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President & Chief Executive Officer

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Testimony for the U.S. House of Representatives Committee on Financial Services
Monday, March 23, 2009

Chairman Frank, Congressman Lynch, members of the Committee, thank you for providing me the opportunity to appear before you today to discuss business credit from a medium sized business perspective. I would also like to thank State Representative Koczera, State Senator Montigny, Mayor Lang (City of New Bedford) and Matt Morrissey of the New Bedford Economic Development Council for their interest, support and guidance through these challenging times.

What I propose to do in the remarks that follow is to:

- Briefly describe our company, associates and products;
- Present an overview of borrowing from a borrowers perspective and present our history with our current lender; and
- Explain our current situation and lack of support we are receiving form our senior secured lender and offer recommendations.

Who am I

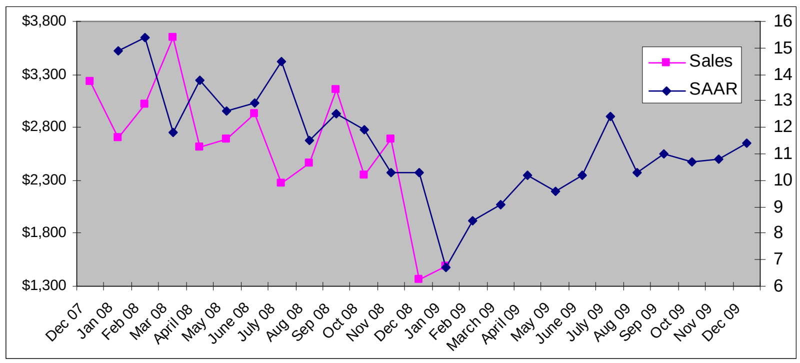
My name is David Slutz, President and CEO of the Acushnet Rubber Company and I am here today to speak about credit availability for working capital and capital investments from a borrower's perspective. One of my key roles in my position is lender relations. Over the past nine years I have dealt directly with several lenders of various sizes in various locations.

Who is Acushnet Rubber Company d/b/a Precix®?

My company, the Acushnet Rubber company d/b/a Precix was founded in 1910 and is headquartered in New Bedford, MA. Up until 1994 we were part of the Acushnet company, the parent of Titleist. Yes, our founder, Skipper Young, an MIT grad, did invent and bring to market the Titliest golf ball and, no, I did not bring any samples with me.

Two-hundred and twenty-five associates convert raw ingredients into finished o-rings and seals for customers within the automotive, aerospace and chemical processing industries. I have worked for three elastomer companies and I can honestly say that we have some of the best, if not the best, craftspeople in the business. When business is brisk, as it was just one year ago, we manufacture and ship more than 20 million parts per week. Our products are in every automobile and aircraft built in North America, over ½ of those in Europe and a growing share in Asia. If full 20% of our production is exported.

Like most in the automotive supply chain the past six – nine months has been challenging. In February of 2008 we were shipping $151K/per day. Today our daily sales runs in the $80K/day range. Needless to say the economic malaise that arose in the 3rd and 4th quarter last year has hit us and everyone else in our industry very hard. Build rates have gone from more than 16M to less than 8M. Our overall sales trend with automotive build rates as the graphic shows. The good news is that what goes down will come back up so as the build rate recovers so will our base business. Our belt tightening started last April and was in full gear by summer – all told we have taken $4.2M in operating expense out of the business. Today our employment is down by 25% with the remaining employees, including myself and the entire senior management team, on rolling layoff. We are working hard to preserve employment while keeping costs in check in order to get to the other side.



All of our stakeholders have had a hand in us getting through this difficult time: our employees have sacrificed pay via reduced ours; our equity sponsor is accepting zero return and our vendors are allowing us to stretch payables. The only stakeholder that has not participated in this survival mode is our Senior Secured lender.

Lending into the Middle Market

The common conversation around the proverbial water cooler as of late is all around securing credit. It seems that the old running saying that banks are only there when you don't need them is as true as ever. Just this week I attended the State of the City Message in New Bedford and was sitting with several developers and members of the New Bedford Economic Development Council. The talk quickly turned to lack of lending and I can tell you first hand that the examples given were not fly-by-night projects – these were real projects backed by solid companies with solid track records. One example given featured a regional bank, the other a much larger institution. And in general terms

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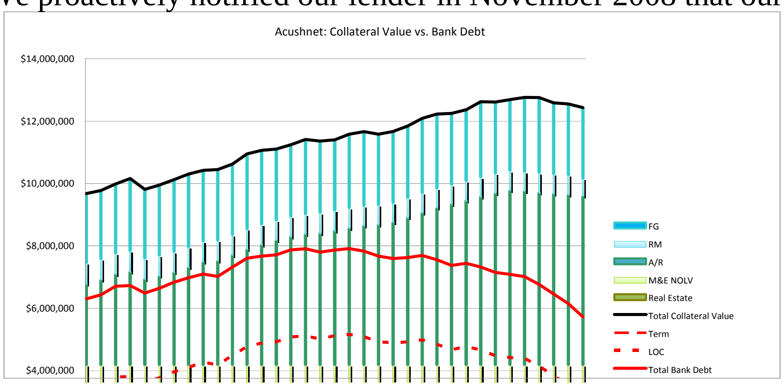
access to capital is a frequent conversation the Economic Development folks have with existing and new potential businesses looking to locate in Southeastern Massachusetts.

The general feeling is that every project is suspect and the world is being painted one color and that color is being tainted by the seemingly never-ending barrages of negative news. It is as if no one wants to make the first move for fear of being wrong and that the stench of 2008 is clouding everyone's judgment.

Lending/Lender Details

Our relationship with our current lender began in late 2007. We have a fairly straight forward lending arrangement that has both a long-term and short-term component. This is an asset-based loan with machinery & equipment, real estate and inventory as collateral. Since inception we have paid down the long-term debt by more than $625,000; made our payments 100% on time; had clean audits and have been perfectly transparent on any details asked us of us. Our systems/accounting can be described as non aggressive (i.e. boring) and I would consider us a very good customer.

We proactively notified our lender in November 2008 that our forecasts indicated tightened borrowing availability and cash flow heading into 2009. At this time we did forecast a breakeven/small loss for 2009 (after several years of solid profitability) asked for release of a $350K holdback reserve under the current line of credit commitment. We needed and still need this reserve released for borrowing availability while we continue searching for alternative sources of capital.



It is important to understand that we are not a company that borrowed excessively or are the product of a highly leveraged buyout transaction. In fact we are just the opposite. In spite of an industry driven decline in revenue we still maintain a significant amount of tangible collateral value in excess of our loan amounts (see graph) and maintain positive interest coverage ratios.

Despite being over-secured by more than $3 million of excess collateral the bank flatly denied our request and is actually seeking to reduce our borrowing availability and add operating costs to the company through increased interest rates and the imposition of consultants and additional reporting requirements. Since our November request the following have transpired:

- Ordered new collateral appraisals that cost $23,000. Due to current economic conditions machinery, equipment, real estate and inventory all came in lower. They are attempting reduce our borrowing base by this so-called collateral shortfall even though the loan still has excess collateral backing it up. This would push availability down by $488,000 and effectively push us into negative territory;

- Forcing us to recalculate ineligible inventory on a weekly not monthly basis. Needless to say due to slow sales more inventory is becoming slow and/or obsolete and therefore ineligible for borrowing purposes. This is squeezing our availability by $30 - $50,000/week;

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- Issued a default notice in December due to our breaking of the fixed charge coverage ratio. Our interest rate is schedule to increase by 2%;

- Imposing a third party audit of our cash flow and business plan that will cost at least $23,000 – this is in addition to our normal quarterly audits that run $10,000/audit.

From our vantage point they are not helping by any means, rather they are working to push us under. They are living to the letter of the 2007 loan agreement and general bank guidelines as if nothing has changed between now and then. Again, this is an institution that has been given billions in TARP funds.

Summary

Our nation's economy has and continues to go through some challenging and unprecedented times. Our employees via downsizing and rolling layoffs; vendors by provided extended terms; management by deferred pay and owners who have forgone dividends continue to be supportive and make sacrifices to help us get to the other side – the only stakeholder that is not working with us is our lender – a lender who may not have made it to this point without billions in federal assistance. Assistance was extended to the institution via the taxpayer financed TARP program but no such assistance is being extended to my and countless other companies.

Our note then and now is fully collateralized but they will not release the $350K holdback or work with us in any way. Instead of helping they quite honestly seem focused on pushing us under and putting 225 hard-working New Bedfordites out of work.

My message to the committee is this: it is imperative that if banks that are the recipients of TARP money truly want to support economic stabilization and recovery with more than just words they should be willing to provide reasonable and prudent assistance to companies such as ours – companies that are not overleveraged, that have strong collateral support, that are simply going through a tight cash flow time due to overriding economic conditions. The should be ready, willing and able to provide temporary working capital credit availability relief in situations where:

- There is tangible collateral support;

- There is a reasonable detailed operating forecast showing the amount and duration of the temporary financing need;

- The needed incremental credit availability is small relative to current loan balances;

- Leverage is not already at excessive levels;

- There are domestic jobs with benefits at stake.

What we and countless other companies like mine need is lenders that are flexible and willing to work to the other side. If a note is fully collateralized why would you not open a pre-existing line in a loan agreement? If the trough is temporary, as they all are, why would you not work with the borrower to get to the other side? Obviously there is more value for all stakeholders when auto builds rebound and consumers are spending again. Instead of quoting loan agreements that were crafted before the world changed in 2008 we need lenders to be business people and to quote a banking executive who testified in Washington "Americans first, bankers second."

I am certain there are other small to medium sized manufacturers like us that are experiencing the same set of circumstances. If economic stabilization and recovery is to occur it is imperative that banks take more measured and reasonable approaches to provide temporary support to companies like Precix using the guidelines I have suggested.

Thank you again for your time and for the opportunity to inform the committee about one aspect of the lack of credit availability in the current economic environment.

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