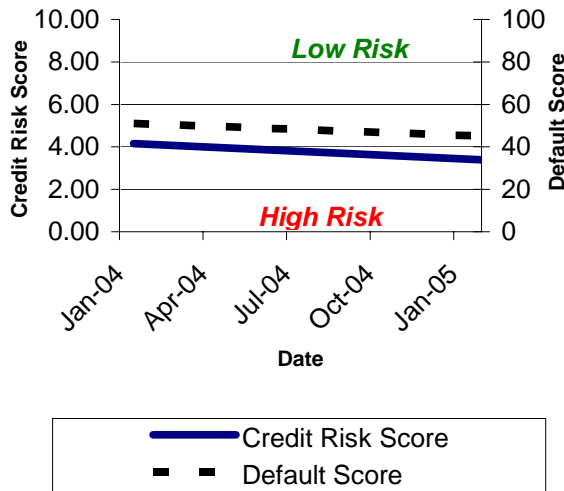


## Credit Alert

### PG Iron & Metal, Inc. Detroit City, MI

#### Trend Analysis



Date	Credit Risk Score	Default Score
1/30/04	4.15	51
8/10/05	3	42

#### Recent Developments:

We have obtained updated information on the subject company and feel that the credit risk has continued to increase based on the company's recently released third quarter financial highlights and parent company conference call. The company has a high customer concentration with GM and Ford, high fixed cost structure, and the continued need for advanced platform capital expenditures prior to generating any cash flow payoff by successfully launched projects. All of these factors coupled with decreasing revenues and EBITDA from the struggling N.A. automotive sector have been and continue to heavily strain the company's free cash flow generation and liquidity position. Based on the above mentioned risk factors, we believe it may be very difficult for the company to continue to obtain relief from its lenders without an improvement in results or its end markets.

The company has declined PG's request for updated financial statements. We will continue to monitor the company for changes in credit risk as changes in the automotive supply sector and rising costs could adversely affect the company's ratings going forward. We continue to recommend that exposures be managed on a cash only basis.

- The company's ProfitGuard Credit Risk Score is **3.0** (scale of 1 to 10, with 10 being lowest risk).
- The company's ProfitGuard Probability of Default Score is **42** (scale of 1 to 100, with 100 being lowest probability).

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- The company's payment experience has ranged from 11 to 18 days beyond terms over the past year. The company is currently paying its vendors approx. 18 days beyond terms.
  - Based on 17 total payment experiences of which 44 were reported slow.
  - We find no indication of negative items (collection or NSF).
  - Highest Credit \$500,000.
- **The company reported the following financial highlights based on the third quarter ended 9/30/05:**
  - Net Sales were \$330.5 million, compared to Net Sales of \$547 million in the prior year period representing a 40% drop.
    - Lower production volumes at two key customers, GM and Ford, contributed to the decrease.
  - EBITDA for the first quarter of 2005 was \$51.3 million, compared to \$78.7 million in the prior year period.
  - In April 2005, the company amended its credit facility for additional flexibility at no added borrowing cost.
    - At quarter end the company's total liquidity was \$45.6 million. The company stated their liquidity will remain weak for the balance of the fiscal year.
  - The company stated that they are aggressively seeking cost reductions and have reduced head count in North America by 1.5% and implemented a hiring freeze.
  - The company also stated they are seeking new takeover business from the chapter 11 fallout of competitors. Thus far this has provided \$42 million in immediate revenue.

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