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Judge to decide CSC's fate

By RAYMOND L. SMITH
Tribune Chronicle

YOUNGSTOWN — The fate of idled steelmaker CSC Ltd. could be decided in the next couple of days as federal bankruptcy Judge William T. Bodoh is expected to decide whether the mill can be sold or to give a potential buyer more time.

Renaissance Partners Inc. asked Bodoh at a bankruptcy court hearing Wednesday in Youngstown to give it up to 45 days to determine whether a deal could be made for the mill.

However, attorneys representing the company's secured lenders warned if an extension is granted they would not continue paying the necessary costs to maintain the plant.

Attorney Robert Hanson said it is costing up to $500,000 a month just to maintain the plant's operation, even though there has been no steel made for more than six months.

''We have done everything we could to assist the company in selling the plant as a whole,'' he said. ''To keep the plant we would have to keep digging in our pockets. There is no more money there.''

Hanson also added there is some skepticism about Renaissance.

''They will not identify the people who will finance a purchase. We don't know if they are a function of the union,'' he said.

CSC attorney Mathew Goldman, an attorney with the Cleveland law firm of Baker & Hostetler, said the company has received a bid for a portion of the mill.

Hanson and Goldman tried to convince Bodoh to let them begin selling the company in auction, regardless of whether the company and its equipment would be sold in pieces or as a complete unit.

The company is already $89 million in debt, he said. CSC has an outstanding revolving loan of about $15.8 million and a term loan of about $74 million.

CSC filed for Chapter 11 bankruptcy protection Jan. 12 after months of losses due to rising steel imports and decreasing demand. The company was mothballed in April, wiping out

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jobs for 1,375 hourly and salaried workers.

Delaying efforts to auction the company by another 45 days would push past the lenders' desired auction dates in October.

''Our understanding is that if the auction cannot be done by October, we would have to wait until sometime in April or May because of the winter weather,'' Hanson said. ''That would significantly reduce the value of the company. We would also have to spend another $2 million just to maintain it.''

CSC's Goldman agreed with the lenders that they should be able to begin the process of preparing for one or more auctions of the company, its equipment and its property.

''We have now received an offer for a portion of the business,'' Goldman said.

He said the bidder, who asked to remain unidentified, has said it would maintain operation at the site and would initially employ somewhere between 150 and 200 people.

The potential buyer made a bid for the portion of the facility when the company was scheduled to hold an auction in July, but at the time it was not considered a qualifying bid.

''If this is sold, we can save at least some jobs,'' Goldman said.

George P. Petrenko, representing Renaissance Partners Inc., said a preliminary business plan has been developed and submitted to its equity partners for consideration.

Now, the company is doing what is called due diligence in examining the plant and its equipment as well as in contract negotiations with United Steelworkers of America Local 2243 and the international union. Negotiations are taking place in Pittsburgh.

''We believe we will complete the negotiations within the next two weeks,'' Petrenko said. ''Once these two issues are addressed we believe an offer can be made. We will work with any time frame the court gives us.''

He emphasized their equity partner is well capitalized and has a fund of more than $1 billion, part of which could be used to purchase the plant.

Petrenko said he expects the company will be up and running within 60 days of the final deal being consummated. Within 12 months of the company being placed back into operation, he said it will be making up to 150,000 tons of steel on an annual basis.

He said the company has the ability to make a total capacity of 300,000 tons of steel a year. CSC made special bar-quality steel used in gears, crankshafts and other industrial markets.

''We will continue to make the same kind of specialty steel the company was making before it went into bankruptcy,'' Petrenko said.

Renaissance Partners Inc. waited until after the last auction attempt because it had found that sellers and lenders are more focused in getting the sales done after an auction has failed, Petrenko said.

Attorney David R. Jury, general counsel for the United Steelworkers of America, argued that allowing the company to be auctioned off in pieces would cause irreparable harm to efforts to sell the company as whole.

Petrenko said Renaissance Partners Inc. would not purchase the company if any part of it was sold.

''We want the whole company,'' he said.

Meanwhile, Bodoh denied a motion by CSC's unsecured creditors committee to convert the case from a Chapter 11 reorganization to a Chapter 7 liquidation.

Attorney Mark Hebbeln argued that under a Chapter 7 bankruptcy an unbiased trustee would be in better position to determine whether Renaissance Partners is making a legitimate offer to buy the plant or if it is just ''kicking the tires'' and later will walk away.

In addition, he said, having the bankruptcy under a liquidation would not prevent the company from being sold as a single unit.

Bodoh disagreed, saying moving the bankruptcy to a liquidation would take away tax benefits legally available to buyers if the purchase is made under a bankruptcy reorganization plan. Under U.S. tax laws buyers can claim the losses of a bankrupt company that is under a reorganization plan.

''The debtor has only limited available assets left,'' Bodoh said. ''It has the mill and the attendant personal and real property legitimate. We already have seen that it has been difficult for them to give it away. The only other asset it has to make it attractive to buyers is the tax benefit to carry forward losses.''

''If the bankruptcy is converted to Chapter 7, it'll lose that benefit,'' he said.

Bodoh approved the unsecured creditors' motion to remove it from bankruptcy procedures and relieve it of any responsibilities during the procedure.

Hebbeln argued the unsecured creditors were handcuffed from doing much of anything during the bankruptcy because outside of material available to the public, the company and the secured lenders would release very little information they could use.