

WCI Communities Inc (WCIMQ)

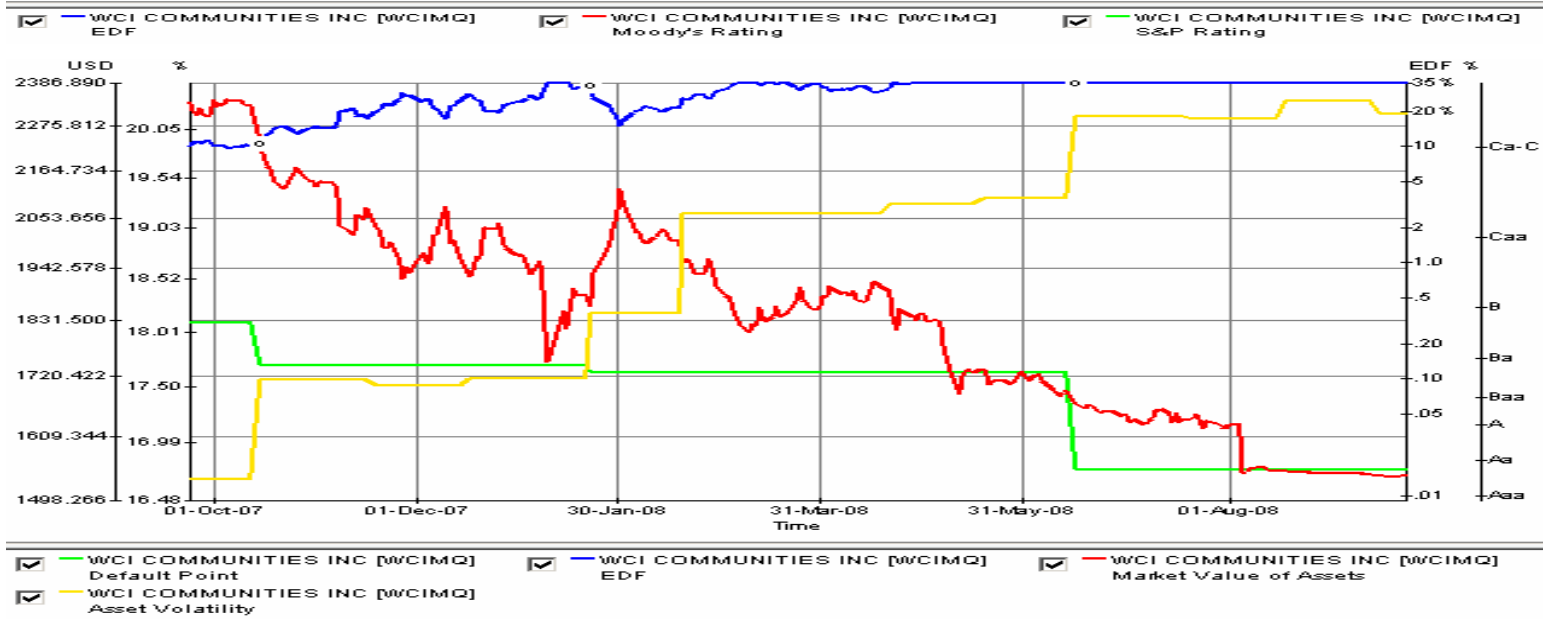
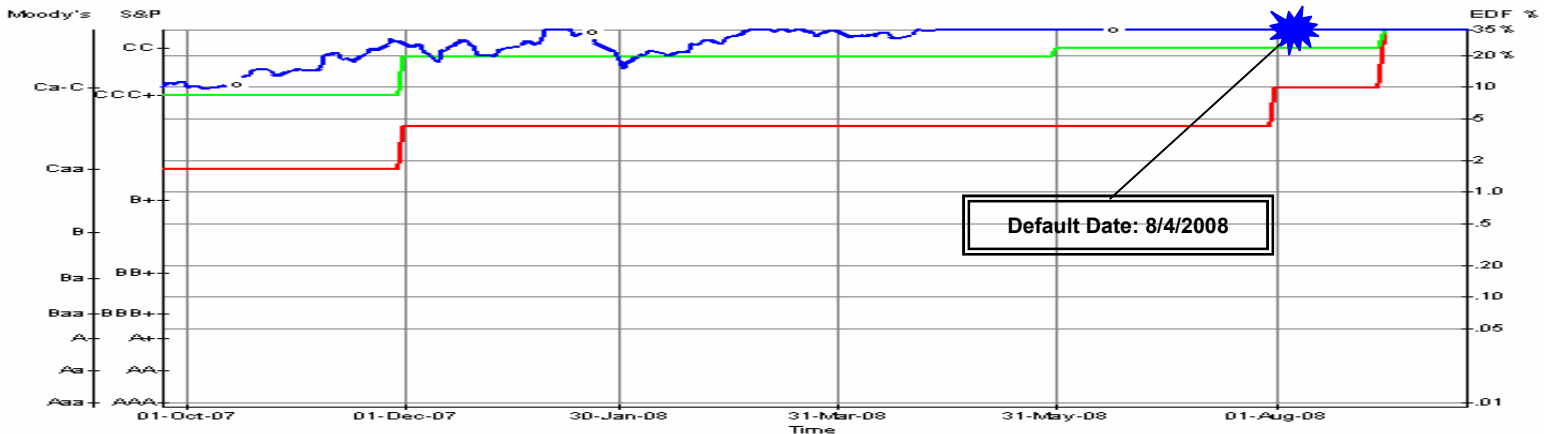
On August 4, 2008, **WCI Communities Inc** and its 130 wholly-owned subsidiaries filed for Chapter 11 protection with the US Bankruptcy Court in the District of Delaware. Along with its Chapter 11 filing, WCI Communities Inc is terminating its offer to exchange \$125 million of 4% contingent convertible senior subordinated notes due 2023.

Company Profile

WCI Communities develops luxury, leisure-oriented communities for affluent consumers and retirees. The company constructs single- and multifamily homes and residential towers on Florida's east and west coasts, as well as in the suburbs of Boston, New York, and Washington, DC. Its master-planned communities often include amenities such as golf courses, tennis courts, recreation centers, marinas, hotels, and restaurants. WCI owns about 13,000 acres of land, which it sometimes sells to other builders. It also provides residential brokerage through a franchise agreement with Prudential Real Estate. In 2008 WCI became another casualty in the troubled housing market when it filed for Chapter 11 bankruptcy.

EDF™ as of August 4, 2008: 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.



This chart shows that **WCI Communities Inc's** EDF credit measure was high, reaching 35.00% prior to its bankruptcy filing on August 4, 2008. In October 2007, the company had a market value of assets at \$2.3 billion. Due to their aggressive expansion and the collapse of housing market in Florida since last year, the company's market value of assets dramatically decreased to \$1.5 billion in August 2008 while its default point fell below \$1.6 billion. The asset volatility jumped to 20% in August 2008 from 17% in October 2007. The shrinkage of business value plus high financial risk led the high-end home builder to default.

[Continue to EDF Details](#)



Generated on September 10, 2008

EDF Information as of: August 1, 2008
 Financial Statement Date: March 31, 2008
 WCIMQ 6.625 03/15/15 '10 DFTd USD 6.63

mm/dd/yy

Define Current: 8/1/08

Define Previous: One Year

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	3.96%	+3,104 bp	+783.84%
Credit Category A	C	Caa3	-2	-2
Asset Volatility B	20.16%	15.20%	+4.96%	+32.63%
Instantaneous Equity Volatility	333.07%	59.01%	+274.06%	+464.43%
Market Leverage C	95.12%	70.68%	+24.44%	+34.58%
Market Value of Assets D	1,630.738	2,584.742	-954.004	-36.91%
Market Capitalization	53.140	370.950	-317.810	-85.67%
Share Price	1.260	8.830	-7.570	-85.73%
Shares Outstanding	42.175	42.010	+0.165	+0.39%
Default Point E	1,551.134	1,826.945	-275.811	-15.10%
Short-Term Liabilities	841.481	739.225	+102.256	+13.83%
Long-Term Liabilities	1,374.425	1,870.697	-496.272	-26.53%
Total Adjusted Liabilities	2,215.906	2,609.921	-394.015	-15.10%
Other				
Common Dividends	0.000	0.000		
Preferred Dividends	0.000	0.000		
Dilution	1.000	1.017	-0.017	-1.67%

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.

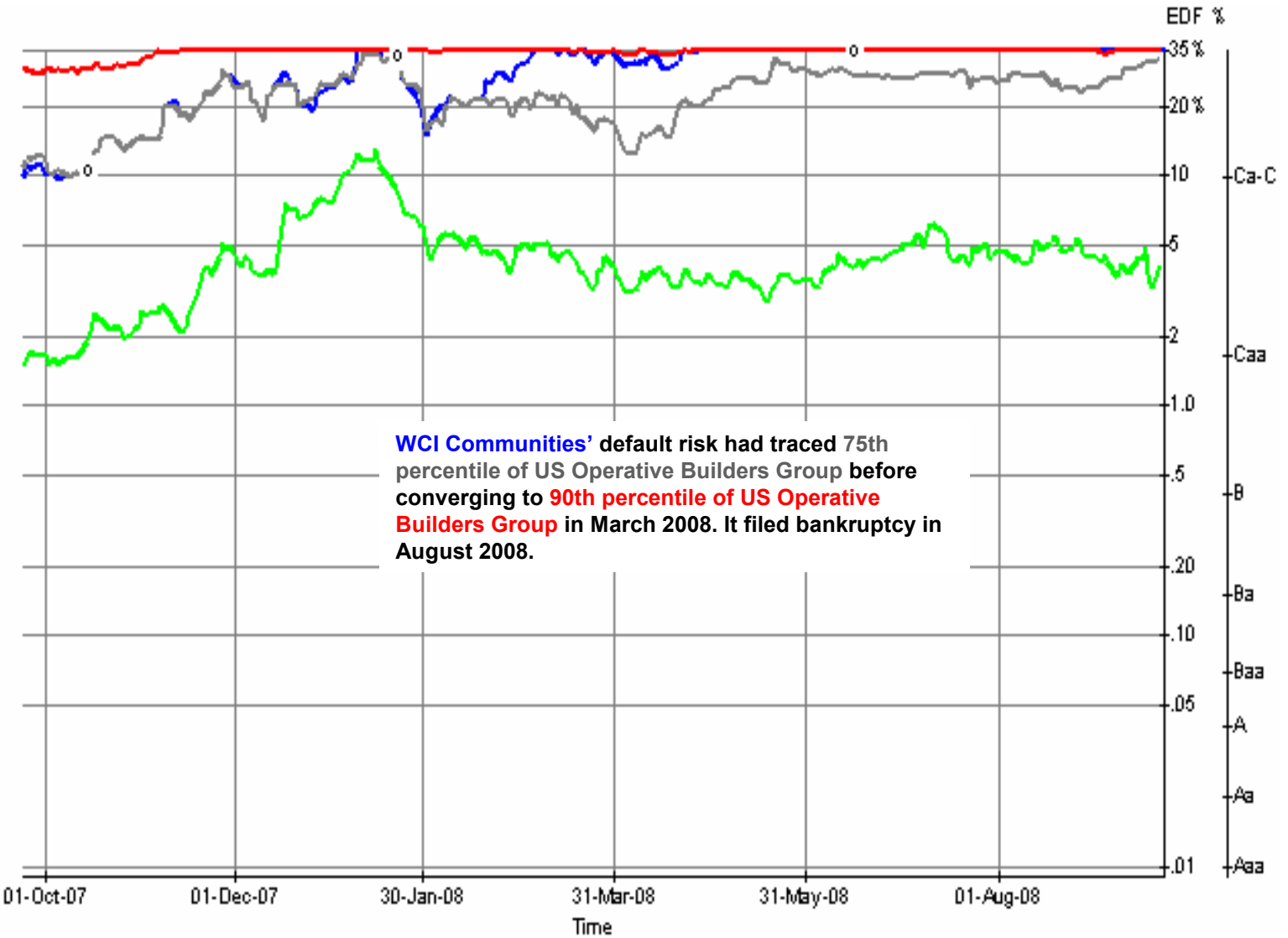


Relative Analysis

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.



- US OPERATIVE BUILDERS GROUP [USA1531] EDF - Median
- US OPERATIVE BUILDERS GROUP [USA1531] EDF - 75th Percentile
- US OPERATIVE BUILDERS GROUP [USA1531] EDF - 90th Percentile
- WCI COMMUNITIES INC [WCIMQ] EDF



Urban Corporation (8868)

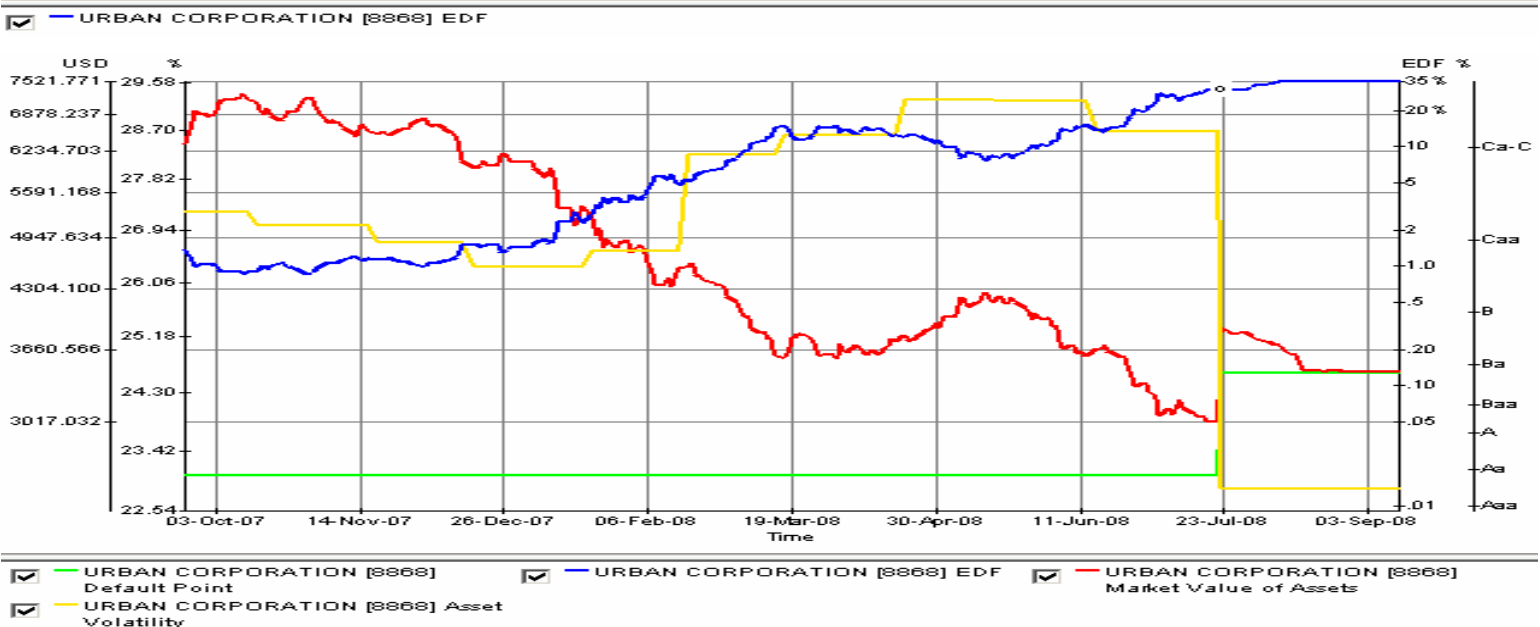
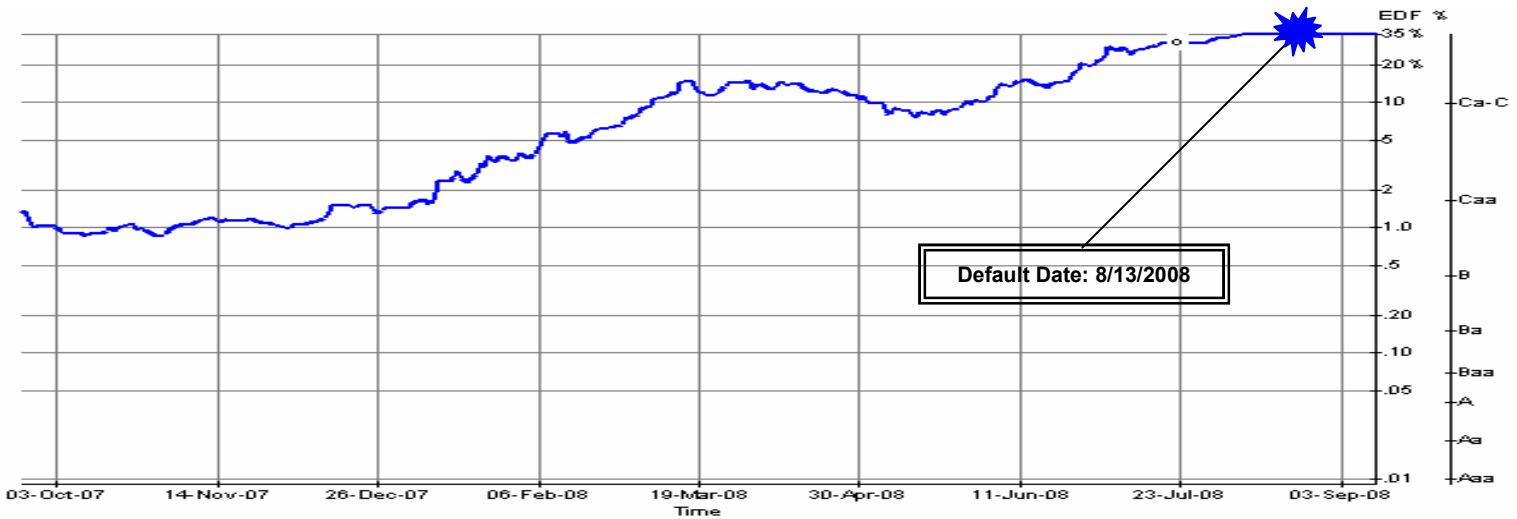
Company Profile

On August 13, 2008, Japanese real estate Company **Urban Corporation** filed for court protection from creditors under the Civil Rehabilitation Law. The company listed total liabilities of JPY255.83 billion (\$2.41 billion) as of the default date.

Urban Corporation is an integrated real estate company, engaged primarily in the real estate securitization business, asset management and condominium sales. The company has expanded its operations from Tokyo, Osaka and Hiroshima to include Nagoya, Fukuoka and Sapporo. The company was established in 1990 in Hiroshima and its subsidiaries have also been established in Seoul and Singapore as its steps toward global business expansion.

EDF™ as of August 13, 2008: 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.



This chart shows that **Urban Corporation's** EDF credit measure was high, reaching 35.00% prior to its filing for bankruptcy protection in Japan on August 13, 2008. In October 2007, the company had a market value of assets at \$7.1 billion. The company was hammered when foreign-affiliated funds reined in purchases in the wake of US financial woes and by sluggish real estate prices. Consequently, the company's market value of assets decreased to \$3.1 billion in July 2008 while its default point increased to \$3.4 billion. The asset volatility jumped to 29% in July 2008 from 26% in October 2007. The loss of about half its business value and high financial risk led the company to default.

[Continue to EDF Details](#)



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EDF Information as of: August 13, 2008
 Financial Statement Date: March 31, 2008
 URBNC 2.960 12/21/09 JPY 2.96

mm/dd/yy

Define Current: 8/13/08

Define Previous: One Year

Amounts in: JPY Billions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	1.03%	+3,397 bp	+3,298.06%
Credit Category A	C	B3	-5	-5
Asset Volatility B	22.86%	27.56%	-4.70%	-17.05%
Instantaneous Equity Volatility	498.19%	45.32%	+452.87%	+999.27%
Market Leverage C	95.38%	37.49%	+57.89%	+154.41%
Market Value of Assets D	381.523	735.261	-353.738	-48.11%
Market Capitalization	14.078	429.522	-415.444	-96.72%
Share Price	62.000	1,910.000	-1,848.000	-96.75%
Shares Outstanding	0.227	0.225	+0.002	+0.89%
Default Point E	363.904	275.630	+88.274	+32.03%
Short-Term Liabilities	257.350	212.573	+44.777	+21.06%
Long-Term Liabilities	213.107	126.114	+86.993	+68.98%
Total Adjusted Liabilities	470.457	338.687	+131.770	+38.91%
Other				
Common Dividends	6.741	3.357	+3.384	+100.80%
Preferred Dividends	0.000	0.000		
Dilution	1.000	1.000		

Credit Category **A**

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Japan Large Financials

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

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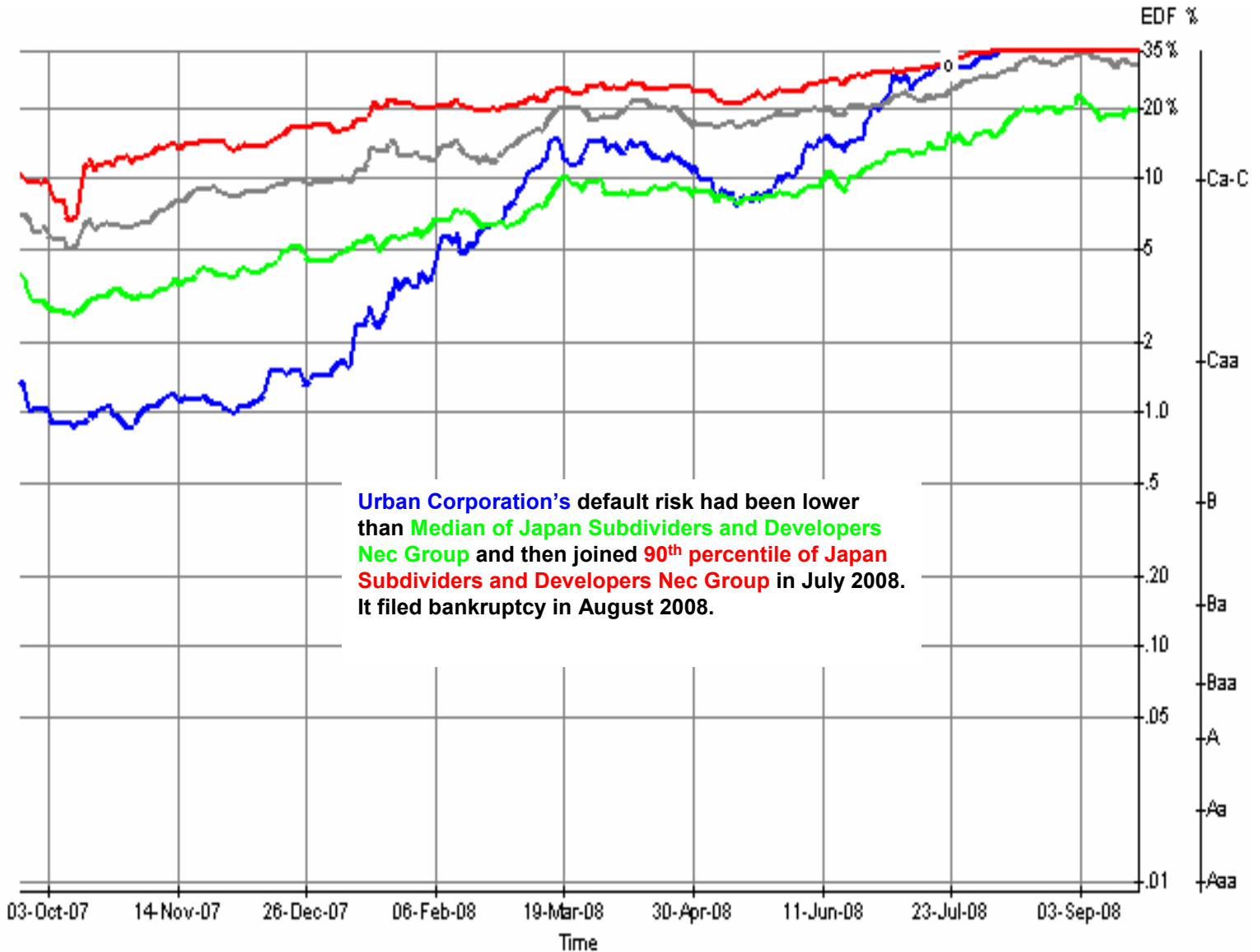
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- JAPAN SUBDIVIDERS AND DEVELOPERS, NEC GROUP [JPA6552] EDF - Median
- JAPAN SUBDIVIDERS AND DEVELOPERS, NEC GROUP [JPA6552] EDF - 75th Percentile
- JAPAN SUBDIVIDERS AND DEVELOPERS, NEC GROUP [JPA6552] EDF - 90th Percentile
- URBAN CORPORATION [8868] EDF

Continue to RiskCalc EDF Analysis



Generated on September 10, 2008

Portola Packaging Inc

On August 27, 2008, **Portola Packaging Inc** filed for a prepackaged Chapter 11 bankruptcy protection and had arranged a \$10 million bridge loan from Wayzata Investment Partners LLC to fund its case.

1-Year RiskCalc EDF: 12.17%

Moody's Senior Unsecured Rating: Ca

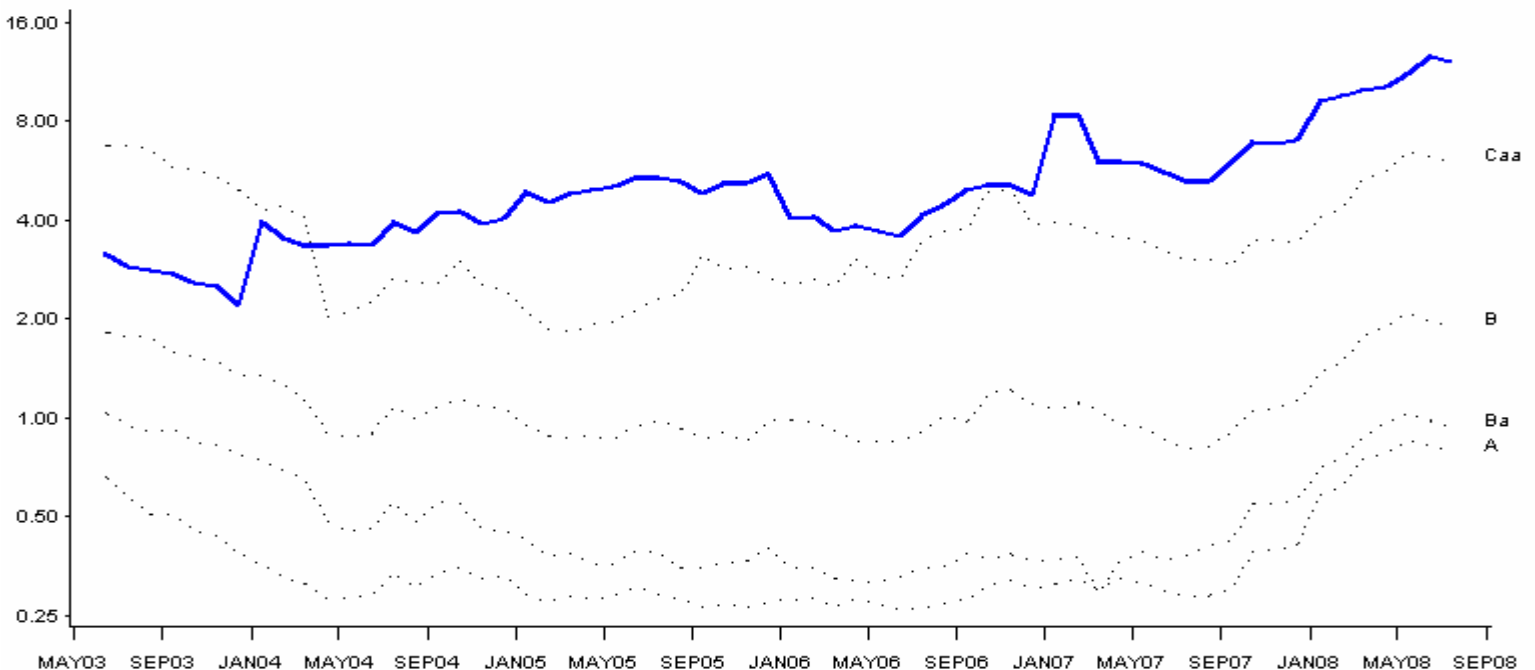
As Portola Packaging Inc does not have common stock outstanding, its default risk can be assessed using RiskCalc™. RiskCalc™ is a web-based tool that utilizes statistical default probability models for private firms. Models are country-specific, with local validation and calibration using data from sponsor banks. For Portola Packaging Inc, we used RiskCalc United States v3.1 to do the analysis. The source of the financial statement information was Moody's Financial Metrics™.

Company Profile

Portola Packaging Inc is a designer, manufacturer and marketer of tamper-evident plastic closures used in dairy, fruit juice, bottled water, sports drinks, institutional food and other non-carbonated beverage markets. The Company also produces a wide variety of plastic bottles for use in dairy, water and juice markets, including various high density bottles, as well as five-gallon polycarbonate water bottles. In addition, the Company designs, manufactures and markets capping equipment for use in high speed bottling, filling and packaging production lines. Portola is engaged in the manufacture and sale of tooling and molds used for blow molding. Portola's subsidiary, Portola Tech International, is also a manufacturer, marketer and designer of plastic packaging components for the cosmetic, fragrance and toiletries industry.

Blue line shows movement in the **RiskCalc EDF values** and the dotted lines are time series of the median EDF levels of firms with the given rating run through RiskCalc: the Caa dotted line represents the median EDF of North American Corporates with a Caa rating run through RiskCalc.

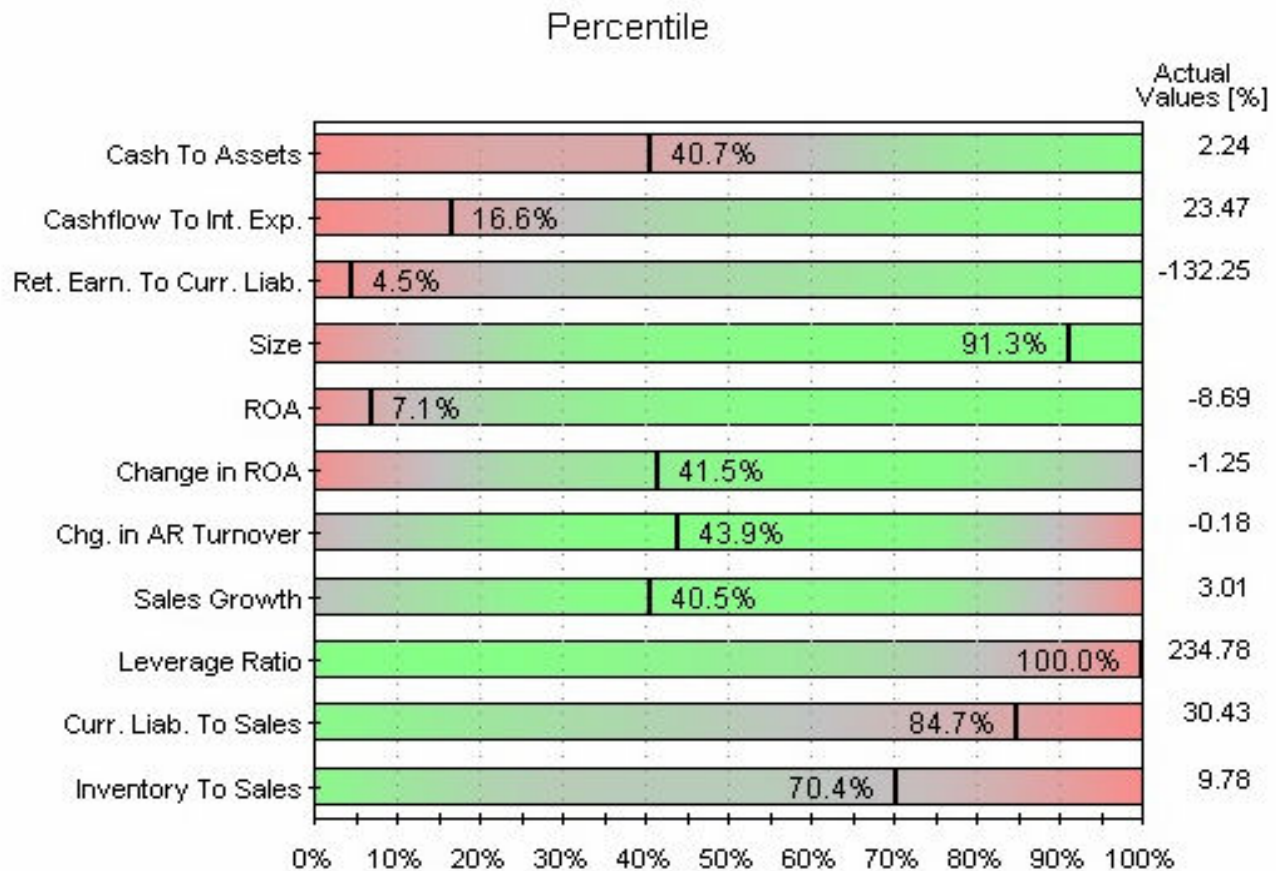
PORTOLA PACKAGING INC
RiskCalc EDF History



Generated on September 10, 2008

Percentile Graph, Relative Contribution and Relative Sensitivity Graphs in RiskCalc help us to understand what is driving the firm's EDF.

The **PERCENTILE** Graph provides a visual representation of how each of the firm's ratio compares to those of private firms used to build this RiskCalc 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.

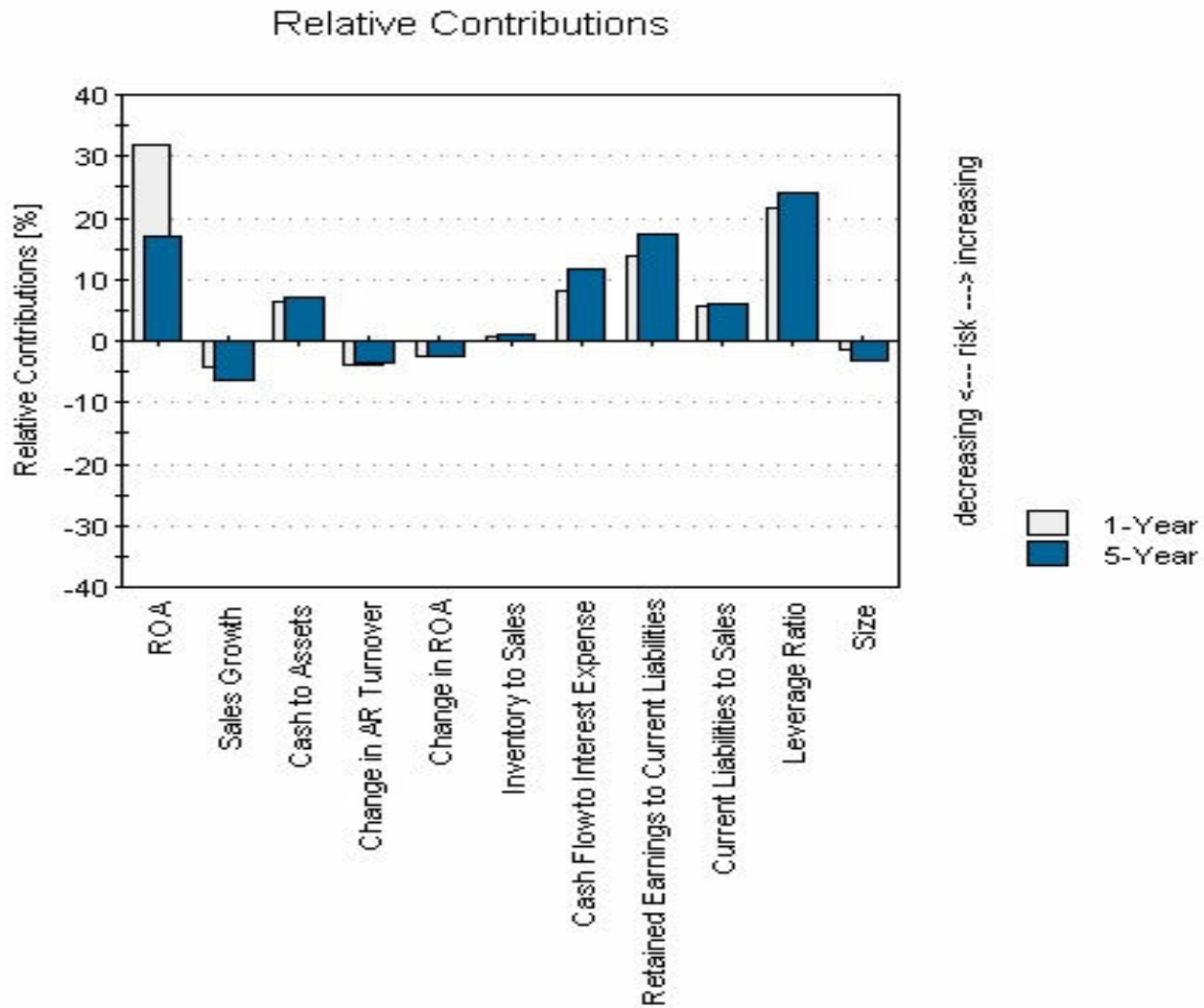
For example, we can observe from the right-hand column that the *Leverage Ratio* is 234.78% which places it in the 100th percentile and is solidly in the red in terms of risk. The *Retained Earning to Current Liabilities* and *ROA* are negative, -132.25% and -8.69% respectively. All of these three ratios are in the red in terms of risk for this firm.

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



Generated on September 10, 2008

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



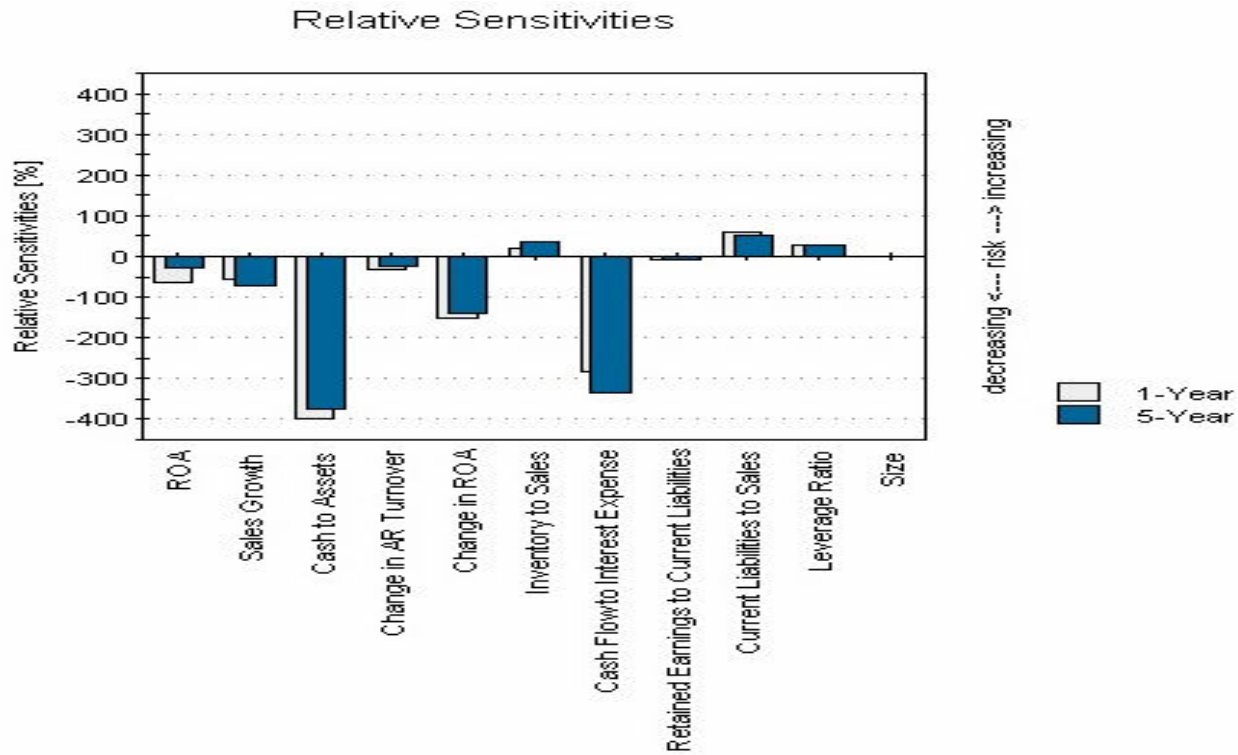
This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In case of the US 3.1 Model, the average EDF level is 1.7%. Relative Contributions are expressed relative to each other.

ROA and *Leverage Ratio* are the strongest ratios to pull up Portola Packaging Inc's EDF level relative to the average EDF level, 31.81% and 21.73% respectively. *Retained Earnings to Current Liabilities*, *Cash Flow to Interest Expense*, *Cash to Assets*, *Current Liabilities to Sales* and *Inventory to Sales* are pulling up the EDF as well.



Generated on September 10, 2008

The **RELATIVE SENSITIVITIES** graph indicates the relative impact that a small increase in a ratio would have on the EDF, 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.

Portola Packaging Inc's EDF level is most sensitive to changes in *Cash to Assets*, *Cash Flow to Interest Expense*, *Change in ROA*, *ROA*, *Sales Growth* and *Change in AR Turnover*. 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. *Current Liabilities to Sales* has the most **positive** Relative Sensitivity. An increase in the *Leverage Ratio* and *Inventory to Sales* would also increase the EDF level.

The magnitude of Relative Sensitivity of *Cash to Assets* is -399.51%, which means that shocking the firm's *Cash to Assets* 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.