Credit Limit Advisory

Report Date: March 2, 2015

Sample Public Company

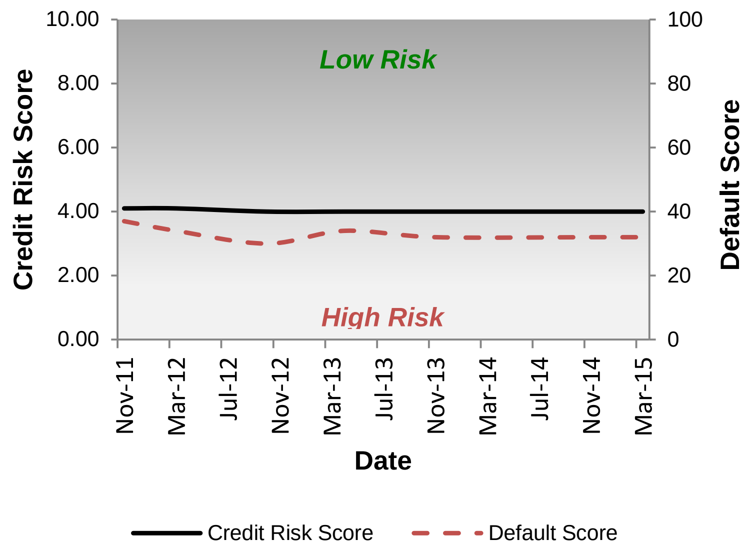
30200 Telegraph Rd.
Bingham Farms, MI
(866) 990-1099

Credit Limit Requested:	$XX,XXX,XXX
Advised Credit Limit:	$X,XXX,XXX
Credit Alert Recommendation:	**On Alert**

Scoring History

Date	Credit Risk Score	Default Score
Nov. 23, 2011	4.1	37
Mar. 7, 2012	4.1	34
Oct. 24, 2012	4.0	30
April 8, 2013	4.0	34
Nov. 4, 2013	4.0	32
Nov. 18, 2014	4.0	32
Mar. 2, 2015	4.0	32

Trend Analysis



Sample Public Company states that it operates as an integrated steel mill producing flat-rolled carbon, stainless and electrical steels for the automotive, infrastructure and manufacturing, construction and electrical power generation and distribution markets. The company's operations also include two plants operated by SPC Subsidiary where flat-rolled carbon and stainless steel is further finished into welded steel tubing, European trading companies that buy and sell steel and steel products and other materials, a 49.9% equity interest in SPC Sub 2, which produces iron ore concentrate from previously-mined ore reserves, and SPC Sub 1, which controls metallurgical coal reserves.

Credit Evaluation:

Based on the information reviewed, we feel the company represents marginal credit risk characteristics. Sample Public Company ("SPC") operates in the steel industry which is capital intensive, competitive, cyclical, and is generally influenced by global economic trends and end market fundamentals in addition to oversupply and import concerns.

As an integrated steel mill, the company is exposed to volatile energy (particularly natural gas and electricity) and raw materials costs (i.e. scrap, purchased slabs, coal, iron ore, zinc, and nickel). The company however plans to become more vertically integrated through its capital investments in SPC Sub 1 and SPC Sub 2, which will reduce its exposure to raw materials costs. SPC completed its acquisition of NA Sample Company ("NA Acquisition") integrated steelmaking assets for $706.5 million in cash in September 2014. The NA Acquisition includes the integrated steelmaker, NA Michigan, as well as a cokemaking facility and interests in three joint ventures that process flat-rolled steel products. SPC financed the NA Acquisition with $430.0 million of 7.625% senior unsecured notes and $276.5 million of common equity. SPC expects the acquisition to improve its future earnings, credit profile, and liquidity.

SPC produces steel products for the automotive, distributors/converters, and infrastructure/manufacturing markets. In 2014, direct shipments to the automotive industry increased to 53% of total sales; compared to 51% in the previous year. The company has benefited from increased automotive production volumes as consumers replace aging vehicles thanks to continued credit availability at low interest rates, low gas prices, favorable lease deals, and steady economic growth. Nevertheless, we expect automotive sales growth will weaken in 2015.

At December 31, 2014, SPC's total liquidity position decreased to $872.3 million from $912.3 million on September 30, 2014. The company's new revolving credit facility is subject to a 1.0x minimum fixed-charge coverage covenant if availability falls to less than $150.0 million. SPC has significant headroom on this covenant. Other supporting factors in include a satisfactory payment trend and favorable end market conditions for automotive. Despite these favorable factors, SPC's risk profile is constrained by its high debt leverage, currently over 6x.

At this time, we feel the requested credit limit is warranted. ProfitGuard will continue to monitor the company on the alert service and will notify you of any changes in credit risk.

- The company has been in business since **1993** under current management / control.
- The company submitted is a wholly owned subsidiary of **Sample Public Holding Corporation of Ohio.**
- The company's ProfitGuard Credit Risk Score is **4.0** (scale of 1 to 10 with 10 being lowest risk).
- The company's ProfitGuard Default Score is **32** (scale of 1 to 100 with 100 being lowest likelihood of default).
- The company's payment experience has ranged from 8 to 14 days beyond payment terms over the past year, currently paying its vendors approx. 14 days beyond terms.
    - Based on 444 total payment experiences of which 164 have been reported as slow.
    - We find the indication of 2 negative payment items (Collection, Dispute, or NSF).
    - Highest Credit $15,000,000.
- We find the presence of open suits (10), liens (3), or judgments (0). May have been paid, terminated, or released.

The following financial highlights are based on Sample Public Holding Corporation's 12/31/14 fourth quarter three month ended results:

- Net Sales $2.00 billion, up 36.4% from the prior year period.
- Operating Income $78.8 million, compared to Operating Income of $63.0 million in the prior year period.
- Net Income $13.5 million, compared to Net Income $35.2 million in the prior year period.
- Cash and Cash Equivalents $70.2 million.
- Current Assets $2.03 billion.
- Current Liabilities $1.13 billion.
- Working Capital $900.5 million.
- Total Assets $4.86 billion.
- Total Liabilities $4.94 billion.
- Accumulated Deficit $2.55 billion.
- Negative Tangible Net Worth $109.8 million.
- Negative Net Operating Cash Flow $322.8 million for the twelve months ended 12/31/14.
- Negative Free Cash Flow $403.9 million for the twelve months ended 12/31/14.

Key Ratios

	December 31, 2014	December 31, 2013	December 31, 2012
Short Term Liquidity			
Current Ratio	1.8x	1.5x	1.8x
Quick Ratio	0.6x	0.7x	0.9x
Cash from Ops. to Curr. Liab.	NM	NM	NM
Avg. Days Sales Out.	32.8	32.7	32.0
Avg. Days Inventory Out.	53.4	42.7	34.0
Avg. Days Payable Out.	38.9	40.9	35.8
Avg. Cash Conversion Cycle	47.3	34.5	30.1
Long Term Solvency			
Total Debt/Equity	NM	782.0%	NM
Total Debt/Capital	103.2%	88.7%	106.9%
LT Debt/Equity	NM	781.6%	NM
LT Debt/Capital	103.2%	88.6%	106.8%
Total Liabilities/Total Assets	101.6%	94.7%	102.3%
EBIT / Interest Exp.	1.1x	1.1x	0.3x
EBITDA / Interest Exp.	2.6x	2.7x	2.7x
(EBITDA-CAPEX) / Interest Exp.	2.0x	2.2x	2.0x
Total Debt/EBITDA	6.6x	4.4x	5.9x
Net Debt/EBITDA	6.4x	4.2x	5.0x
Total Debt/(EBITDA-CAPEX)	8.4x	5.4x	8.1x
Net Debt/(EBITDA-CAPEX)	8.1x	5.2x	6.8x
Altman Z Score	1.06	0.96	0.98

Liquidity

Amended Credit Facility

Amended Date	September 18, 2014
Maturity Date	March 17, 2019
Bank(s)	Include a syndicate of banks, with Lender 1 acting as the Agent.
Maximum Borrowings	$1.5 billion. The facility includes a $50.0 million “first-in, last-out” asset-based facility and a $100.0 million swingline sublimit.
Borrowing Base	Availability fluctuates monthly based on the varying levels of eligible collateral.
Letter of Credit Sub-Limit	$400.0 million letter of credit sublimit.

Availability	At December 31, 2014, the company had $821.3 million available.
Interest Rate	Borrowings under the credit facility will bear interest at a base rate or, at the company's option, LIBOR, plus an additional interest rate margin that is determined by the average daily availability of borrowings under the Restated Credit Facility. The additional interest rate margin for revolver borrowings (i.e., non-FILO Facility borrowings) ranges from 0.50% to 1.00% per annum in the case of base rate borrowings and from 1.50% to 2.00% per annum in the case of LIBOR borrowings. For borrowings under the FILO Facility, the additional interest rate margin ranges from 1.75% to 2.25% per annum in the case of base rate borrowings and from 2.75% to 3.25% per annum in the case of LIBOR borrowings.
Security	Secured by the company's inventory and accounts receivable.
Covenants	The company is subject to a 1.0x minimum fixed-charge coverage covenant if availability falls to less than $150.0 million.
Compliance	As of December 31, 2014, the company was in compliance with all covenants.

- The company's debt balances were as follows (in millions):

	December 31, 2014	December 31, 2013
Credit Facility	$ 605.0	$ 90.0
8.75% Senior Secured Notes due December 2018	380.0	380.0
5.00% Exchangeable Senior Notes due November 2019 (effective rate of 10.8%)	150.0	150.0
7.625% Senior Notes due May 2020	529.8	529.8
7.625% Senior Notes due October 2021	430.0	-
8.375% Senior Notes due April 2022	290.2	290.2
Industrial Revenue Bonds due 2013 through 2030	99.3	100.1
Unamortized discount	(31.8)	(33.1)
Total debt	**2,452.2**	**1,507.0**
Less: Current portion of long-term debt	-	0.8
Total long-term debt	**$ 2,452.2**	**$ 1,506.2**

Recent Events

- On February 23, 2015, Sample Public Company announced it would build a $36 million research and development center at its headquarters. Groundbreaking is scheduled for late spring or early summer, subject to state and local government approvals. *Press Release Source*
- On November 10, 2014, Sample Public Company said the US International Trade Commission (ITC) reached a positive final decision that illegally dumped imports from six nations have materially harmed the domestic industry producing non-oriented electrical steel (NOES). The ITC also found that imports from China and Taiwan were subsidized. Petitions filed by Sample Public Company state its NOES operations and its workforce has been negatively impacted due to increased imports of NOES from the six countries. The six countries will now have to pay antidumping duties while additional countervailing duty orders will be imposed on imports from China and Taiwan. As a result, US Customs and

Border Protection has to require importers from the six nations to deposit estimated antidumping duties at the time of the import as well as estimated countervailing duties on imported NOES from China and Taiwan. *Press Release Source*

- On September 16, 2014, Sample Public Company said that it completed its acquisition of NA Sample Company's integrated steelmaking assets located in Michigan. The transaction also included a cokemaking facility and interests in three joint ventures that process flat-rolled steel products. Sample Public Company said that it paid $707 million in cash for the acquisition, which includes $314 million for working capital. The acquisition was financed with a combination of debt and equity securities offerings. The company will refer to its Michigan facility as "NA Sample Company." *Press Release Source*
- On September 16, 2014, Sample Public Company issued 40.25 million shares of common stock at $9.00 per share. Net proceeds were $345.3 after underwriting discounts and other fees. Sample Public Company used the net proceeds from the issuance of common stock to pay a portion of the purchase price for the acquisition of NA Sample Company, to repay borrowings under the Credit Facility and for general corporate purposes. *Press Release Source*

Third Party Credit Data

Bond Rating Company 1

On October 6, 2014, Bong Rating Company 1 affirmed its B/Stable/-- corporate credit ratings on Sample Public Company and its parent, Sample Public Holding Corporation, and removed all ratings from CreditWatch on September 8, 2014, where we placed them with negative implications on July 25, 2014. The outlook is stable and Bong Rating Company 1 provided the following comments:

- Currently, Sample Public Company is benefitting from its exposure to stronger automotive end markets, which we expect will continue over the next year, and from its more favorable mix of value-added products (about 75% of sales) compared with some peers. Still, 2014 operating results will be weaker than previously forecast because of an unplanned outage at one of its blast furnaces.
- We do expect 2015 operating results to benefit from the company's efforts to improve backward integration and lower costs through its 49.9% investment in the SPC Sub 2 joint venture. Management anticipates the start of SPC Sub 2's pellet plant to occur in September 2014. When fully ramped up, the pellet plant is expected to produce about half of iron ore consumption at its facilities two blast furnaces, at a discount to current market prices. We understand that SPC Sub 2's pellets will be shipped to Sample Public Company by rail, which would mitigate potential supply disruptions such as those that occurred last winter when Great Lakes shipping routes froze over.
- We had expected Sample Public Company's leverage to be high in 2014, but its financial risk profile will be even worse than anticipated, due, in part, to the weather-related supply disruptions early in the year and the unplanned blast furnace outage later in the year. Debt leverage for the 12 months ended June 30, 2014, was 10.6x, and the company generated an FFO deficit. We now expect leverage to remain near 10x this year, before improving in 2015. We believe that Sample Public Company will reap financial synergies and operational flexibility from the newly acquired Michigan facilities, which will expand its capacity (without expanding industry capacity) and perhaps expand its product offerings.
- We view the company's liquidity as "strong." Our opinion reflects the following observations and assumptions:
    - We expect sources of liquidity to exceed anticipated uses by 1.5x over the next 12 months.
    - Sources would cover uses by at least 1x if forecast EBITDA declined by 30%.
    - The company has a covenant-lite debt structure.

- In conjunction with the financing of the Michigan facility, the company's revolving credit facility (maturing in 2019) was increased to $1.5 billion from $1.1 billion and is subject to a 1.1x minimum fixed-charge coverage covenant if availability falls to less than $150 million. We do not expect availability to fall to this level given our base-case operating assumptions and our estimated liquidity uses for the next 12 months.
- Principal Liquidity Sources:
  - $430 million in senior unsecured note proceeds and at least $344 million net proceeds of new common equity.
  - About $200 million FFO in 2015.
  - About $900 million of availability on the company's $1.5 billion revolving credit facility.
- Principal Liquidity Uses:
  - $730 million for the Michigan acquisition and transaction fees.
  - A sharp drop in capital spending following the completion of the SPC Sub 2 plant, to less than $100 million in 2015.
  - Between $250 million and $350 million of pension funding and voluntary employee beneficiary association funding requirements for 2015.
  - We do not assume meaningful share repurchases or dividends.
- The outlook is stable based on our opinion that Sample Public Holding Corporation's liquidity will remain strong even as leverage remains very high in the near term (at or near 10x EBITDA at the end of 2014). The outlook also assumes that leverage will trend lower (closer to 6x EBITDA by the end of 2015) based on favorable end market demand (strong light vehicle sales), sufficient new equity to make the Michigan acquisition accretive in 2015, and improved legacy operations following the repair of an idled blast furnace in 2014.
- We would lower the corporate credit rating by one notch if we no longer viewed liquidity to be strong. This could result if funds from operations (FFO) do not turn positive (and approach $200 million in 2015) because end market demand unexpectedly weakens, the blast furnace outage lasts longer than expected, and/or the integration of the Michigan facility does not proceed smoothly. We would also lower our rating by one or more notches if anticipated improvements do not occur and leverage remains at or above 10x EBITDA, a level we would view to be unsustainable.
- We would raise the rating if anticipated operating results improve more quickly than we forecast, perhaps because of a more favorable than expected pricing environment and/or meaningful synergies resulting from the Michigan acquisition--and if liquidity remains strong. Specifically, if leverage fell and were expected to be sustained closer to 5x EBITDA, we would consider a 'b' anchor rating, which would result in a 'B+' corporate credit rating after applying the liquidity modifier.

Bond Rating Company 2

On September 8, 2014, Bond Rating Company 2 assigned a Caa1 rating to the senior unsecured notes due in September 2021 issued by Sample Public Company (SPC). The notes are guaranteed by Sample Public Holding Corporation. At the same time, we affirmed the B3 corporate family rating (CFR) and B3-PD probability of default rating, the B2 rating on the existing senior secured notes, the Caa1 ratings on the existing senior unsecured and tax exempt financings. The Speculative Grade Liquidity rating remains SGL-3. Proceeds from the new notes issue together with proceeds from Sample Public Company's equity issue will be used fund the $700 million acquisition of SA Sample Company’s Michigan operations and certain joint ventures. The purchase price includes $300 million of working capital. The outlook is stable and we provided the following comments:

- SPC's B3 CFR is weakly positioned reflecting its weak debt protection metrics and high leverage. The rating reflects our expectation that performance through 2014 and into 2015 will show gradual improvement on continued strength in the automotive industry and gradual improving trends in manufacturing and commercial construction. The rating also captures our expectation that cost challenges will ease given the softness in iron ore and coking coal prices, which we anticipate will persist into 2015.
- While debt incurred to fund the Michigan an related joint ventures acquisition will increase SPC's already high leverage, as evidenced by the company's LTM June 30, 2014 debt/EBITDA ratio of 13.8x, the acquisition is viewed as strategically transforming for the company in that it will broaden SPC's geographic production capacity, expand its ability to serve the automotive industry, bring procurement and transportation savings, and enable the company to better optimize its production runs. The Michigan facility has an approximate 3.8 million ton hot-rolled sheet capacity plus cold rolled and galvanized capacity and will further expand SPC's footprint in these areas. The acquisition is expected to increase SPC's shipments by approximately 2.4 million tons to roughly 7.7 million tons and increase the company's sales to the automotive industry to about 3.9 million tons although exposure to the automotive industry will remain at approximately 50% of total shipments.
- The LTM June 30, 2014 leverage position was heightened by the impact on EBITDA associated with the severe winter weather conditions that negatively affected first half 2014 performance causing reduced production levels and higher transportation, natural gas and electricity costs. Absent these issues, we estimate that LTM June 30, 2014 leverage would have ranged between 10x and 11x. SPC's EBITDA is expected to evidence a stronger growth trend given the relative stability in steel industry capacity utilization rates, continued strength in the automotive market, improving fundamentals in commercial construction and general industry, particularly for electrical grain oriented steel, relative stability in hot rolled prices, lower costs reflective of the significant drop in iron ore prices, the ramp-up of production of iron ore pellets from SPC Sub 2 and the higher shipment levels with the acquisition of Michigan. On an estimated combined shipment level of roughly 7.7 million tons and EBITDA/ton of between $55 and $65, leverage, proforma for the increased debt, would improve to between 6x and 7x. For the next one to two years, we expect the improvement in leverage and debt protection ratios to come from recovery in earnings as opposed to material reduction in debt.
- The Caa1 rating on the senior unsecured notes reflect the junior position of these instruments, under our loss given default methodology, relative to the secured notes, the $1.1 billion asset backed revolving credit facility (ABL) expiring in September 2016) and priority accounts payables. The company intends to upsize the ABL to $1.5 billion following closing of the acquisition.
- The stable outlook reflects our view that SPC will continue to evidence improving trends and debt protection metrics on higher shipment levels, price levels flat to improved from current levels ($1,095/ton average realized in the second quarter of 2014), higher value added product mix and a reduced cost position for strategic raw material inputs such as iron ore and coking coal. The company also expects to realize approximately $50 annually million in synergies, $25 million of which is expected to be achieved in 2015.
- The rating could be downgraded should the company's liquidity position deteriorate materially due to weak operating performance and cash burn, EBIT margins not evidence an improving trend to at least 3.0%, EBIT-to-interest be sustained below 1.5x and debt/EBITDA not evidence an improving trend towards 6.0x. Given the company's weak metrics and our expectation that performance will show only gradually improving trends over the next 12 months, an upgrade is unlikely. Upward ratings momentum could occur should shipment levels, relative stability to improvement in

steel prices and an improved cost position, lead to stronger credit metrics such that EBIT/interest is sustainable at 2.5x and debt/EBITDA improves to and is sustainable at no more than 5.0.