How things went wrong at Camillus Cutlery

Knife-maker just wasn't sharp enough to overcome severe economic hurdles
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By Charley Hannagan
Staff writer

Camillus Village Mayor Ed Fletcher had his last conversation with Camillus Cutlery President James W. Furgal eight months ago, but he'd like to have one more.
"If I could see him . . . one more time, I'd run right over. I'd ask for an explanation," said the mayor, who can see the cutlery building from the windows of the village hall.
A lot of people are asking why the 130-year-old company, the heart and soul of the village, closed Feb. 28 with a sigh.

Former workers, knife designers, competitors, partners and economic developers interviewed by The Post-Standard propose various theories.
Some say the company was mismanaged, while others say the third generation to run the family business wanted out.

Or perhaps, simply, the time had come for a company with antiquated buildings and equipment, foreign competitors barking at the door and high manufacturing costs.
In an interview Friday, Ron Mittleman the lawyer for the Kaufman and Schwartz families, who own Camillus Cutlery said the business faced a number of challenges. The Kaufman and Schwartz families are descendants of Albert Baer, a former owner of the company.
Knife sales plunged after the government banned sharp objects on airplanes after the Sept. 11, 2001, terrorist attacks, he said. Cheap foreign imports gnawed at market share, and the costs of manufacturing in New York are high, Mittleman said.

Even so, the owners chose to keep making knives in Camillus, though it would have been cheaper and more profitable to send the work to foreign factories, Mittleman said.
"In the long run, that probably was not a good decision," the lawyer said.

Offers of help refused
Camillus Cutlery's traditions stretch back to 1876, when German immigrant Adolph Kastor set up a knife importing business. He bought the Camillus factory in 1902. It was a major supplier to the military for two world wars, and some of its knives are used by soldiers in Afghanistan and Iraq today.

Leon Hungerford, 50, of Syracuse, who worked at the cutlery for 31 years, noticed the company having problems five years ago.

"You'd see these slow periods where they were trying to maintain the work force," he said.
The family hired Mittleman, a Rochester lawyer, about two years ago and told him to do whatever it took to turn the company around and continue manufacturing in Camillus.

At no time did the family, whose members stretch across the country, tell him to close the plant or file for bankruptcy, Mittleman said. However, it was obvious to him what needed to be done.
"I would have closed this thing down two years ago. We should have put it up for sale two years ago, if that was their decision," he said.

By mid-2005, the company was in deep trouble. It couldn't buy raw materials for new products, and it couldn't pay its designers.

It borrowed $125,000 from design engineer Phil Gibbs to buy raw materials for a new knife for the military. He's suing the company for repayment of the loans and severance.

Freelance knife designers Darrel Ralph, of Ohio, and Ethan Becker, of Tennessee, say they went 18 months or more without seeing a royalty check for their work. Both have sued the company.

Over the years, Camillus fell $5 million behind on its pension obligations because it didn't have the money to make the contributions, Mittleman said. In February, the Pension Benefit Guaranty Corp. filed liens against the company's assets to recoup those contributions.
Yet, management kept silent as problems unfolded. Designers and customers complained that Furgal didn't return their calls.

In 2003, Onondaga County started work to place the company in an Empire Zone, which would give it tax breaks. The company withdrew from the process, said Don Western, the county's director of economic development. No one knew why, he said.

Empire State Development records show the state offered the cutlery $25,000 for training in 1999, but it was never disbursed. In 2000, the state approved a $125,000 capital grant, but only $87,640 was disbursed.

In 2003, the state offered a $200,000 machinery and equipment grant, but the company didn't accept it. Two years later, the state assessed a penalty of $11,954 against the company for noncompliance with its employment targets.

Tight-lipped management

In 2003, Kevin Pipes, of the Smokey Mountain Knife Works, bought out Camillus Cutlery's share of his business for $12 million.
Pipes believed Camillus would use the money to buy equipment and to make contributions to the pension fund. He thought the money would make Camillus healthier.
"A good question is what did they do with the $12 million?" he said.
As recently as eight months ago, Fletcher, the village mayor, offered Furgal his help. I'll call the governor, the mayor said.

"He assured me everything was fine, but he said China was killing them," Fletcher said last week. Fletcher often would see Furgal on the street. The cutlery president lived in an apartment above the Solvay Bank with a view of the plant parking lot. Married to Gail Kaufman Furgal, Albert Baer's granddaughter, Furgal traveled to Manhattan to be with his family on weekends, Fletcher said.

There wasn't much information shared inside the plant, either.

In production meetings, management told the supervisors the company was in a tough situation, said Don Cook, a production manager who lives in Syracuse. Then "they wouldn't ask for suggestions. They clammed right up," he said.

After the normal factory shutdown at Christmas 2005, the company told employees it didn't have enough work for them. They were put on a four-day workweek for the new year.

At the same time, customers called Cook. They asked, why are you working four days a week when I can't get my orders?

The cutlery brought in Rochester consultants Anthony Mangione, of Delta Stratagem Inc., and J.C. Jones, a turnaround specialist.

Mangione, who teaches lean manufacturing techniques, liked what he saw at Camillus Cutlery. He wanted to buy the company and put together a business plan of importing cheaper knives, while continuing to make some knives in Camillus.

The bank that held the company's loans rejected the plan in March 2006, Mangione said.

And then, labor trouble

In the midst of all this, Camillus and United Steelworkers Local 4783 began contract talks.
At first, workers were told the company wanted to close, said union member Sharon Brown. Then management backtracked, saying that cutlery could stay open if workers agreed to significant wage and benefit cuts.

The union agreed to keep working during negotiations, even though it didn't have a contract. On May 16, the union put the company's offer up for a vote. Workers unanimously rejected it. The strike began the next day.

Workers picketed the plant and managers' homes. The chief financial officer quit.
The strike dragged on. Management refused to meet.

In November, after six months without a paycheck, workers accepted the company's offer. The cutlery called 15 of the 78 union members back to work.

Some workers got other jobs, others sold their homes or moved to cheaper apartments as the lack of a paycheck took its toll on family finances.

Steelworkers international representative Jim Valenti said he thinks the company's owners wanted to close the plant all along and forced workers to strike by offering a contract they couldn't stomach.

"Their concessionary package had nothing to do with keeping the place open," he said last week.

At one point during the strike, the union sought a buyer for the plant, but the company didn't return the potential buyer's telephone calls, Valenti said.

The strike ultimately took its toll on the company.
Customers dried up. By fall, Furgal was out as president, and his brother-in-law, J. Gilbert Kaufman, was in, Mittleman said.

J.C. Jones recommended the owners sell the company. In the fall, the owners accepted the inevitable. They hired another consultant to find to a buyer for the plant.
Two New York companies, Ontario Cutlery and Utica Cutlery, expressed interest, Mittleman said.
Two other companies that he would not name also kicked the tires.
No one stepped forward, he said.

"They determined that maybe the condition of the company was a lot worse than they thought it would be. They just withdrew," he said.
Bank of America pulled the company's line of credit, leaving the cutlery with no way to borrow money for steel, raw materials or inventory to keep its operations going, he said.

In January, the bank sold its cutlery loans to Brown Bark I, an entity formed by a group in Texas to buy loans, Mittleman said.

At 3:25 p.m. Feb. 26, managers were called into a meeting and told the company would close.
The union received official word the next day.

The plant closed Feb. 28, leaving workers wondering about their health insurance, pensions and the future.
"The officers and directors of the Camillus Cutlery Co. sadly announce the closing of its doors due to the general economic conditions of American manufacturing," said a press release from the company's officers and directors.

The release was dated March 1, but it was received the next day at The Post-Standard via e-mail.

The release goes on to say, "the owners are deeply grateful for the dedication and perseverance of the Cutlery's loyal employees and the entire Camillus community."

"The family feels really, really badly," about the closing, Mittleman said.

The union and management met one day last week to bargain on the effect the closing has on workers. Valenti said he's seeking back vacation pay for the workers.

Everyone working when the company closed - about three dozen union and non-union workers - received all of their pay and any vacation pay the company owed them in their last paycheck, Mittleman said.

The company also owes money to family members who made loans to it over the years, he said. "They'll never see a dime of it," Mittleman said.

The Texas group holds a mortgage on all of the company's assets, including the brand names, and it will be up to it to sell or reopen the company, he said.

'This is the cutlery'

Whether the Camillus name will resurface depends on who you ask.
Camillus made knives sold under other brand names, such as Sears Craftsman.

"They were kind of a hidden giant," said Stewart Taylor, owner of Taylor Brands LLC. "The masses of Americans have never heard of Camillus."

Taylor bought the brand, patents and trademarks of Imperial Schrade Corp. in 2004, an Ellenville cutlery also owned by the Kaufman and Schwartz families. At one time, Schrade was the largest knife maker in America.

Schrade sought to reorganize under bankruptcy court protection in 2004 but eventually dissolved. Why didn't Camillus try bankruptcy, too?

In his judgment, the company couldn't be reorganized, Mittleman said. It couldn't get loans to keep its operations going, he said. A bankruptcy would have cost its government contract and its big-box retail customers, Mittleman said.

Taylor contracts with foreign factories to make the Schrade Uncle Henry and Old Timer brands. He was interested in doing the same for Camillus, but was told the bank wants to sell the assets intact, Taylor said.

Mangione said he doesn't know if the company has any value to a buyer. Its equipment and buildings are outdated, and its employees scattered.
"The value in the company was in the skill of the sharpeners and the skill of the employees," he said.

Though the cutlery is closed, signs at the village limits still say, "Welcome to the village of Camillus, home of the world famous Camillus Cutlery."

The mayor said he doesn't know what to do about the signs.
"I'm still thinking things over in my mind," Fletcher said. "I talked to (Furgal) about that a long time ago. This is our image. This is what we are here. This is the cutlery."
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