

## Georgia Gulf Corp (GGC)

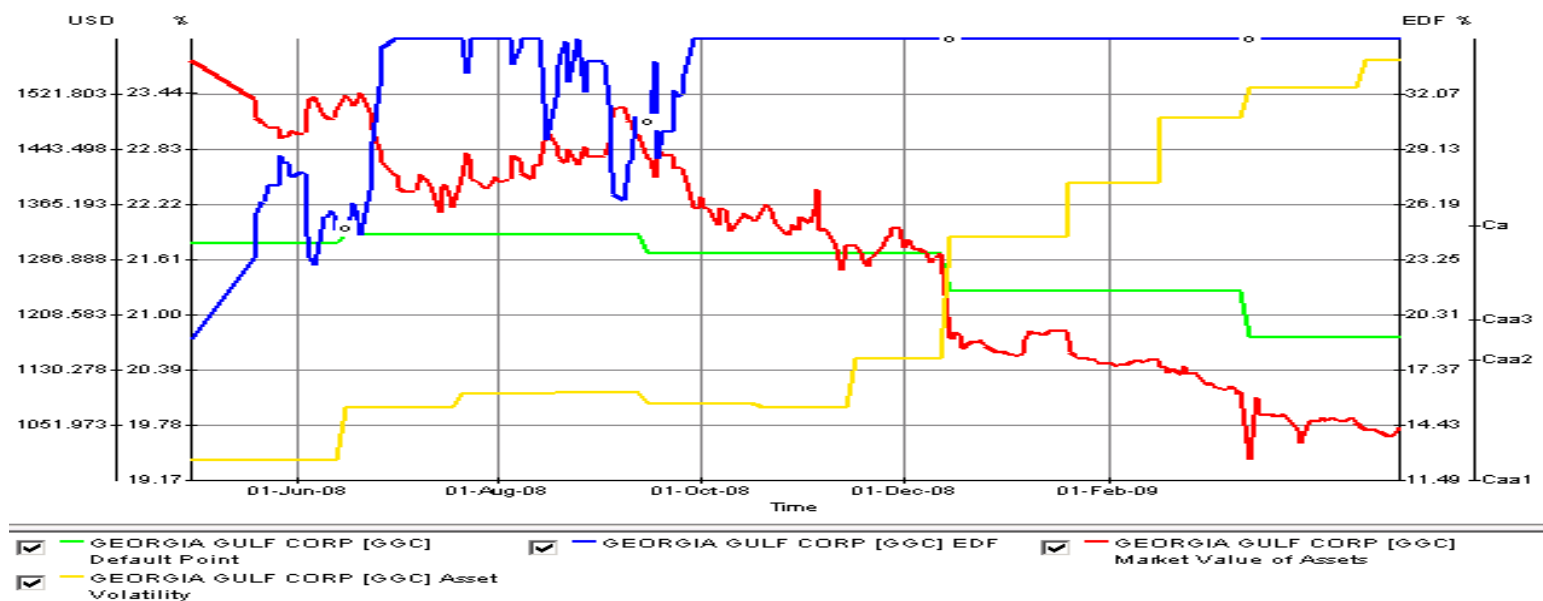
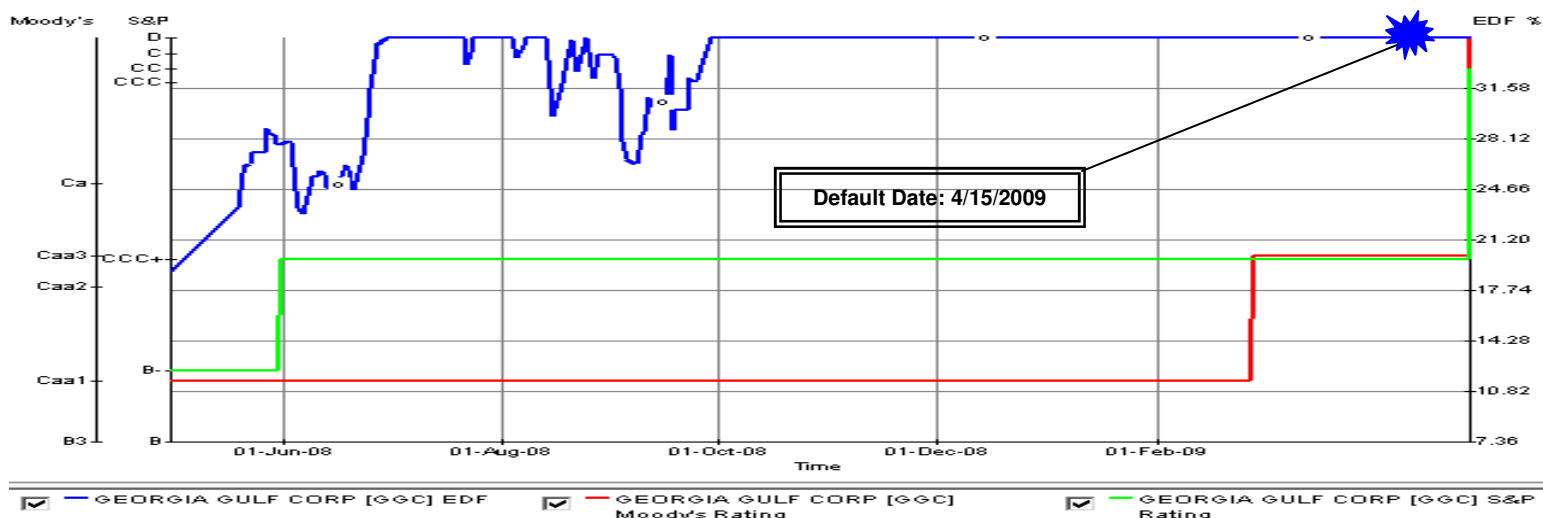
On April 15, 2009, **Georgia Gulf Corp** failed to pay \$34 million of interest for its 2014 senior notes and 2016 senior subordinated notes.

**EDF™ as of April 15, 2009: 35.00%**  
**Credit Category (not an agency rating): C**

Expected Default Frequency (EDF) is the probability that a firm will default within a given time horizon. Default is defined as failure to make a scheduled payment or the initiation of bankruptcy proceedings. The main drivers of EDF credit measures are the market value of the firm (asset value), the level of its debt obligations (default point), and the volatility of firm value (asset volatility). The EDF credit measures displayed below are 1-year risk measures, although a 10-year term structure of risk is available within CreditEdge.

## Company Profile

The company makes chlorovinyls and aromatics used by the construction and housing, plastics, pulp and paper, and pharmaceutical industries. Its primary chlorovinyl products are PVC (polyvinyl chloride) compounds and resins, caustic soda, and chlorine; this segment also makes vinyl chloride monomer (VCM), used by Georgia Gulf to manufacture PVC resins. Aromatics include phenol (sold to makers of wood adhesives and engineered plastics), acetone (sold to makers of acrylic resins), and cumene (used by the firm to make phenol and acetone). Much of Georgia Gulf's sales are to the housing and construction market.



This chart shows that **Georgia Gulf Corp's** EDF credit measure had been increasing since April 2008 and reached 35.00% in October 2008, six months prior to default. In June 2008, the market value of assets was \$1.5 billion. As sales dramatically went down due to the global economic recession, the company's market value of assets decreased to \$1.0 billion, which was below its default point, \$1.2 billion, in March 2009. Asset volatility soared to 23.17% in March 2009 from 19.97% in July 2008. Higher financial risk plus shrinkage of business value led the company to default.



Generated on May 20, 2009

EDF Information as of: April 15, 2009  
 Financial Statement Date: December 31, 2008  
 GGC 9.500 10/15/14 '10 USD 9.50

mm/dd/yy

Define Current: 4/15/09

Define Previous: One Year

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	15.53%	+1,947 bp	+125.37%
Credit Category <b>A</b>	C	Caa2	-3	-3
Asset Volatility <b>B</b>	23.50%	19.09%	+4.41%	+23.10%
Instantaneous Equity Volatility	300.11%	79.86%	+220.25%	+275.80%
Market Leverage <b>C</b>	110.86%	81.01%	+29.85%	+36.85%
Market Value of Assets <b>D</b>	1,060.884	1,616.139	-555.255	-34.36%
Market Capitalization	42.060	238.337	-196.277	-82.35%
Share Price	1.220	6.930	-5.710	-82.40%
Shares Outstanding	34.475	34.392	+0.083	+0.24%
Default Point <b>E</b>	1,176.132	1,309.279	-133.147	-10.17%
Short-Term Liabilities	268.403	454.025	-185.622	-40.88%
Long-Term Liabilities	1,411.785	1,416.374	-4.589	-0.32%
Total Adjusted Liabilities	1,680.188	1,870.399	-190.211	-10.17%
Other				
Common Dividends	0.000	11.005	-11.005	-100.00%
Preferred Dividends	0.000	0.000		
Dilution	1.000	1.000		

### Credit Category **A**

Traditional ratings such as the ones used by the major rating agencies are currently more commonplace than default probabilities. Therefore, to help facilitate users' understanding, we translated the EDF credit measure into an equivalent credit category.

Note that this may bear no relationship to the actual agency rating. This is because Moody's KMV employs a different approach to measuring credit risk than the rating agencies. For a more detailed discussion of Moody's KMV's approach to measuring credit risk, please visit the Quick Tour on our Web site.



United States & Canada Large Corporates

### Asset Volatility & Market Leverage **B & C**

The two main drivers of EDF credit measures are: asset volatility, a measure of business risk, and market leverage, a measure of financial risk.

Technically, asset volatility is the standard deviation of the annual change in the market value of the assets. This volatility is expressed in percentage terms.

The higher the asset volatility, the less certain investors are about the market value of the firm, and the more likely the firm's value will fall below its default point.

Market leverage is a ratio indicating how much of the market value of the firm's assets is financed by debt. The measure is calculated as follows: default point divided by the market value of assets.

If all else is equal, the higher the asset volatility or market leverage, the higher the EDF credit measure. The asset volatility and market leverage charts in the top right of the "EDF Detail" screen help the user to understand the firm's EDF credit measure and aid in determining the relative risk, both from a business risk and financial risk perspective.

The chart depicts a meter that shows the level of risk on each of the two measures. The levels are relative values computed on a selected group of firms.

### Market Value of Assets **D**

The market's view of the enterprise value of the firm as determined by the firm's equity value, equity volatility, and liability structure.

Because the market value of assets is not directly observable, Moody's KMV employs a proprietary option-theoretic model to compute this value, which treats the firm's equity value as a call option on the firm's underlying assets.

The option theoretic approach enables Moody's KMV to determine the market value of a firm's assets from knowing only the market characteristics of its equity value and the book value of its liabilities.

### Default Point **E**

The liabilities that matter in case of default. If the market value of assets falls below this value, it is assumed that the firm will be unable to sell assets or raise additional capital to pay its debts. In general, a firm's default point is a value close to its short-term liabilities plus half of long-term liabilities.



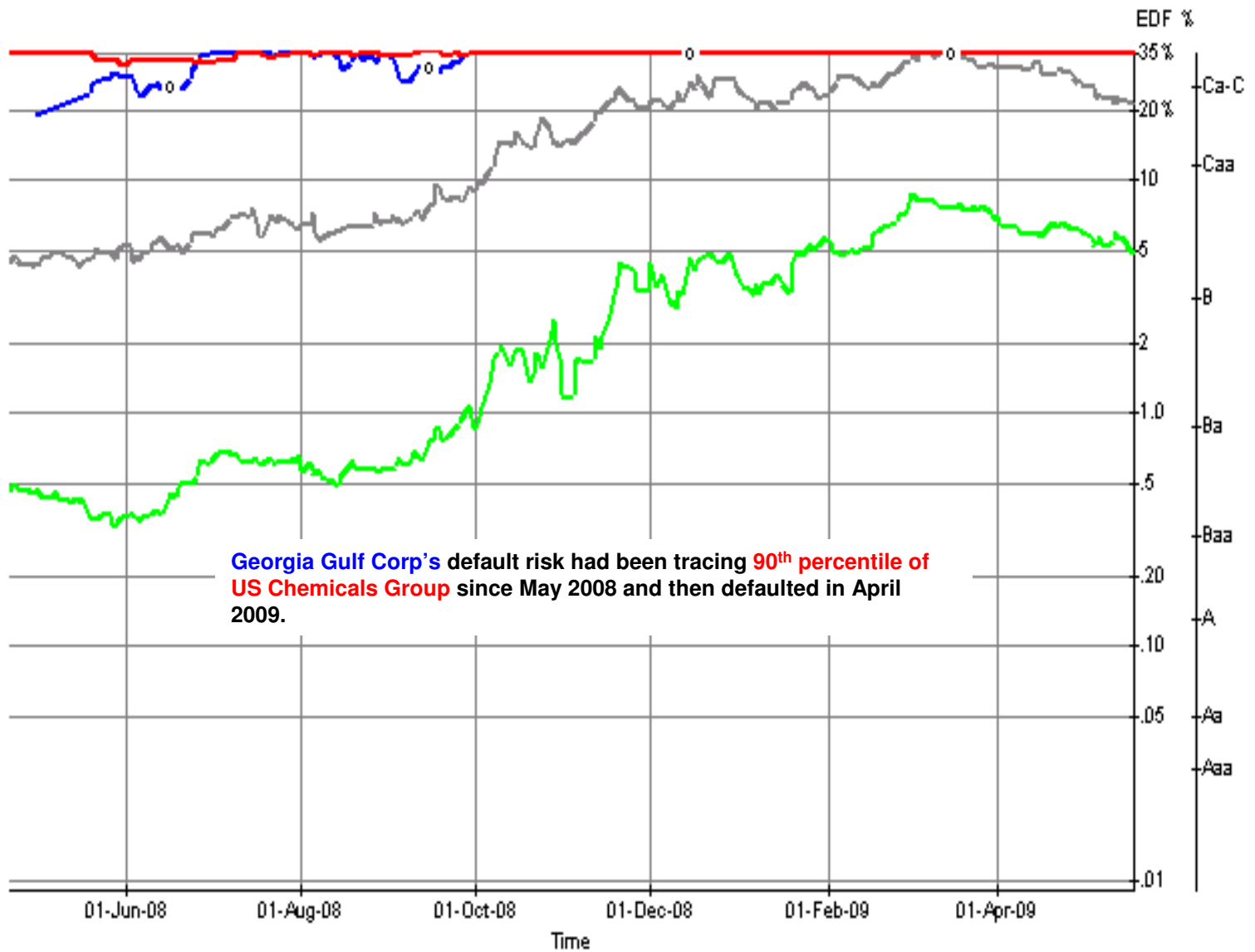
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Relative Analysis

The relative analysis feature allows users to chart EDF, fundamental data, and bond values for a selected company or group relative to other companies and/or groups. Users may manually select their own list of peer companies or groups for comparison, or view a Moody's KMV predefined peer list which is based on an automated algorithm. To determine peers for each company:

- MKMV finds all the companies that share the company's Bloomberg Subgroup.

Users can also customize and save their own peer company and peer group choices for future use.



Georgia Gulf Corp's default risk had been tracing 90<sup>th</sup> percentile of US Chemicals Group since May 2008 and then defaulted in April 2009.

- GEORGIA GULF CORP [GGC] EDF
- US CHEMICALS GROUP [USACHM] EDF - Median
- US CHEMICALS GROUP [USACHM] EDF - 75th Percentile
- US CHEMICALS GROUP [USACHM] EDF - 90th Percentile

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**RBS Global Inc**

On April 27, 2009, **RBS Global Inc** issued \$196 million aggregate principal amount of new senior notes to exchange for approximately \$315 million of old senior notes .

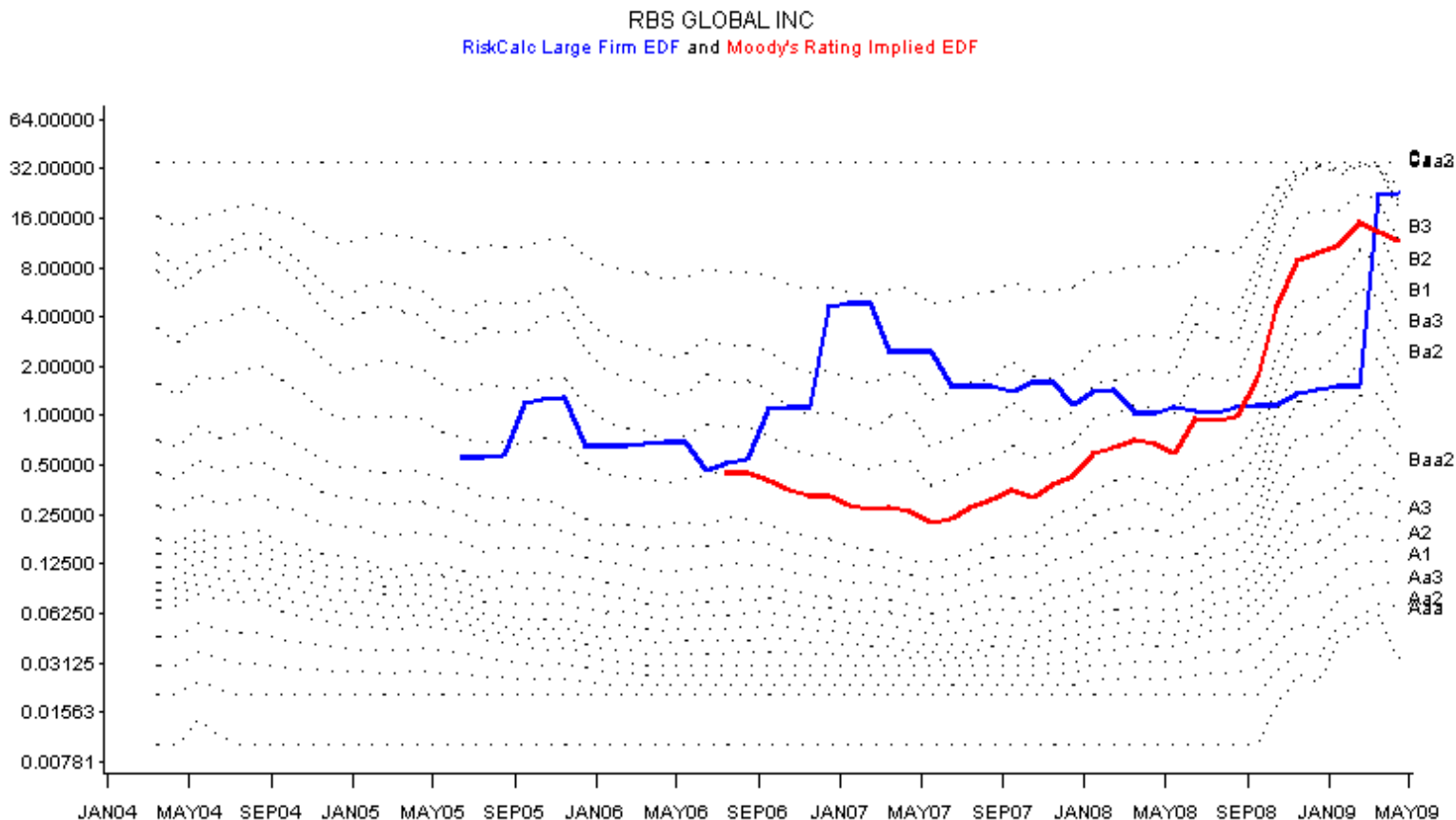
**1-Year RiskCalc (NA Large Firm) EDF: 22.98%**  
**Moody's Senior Unsecured Rating: C**

As RBS Global Inc does not have common stock outstanding, its default risk can be assessed using RiskCalc NA Large Firm Model. RiskCalc NA Large Firm model specializes in North American firms with at least \$100 million in asset in 2007. The source of the financial statement information was Moody's Financial Metrics™.

**Company Profile**

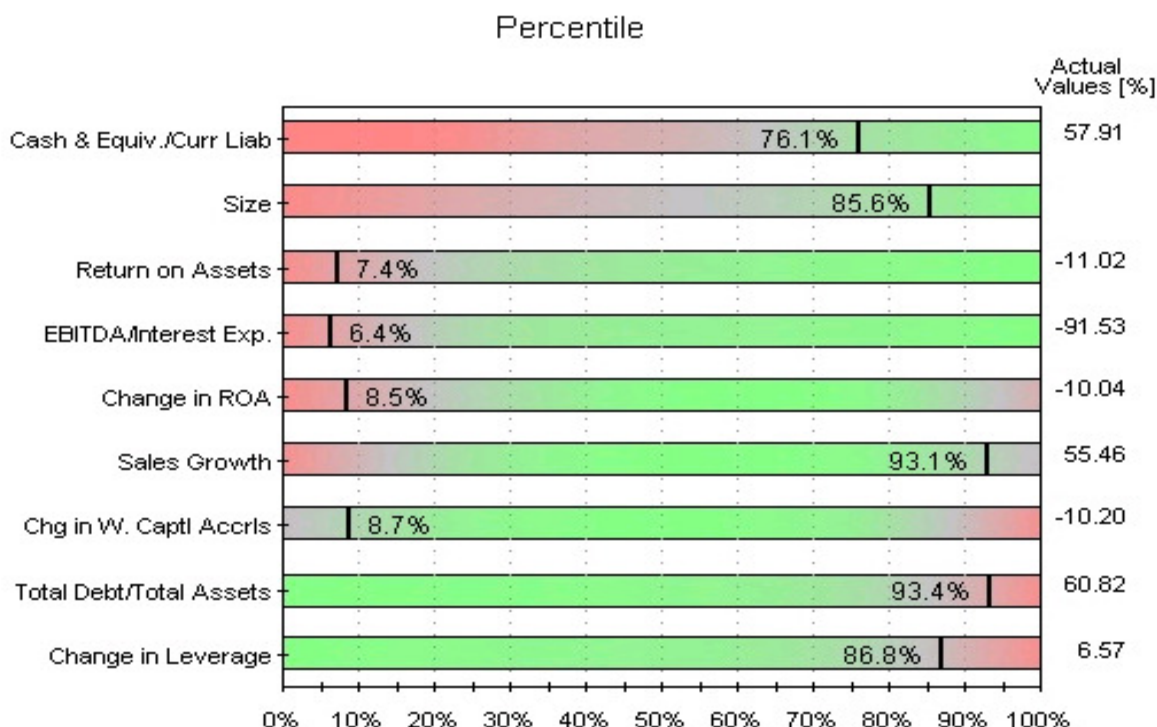
The Company manufactures power transmission components, drives, and conveying equipment including bearings, chains, couplings, and other related products. Their brand names include TableTop and MatTop (flattop chains), Shafer and PSI (bearings), and Cartriseal (aerospace seals). The company also makes special components such as electric motor brakes, small mechanical power transmission components, and security systems for utility companies. In 2006 The Carlyle Group sold RBS Global to Apollo Management for about \$1.8 billion.

Blue line shows movement in the **RiskCalc NA Large Firm EDF values** and the dotted lines are time series of the median EDF levels of each rating class.



Percentile Graph, Relative Contribution Graph and Relative Sensitivity Graph in RiskCalc North America Large Firm Model help us to understand what is driving the firm's EDF.

The **PERCENTILE** Graph provides a visual representation to isolate the problematic ratios for a given firm compares to those of private firms used to build RiskCalc North America Large Firm model.



The **PERCENTILE** Graph plots the percentile of each ratio and provides the actual value in the right-hand column. The colors **RED**, **GRAY** and **GREEN** correspond to the level of risk, **HIGH**, **MEDIUM** and **LOW** associated with the specific value of the ratio.

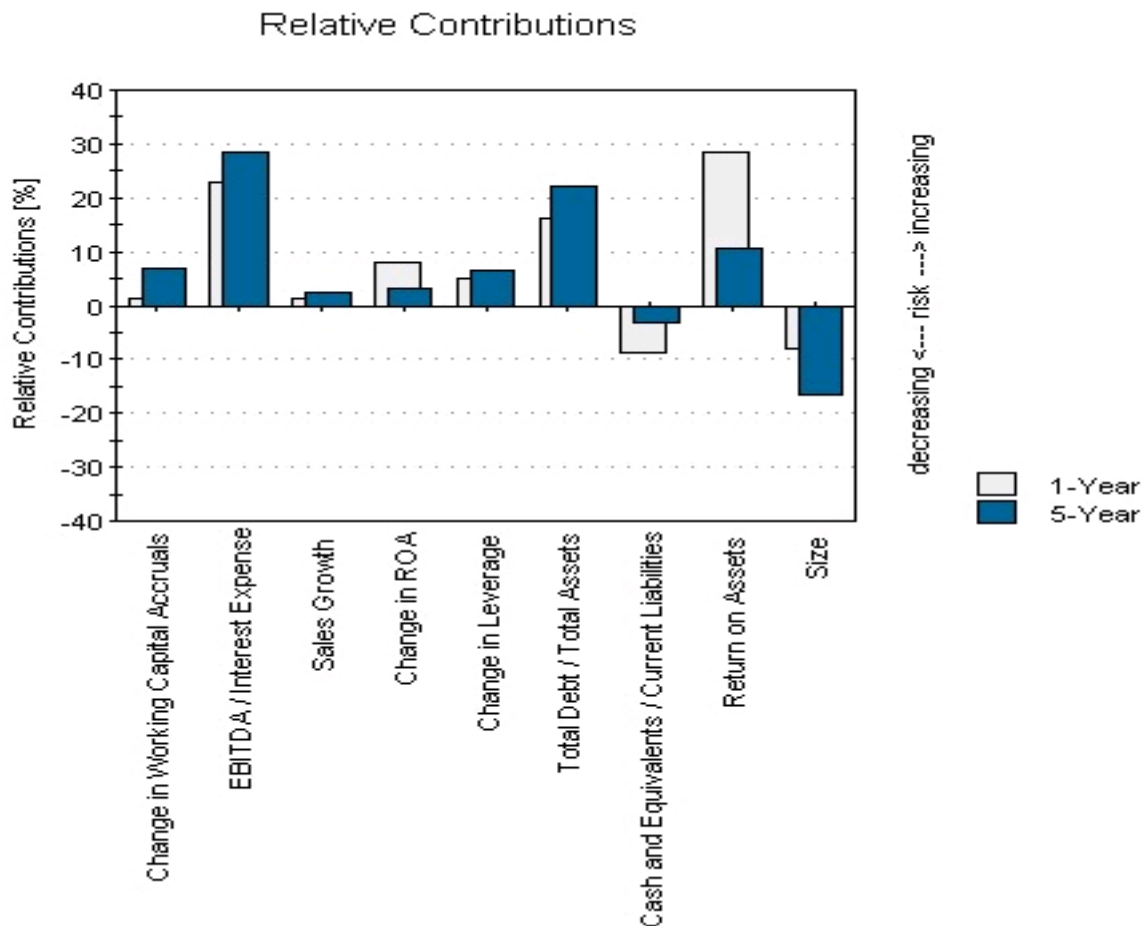
For example, we can observe from the right-hand column that the *Total Debt to Total Assets* is 60.82%, which is placed in the 93th percentile and solidly in the red in terms of risk. *EBITDA to Interest Expense*, *Return on Assets* and *Change in ROA* are also solidly in the red in terms of risk.

The Percentile graph does not consider the weight the model places on each ratio in determining the EDF level.



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The **RELATIVE CONTRIBUTION** graph is helpful in identifying a company's financial strengths and weaknesses with respect to default risk.



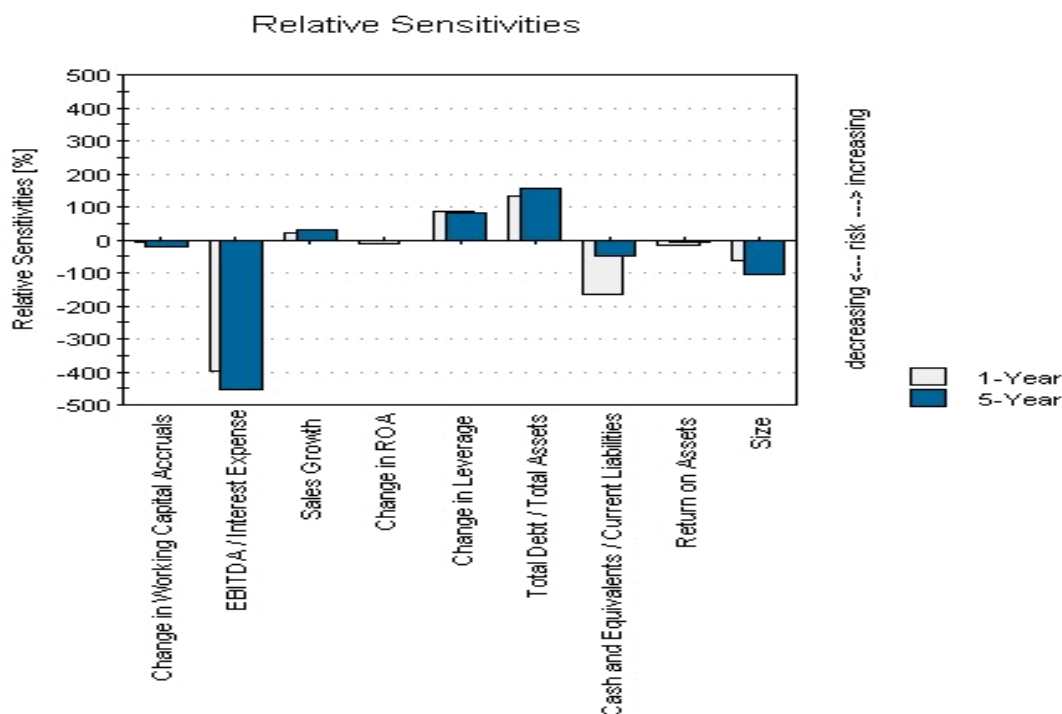
This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In RiskCalc Large Firm Model v3.1, the average EDF level is **1.9%**. Relative Contributions are expressed relative to each other.

All of the ratios except *Cash and Equivalents to Current Liabilities* and *Size* are pulling up RBS Global Inc's EDF level relative to the average EDF level, with *Return on Assets* and *EBITDA to Interest Expense* being the strongest, 28.42% and 22.84% respectively. *Total Debt to Total Assets*, *Change in ROA*, *Change in Leverage*, *Sales Growth* and *Change in Working Capital Accruals* are pulling up the EDF as well.



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The **RELATIVE SENSITIVITIES** graph indicates the EDF sensitivity with a small change in a ratio, all else being equal.



In the Relative Sensitivity analysis, we set the reference point to be the average absolute change in the firm's EDF level when each ratio is given a small shock. The magnitude of a ratio's Relative Sensitivity is expressed as a multiple of the average sensitivity across the ratios.

RBS Global Inc's EDF level is most sensitive to changes in *EBITDA to Interest Expense*, *Cash&Equivalents to Current Liabilities*, *Size*, *Return on Assets*, *Change in ROA* and *Change in Working Capital Accruals*. They have a **negative** Relative Sensitivity, meaning that the decrease in any of these ratios would lead to an increase in the firm's EDF level. The *Total Debt to Total Assets* has the most **positive** Relative Sensitivity. An increase in the *Change in Leverage* and *Sales Growth* would also increase the EDF level.

The magnitude of Relative Sensitivity of *EBITDA to Interest Expense* is -399.30%, which means that shocking the firm's *EBITDA to Interest Expense* will lead to a change in the EDF level that is 3.99 times the size of the average EDF change from shocking any ratio.