Accuride Corp (AURD)

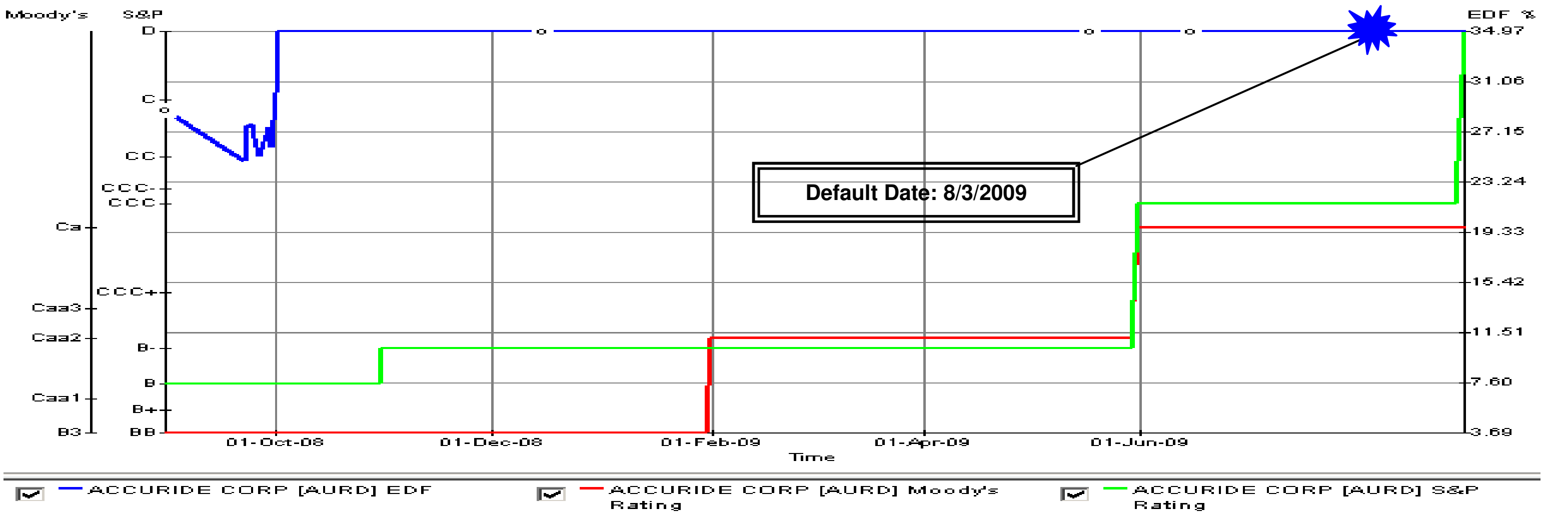
On August 3, 2009, **Accuride Corp** did not make an $11.7 million interest payment on its 8.50% subordinated noted due in 2015. The company had a 30-day grace period under the indentures.

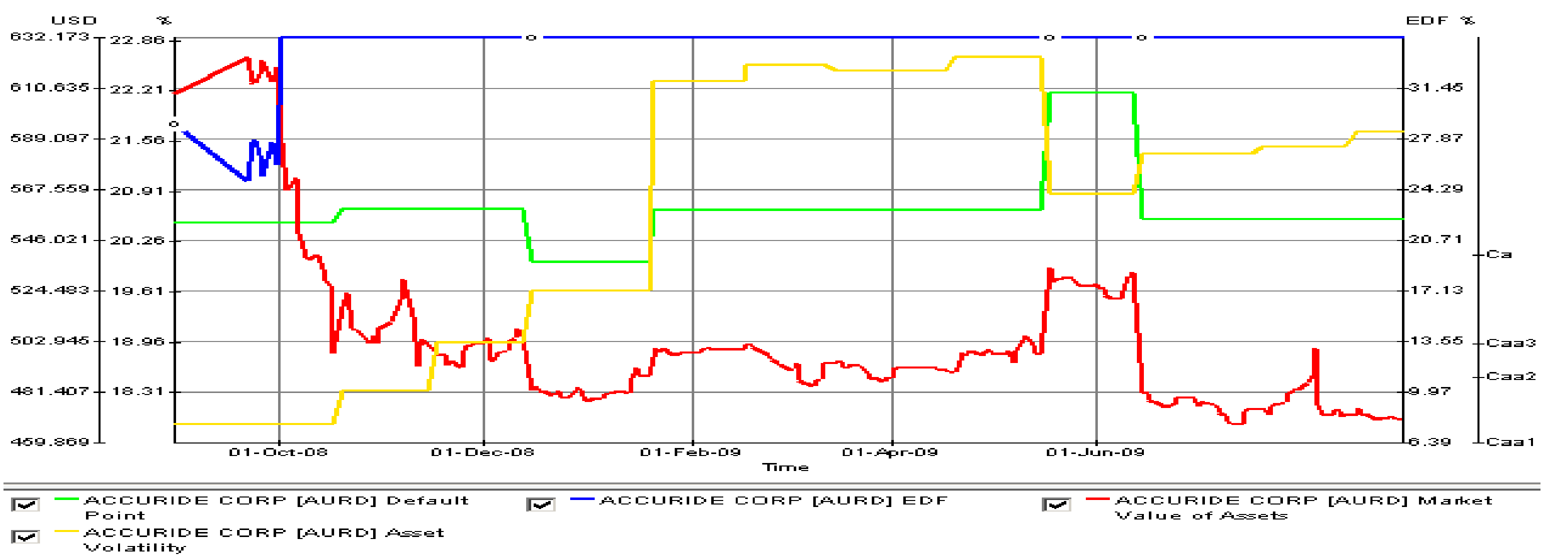
EDF™ as of June 1, 2009: 35.00%
Credit Category (not an agency rating): C

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

If you're driving a big rig, Accuride offers the goods to keep you rolling -- or to stop you in your tracks. The company is a leading manufacturer of steel and forged aluminum wheels for commercial trucks and trailers, pickups, and military vehicles. Accuride also makes truck body and chassis parts, brake systems, seating assemblies, aftermarket components, and non-powered farm equipment. Accuride's customers include commercial vehicle OEMs (Daimler Trucks North America) trailer manufacturers (Great Dane and Wabash National), and automakers (General Motors). The company markets its products under brand names Accuride, Bostrom, Brillion, Fabco, Gunite, Imperial, and Sisu.





This chart shows that **Accuride Corp's** EDF credit measure had been increasing and reached 35.00% in October 2008, ten months prior to default. In October 2008, the market value of assets was $616 million. Because of continued turbulence in the U.S. and international markets and economies and prolonged declines in business and consumer spending, the company's market value of assets decreased to $476 million, which was much below its July 2009 default point of $555 million. Asset volatility increased to 21.68% in June 2009 from 17.90% in October 2008. High financial risk combined with decreasing business value led the company to default.

Continue to EDF Details

MOODY'S ANALYTICS

August 2009 Default Case Study

Generated on September 21, 2009

EDF Information as of: August 3, 2009
Financial Statement Date: March 31, 2009
AURD 8.500 02/01/15 '10 USD 8.50

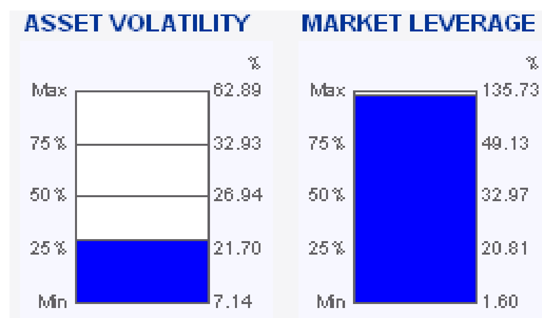
mm/dd/yy
Define Current: 8/3/09 **Define Previous:** One Year

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	12.06%	+2,294 bp	+190.22%
Credit Category A	C	Caa2	-3	-3
Asset Volatility B	21.48%	17.85%	+3.63%	+20.34%
Instantaneous Equity Volatility	289.64%	72.55%	+217.09%	+299.23%
Market Leverage C	114.29%	79.30%	+34.99%	+44.12%
Market Value of Assets D	485.263	720.384	-235.121	-32.64%
Market Capitalization	14.500	97.388	-82.888	-85.11%
Share Price	0.400	2.750	-2.350	-85.45%
Shares Outstanding	36.250	35.414	+0.836	+2.36%
Default Point E	554.601	571.296	-16.695	-2.92%
Short-Term Liabilities	102.027	160.859	-58.832	-36.57%
Long-Term Liabilities	690.260	655.278	+34.982	+5.34%
Total Adjusted Liabilities	792.287	816.137	-23.850	-2.92%
Other				
Common Dividends	0.000	0.000		
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.

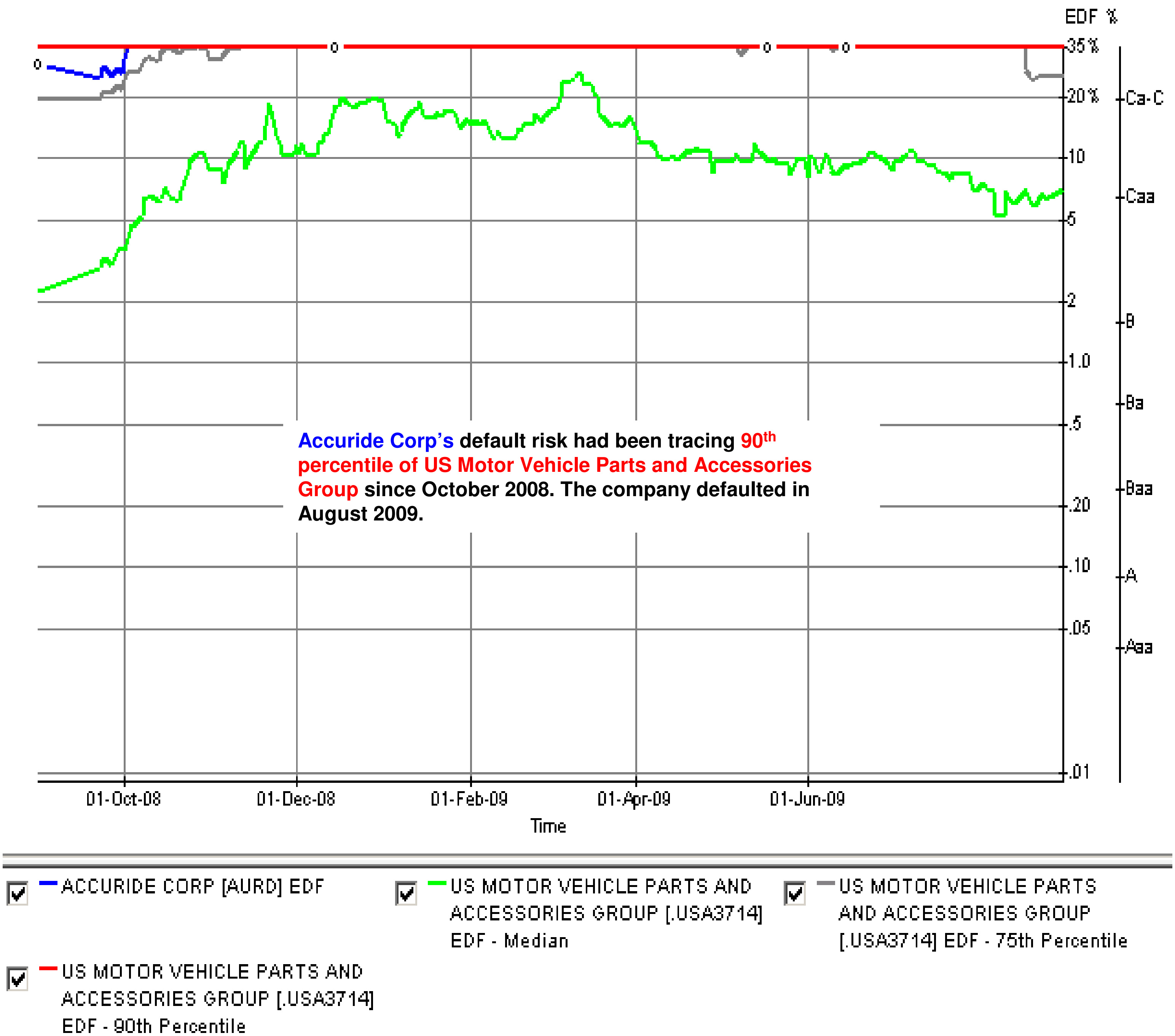
Continue to Relative Analysis

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.



Continue to Feature Private Company

Duane Reade Inc

On August 10, 2009, **Duane Reade Inc** completed its repurchase of $143.3 million of its $195 million 9.75% subordinated notes due 2011 at a discount and the tender offer for $205 million of its $210 million senior secured notes due 2010 at par.

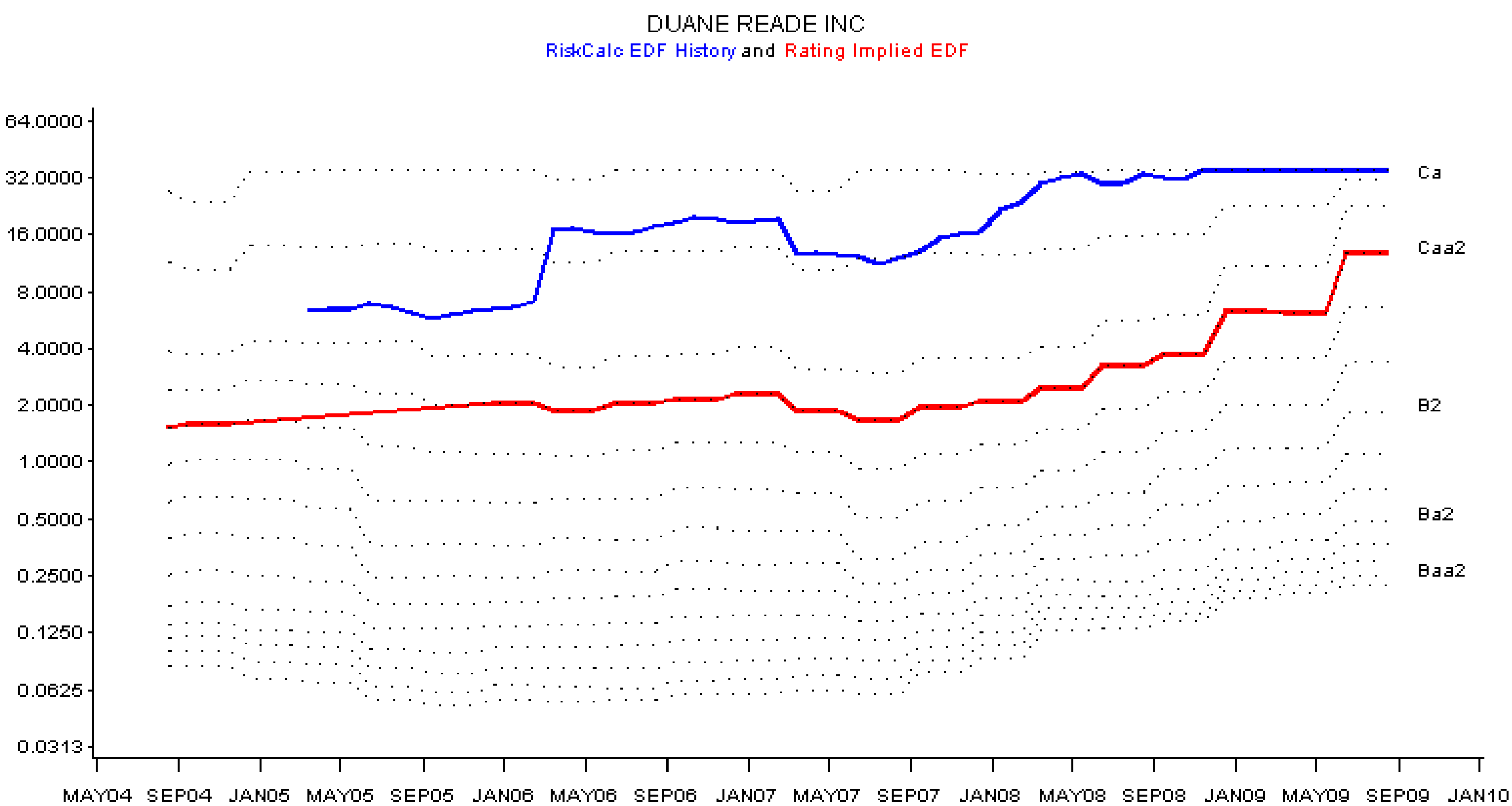
1-Year RiskCalc EDF: 35.00%

As Duane Reade 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. The source of the financial statement information was Moody's Financial Metrics™.

Company Profile

Duane Reade is the Big Apple of drugstores. Named after the two streets where its first store was located, the company is the market leader in densely-populated Manhattan. In all, the firm operates about 240 stores in New York and about a dozen in New Jersey. About 60% of the stores are in high-traffic Manhattan (giving the firm more sales per square foot than any other US drugstore chain). Duane Reade's stores vary greatly in size (500 to 12,700 sq. ft.). The company sells prescription drugs, but more than 50% of sales come from items such as over-the-counter medications, food and beverages, and health and beauty aids. Duane Reade is owned by the private equity group Oak Hill Capital Partners.

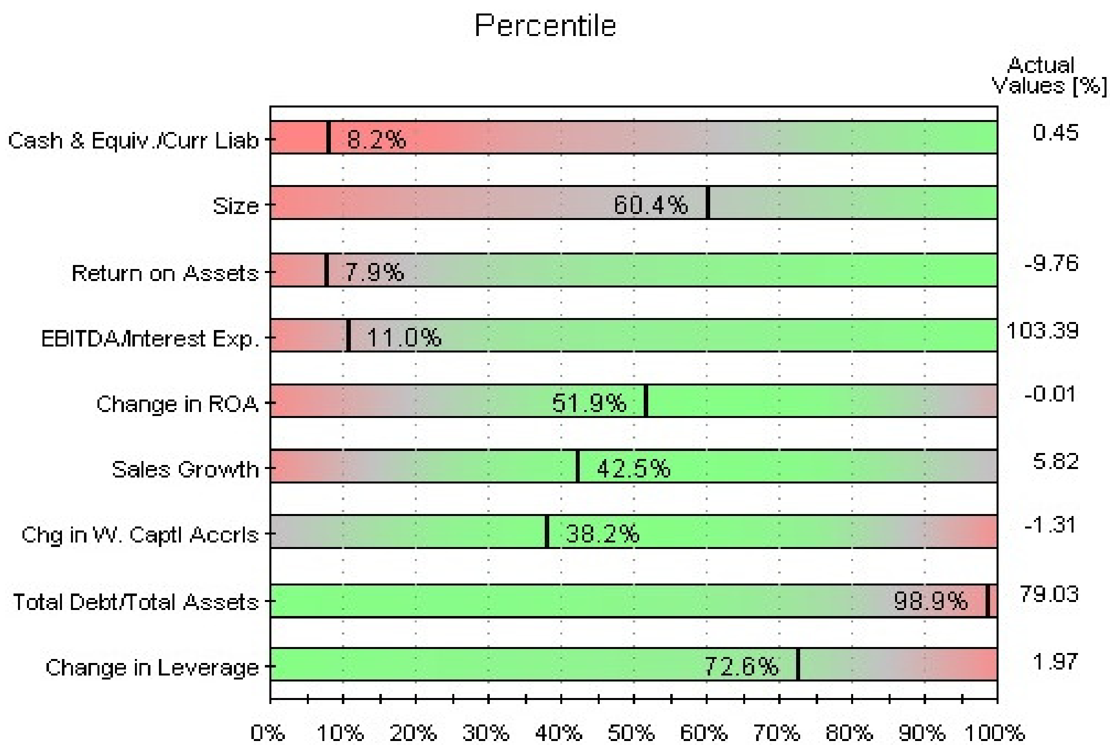
Blue line shows movement in the **RiskCalc NA Large Firm EDF values** and the dotted lines are time series of the median EDF levels of each rating class.



Continue to RiskCalc EDF Drivers

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.



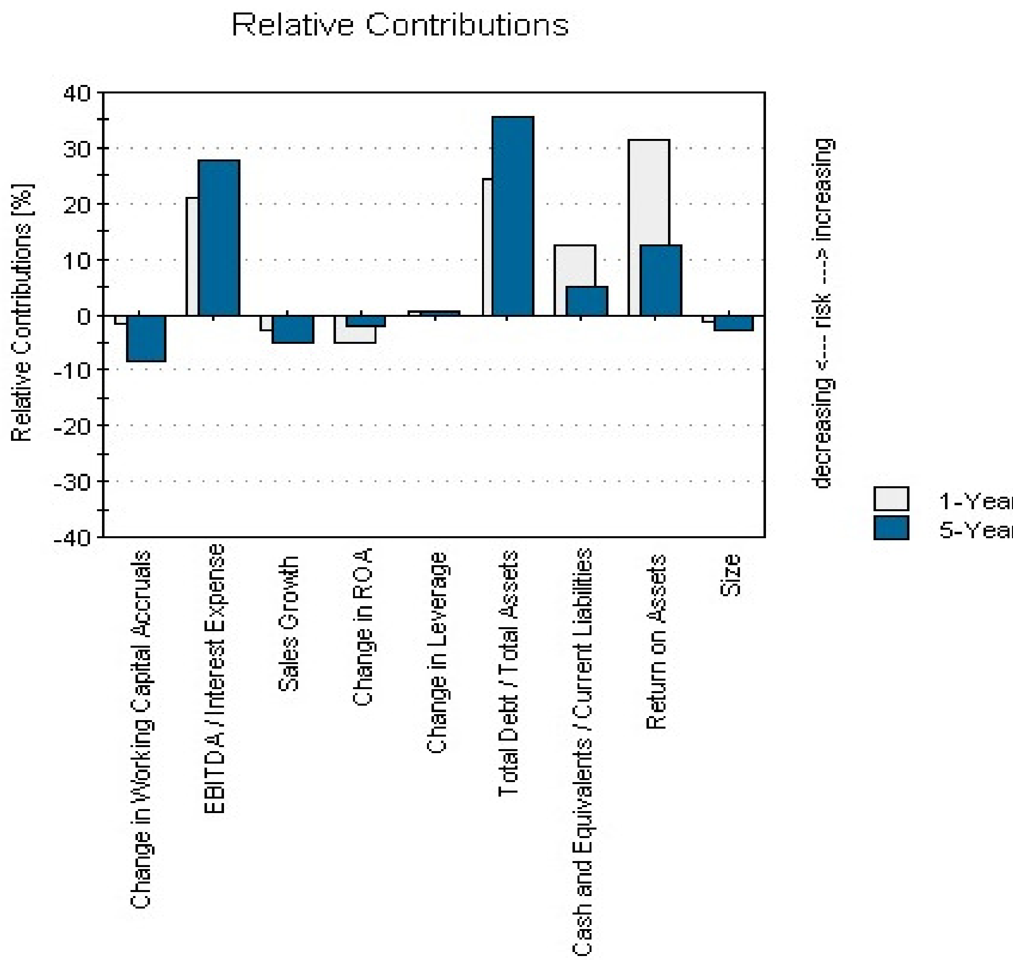
The **PERCENTILE** Graph plots the percentile of each ratio and provides the actual value in the right-hand column. The colors **RED**, **GRAY** and **GREEN** correspond to the level of risk, **HIGH**, **MEDIUM** and **LOW** associated with the specific value of the ratio.

For example, we can observe from the right-hand column that the *Total Debt to Total Assets* is 79.03%, which placed it in the 99th percentile and solidly in the red in terms of risk. The *Return on Assets, Cash & Equivalent to Current Liabilities* and *EBITDA to Interest Expense* are -9.76%, 0.45% and 103.39% respectively. All of these four 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.

Continue to Relative Contribution Analysis →

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

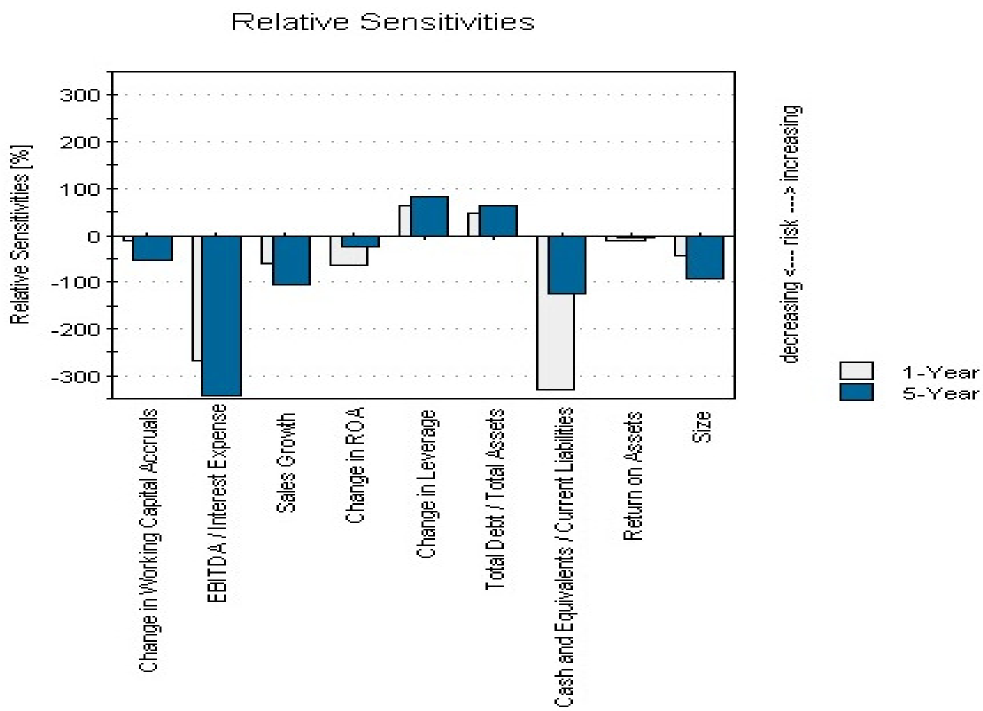


This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In RiskCalc Large Firm Model v3.1, the average EDF level is **1.9%**. Relative Contributions are expressed relative to each other.

All of the ratios except *Size, Change in ROA, Sales Growth* and *Change in Working Capital Accruals* are pulling up Duane Reade's EDF level relative to the average EDF level, with *Return on Assets* and *Total Debt to Total Assets* being the strongest, 31.48% and 24.24% respectively. *EBITDA to Interest Expense*, *Cash and Equivalents to Current Liabilities* and *Change in Leverage* are pulling up the EDF as well.

Continue to Relative Sensitivity Analysis →

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.

Duane Reade's EDF level is most sensitive to changes in *Cash&Equivalents to Current Liabilities, EBITDA to Interest Expense, Change in ROA, Sales Growth, Size, Return on Assets* 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. *Change in Leverage* has the most **positive** Relative Sensitivity. An increase in the *Total Debt to Total Assets* would also increase the EDF level.

The magnitude of Relative Sensitivity of *Cash&Equivalents to Current Liabilities* is -331.41%, which means that shocking the firm's *Cash&Equivalents to Current Liabilities* will lead to a change in the EDF level that is 3.31 times the size of the average EDF change from shocking any ratio.