

Report Date: February 26, 2010

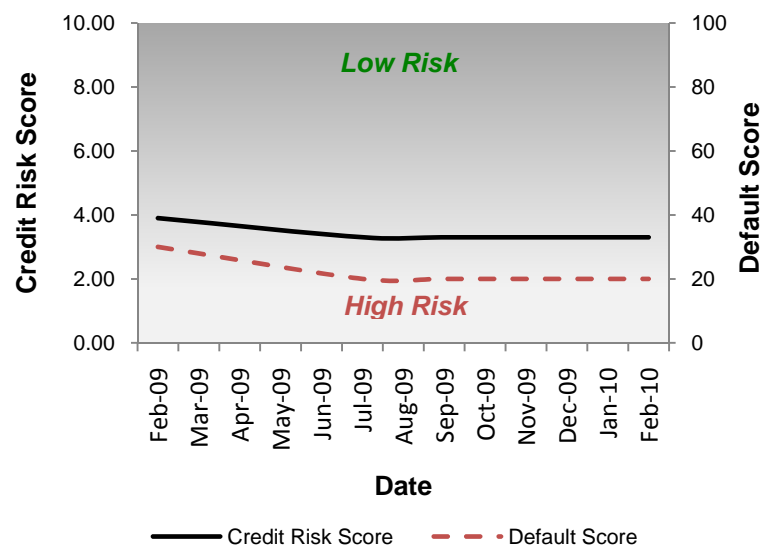
ABC USA, Inc.
100 Main Street
Huntingdon, TN

Credit Limit Requested: \$XXX
Advised Credit Limit: \$XXX
Credit Alert Recommendation: Yes

Trend Analysis

Scoring History

Date	Credit Risk Score	Default Score
July 16, 2009	3.3	20
Sept. 11, 2009	3.3	20
Dec. 11, 2009	3.3	20
Jan. 12, 2010	3.3	20
Feb. 26, 2010	3.3	20



ABC USA, Inc. states it is a manufacturer of rolled aluminum foil and light gauge sheet products for consumer and industrial markets. The company operates four aluminum rolling mills where it makes household foil, converter foil, fin-stock, and transformer windings for the consumer packaging, power distribution, refrigeration, and automotive industries. Its plants are located in Franklin and Huntingdon, Tennessee; Salisbury, North Carolina; and Newport, Arkansas and cumulatively produce more than 200,000 metric tons annually.

ABC USA, Inc. was formerly a subsidiary of Falconbridge, formerly known as ABC prior to its 2005 merger with the former Falconbridge Limited. Subsequently, the company was acquired in May of 2007 by AM L.P., a private equity firm (see below).

Credit Evaluation:

Based on the information reviewed, we believe the company represents below average credit risk characteristics. The company operates as a fully integrated aluminum manufacturer from mining bauxite to alumina to producing primary aluminum and further adding value in the downstream business.

ABC USA operates as the downstream operation of ABC Aluminum Holding Co. which is a fully integrated aluminum sheet and foil manufacturer. The nature of the company's operations exposes them to certain risks inherent with the industry which include cyclical, high level of competition, capital intensity, pricing pressures, and raw material and energy cost volatility.

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

However, there are several factors that offset these risks. We feel the company's vertical integration provides cost effective inputs and its long-term power contract is positive.

The company's downstream operation primarily serves the HVAC finstock markets, container stock for the food packaging industry, as well as flat rolled products to the transformer industry. HVAC end markets are cyclical and demand is dependent on commercial, residential and automotive HVAC product sales (new, repair, and replacement). Demand is often seasonal with weather conditions driving repair and replacement activity. Commercial and residential construction markets and the automotive segment continue to suffer from soft demand. The company's other segment, food container stock, is highly competitive and is exposed to intense margin pressure. This is partially offset by the use of metal contracts and metal cost surcharges however.

With regard to the company's financial position, they are highly leveraged and are operating in a very challenging environment; however, we feel they have adequate liquidity at this time (approx. \$257 million). The company has also been cash flow positive. The company took the proactive move to draw on its credit line in light of financial market volatility to secure a solid liquidity position, which we feel is a positive; however, this will come at a higher cost of carrying the increased leverage. Also, it is important to note that the company's liquidity has been declining some and in an environment of depressed pricing this could have negative implications on remaining liquidity.

The company has also repurchased \$205 million in debt for a substantially reduced cost via its conduit with Merrill Lynch (see below). While we feel this is a positive with regard to debt reduction, it still leaves the company significantly leveraged. Also, the company completed a repurchase of debt for \$81 million at a discount (see below). Further, due to the low pricing environment and decreased volumes, the company has reported operational losses. Partially offsetting this is the company's favorable aluminum pricing position with its hedging contracts.

Further, uncertainty exists as to what AM's plans are for the company and whether or not they will increase leverage in order to pay dividends. The downstream operations only account for approximately 20% of collective operating income for the group, while upstream accounts for 80%. On the upside, the downstream operation has been historically stable, historically generates a low operating profit, and has a low cost structure. Another key risk item now is the recently damaged smelter which is being rebuilt but adds a layer of risk. The company has recovered \$67 million in insurance proceeds to date which we feel is positive.

With the above mentioned taken into account, we feel the advised limit is warranted today, but would recommend managing exposures closely.

- The company has been in business since **2007** under current management / control.
- The company submitted is a branch location of the Headquarter location **ABC USA, Inc. in Franklin, TN**, which is a wholly owned subsidiary of **ABC Aluminum Holding Corp.** which is owned by affiliates of **AM L.P. of New York**.
- The company's ProfitGuard Credit Risk Score is **3.3** (scale of 1 to 10, with 10 being lowest risk).
- The company's ProfitGuard Default Score is **20** (scale of 1 to 100 with 100 being lowest likelihood of default).
- The company's payment experience has ranged from prompt to 9 days beyond terms over the past year. The company is currently paying its vendors approx. 9 days beyond terms.
 - Based on 223 total payment experiences of which 38 were reported as slow.
 - We find no presence of negative payment items (Collection, Dispute, or NSF).
 - Highest Credit \$2,000,000.

We find the presence of open suits (0), liens (3), or judgments (0). May have been paid, terminated, or released.

The following financial highlights are based on the company's parent, ABC Aluminum Holding Corp., for the three month period ended 9/30/09:

- Net Sales \$218.6 million, down 39% from the prior year period.

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

- Sales in the downstream business were \$109.9 million, a decrease of 37.2%, compared to the three months ended September 30, 2008, primarily due to the decrease in LME prices, as well as lower shipments to external customers.
- The LME price decline contributed \$45.6 million to the sales decrease. Fabrication premiums were relatively unchanged.
- Decreased shipment volumes reduced revenues by \$19.3 million. Downstream shipment volumes decreased 10.5% to 84.4 million pounds primarily due to lower end-market demand in the building and construction markets.
- Operating Loss \$4.4 million, compared to Operating Income \$32.1 million in the prior year period.
 - Operating Loss was also impacted favorably by excess insurance proceeds in the three months ended September 30, 2009 of \$14.3 million.
- Net Income \$4.3 million, compared to Net Loss \$22.4 million in the prior year period.
 - Includes a \$28.6 million gain on debt repurchase. The company repurchased or repaid \$81.1 million aggregate principal amount of outstanding HoldCo Notes, AcquisitionCo Notes, and term B loan borrowings for a price of \$52.2 million plus fees, resulting in a \$28.6 million gain.
- Current Assets \$625.3 million.
- Current Liabilities \$151.7 million.
- Current Ratio 4.1:1 with Working Capital \$473.6 million.
- Total Assets \$1.9 billion.
- Total Liabilities \$1.8 billion.
- Deficit Tangible Net Worth \$254.6 million.
- Net Operating Cash Flow \$230.4 million for the 9 months ended 9/30/09.
- Free Cash Flow \$198.2 million for the 9 months ended 9/30/09.

Liquidity

- ABC AcquisitionCo entered into senior secured credit facilities on May 18, 2007, which consist of:
 - \$500.0 million term B loan with a maturity of seven years, which was fully drawn on May 18, 2007; of which \$151.0 million has been repaid or repurchased (some at a discount) as of September 30, 2009.
 - \$242.7 million revolving credit facility which matures in 2013, which includes borrowing capacity available for letters of credit and for borrowing on same-day notice. During the nine months ended September 30, 2009, the company repurchased a face value amount of \$6.5 million of the revolving credit facility for \$4.0 million.
 - As a result of the repurchase, the maximum borrowing capacity was reduced \$7.3 million from \$250.0 million to \$242.7 million. Outstanding letter of credit amounts on the revolving credit facility totaled \$24.2 million at September 30, 2009.
- The senior secured credit facilities permit AcquisitionCo to incur incremental term and revolving loans under such facilities in an aggregate principal amount of up to \$200.0 million. Incurrence of such incremental indebtedness under the senior secured credit facilities is subject to, among other things, AcquisitionCo's compliance with a Senior Secured

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

Net Debt to Adjusted EBITDA ratio (in each case as defined in the credit agreement governing the term B loan) of 2.75 to 1.0 until December 31, 2008 and 3.0 to 1.0 thereafter.

- At September 30, 2009, the company's Senior Secured Net debt to Adjusted EBITDA ratio was below 3.0 to 1.0. At December 31, 2008 and September 30, 2009, AcquisitionCo had no commitments from any lender to provide such incremental loans.
- On May 7, 2009, participating lenders approved an amendment to the senior secured credit facilities to permit discounted prepayments of the term B loan and revolving credit facility through a modified "Dutch" auction procedure. The amendment also permits the company to conduct open market purchases of the revolving credit facility and term B loan at a discount.
- On May 15, 2009, AcquisitionCo issued \$16.6 million in AcquisitionCo Notes as payment for PIK interest due May 15, 2009. The company has notified the trustee for the HoldCo and AcquisitionCo bondholders of our election to pay the November 15, 2009 and May 15, 2010 interest payments entirely in kind.
- On May 15, 2009, HoldCo issued \$3.3 million in HoldCo Notes as payment for PIK interest due May 15, 2009.

Debt Repurchase

- In March 2009, the Company entered into a hedge settlement agreement with Merrill Lynch. As amended in April 2009, the agreement provides a mechanism for the Company to monetize up to \$400 million of the favorable net position of its long-term hedges to fund debt repurchases. The agreement states that Merrill Lynch will only settle sale swaps that are offset by purchase swaps. The Company settled offsetting purchase swap and sale swap quantities to fund its debt repurchases during the quarter. During the first quarter of 2009, the Company received \$50,389,000 in proceeds from the hedge settlement agreement to fund the repurchase of \$205,728,000 aggregate principal amount of debt at a cost of \$51,409,000.
- For the three month period ended September 30, 2009, the company repurchased or repaid \$81.1 million principal aggregate amount of our outstanding HoldCo Notes, AcquisitionCo Notes, and term B loan for a price of \$52.2 million, plus fees. HoldCo Notes with an aggregate principal balance of \$5.5 million and net carrying amount of \$5.6 million (including deferred financing fees and debt discounts) were repurchased at a price of \$2.5 million, plus fees.
 - AcquisitionCo Notes with an aggregate principal balance of \$74.7 million and net carrying amount of \$74.5 million (including deferred financing fees and debt discounts) were repurchased at a price of \$49.0 million, plus fees. The company repurchased a face value amount of \$0.9 million of the term B loan for \$0.7 million. The company recognized a gain of \$28.6 million representing the difference between the repurchase price and the carrying amounts of repurchased debt for the three month period ended September 30, 2009.

Recent Events

- On September 1, 2009, ABC Aluminum Holding Corporation ("ABC," or the "Company") announced that on August 31, 2009, it became the sole owner of Gramercy Alumina LLC ("Gramercy") and St. Ann Bauxite Limited ("St. Ann"), upon the completion of a previously-disclosed agreement with Century Aluminum Company (together with its subsidiaries, "Century"). Gramercy and St. Ann were each formerly owned 50% by Century. In the transaction ABC, Gramercy and

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

St. Ann released Century from certain obligations. Separately, Century entered into an agreement to purchase alumina produced at Gramercy through the remainder of 2009.

- Gramercy supplies substantially all of the alumina used at ABC's New Madrid smelter. St. Ann supplies substantially all of Gramercy's bauxite requirements.
- On July 15, 2009, ABC Aluminum Holding Corporation ("ABC", or the "Company") announced a \$23.625 million insurance settlement pursuant to the signing of a claim settlement agreement ("the Release") with the remaining three insurance carriers ("the Insurers") providing coverage related to the Company's pot line freeze claim from the January 2009 New Madrid smelter outage.
 - Under the Release, which represents the final settlement of the Company's claim, the Company will receive proceeds totaling \$23.625 million from the Insurers, which includes \$5.25 million of claim advances previously received. Combined with the Company's previously announced \$43.875 million settlement with Factory Mutual Insurance Company, provider of 65% of the coverage, the Release brings the total claim settlement to \$67.5 million.
- During the week of January 26, 2009, power supply to ABC's New Madrid smelter was interrupted numerous times because of a severe ice storm in Southeastern Missouri.
 - Although ABC had full capability to continue full production throughout the storm, its electricity providers' inability to return power to the smelter in a timely fashion caused a loss of 75% of the smelter capacity. ABC continues to assess the damage. The smelting production facility is being cleaned-out, inspected, and restarted.
 - To date, approximately five percent of the lost capacity has been restored. Based on the Company's current assessment, ABC expects that the smelter could return to full production during the second half of 2009 with partial capacity phased in during the intervening months.
 - Because of the desire to restart production as quickly as possible and the need for ABC's skilled, dedicated workforce during the repair and restart process, ABC expects to retain as many jobs as possible with a goal of maintaining all jobs throughout the restart process.
 - ABC has notified its insurance carrier and is diligently working through the claim process. The Company has received \$3.2 million in pre-funding from its insurance carrier and has a request for an additional \$1.5 million pending.
 - The Company holds pot line freeze insurance covering up to \$77 million of losses, including costs of restoration and restarting pot lines. The Company believes that insurance will cover a substantial portion, if not all, of the cost of restoring capacity; however, there can be no assurance that the full amount of the claim submitted by ABC will be reimbursed.
 - "ABC is especially proud of the commitment and capability of its workforce," said Kip Smith. "Through their efforts no safety incidents were recorded during periods of extensive overtime as they worked successfully to minimize damage and to save the remaining 25% of ABC's smelter capacity."
 - In addition, with the current available capacity and re-melt capability within the facility, ABC expects to service its customer base with minimal interruptions. The New Madrid power outage and temporary lost capacity will have no impact on the ability to serve customers for the downstream foil operations in Huntingdon, Tennessee, Salisbury, North Carolina, and Newport, Arkansas.

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

Standard & Poor's Data

- On July 29, 2009, Standard & Poor's Ratings Services raised its corporate credit rating on ABC Aluminum Holding Corp. (ABC) to 'CCC+' from 'SD'. The outlook is developing.
 - The ratings on ABC Aluminum Holding Corp. reflect the company's exposure to the highly cyclical aluminum industry, volatile prices, limited operating diversity, and high debt leverage, as well as the aggressive financial policy of its equity sponsor, AM L.P. The ratings also reflect the company's favorable hedge position for primary aluminum, which Standard & Poor's Ratings Services expects to continue to provide meaningful cash flows over the next few years.
 - Franklin, Tenn.-based ABC, a primary aluminum producer with downstream operations, has a vertically integrated upstream segment that normally accounts for more than 80% of EBITDA and ensures a secure supply of critical inputs to each segment of the upstream operation. However, this segment operates only one smelter, which experienced a partial outage earlier this year. As a result, we expect production in 2009 to be about 45% lower than that of the previous year, but given that aluminum prices are below the company's cost of producing the metal, we do not believe the impact on earnings will be material. In addition, we expect ABC to receive about \$70 million in insurance proceeds to rebuild the damaged facility, with about \$50 million already received.
 - The company's joint venture with Century Aluminum Co. mines bauxite and produces alumina that is then used in its New Madrid, Mo., smelter. As a result, the company's cost profile benefits from the fact that it sells some of the bauxite and unconsumed alumina to third parties and uses these revenues to offset operating costs in its upstream segment. However, that benefit is muted in the current environment because the market price of alumina is still below the cost of producing it at the joint venture.
 - ABC has hedged its exposure to volatile aluminum prices by entering into forward sales contracts for about 50% of its normal upstream output through 2012 at over \$1 per pound. Recently, the company locked in the value of most of those hedges by completing forward purchases on similar volumes at prices reflecting the forward curve at the time of that transaction. The company also has natural gas and interest rate hedges, but those are currently in the negative. At March 31, 2009, the company's total net derivative position, including its interest hedges, valued about \$330 million. We expect this favorable position to be a material supplement to operating income over the next few years.
 - ABC's debt to EBITDA for the 12 months ended March 31, 2009, was about 13x, as aluminum prices below production costs prompted company operating losses for the previous two quarters. We expect negative operating earnings for the next several quarters because of weak end-market demand and low aluminum prices. As a result, we expect ABC to remain very highly leveraged despite our belief that its book debt at year end should be \$1.15 billion, or about \$230 million less than at Dec. 31, 2008.
 - Our ratings also incorporate the aggressive financial policy of the company's sponsor, AM L.P., which has so far recouped all of its initial equity contribution through dividend payments. Had this not occurred, we believe the company would have greater liquidity to manage through the industry downturn.
 - ABC's liquidity at March 31, 2009, was provided by its cash balance of about \$200 million, about \$15 million of which was being held at the holding company and was therefore unavailable for immediate use. The company

BE ADVISED: THIS REPORT IS PROVIDED UNDER CONTRACT FOR THE EXCLUSIVE USE OF THE SUBSCRIBER AND ANY DISEMINATION, DISTRIBUTION, OR COPYING OF THIS REPORT IS STRICTLY PROHIBITED. THE INFORMATION CONTAINED IN THIS REPORT IS BELIEVED TO BE ACCURATE BUT IS NOT GUARANTEED. THE REPORT IS INTENDED TO PROVIDE AN INDICATION OF THE ENTITY'S PROBABLE CREDIT WORTHINESS. HOWEVER, DUE TO CHANGES OCCURRING EVERYDAY AND BECAUSE THE INFORMATION CONTAINED IN THIS REPORT IS BASED UPON INFORMATION FROM OTHER SOURCES WHICH IS UPDATED ONLY PERIODICALLY, THERE MAY BE ERRORS OR OMISSIONS IN THIS REPORT. THIS REPORT SHOULD BE USED PRIMARILY AS A STARTING POINT, AND NOT AS THE SOLE FACTOR, IN MAKING A CREDIT DECISION. PROFITGUARD MAKES NO REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY, TIMELINESS OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS REPORT AND, AS A RESULT, PROFITGUARD IS NOT RESPONSIBLE FOR ANY LOSSES OR DAMAGES RESULTING FROM THE USE OF THIS REPORT.

drew down \$225 million from its \$250 million revolving credit facility last year and therefore doesn't currently have any meaningful borrowing capacity on the facility. Given the frail economy and the need to fund ongoing operating losses, we believe this liquidity position is weak but supportive of the rating. Although the company will need to spend a material amount on capital expenditures to rebuild its pot lines, liquidity will benefit from insurance proceeds (we have assumed proceeds of about \$60 million in 2009), cash flow from hedges, its prior election to pay in kind its notes, and some working-capital reduction. We expect about \$70 million of capital spending this year (including spending related to rebuilding damaged pot lines) and free cash flow of about \$70 million, all of which is expected to be used to repay debt, including debt repurchased in the market. Still, we believe liquidity could decline materially in 2010 if aluminum prices don't significantly recover.

- To date, ABC has repurchased about \$205 million of its two unsecured note issues in the market for about \$52 million. The company has also repurchased a small amount of senior debt under the repurchase program governing its senior facility. The cash for all of these repurchases was provided by its hedge monetization agreement with Merrill Lynch. In total, our cash flow expectations for 2009 assume about \$115 million in cash flow from hedges, composed of about \$55 million from the Merrill Lynch monetization to repurchase debt as well as cash settlements of about \$60 million from 2009 hedges, the net effect of the favorable aluminum hedges and unfavorable natural gas and interest rate hedges.
- The company's credit facilities subject it to restrictive covenants, including minimum fixed-charge coverage of 1.75x and maximum net leverage of 3.0x. While ABC was in compliance with these covenants as of March 31, 2009, we suspect the covenants may have been breached as of the end of the second quarter given our expectation of negative EBITDA in the quarter.
- The outlook on ABC is developing. While we believe liquidity is likely to decline in 2010 unless aluminum prices recover substantially, we expect ABC to maintain at least \$125 million in cash to support its operations in the near term.
- We may raise the rating if ABC repurchases enough additional debt with funds from the monetization of hedges to materially improve its capital structure. We may lower the rating if the company's liquidity position declines precipitously from current levels because of the need to fund greater-than-expected operating losses. This could occur if aluminum prices don't recover materially (high enough to cover estimated production costs of about \$0.86 per pound) in 2010.