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CSC could be facing a Renaissance

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Tribune Chronicle

WARREN -- Completing a business plan and financial package is all that stands in the way to Renaissance Partners Inc., from making an offer to purchase CSC Ltd.

"We are in the process of putting together a business plan," Leo A. Keevican Jr., managing director of Renaissance Partners Inc., said. "Assuming we can develop a business plan that will enable us to make a profit, we will make an offer to purchase CSC."

Renaissance is a multi-city management buyout firm and since it was formed in 1988, it has done a number of management leverage turnarounds, including American Alloys in West Virginia, where it purchased a mining operation that had been closed for two years, put together a new labor package and created jobs for 220 people.

Keevican said his company has been analyzing the steel market, the CSC's finances, the cost of production and the value of the equipment in the plant for several weeks.

"We hope to have a business plan put together before Aug. 15," Keevican said. "For this to work, every segment of the company will have to work together. We have to reduce the overall cost of production."

Once there is a firm plan, Keevican said his firm will need another 45 to 60 days to present an offer to CSC lenders.

He said Renaissance would not have to go out to find financing.

"Those who we believe will finance this project have the equity in hand," he said. "It is not a situation where we will have to go out and raise it."

Keevican emphasized the firm has no time to waste in trying to save CSC.

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"We are prepared to deploy the necessary resources in an extremely timely manner, in order to forestall the looming liquidation of the CSC facility," he said.

Earlier this week, attorney Mark F. Hebbeln, representing unsecured creditors in the Chapter 11 bankruptcy protection, filed a motion in court to have it changed from a reorganization process to a liquidation. Federal bankruptcy Judge William Bodoh gave the attorneys until Aug. 21 to file the necessary motions to convince him of their positions. Still up in the air is a possible employee buyout.

In order for a buyout to be possible, Keevican said the transition has to come with some cost-cutting measures.

"Reducing costs is not something that will be borne on the backs of organized labor or management," he said. "It weight of it must be shared. There will have to be a cultural change within the company. The union and the management will have to work closer together than it has in the past if this is to succeed."

At its peak production periods, CSC was making annual revenues of about $240 million, Keevican said. By 1999, the company's revenues dropped to about $175 million.

Keevican warned there would be changes in union contract, saying a new company could not be profitable under the condition of the previous union contract.

Local 2243 President John Kubilis says his workers are prepared to do what they can to make the company profitable.

"We still have a long way to go in this process," he said. "However, we are very optimistic in accomplishing our goal of getting the company started again."

Kubilis said his membership recognizes the next union contract will have to be different from the one they had under the company's former management.

"When they complete their business plan, we will have the opportunity to review it," he said."Based on our knowledge of the business, we'll be able to tell them how we believe it will operate most efficiently and where we believe we should expand our market."

Kubilis emphasized whatever company takes over the plant, there will be cautious growth.

Renaissance is not the only company seriously looking at purchasing CSC. Kubilis said at least one other company is seriously looking at taking it over. However, he added, the second company has not contacted the union.

Keevican said it is too early to say whether new company under Renaissance would have an ESOP.

"We have not ruled anything out," he said.

Members of United Steelworkers of America Local 2243 and CSC's remaining management have been working together and independently to find buyers to take over the company. The union also has been trying to put together a Employee Stock Option Plan in which the rank and file union members would be able to buy a stake in whatever new form CSC Ltd. may take.

George Petrenko, who is with DKW Value Recovery and a partner in Renaissance Partners Inc., said he has been closely watching what has been happening with CSC since January and has been trying to lure investors.

Keevican said Renaissance Partners Inc., approached the remaining management of the steel company after no serious buyers put in the bid during the July 12 auction.

Donald Caiazza, CSC vice president of Commercial Sales, did not return calls seeking comment.

"We believe we have a unique approach to management leverage buyouts," Keevican said. "Our inter-disciplinary approach to solving complex restructurings in the steel industry is unique."

Using a team approach, Renaissance Partners Inc., is working closely with DKW Value Recovery, which is a firm that provides turnaround consulting, interim management and bankruptcy reorganization expertise. In addition, the law firm of Loepken, Keevican & Weiss is providing the legal expertise for the partnership, and Hutch Beddows, which has expertise in developing business strategy in the steel industry.

"CSC Ltd. presents a really unique opportunity," Keevican said. "There are a number of steel companies in bankruptcy, but few of them made more than $90 million in capital improvements right before going bankrupt."

In addition, the maker of specialty steel bars had a good reputation in the industry when looking at the quality of product and on-time delivery, he said.

CSC Ltd., which had about 1,300 total workers, has been under bankruptcy protection since Jan. 12 and it began its shutdown Jan. 31.

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