



You may not know
your customers as well
as you think!

Three Bankruptcies Most Did Not Anticipate

RG Steel LLC

In 2011, an affiliate of The Renco Group, formed RG Steel (RG) to purchase three former steel plants and other entities from Russian based OAO Severstal. While some of these assets had a troubled past, most in the industry viewed the acquisition as a positive. The transaction was valued at \$1.2 billion and would make RG the fourth largest flat rolled producer in the United States. With new investment, a seasoned management team, and a union deal, the company seemed poised for success. However, as 2011 shaped up, the company fell on hard times. The price of hot rolled steel dropped swiftly in an environment of rising scrap and raw material prices. The situation was further exacerbated by various fires, outages, and operational difficulties. In early 2012 RG Steel rapidly began to decline - experiencing cash flow and liquidity issues as a result. In an attempt to shore up its finances, RG partnered with Cerberus Capital Management which agreed to provide a capital infusion and took an equity stake. Many thought this was a turning point for RG, thinking they would be fine now that fresh liquidity was available and markets were improving. They were quite wrong. RG burned through the cash quickly and sought protection from creditors under Chapter 11 Bankruptcy a little over a year after it started operating.



How Did PG Help?

We opened dialogue with the new company, secured opening financial statements and later the Audit. Initially we supported open credit approvals. As the situation unfolded and the level of disclosure decreased, we downgraded our ratings and advised reducing exposures. As RG's condition worsened, we downgraded them further and moved to recommend no open credit – helping clients avoid credit losses!

“... Rapidly Evolving Cash Flow Problems...”

“...Flood of Legal Problems...”

“...Unprecedented Drop in Commodity Prices...”

 **ProfitGuard**
Know The Risk *Before* You Ship

Pacific Steel Casting Co.

Pacific Steel Casting (PSC) was founded in 1934 as a family business at the end of the Great Depression. Since then, PSC had grown into one of the largest independent steel-casting companies in the U.S. supplying numerous industries with a wide variety of castings which included oil and gas drilling equipment, heavy-duty truck parts, valves and fittings, and mining and construction equipment. Several external factors not originating from financial distress or the company's financial condition contributed to the company's downfall. In early 2011 the company ran into employment related issues due to an immigration related audit. PSC was further strained by a \$5.4 million settlement for a wage and hour class action suit related to lunch breaks, then later a flood of worker compensation claims resulting from a previous immigration audit. All these factors evolved rapidly and together created a situation where over \$30 million in claims were out against the company. PSC was not in a financial position to fund a settlement of this magnitude. Making things worse, the company's performance started to slip during this time. As a result, the company filed for Chapter 11 Bankruptcy in March 2013.

How Did PG Help?

PG analysts were monitoring the situation closely. Initially we advised open credit as the company's risk profile supported it. However, as the company's legal problems evolved rapidly and became material to the risk, we began reducing and limiting our approvals. PG clients minimized their exposure and bad debt losses as a result!



These 3 Bankruptcies Alone Represented over \$200 Million in Unsecured Credit Exposure!

International Architectural Group LLC

In early 2010, International Aluminum Corporation (IAC) announced it was experiencing an unprecedented decline in its primary end markets, commercial and residential construction. IAC was an integrated manufacturer of aluminum and vinyl products for use in commercial and residential applications. While the company publically stated they were a strong and viable firm, they negotiated a pre-packaged Chapter 11 Bankruptcy with their creditors support in an attempt to restructure their balance sheet and improve their financial position. Five months later the company successfully emerged from bankruptcy under a newly formed entity, International Architectural Group (IAG). At the time the company announced to suppliers and customers they were in a much stronger financial position. Many of these stakeholders believed this and thought the company was poised to move forward. However, this was far from the situation. The company and its end markets continued to struggle. Almost a year later to the date, May 2012, the company surprised the industry, its customers and suppliers and closed its doors for good, filing for Chapter 7 liquidation.

How Did PG Help?

Once International Architectural Group emerged from Bankruptcy, we secured fresh start financial data. Despite restructuring their balance sheet, we felt the company's risk profile didn't support open credit terms. As a result we continued to advise secured terms to clients while the reorganized company rebuilt its track record. When the company filed Chapter 7 liquidation a year later, PG clients who followed our guidance were not exposed to credit losses!

You don't want to be on one of these.....Do You?

B4 (Official Form 4) (12/07)

**United States Bankruptcy Court
Northern District of California**

In re Pacific Steel Casting Company

Debtor(s)

Case No.

Chapter

11

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

(1)	(2)	(3)	(4)	(5)
Name of creditor and complete mailing address including zip code	Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted	Nature of claim (trade debt, bank loan, government contract, etc.)	Indicate if claim is contingent, unliquidated, disputed, or subject to setoff	As to whether claim is secured

ProfitGuard Can Help.

ProfitGuard is the leading provider of business credit information to the metals industry in North America. PG assists its clients in managing trade credit risk with valuable credit analysis, credit risk ratings, recommended credit limits, and risk monitoring of their customer portfolios.

With PG's information services, companies are able to make more informed credit decisions, minimize bad debt losses, and more effectively manage credit risk to remain competitive in today's rapidly changing marketplace.

“... Over 50% of PG clients also use Credit Insurance to complement their overall credit management program...”

Contact us today to learn more about how PG can help your business manage credit more effectively. Visit us at www.eprofitguard.com or Call 866-990-1099