

## Mated to Metals: Jim Tumulty

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Metals mavens. Besides heading the Calibre Group LLC, Jim Tumulty is a co-investor with Donna in Ohio-based Miami Valley Steel, a processor/distributor and minority shareholders in Ill.-based New Star Metals, a processor/coater.

He's a lawyer, an investment banker ... and a one-time rank-and-file union member. That particular combination of skills and training doesn't walk down Wall Street every day. But in the more than two decades that Jim Tumulty has run with the bulls--and been stung hunting honey with the bears--an eclectic mix of white-collar legal and financial expertise and blue-collar straight talk and sensibility has served him well.

"I grew up in a trade union family," Tumulty, 50, recalled only days before the official launch of Pittsburgh-based Calibre Group LLC, a private equity fund founded early this year to provide merchant banking services to the metals and Rust Belt manufacturing sectors. "My granddad was a founder of one of the largest Teamster locals in the country. And I was an apprentice to the construction unions when I was 15 years old. I don't think there are a lot of people who can check all those boxes."

Tumulty, a native of New Jersey who married his high school sweetheart and still lives in the town where they both grew up, is a graduate of

Temple University and received his *Juris Doctorate* from New York Law School. In the years since, he has held executive positions with various blue-chip firms, including Morgan, Joseph & Co. and Raymond James & Associates.

Prior to forming and taking the reins of Calibre as principal and chief executive officer, Tumulty was a senior managing director with Seaport Group LLC, a New York-based boutique investment bank that oversaw the sale of the assets of Sparrows Point, Md.-based RG Steel LLC. The nucleus of the Calibre team--Ed Siegel, principal and chief financial officer; Toby Kreidler, principal; and Michael Rotch, vice president--worked with Tumulty at Seaport. Another key member and principal is Harrison Bubrosky, a veteran investment banker who came out of retirement to join the new venture.

"We are five, we are going to be six," Tumulty said. "Ed, Toby, Mike and I remain employees of Seaport while we complete existing arrangements," he said, describing the departure of the group from Seaport as cordial and "completely collaborative."

The roots of that departure date back to the days following the wind-down of the RG assets sale, when

Tumulty was approached by a group of investors that “had rounded up somewhere between \$100 million and \$120 million for us to have another arrow in our quiver alongside our advisory business,” he said. Tumulty stopped short of identifying Calibre’s lead investor, describing him only as “a mentor,” but he was quick to note that the new venture’s backers “understand the metals business completely.”

It took another year or so--and the announcement this past September that Seaport and New Orleans-based Global Hunter Securities LLC planned to merge--to turn talk of establishing a private equity fund focusing on Rust Belt industries into a reality. Calibre Group LLC was officially formed under an operating agreement executed and funded as of Jan. 2.

By design, the company is positioned to serve as a merchant banker, not only to provide prospective clients with investment expertise/advice and access to third-party capital but also to serve as a lead investor. “If a proprietary capital solution is desired by a company, we are in a position to provide it where we weren’t before,” Tumulty said. “There really aren’t any merchant banks left. I think with (the Dodd-Frank Wall Street Reform and Consumer Protection Act) restricting the use of bank capital for proprietary deployment, it is a pretty good time to start a merchant-banking model. Guys smarter and richer than me think so, too.”

While Calibre has yet to finalize its first transaction, there’s little question that when the deal is delivered it will involve a party or parties involved in the domestic metal or manufacturing sectors. “Our investors want us to focus on industries that we know,” Tumulty said, citing basic manufacturing, steel, metals, mining, steel processing, and oil and gas as it relates to metals and forest products. He noted that the company’s backers have a “strong appetite” for consolidating--particularly processors and service centers--and want Calibre to look at both “distressed” and non-distressed opportunities.

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Ask Tumulty how distressed the predominantly privately held U.S. steel service center sector is as a whole, and he’s ready with an answer and an explanation. “When steel prices and volumes are good, they make (earnings before interest, depreciation and amortization) like crazy,” he said. “When the market contracts, they generate cash because they liquidate inventories. It is very, very difficult for service centers to get distressed as long as they make purchases commensurate with their order book.

“If they speculate, they can get distressed,” he acknowledged. “But given the current credit climate--with credit backed by metal collateral being tough to obtain--I don’t know if anybody has a long enough leash from their lenders to speculate like they used to.”

Over the years, both on Wall Street and off--as an independent co-investor with his wife, Donna--Tumulty has had a front-row seat on the range of challenges confronting service center management. Prior to helping engineer the disposal of RG Steel’s assets, he was part of the financial/investment team involved with the Bouchard brothers--Craig and James--in the early days of Sewickley, Pa.-based Esmark Inc.

Additionally, the Tumultys are “significant” shareholders in Piqua, Ohio-based Miami Valley Steel Inc., and minority shareholders in Burr Ridge, Ill.-based New Star Metals Inc. Tumulty, who serves as chairman of Miami Valley, described the company as the largest purchaser of secondary and excess material in the country.

New Star Metals, which acquired substantially all the assets of Canfield Metal Coating Corp. in July, operates through four divisions: Canfield Coating, Electric Coating Technologies, Premier Resource Group and World Class Corrugating LLC. Headquartered in Louisville, Ky., World Class Corrugating was formed by New Star Metals in January last year from assets of the company formerly known as Wheeling Corrugating Co. World Class Corrugating roll forms panels and accessories used in post-frame metal buildings and residential and light commercial roofing.

The experience the Calibre team and its investors have racked up over the years--both collectively and

individually--combined with the relative paucity of publicly owned service centers is expected to give the company a unique advantage in its target markets. "We have expertise in looking at and evaluating service centers and processors that not a lot of people have because there is not a lot of sell-side coverage with expertise in service centers. There are only a handful of public companies. And there is not a lot of revenue attached to investment banking activities tied to public service center companies. As a result, there is not a lot of third-party expertise," Tumulty said. "We have different expertise than other folks. And we can see value in things that maybe other folks can't see."

Another rare advantage Calibre counts among its competitive arsenal is its relationship with the United Steelworkers union. Kreidler worked directly with the leadership of the USW for a decade and Tumulty was certainly no stranger to the rank-and-file. "One of the things our investors wanted us to do was use our good relationship with the United Steelworkers and other organizations to source transactions," Tumulty said. "We have good relations with most of the AFL-CIO, but our relationship with the USW is the longest and most established among organized labor."

He sees that relationship as not only unique, but essential. "I believe a firm understanding of organized labor is something that very few of our competitors have. It doesn't necessarily have to be an adversarial (relationship)," he said. "Understanding organized labor gives you a real advantage in quantifying what the true potential of an investment or situation could be. And we believe we are as good at that as anyone. Folks hire us just for that."

Looking ahead, he expects the next six to 12 months to serve up at least three key challenges for Calibre, two of them strategic and one personal. "Calibre has a significant challenge making sure our loyal clients know that we are not going to employ our capital in competition," he acknowledged. A second challenge is adapting to the role of both an advice and capital provider and "finding the right balance between those two quasi-competing disciplines."

The third and final challenge is much more private in nature. "This is candid," Tumulty said. "I have been a managing director on Wall Street since 1993 but I have never been a chief executive officer. I have always been accountable to some wise person I could pick up the phone and say, 'Here's what I'm thinking.' I don't have that anymore. But I'll spare no effort to make sure I get it right."

In the days leading up to the formal launch of Calibre, Jim and Donna Tumulty had already logged an all-nighter or two prepping for take-off, and there's no question that time is of the essence. "There is a great deal of uncertainty in the economy in general and in the steel industry specifically," he said in the closing days of 2013. "But if you wait for certainty, you are certainly going to miss most of the boat ... if not the whole boat."