

This Sunday in Bertram's column

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If you know of people or groups making extra efforts to improve the look of their neighborhood, tell us. We'll select the top stories and periodically profile those efforts. Contact staff writer Roger Smith at rgsmith@vindy.com or write him at The Vindicator, P.O. Box 780, Youngstown, 44501.

Firm works on CSC buyout

Thu, Aug 2, 2001

A coalition intends to have its business plan done by Aug. 15 and hopes to be ready to restart the steel mill by October.

By CYNTHIA VINARSKY

VINDICATOR BUSINESS WRITER

WARREN -- With CSC Ltd.'s liquidation hearing looming just three weeks away, a coalition of management buyout and consulting firms has emerged to offer a glimmer of hope for the troubled steel bar mill.

Renaissance Partners Inc., a management buyout firm with offices in Cleveland, Pittsburgh and Detroit, is heading up the group of experts putting together a business plan to save the struggling steelmaker.

And Leo A. Keevican Jr., managing director of Renaissance Partners, said the plan is no pipe dream.

He said the firm already has investors lined up who will buy the mill and restart it if they can be persuaded CSC will be a money maker.

Questions: "The money is there. Now we have to show it can be profitable again," he said. "We need a collaborative effort. How can we run the mill cost effectively? How can we make money?"

George Petrenko, also a Renaissance principal, would not identify the investor group, but he said it likes to invest in troubled companies where the assets can be bought at a "deep discount." If the company becomes profitable, their risk is rewarded.

Petrenko and Keevican said the investors would likely spend "in the \$50 million range" to buy the mill and ramp it up for production.

Plans are to rely totally on private dollars to fund the plant start-up, they said, because it would take too much time to access loans, grants and other assistance promised by the state of Ohio and the federal government.

"We would be looking for that assistance eventually, but the start-up would not be contingent upon it," Keevican said.

Little interest: CSC has received only one purchase offer, a bid from Ellwood Group of Ellwood City, Pa., to buy the thermal treatment and finishing operations for \$2.5 million.

Efforts to sell the facility as a whole operating mill have been unsuccessful, even with the help of the Cleveland office of McDonald Investments, which was hired to start marketing the company more than a year ago.

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An auction scheduled in U.S. Bankruptcy Court in Youngstown last month was canceled when no qualified bidders emerged.

Unique situation: Petrenko said CSC's situation is unique because the company invested nearly \$100 million in a plant modernization effort before it ran into financial problems late last year, so the renovated facility is an especially good deal for a bargain-hunting investor.

CSC had 13 profitable quarters from October 1995 through December 1998, but it started losing money in 1999 and was unable to find new operating capital in the face of lenders' growing reluctance to lend to steel.

The company filed for Chapter 11 bankruptcy protection in January and shut down operations April 13, leaving about 1,300 employees jobless.

Business plan: Don Caiazza, former CSC president and one of only four managers still working at the shuttered mill, said he is putting together the business plan Renaissance Partners will use to persuade investors that the plant is worth another try.

He called the firm's involvement "a very positive development" and said he's confident the business plan will be ready by Aug. 15 to meet the coalition's self-imposed deadline.

"The remaining four senior managers are going to do everything possible to help this succeed," he said, "but we're some distance yet from the finish line. We have a lot of things to do before we can cross the finish line."

He said the business plan will have to include commitments by a multitude of entities -- United Steelworkers of America, which represents most of the CSC workers; state and local government authorities; and power and utility providers.

Judge William Bodoh of the bankruptcy court has scheduled a hearing Aug. 21 to consider a request by CSC's unsecured creditors to switch the case to Chapter 7 so the mill's assets can be dismantled and sold piecemeal.

Meeting: Keevican said representatives of Renaissance Partners have scheduled a meeting next week with CSC's secured lenders, which have been allowed to make most of the decisions in the case so far, to ask for more time.

The team working on the mill rescue will ask for 45 days after the business plan is submitted to allow the investors to study the deal.

Under the time frame it's proposing, he said, Renaissance Partners would hope to have the papers signed, a labor agreement in place and financing in place in time to start gearing up for production in early October.

He said Renaissance Partners has succeeded in reviving at least 15 other struggling manufacturing companies through management buyouts.

The firm already is searching for a new chief executive and management team to run the reopened CSC, he said, and has been working closely with USW officials and leaders. Petrenko said it's too soon to say how many workers the revived CSC might employ.

Reaction: John Logue, director of the state-funded Ohio Employee

Ownership Center at Kent State University, called the Renaissance involvement "the best game in town." The center has been working with CSC employees to investigate the feasibility of an employee buyout of the mill.

"These people are real. They seem to have the ability to perform, they seem to know what they're doing," he said. "This seems to be the only offer we've seen that could start the mill as a major steelmaker in Warren once again."

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