

An ethanol dream dashed six years ago turns to bankruptcy

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By Anya Litvak / Pittsburgh Post-Gazette

A company formed in 2006 to make ethanol at the former American Video Glass factory in New Stanton has filed for bankruptcy after eight dry years.

Commonwealth Renewable Energy Inc. never built the proposed ethanol plant. It ruled out the possibility in 2008, citing the recession and bad ethanol economics. Two other ethanol plants proposed around the same time never materialized either.

Now, the company is looking to reorganize under Chapter 11. Commonwealth Renewable is more than \$35 million in debt, mostly to its three founders: president Stephen Frobouck, Steven Savor Jr. and the late William Anderson, whose widow and daughter have been engaged in legal battles with the other two shareholders for the past six years. Mr. Anderson died in October 2008.

In late 2008, about the time Commonwealth Renewable announced it was abandoning its plans to build the ethanol plant, Mr. Anderson's wife and daughter began suing the company to repay what they said was a \$6.7 million loan that Mr. Anderson provided to purchase the 133-acre property in New Stanton.

The unrealized ethanol plant was once envisioned as the largest in the country and promised to employ between 60 and 100 people.

Mr. Anderson's estate is now the biggest creditor in Commonwealth Renewable's bankruptcy filing. It is owed \$13.6 million, according to the document. Mr. Frobouck and Mr. Savor are each owed \$10 million, the petition says. That's a measure of how much each party has contributed to the company.

The remaining two creditors are the tax collectors of Hempfield and East Huntingdon townships.

It's unclear how the company — which never operated, had no employees and no hard assets other than the former glass plant worth about \$17 million — incurred so much debt.

"For years, my clients have funded this company's losses hoping to and planning and intending to turn it into something that could generate income for all the shareholders," said Kirk Burkley, a partner with Downtown-based Bernstein-Burkley PC, who represents Mr. Frobouck and Mr. Savor.

The bankruptcy is a way to grant a “breathing spell” from the lawsuits pending against Commonwealth Renewable so that the company may regroup and figure out how to make money from its land, he said.

According to Mr. Burkley, there’s litigation pending in state court, Allegheny County court and Westmoreland County court, where Mr. Anderson’s estate has initiated a foreclosure action against Commonwealth Renewable.

“If they’re successful in pursuing a foreclosure, it will take away from the entity its largest and only asset, which is its land,” Mr. Burkley said. “That would leave nothing for any other creditor or equity holder.”

Mr. Frobouck declined to talk about the details of the bankruptcy, saying it was an ongoing legal matter.

Commonwealth Renewable has hired Langholz Wilson Ellis Inc., a commercial real estate broker, to market its property in New Stanton. Its only business income is revenue from leasing 10 acres of the property to Reserved Environmental Services, a company that treats and recycles oil and gas drilling waste. Mr. Frobouck is one of that company’s founders and shareholders.

He’s also the main force behind a gas-to-liquids venture, called American GTL, which aims to turn natural gas into liquid transportation fuel. That project is currently compiling investors, he said.

“It’s going really, really well but we’re still approximately a year away from construction,” Mr. Frobouck said. “It’s going to happen.”

The bankruptcy will have no impact on RES or American GTL, Mr. Frobouck said.

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