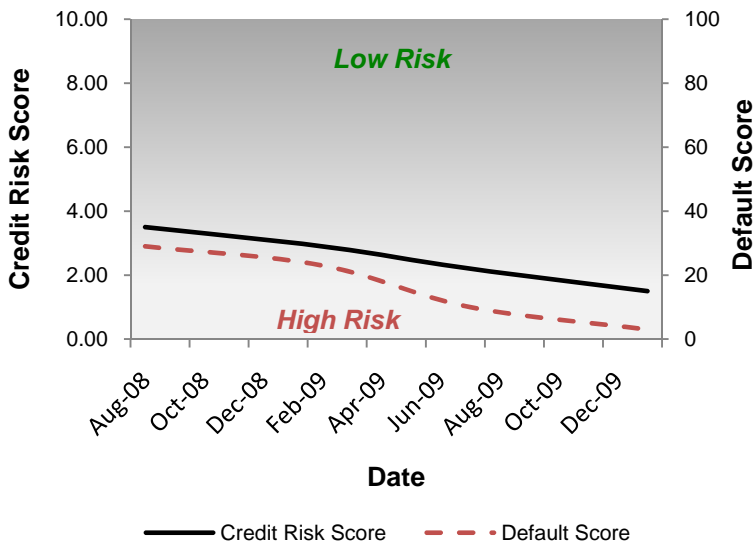


Report Date: January 14, 2010

Company filed Bankruptcy on 2/3/2010

**ABC Foundry Co.**  
ABC, WI

**Trend Analysis**



**Scoring History**

Date	Credit Risk Score	Default Score
Aug. 18, 2008	3.5	29
Feb. 27, 2009	2.9	23
July 8, 2009	2.2	10
Jan. 14, 2010	1.5	3

**Recent Developments:**

We have completed a committee review of the company and based on our evaluation, we feel a downgrade to the company's credit profile is warranted to reflect the company's heightened default risk as its missed another interest payment and is in a second forbearance agreement with debt holders.

The company operates in the foundry and casting markets which are highly competitive, capital intensive, cyclical, and are exposed to volatile demand and commodity price inputs (raw material and energy costs). The company is also exposed to seasonality as it relates to the municipal and constructions segments.

Demand for the company's products is largely driven by macro economic conditions, interest rates, federal and state regulations, consumer spending, fuel costs and customer inventory levels and production rates. Historically, the company's heavy municipal business has been less cyclical than its industrial markets. However, the company has experienced some

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cyclicality in the heavy municipal market as sales of municipal products are influenced by, among other things, public spending and the state of the new housing market.

The company's primary end markets are all under pressure. The company has been affected by declines in most all of its markets due to a weak U.S. economy which is expected to remain under pressure for 2010. On a positive note, it is anticipated that the municipal segment will begin to pick up once US stimulus spending flows through the economy.

The company has continued to report a net loss, as high debt service costs and fluctuating raw material pricing continues to impact the company negatively. Also, the company remains highly leveraged. The company has addressed its cost structure with plant closings and restructuring efforts which we feel is a positive.

Further, the company's liquidity has significantly weakened over the past year. The company is currently in forbearance and has deferred its most recent interest payments. We feel the company's likelihood for filing bankruptcy protection is high.

We continue to advise against open credit.

- The company's ProfitGuard Credit Risk Score has been lowered to **1.5** (scale of 1 to 10 with 10 being lowest risk).
- The company's ProfitGuard Default Score has been lowered to **3** (scale of 1 to 100 with 100 being lowest likelihood of default).
- The company's payment experience has averaged 9 days beyond payment terms over the past year.
  - Based on 178 total payment experiences of which 43 have been reported as slow.
  - We find the indication of 0 negative payment items (Collection, Dispute, or NSF).
  - Highest Credit \$200,000.
- We find the presence of open suits (1), liens (1), or judgments (0). May have been paid, terminated, or released.

**The following financial highlights are based on the parent company's FYE 9/30/09 results:**

- Net Sales \$332.9 million, down 35% over prior year.
  - Sales volume, as measured in tons sold, was down 35.0%. Sales of municipal products were down approximately \$14.9 million for the year ended September 30, 2009 compared to the year ended September 30, 2008. Sales to the construction and agriculture equipment market were down approximately \$20.8 million for the year ended September 30, 2009 compared to the year ended September 30, 2008. Sales to the HVAC market were down approximately \$27.4 million for the year ended September 30, 2009 compared to the year ended September 30, 2008. Sales to the heavy-duty truck market were down approximately \$57.1 million for the year ended September 30, 2009 compared to the year ended September 30, 2008. Sales to other markets were down approximately \$57.6 million for the year ended September 30, 2009 compared to the year ended September 30, 2008.
- Operating Loss \$139.6 million, compared to Operating Income \$15.2 million in the prior year.
  - Goodwill impairment charge for the year ended September 30, 2009 consisted of our entire goodwill balance of \$88.1 million.
  - As a percentage of net sales, operating loss was 41.9% for the year ended September 30, 2009 compared to the operating income of 3.0% for the year ended September 30, 2008. The decrease in operating results is attributable to the goodwill impairment charge, reduced sales volumes, and the additional depreciation charges related to long-lived assets and shutdown related costs at the KD Facility and the GG Facility.

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- Net Loss \$149.9 million, compared to Net Loss \$12.0 million in the prior year.
- Current Assets \$99.4 million.
- Current Liabilities \$101.9 million.
- Current Ratio .97:1 with Negative Working Capital \$2.5 million.
- Total Assets \$286.6 million.
- Total Liabilities \$449.4 million.
- Deficit Tangible Net Worth \$202.5 million.
- Net Operating Cash Flow \$16.7 million.
- Free Cash Flow \$3.2 million.

## Liquidity

- As of September 30, 2009, ABC's our outstanding indebtedness consisted of \$225.0 million of outstanding 9 1 / 2 % Notes, \$1.6 million of capital lease obligations, \$82.5 million of outstanding 12 1 / 2 % Notes and \$55.2 million of borrowings outstanding under the 2006 Credit Facility.
  - On November 10, 2009, the company entered into the Forbearance Agreement, pursuant to which the lenders under the 2006 Credit Facility agreed to, among other things, forbear from exercising certain of the lenders' rights and remedies in respect of or arising out of certain specified defaults that had occurred as of November 10, 2009 and that were expected to occur during the effective period of the Forbearance Agreement, including ABC's anticipated failure to satisfy its minimum fixed charge coverage ratio under the 2006 Credit Facility for the 2009 fiscal year.
  - Effective as of December 23, 2009, the Borrowers entered into the Forbearance Extension with the Lenders, pursuant to which the Lenders agreed to, among other things, waive certain additional specified defaults and extend the expiration date of the Forbearance Agreement until the earlier of January 15, 2010 or certain triggering events described above in "Liquidity and Debt Instruments."
  - In addition, ABC has not made the interest payments due January 1, 2010 on our 9 1 / 2 % Notes and 12 1 / 2 % Notes and may not be able to make such payments prior to the expiration of the applicable grace period.
- A breach of a covenant or failure to make interest payments when due under any of the outstanding debt instruments could result in a default under such instrument and potentially a cross-default under other instruments. If an event of default arises, the company's lenders or note holders could cause all amounts borrowed under these instruments to be due and payable immediately and the lenders under the 2006 Credit Facility could terminate their commitments to lend.
  - The company does not currently have cash available to satisfy these obligations if they were to be accelerated.
  - The company has stated that they are exploring various strategic and restructuring alternatives, including a restructuring of the outstanding indebtedness, and have engaged a third party financial advisor. If they are unable to generate increased cash flows through improvements in the operation of their business and/or successfully restructure their indebtedness, the company has stated they may be unable to continue as a going concern and/or may be compelled to file voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code. In addition, under certain circumstances, the company's creditors may file an involuntary petition for bankruptcy against them.

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## Recent Events

- None

## Third Party Credit Data

### Bond Rating Co.

- On Jan. 13, 2010, Bond Rating Co. Ratings Services lowered its corporate credit rating on ABC, Wis.-based ABC Foundry Co. to 'D' from 'CCC'. At the same time, we lowered the rating on ABC's \$225 million senior secured notes due 2017 to 'D' from 'CCC' due to nonpayment of interest on the notes.
  - The rating actions result from the company's failure to make the timely payment of interest on its senior secured notes scheduled at the beginning of this month. The company has a 30-day grace period under the terms of the senior notes to make the interest payment and this period expires on Jan. 30, 2010. The company is under a forbearance agreement with its senior bank lenders as it pursues a restructuring of its debt. It has just reported this today in its late annual filing of its 10K for the period ended Sept. 30, 2009.
  - Our recovery rating of '4' on the notes reflects expectations for average (30%-50%) recovery in a default scenario.

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