

12. Typically, the Debtors’ decision to extend the employment of management would be within the ordinary course of business, and would not require a motion pursuant to section 363 of the Bankruptcy Code. See e.g., In re Quigly Co., Inc., 437 B.R. 102, 157 n.68 (Bankr. S.D.N.Y. 2010) (continued employment of president and chairman of debtor “under the same terms for less money for another year was an ordinary course transaction and did not require a motion”); In re All Seasons Industries, Inc., 121 B.R. 822, 826 (Bankr. N.D. Ind. 1990) (“the continued employment and compensation of management constitutes a part of the ordinary course of the debtor’s business operations, which it is entitled to continue without court approval.”). Here, the Debtors have decided to alter the terms of the Senior Employees’ compensation (i.e., salary plus bonus structure to incentive payment structure), and therefore file this Motion out of an abundance of caution to give parties in interest notice of the newly negotiated Compensation Agreements.

⁸ The Debtors further submit that the Senior Employees’ compensation does not constitute a retention plan for insiders, such that section 503(c)(1) of the Bankruptcy Code applies. Instead, as set forth herein, the Compensation Agreements represent the *total* compensation to be paid to the Senior Employees to compensate them for their service following January 1, 2013, and therefore should not be considered a retention bonus.

13. The Debtors have determined, in the exercise of their business judgment, that the compensation set forth in the Compensation Agreements appropriately reflects the nature of the services to be provided by the Senior Employees after January 1, 2013, contain reasonable terms and conditions of employment, and should be approved under section 363 of the Bankruptcy Code. The Senior Employees functions have evolved since the Petition Date; they are no longer managing a steel production operation, but rather are liquidating assets for the benefit of the estates' creditors. Given this role, the Debtors believe it is appropriate to align the Senior Employees' incentives with those of the Debtors' creditors — for whose benefit they are working. The Compensation Agreements accomplish this by paying the Senior Employees a total of 1.25% of the cash collected by the estates and distributed to the Junior Lenders or Renco, and 0.7% of the cash distributed to the Debtors prepetition general unsecured creditors. The Compensation Agreements also guarantee each of the Senior Employees a minimum payment of \$100,000 if a resolution of the claims between the Debtors and Severstal provides for a general release (or final resolution without liability) of the Debtors by Severstal of all claims that were or could have been asserted prior to such resolution (including those claims asserted by Severstal under that certain Secured Promissory Note due March 31, 2016 in favor of Severstal in the principal amount of \$100 million (the "**Severstal Note**")). The Senior Employees' experience with the Debtors, their attention and willing participation will be critical to resolving the Debtors' claims against Severstal and the Debtors submit that approximately 0.2% of the outstanding balance of the Severstal Note is reasonable compensation for the Senior Employees' assistance in that regard.

14. The Debtors' entry into the Compensation Agreements may also be approved under section 105(a) of the Bankruptcy Code, which allows the Court to enter any

order “that is necessary to carry out the provisions of [the Bankruptcy Code].” 11 U.S.C. § 105(a). This includes an order designed to preserve the value of the debtor’s estate. See, e.g., In re Adelpia Communications Corp., 2003 WL 21297258, at *4 (S.D.N.Y. June 4, 2003) (“Section 105 of Title 11 provides the bankruptcy courts with a broad range of equitable powers over cases within its jurisdiction.”). As set forth above, the Compensation Agreements are designed to preserve the value of the estates and maximize distributions to creditors by incentivizing the Senior Employees to monetize the Debtors’ remaining assets, and therefore, section 105(a) of the Bankruptcy Code provides an alternative basis for the relief requested herein.

15. Prior to filing this motion the Debtors provided the Compensation Agreements to counsel for the Committee, counsel for the agent for the Junior Lenders, counsel to Renco, and the U.S. Trustee.

WAIVER OF BANKRUPTCY RULE 6004(h)

16. The Debtors further seek a waiver of any stay of the effectiveness of the order approving this Motion. Pursuant to Bankruptcy Rule 6004(h), “[a]n order authorizing the use, sale, or lease of property other than cash collateral is stayed until the expiration of 14 days after entry of the order, unless the court orders otherwise.” Fed. R. Bankr. P. 6004(h). The Debtors submit that cause exists to justify a waiver of the fourteen (14) day stay imposed by Bankruptcy Rule 6004(h), to the extent it applies.

NOTICE

17. Notice of this Motion will be given to: (a) the U.S. Trustee ; (b) counsel to the Committee; (c) counsel to the agent for the Debtors’ prepetition junior secured lenders; (d) counsel to Renco, a secured noteholder; and (e) those parties requesting service in these cases

pursuant to Bankruptcy Rule 2002. The Debtors submit that, under the circumstances, no other or further notice is required.

18. No previous motion for the relief sought herein has been made to this or any other court.

CONCLUSION

WHEREFORE, the Debtors respectfully request the Court enter an Order, substantially in the form attached hereto as Exhibit A, granting the Motion and such other relief as may be just or proper.

Dated: Wilmington, Delaware
January 10, 2013

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Erin R. Fay

Robert J. Dehney (No. 3578)
Erin R. Fay (No. 5268)
1201 North Market Street
P. O. Box 1347
Wilmington, DE 19899-1347
(302) 658-9200
rdehney@mnat.com
efay@mnat.com

-and-

WILLKIE FARR & GALLAGHER LLP

Matthew A. Feldman
Shaunna D. Jones
Daniel I. Forman
787 Seventh Avenue
New York, New York 10019
(212) 728-8000
(212) 728-8111 (Fax)
mfeldman@willkie.com
sjones@willkie.com
dforman@willkie.com

*Co-Counsel to the Debtors and
Debtors in Possession*

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
In re : Chapter 11
 :
WP Steel Venture LLC, et al.,¹ : Case No. 12-11661 (KJC)
 :
Debtors. : (Jointly Administered)
 : Hearing Date: TBD
 :
 : Objections Due: TBD
-----X

**NOTICE OF DEBTORS’ MOTION FOR ENTRY OF AN ORDER,
PURSUANT TO 11 U.S.C. §§ 105(a), 363(b) AND 503(c), AUTHORIZING AND
APPROVING DEBTORS’ ENTRY INTO COMPENSATION AGREEMENTS**

PLEASE TAKE NOTICE that the debtors and debtors in possession (collectively, the “Debtors”) in the above-captioned cases, have today filed the attached **Debtors’ Motion for Entry of an Order, Pursuant to 11 U.S.C. §§ 105(a), 363(b) and 503(c), Authorizing and Approving Debtors’ Entry into Compensation Agreements** (“Motion”).

PLEASE TAKE FURTHER NOTICE that any party wishing to oppose the entry of an order approving the Motion must file a response or objection (“Objection”) if any, to the Motion with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, Delaware 19801 on a **date to be determined** (the “Objection Deadline”).

At the same time, you must serve such Objection on counsel for the Debtors so as to be received by the Objection Deadline.

PLEASE TAKE FURTHER NOTICE THAT A HEARING ON THE MOTION WILL BE HELD ON **A DATE TO BE DETERMINED** BEFORE THE HONORABLE KEVIN J. CAREY AT THE UNITED STATES BANKRUPTCY COURT FOR THE DISTRICT OF DELAWARE, 824 MARKET STREET, 5TH FLOOR, COURTROOM #5, WILMINGTON, DELAWARE 19801. ONLY PARTIES WHO HAVE FILED A TIMELY OBJECTION WILL BE HEARD AT THE HEARING.

IF YOU FAIL TO RESPOND IN ACCORDANCE WITH THIS NOTICE, THE COURT MAY GRANT THE RELIEF REQUESTED IN THE MOTION WITHOUT

¹ If applicable, the last four digits of the taxpayer identification numbers of the Debtors follow in parentheses: (i) WP Steel Venture LLC (7095); (ii) Metal Centers LLC; (iii) RG Steel, LLC (1806); (iv) RG Steel Railroad Holding, LLC (4154); (v) RG Steel Sparrows Point, LLC (3633); (vi) RG Steel Warren, LLC (0253); (vii) RG Steel Wheeling, LLC (3273); and (viii) RG Steel Wheeling Steel Group, LLC (9927). The Debtors’ mailing address is located at PO Box 1847, Bel Air, MD 21014.

FURTHER NOTICE OR HEARING.

Dated: January 10, 2013
Wilmington, Delaware

MORRIS, NICHOLS, ARSHT & TUNNELL LLP

/s/ Erin R. Fay

Robert J. Dehney (No. 3578)
Gregory W. Werkheiser (No. 3553)
Erin R. Fay (No. 5268)
1201 North Market Street
P. O. Box 1347
Wilmington, DE 19899-1347
(302) 658-9200
rdehney@mnat.com
gwerkheiser@mnat.com
efay@mnat.com

-and-

WILLKIE FARR & GALLAGHER LLP

Matthew A. Feldman
Shaunna D. Jones
Andrew D. Sorkin
787 Seventh Avenue
New York, New York 10019
(212) 728-8000
(212) 728-8111 (Fax)
mfeldman@willkie.com
sjones@willkie.com
asorkin@willkie.com

*Co-Counsel to the Debtors and
Debtors in Possession*

6930705.1

EXHIBIT A
Proposed Order

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

-----X
In re : Chapter 11
 :
WP Steel Venture LLC, et al.,¹ : Case No. 12-11661 (KJC)
 :
 :
Debtors. : (Jointly Administered)
-----X **Re: D.I. _____**

**ORDER, PURSUANT TO 11 U.S.C. §§ 105(a), 363(b) AND 503(c), AUTHORIZING
AND APPROVING DEBTORS' ENTRY INTO COMPENSATION AGREEMENTS**

Upon the Motion (the "**Motion**")² of the debtors and debtors-in-possession in the above-captioned cases (the "**Debtors**") for entry of an order (the "**Order**"), pursuant to sections 105(a), 363(b) and 503(c) authorizing and approving the Debtors' entry into compensation agreements (the "**Compensation Agreements**") with Richard Caruso and Jeff Gennuso (the "**Senior Employees**"); and the Court having jurisdiction over the Motion pursuant to 28 U.S.C. §157(b)(2)(A); and due and sufficient notice of the Motion having been given; and it appearing that no other or further notice need be provided; and this Court having determined that the relief requested in the Motion is just and proper; and it appearing that the relief requested by the Motion is in the best interest of the Debtors, their estates, their creditors and other parties in interest; and after due deliberation and sufficient cause appearing therefor, it is hereby;

ORDERED, ADJUDGED AND DECREED that:

1. The Motion is granted.

¹ If applicable, the last four digits of the taxpayer identification numbers of the Debtors follow in parentheses:(i) WP Steel Venture LLC (7095); (ii) Metal Centers LLC; (iii) RG Steel, LLC (1806); (iv) RG Steel Railroad Holding, LLC (4154); (v) RG Steel Sparrows Point, LLC (3633); (vi) RG Steel Warren, LLC (0253); (vii) RG Steel Wheeling, LLC (3273); and (viii) RG Steel Wheeling Steel Group, LLC (9927). The Debtors' executive headquarters are located at 1430 Sparrows Point Boulevard, Sparrows Point, MD 21219.

² Capitalized terms used herein but not defined shall have those meanings ascribed to them in the Motion.

2. The Debtors are hereby authorized and empowered to enter into and to take all actions necessary to implement the Compensation Agreements with the Senior Employees.

3. Notwithstanding the possible application of the Bankruptcy Rules including Bankruptcy Rule 6004(h), the terms and conditions of this Order shall be immediately effective and enforceable upon its entry.

4. This Court shall retain jurisdiction with respect to all matters relating to the interpretation or implementation of this Order.

Dated: _____, 2013
Wilmington, Delaware

THE HONORABLE KEVIN J. CAREY
UNITED STATES BANKRUPTCY JUDGE

EXHIBIT 1

Form of Compensation Agreements

RG STEEL, LLC

January __, 2013

[Richard Caruso][Jeff Gennuso]
BY HAND

Dear [Rich][Jeff]:

This letter agreement is intended to set forth our mutual understanding of the compensation that you will be eligible to receive in consideration of your continued employment with RG Steel, LLC, a Delaware limited liability company ("**RG Steel**"), from and after January 1, 2013, and in respect of your providing all necessary and appropriate assistance in liquidating the assets of the Debtors (as defined below). By signing below, you acknowledge and agree that the compensation set forth herein represents all of the compensation that you will be eligible to receive for your service from and after January 1, 2013, unless otherwise agreed to in writing after the date hereof.

Promptly following the end of each calendar month (commencing with January 2013), you shall be entitled to receive a lump sum cash payment (a "**Payment**") in an amount equal to the sum of:

- (i) []% of the net cash proceeds received by any of the Debtors from any Asset Disposition¹ that is subsequently indefeasibly paid by any of RG Steel; RG Steel

¹ The term "Asset Disposition" means each of the following: (i) any sale outside of the ordinary course of business, approved by the United States Bankruptcy Court for the District of Delaware, of the Debtors' various physical facilities as well as any other physical or non-physical assets or ownership interests owned by one or more of the Debtors, (ii) any sale of inventory or sale or collection of receivables or the receipt of amounts related to tax refunds, deposits (including the return of any collateral held by Chartis or any other former or current insurer of any Debtor), mineral rights or any other similar rights to payment generated by an asset owned by any of the Debtors but excluding any loans, letters of credit or other similar credit accommodations, or (iii) the resolution or monetization, whether by sale, settlement or otherwise, of any litigation or arbitration proceeding (a) to which any Debtor was a party prior to the filing of its chapter 11 petition, (b) related to the Debtors' assertion of indemnification claims against Arcelor Mittal (or its affiliates) in its capacity as a former owner of the Sparrows Point facility or any affiliate thereof, (c) related to or arising from the administration of the health plan of the former Wheeling operations of the Debtors, or (d) arising under chapter 5 of title 11 of the United States Code; provided, that, either Mr. Caruso or Mr. Gennuso had material involvement in any sale, collection, receipt or resolution set forth in clause (i) or (ii) above or had the level of involvement expected of an officer of a debtor company in any prosecution, resolution or sale set forth in clause (iii) above. For the avoidance of doubt, for purposes of calculating any payments made under this agreement, the Debtors' receipt of any Renco Cash Collateral (as that term is used in the Final Order (A) Authorizing Debtors to Use Cash Collateral Pursuant to 11 U.S.C. §§ 105 and 363(c)(2) and (B) Modifying the Automatic Stay Pursuant to 11 U.S.C. § 362 (the "**Final Cash Collateral Order**")) or any proceeds thereof (including without limitation any return or reimbursement to Debtors of any portion thereof which had been applied by Wells Fargo Capital Finance, LLC, as administrative agent under the DIP Credit Agreement, as cash collateral for letter of credit obligations outstanding thereunder) shall not constitute an "Asset Disposition" and any cash distributed to the Junior Lenders, Renco or any Creditor (as that term is defined in footnote 3 herein) as a result of the Debtors' collection of any Renco Cash Collateral shall not be included in the calculation of amount owed to you under this letter agreement.

Sparrows Point, LLC; RG Steel Warren, LLC; RG Steel Wheeling, LLC; RG Steel Wheeling Steel Group, LLC; WP Steel Venture, LLC; Metal Centers LLC; and RG Steel Railroad Holding, LLC (collectively the “**Debtors**”²) to Cerberus Business Finance, LLC, as agent, for the financial institutions from time to time party to that certain Credit Agreement, dated as of January 17, 2012 (as the same may have been amended, supplemented, or modified) (collectively the “**Junior Lenders**”) or The Renco Group, Inc. (“**Renco**”) during the immediately preceding month, which amount shall be funded from the cash collateral of the Junior Lenders and Renco; and

(ii) []% of the net cash proceeds received by any of the Debtors from any Asset Disposition that is subsequently indefeasibly paid by any of the Debtors to any of their respective Creditors (in their capacity as unsecured creditors) on account of such Creditors’ prepetition claims³ during the immediately preceding month, which amount shall be funded from the net cash proceeds of the Asset Disposition giving rise to such payment.

Notwithstanding the foregoing, to the extent any such distribution by the Debtors to any of the Junior Lenders or Renco is rescinded or must otherwise be returned or restored by the Junior Lenders or Renco, as the case may be, and the amount provided for in clause (i) above has been paid to you with respect to such distribution (a “**Rescinded Distribution**”), then (a) to the extent any proceeds of a Rescinded Distribution are subsequently distributed to any of the Creditors in their capacity as unsecured Creditors, you shall not be entitled to receive the payment described in clause (ii) above with respect to such distribution to such Creditors, and (b) to the extent any proceeds of a Rescinded Distribution are subsequently re-distributed to the Junior Lenders or Renco, you shall not be entitled to receive the payment described in clause (i) above with respect to such re-distribution. In the event a Rescinded Distribution is to be distributed to Creditors and the amount to be paid to you pursuant to clause (i) above has been paid, the amount of the Rescinded Distribution to be distributed to Creditors shall be reduced by the amount paid to you pursuant to clause (i) above, which shall thereafter be treated as the cash collateral of the Junior Lenders and Renco.

[For Jeff Gennuso only] You shall be entitled to receive a cash payment of \$15,000 on the 15th day of each calendar month (commencing with January 2013), which amount will be treated as an advance against the Payments (if any), to which you may become entitled under clauses (i) and/or (ii) of the second paragraph of this letter agreement (the “**Monthly Advance**”). You shall be entitled to retain the Monthly Advances received regardless of whether any amounts are earned pursuant to clauses (i) or (ii) of the second paragraph of this letter agreement.

Your right to receive the Payments set forth above is contingent upon your continued employment by RG Steel through the end of the applicable calendar month; *provided*, that,

² For purposes of this letter agreement, the term “Debtors” or “Debtor” shall include any successor entity created to make distributions to the Junior Lenders, Renco or Creditors (as that term is defined in footnote [3] herein) on account of claims asserted against the Debtors.

³ The term “**Creditors**” as used herein means any person holding a prepetition unsecured claim or claims as defined in 11 U.S.C. § 101(5).

[(i)] in the event that your employment terminates for any reason prior to the last day of any calendar month, you shall be entitled to receive the amounts accrued pursuant to this letter agreement during such calendar month but prior to the date of your termination, payable promptly following the end of the calendar month of your termination *plus*, if you were not terminated for Cause,⁴ the applicable percentage of distributions set forth above for any distributions made in the sixty days after your termination (which period can be extended by joint approval of the Board of Managers, the Junior Lenders and Renco) that are the result of activities for which a material portion of the work was completed prior to any such termination; such additional distributions shall be made to you promptly following the end of the calendar month in which related distributions are made to Cerberus, Renco or Creditors **[For Jeff Gennuso only]** [, and (ii) you shall be entitled to retain any Monthly Advance paid to you prior to the date of such termination, to the extent such Monthly Advance is not applied in clause (i) above].

Further, your right to receive the Payments set forth above is contingent upon the existence of a cash collateral budget or other cash collateral arrangement that is approved by the Junior Lenders and Renco as contemplated by the Final Cash Collateral Order (the “**Cash Collateral Agreement**”); *provided, that*, in the event of the termination of the Cash Collateral Agreement for any reason (without, for the avoidance of doubt, a replacement Cash Collateral Agreement), you shall be entitled to receive the amounts accrued pursuant to this letter agreement prior to the date of such termination, payable promptly following the end of the calendar month of such termination.

In the event that (x) the resolution of the claims between any Debtor, on the one hand, and any of Severstal US Holdings II, Inc., Severstal US Holdings, LLC, Severstal Sparrows Point, LLC and/or any of their affiliates (collectively, “**Severstal**”), on the other hand, provides for a general release (or final resolution without liability) of the Debtors by Severstal of all claims that were or could have been asserted prior to the execution of such settlement or entry of such resolution, and (y) any Payment to which you are entitled under clause (i) and/or (ii) of the second paragraph of this letter agreement as a result of such settlement or resolution does not exceed \$100,000 (the “**Severstal Payment**”), then you shall be paid in addition to the Severstal Payment, the difference between \$100,000 and the amount of the Severstal Payment, subject to your continuous employment with RG Steel through the effective date of such settlement or resolution.

For the avoidance of doubt, RG Steel may withhold and deposit all federal, state, and local income and employment taxes that are owed with respect to all amounts paid hereunder.

This letter is not a contract of employment and does not guarantee your employment with RG Steel for any period of time. The nature of your employment at RG Steel is and will continue to be “at will,” as defined by applicable law, meaning that either RG Steel or you may terminate your employment at any time, with or without notice, for any reason or for no reason. This letter agreement will automatically terminate without further notice upon the earliest to occur of (i) the

⁴ The term “Cause” as used herein shall have the same meaning as it does in that Participation Agreement you entered into with RG Steel, pursuant to which you agreed to be bound by the terms of the RG Steel Incentive Compensation Plan.

termination (without extension or replacement) of the Cash Collateral Agreement, (ii) the appointment of a chapter 11 trustee, (iii) the conversion of the cases to cases under chapter 7 of the Bankruptcy Code, and (iv) dismissal of the chapter 11 cases, provided that such termination shall not affect your right to receive any accrued and unpaid payment provided hereunder (whether due prior to or after the termination hereof).

This Agreement may be amended at any time with the written consent of each of you, the Board, Renco and the Junior Lenders; provided, however, the applicable distribution percentages set forth above shall not be increased without further approval of the Bankruptcy Court.

The validity, interpretation, construction, and performance of this letter agreement is governed by and is to be construed under the laws of the State of Delaware applicable to agreements made and to be performed in that state, without regard to conflict of laws rules.

Please indicate your acceptance of the terms set forth herein by signing where indicated below and returning the executed copy of this letter to Donald S. MacKenzie within five (5) business days of receipt. Your eligibility to receive the payments described herein are conditioned on timely receipt of the executed copy of this letter by RG Steel.

Sincerely,

RG STEEL, LLC

By: _____
Name: Donald S. MacKenzie
Title: CRO

Acknowledged and agreed:

Name: [Richard Caruso][Jeff Gennuso]

Date: January __, 2013