

Magnesium diecaster Lunt now idled, preparing for auctioneers

Chicago—Magnesium diecasting specialist Lunt Manufacturing has ended production at its plants in Schaumburg and Hampshire, Illinois, and is completing a cleanup process as it prepares for the liquidation sale of its assets to auctioneers.

Holger Brandt, president of the 35-year-old company, which operated some of the largest diecasting machines in the world, said the company could still be sold to a buyer who would operate it, but that no buyers willing to pay more than the company's debt had been identified since Brandt's family started trying to sell last April.

"We had three interested groups but their offers were below that of our debt to the bank, and the bank would not agree to a reduction of debt. It really left us with only one option and that was to go into an assignment," Brandt said.

At the time Lunt sought assignment under Illinois state law late last year, a common law proceeding that is an alternative to bankruptcy, executives said the company had assets valued at \$17.414 million, including \$6.136 million in machinery, and total liabilities of \$20.044 million (*MW*, October 1, page 6).

Brandt said he expected the fire sale to probably take place at the end of March or the beginning of April. The equipment to be sold includes three 4,000 ton machines. "Obviously in this type of situation, whoever gets it is going to get it for a song," he said. All the machines can be used for aluminum as well as magnesium, he said.

Pat Cavanaugh of High Ridge Partners, a turnaround company with offices in Chicago, was named assignee for the benefit of the creditors under the process and first sought to sell the company as a growing concern.

"There's still a bidding process here," Brandt said, adding that it was still possible but highly unlikely that another company could buy the assets and reopen the company. "An

auctioneer or an auctioneer group is going to come in and buy up all of Lunt's assets. They will end up conducting an auction or whatever they feel like they can do with it."

The assignment will be completed when the assets are sold, Brandt said, adding that an agreement on the sale to an auction house or group could be completed "any day now. I know that there are a few interested and they are working on finalizing contract language or purchase agreement."

After that initial agreement is signed, the assignment process still allows higher bids to be made by a later deadline, Brandt said. "Assuming that its an auction house that lands the final bid, they actually do the liquidation of the individual pieces of equipment," he said.

Brandt attributed the company's failure to the results of duties imposed by US Magnesium's trade case against Chinese magnesium alloy imports two years ago. "Effectively it reduced us to three suppliers and there was a price spike in the US," he said.

"That price spike — which almost everybody I guess attempted to pass on to their customers — also scared our automotive customers," Brandt added. "So when the design came for the next generation of vehicle they designed out of mag or went to Canada for parts."

This left Lunt as a magnesium-only company in the US with an uncompetitive position, Brandt said. "Our work was running out and there was nothing to replace it," he said.

About 20% of Lunt's business was with non-automotive customers and that went to China, he added. Lunt had opened a joint venture in Suzhou, China, in late 2004 with Japan's Toyota-Tsusho, which has been bought by the partner and is continuing to operate, Brandt said.

"We got to keep some of the work that was going overseas anyway but it was a new operation there so they were just starting to get some traction," he said. "It helped in the sense that had we gone forward it would have allowed us to keep some of our customers who were moving overseas anyway."

Brandt added, "It's a real shame. Just when magnesium should be up and coming because of the necessity for light-weighting and fuel economy and all those things that usually we tout magnesium for you have a trade case and US trade law that doesn't look beyond the commodity it is looking at. It's not allowed to look at downstream effects.

"In our case you go under because you can no longer compete and for us we feel it is an artificial trade barrier. I'm sure at US Magnesium they would call it a fair trade barrier."—*Philip Burgert*