

School news

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Judge sets deadline for sale of CSC

Fri, Aug 31, 2001

The judge said that the group with the best offer will be given the sale.

By CYNTHIA VINARSKY

VINDICATOR BUSINESS WRITER

WARREN -- A federal bankruptcy court judge will allow two business groups to proceed with plans to sell CSC Ltd., a shuttered Warren steel mill, and the one with the best offer or offers submitted Oct. 1 will get the sale.

Judge William Bodoh of U.S. Bankruptcy Court in Youngstown ruled Thursday that any offer to buy the mill, either as a whole or in parts, must be submitted by Oct. 1.

The best offer would then be determined by the court at a confirmation hearing, and an auction would be scheduled, if necessary, for any unsold portions of the facility.

Judge Bodoh's ruling is a compromise of sorts.

It gives CSC the opportunity to prepare for a piece-by-piece sale and auction, which the company wanted to conduct no later than October.

At the same time, it allows Renaissance Partners of Cleveland time to negotiate a revised labor agreement with the United Steelworkers of America with a goal of reopening the mill as a whole, operating unit under new ownership.

Willing investors: Renaissance Partners, which specializes in turning around troubled companies, announced Aug. 1 that it had investors willing to buy the mill, provided they could put together a business plan to show that CSC could be profitable again.

George Petrenko, a Renaissance principal, said the company is "comfortable" with Judge Bodoh's schedule. He said former CSC president Don Caiazza has worked with Renaissance to devise a five-year business plan that demonstrates how the mill could be profitable again.

That plan includes some assumptions about revisions in the USW's labor agreement, he said. Renaissance officials have been meeting with USW leaders in Pittsburgh to hammer out an agreement that would make the business plan work.

Petrenko said Renaissance likely will not wait until Oct. 1 to make an offer for the mill. If a labor agreement can be worked out, he said, the firm expects to offer a bid by mid-September.

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Money from a private equity fund earmarked to invest in distressed assets would be used to buy the mill, and Petrenko said the money is readily available. Renaissance Partners is facilitating the sale and would be part of the ownership group.

Preliminary plans call for starting up the plant to about half of its 300,000-ton production capacity within one year, and staffing would be downsized proportionately from the 1,375 CSC had working at its peak.

Eventually, Petrenko said, the new owners would hope to be at full production capacity.

Alternative sale: Meanwhile, if Renaissance Partners fails to get a deal together for the sale of the plant as a whole, Judge Bodoh's ruling allows CSC to proceed with the mill's piecemeal sale.

Sales agreements for sections of the plant or pieces of equipment can be negotiated, but no sale can be considered final until the close of business Oct. 1.

Michael Fox International, a Baltimore-based auctioneer, has been working since May to prepare the mill for dismantling and a piece-by-piece sale.

The company and its lenders have argued that the steel bar plant and its equipment are losing more value each month they sit idle. An attorney for the lenders said a report will be filed in court to show that the value of the assets has dropped by millions of dollars since CSC filed for Chapter 11 bankruptcy protection in January.

Besides that, the lenders are spending money to keep the mill in a mothballed state. Their attorney said lenders spent \$1.6 million in June and July and appropriated \$950,000 for August and September to pay for security and related costs.

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