

TOUSA Inc (TOUS)

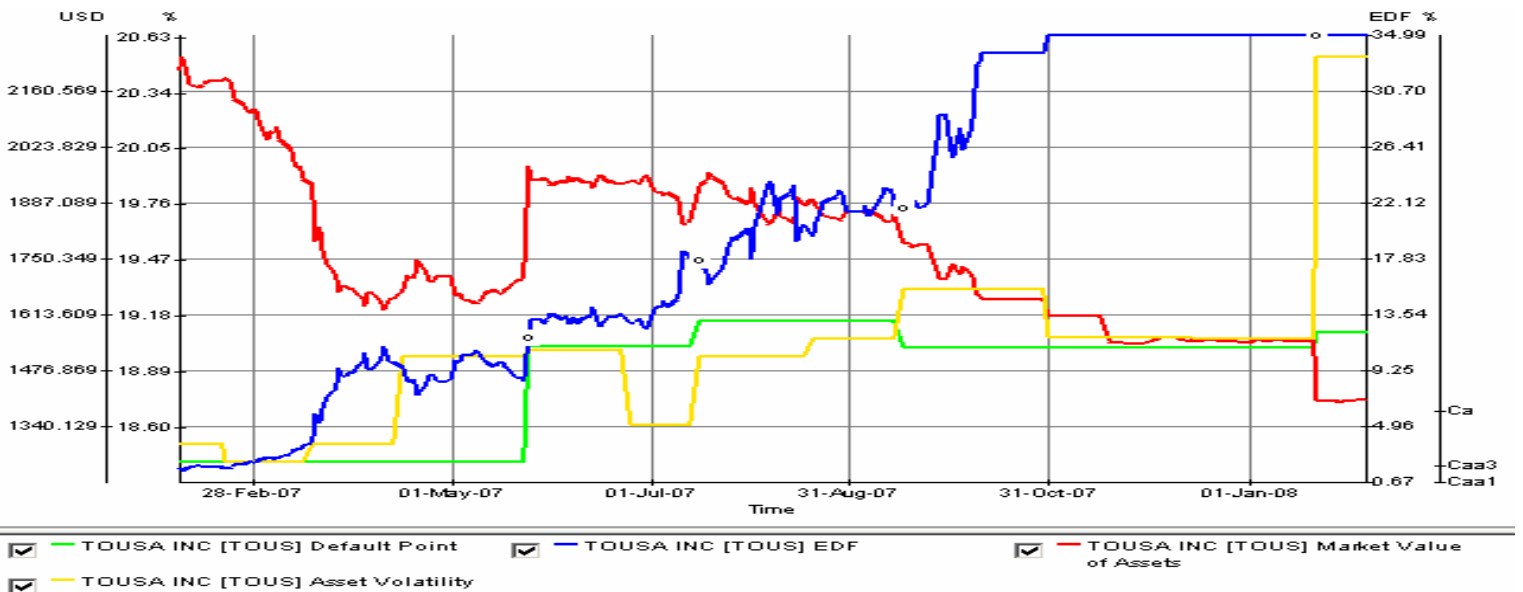
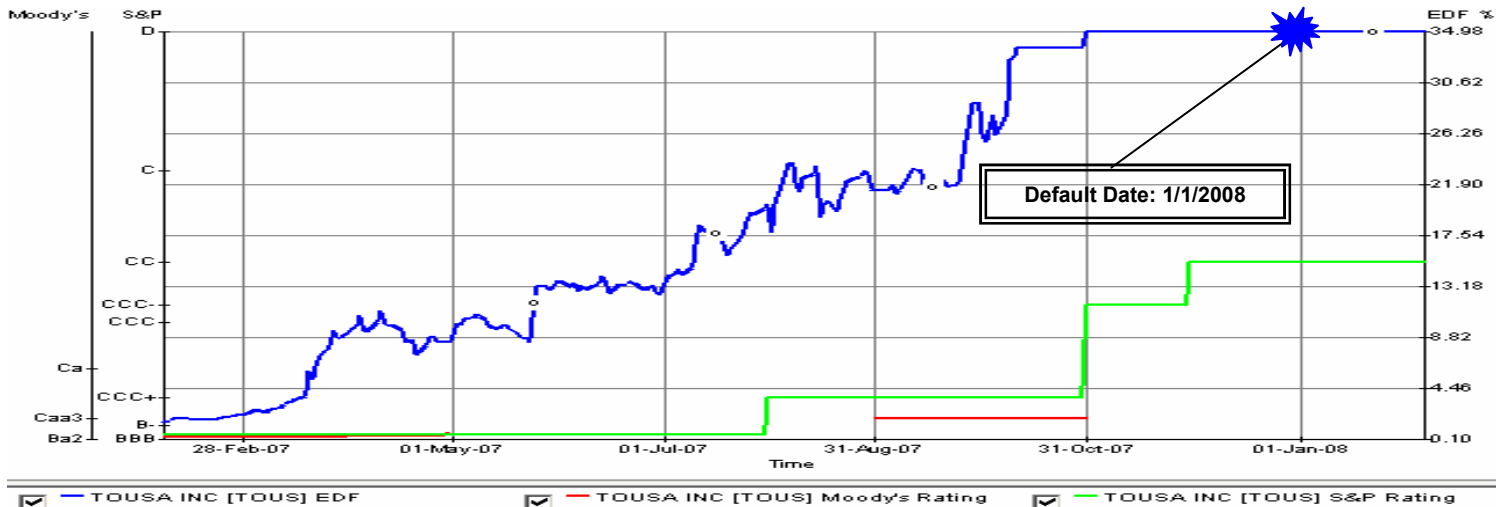
On January 1, 2008, **TOUSA Inc** missed a semi-annual interest payment on its \$200 million in 7.5% senior subordinated notes due 2015. On January 29, 2008, **TOUSA Inc** and its 37 affiliate companies filed for Chapter 11 protection with the US Bankruptcy Court.

EDF™ as of January 1, 2008: 35%
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 scheduled principal or interest payments. 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

Although it would seem to have godlike powers, Technical Olympic USA (TOUSA) just builds houses for mere mortals. The homebuilder, formerly Newmark Homes, operates in 16 metropolitan markets in Florida, Texas, the West, and in the mid-Atlantic (Central Florida and Houston are its top markets). Marketing under brands Newmark, Engle, Transeastern, and Trophy, the company sells around 7,800 homes a year to first-time and move-up buyers and others. The average sales price for its homes is around \$300,000. TOUSA provides financial services to its homebuyers and to others through its Preferred Home Mortgage and Universal Land Title subsidiaries. Greek homebuilder Technical Olympic S.A. owns 67% of the company.



This chart displays that TOUSA Inc's EDF Credit Measure has been rising since February 2007 and reached 35% in October, prior to its filing bankruptcy in January 2008. As the Florida housing market's decline deepened in 2007, the market value of assets has decreased to \$1.5 billion from \$2.2 billion in February 2007, which is equal to the default point, \$1.5 billion. Its asset volatility climbed from 18% to 19% in September 2007. The decline of business value plus high financial risk, led the company to default.

Continue to EDF Details



EDF Information as of: February 6, 2008
 Financial Statement Date: September 28, 2007
 TOUS 9.000 07/01/10 '08 DFTd USD 9.00

mm/dd/yy

Define Current: 2/6/08

Define Previous: One Day

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	35.00%	35.00%		
Credit Category A	C	C		
Asset Volatility B	20.53%	20.53%		
Instantaneous Equity Volatility	1,122.21%	1,226.35%	-104.14%	-8.49%
Market Leverage C	111.59%	111.77%	-0.18%	-0.16%
Market Value of Assets D	1,407.300	1,405.017	+2.283	+0.16%
Market Capitalization	10.130	9.240	+0.890	+9.63%
Share Price	0.170	0.155	+0.015	+9.68%
Shares Outstanding	59.588	59.613	-0.025	-0.04%
Default Point E	1,570.380	1,570.380		
Short-Term Liabilities	519.000	519.000		
Long-Term Liabilities	1,724.400	1,724.400		
Total Adjusted Liabilities	2,243.400	2,243.400		
Other				
Common Dividends	0.000	0.000		
Preferred Dividends	8.800	8.800		
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.

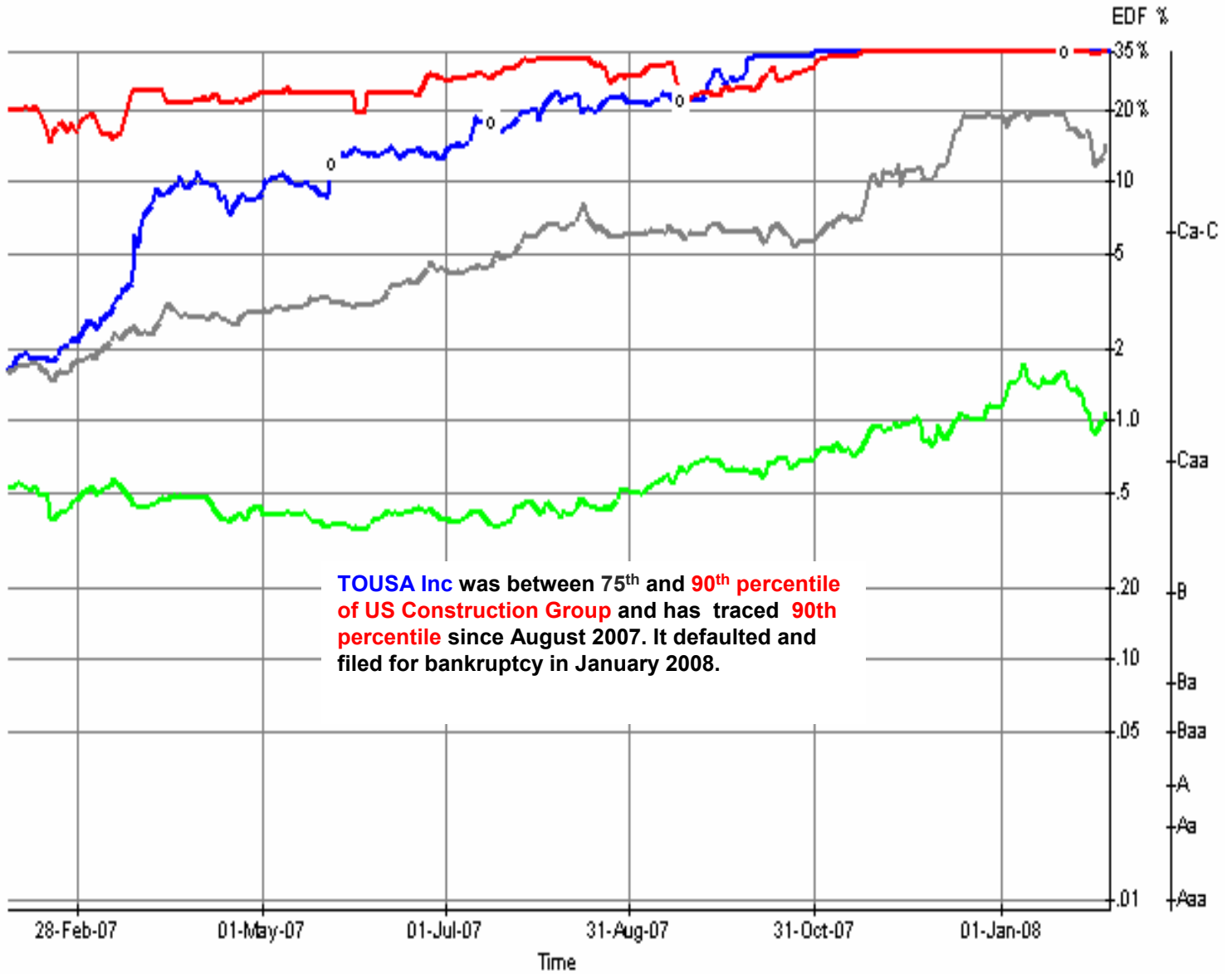


Relative Analysis

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.



TOUSA Inc was between 75th and 90th percentile of US Construction Group and has traced 90th percentile since August 2007. It defaulted and filed for bankruptcy in January 2008.

- TOUSA INC [TOUS] EDF
- US CONSTRUCTION GROUP [USACON] EDF - Median
- US CONSTRUCTION GROUP [USACON] EDF - 75th Percentile
- US CONSTRUCTION GROUP [USACON] EDF - 90th Percentile



Buffets Holdings Inc

On January 22, 2008, **Buffets Holdings Inc** and all of its subsidiaries, filed for Chapter 11 protection with the US Bankruptcy Court. The company has secured a \$385 million DIP financing facility from several financial institutions in its current bank group.

1-Year RiskCalc EDF: 10.33%

Moody's Senior Unsecured Rating: Caa1

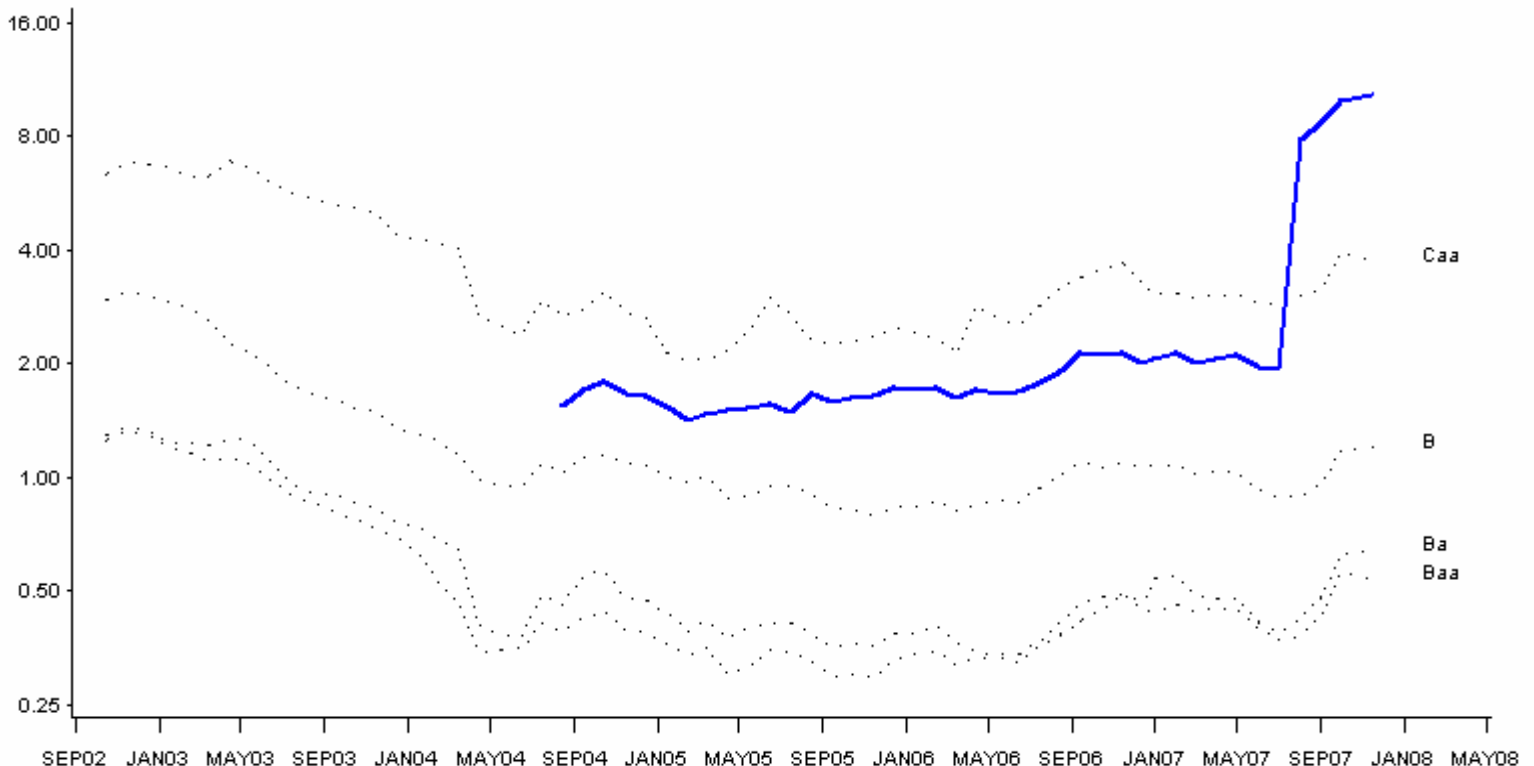
As Buffets Holdings Inc does not have common stock outstanding, its default risk can be assessed using RiskCalc™. RiskCalc™ is a web-based tool that utilizes statistical default probability models for private firms. Models are country-specific, with local validation and calibration using data from sponsor banks. For Buffets Holdings 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

Buffets Holdings Inc and its subsidiaries are the nation's largest steak-buffet restaurant chain and the second largest restaurant company in the family dining segment of the restaurant industry. The restaurants are principally operated under the names Old Country Buffet®, HomeTown Buffet® (collectively the "Buffets brand"), Ryan's® and Fire Mountain® (collectively the "Ryan's brand"). As of June 27, 2007, Buffets Holdings Inc had 632 company-owned steak-buffet restaurants, ten Tahoe Joe's Famous Steakhouse® restaurants and eighteen franchised locations in 42 states.

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.

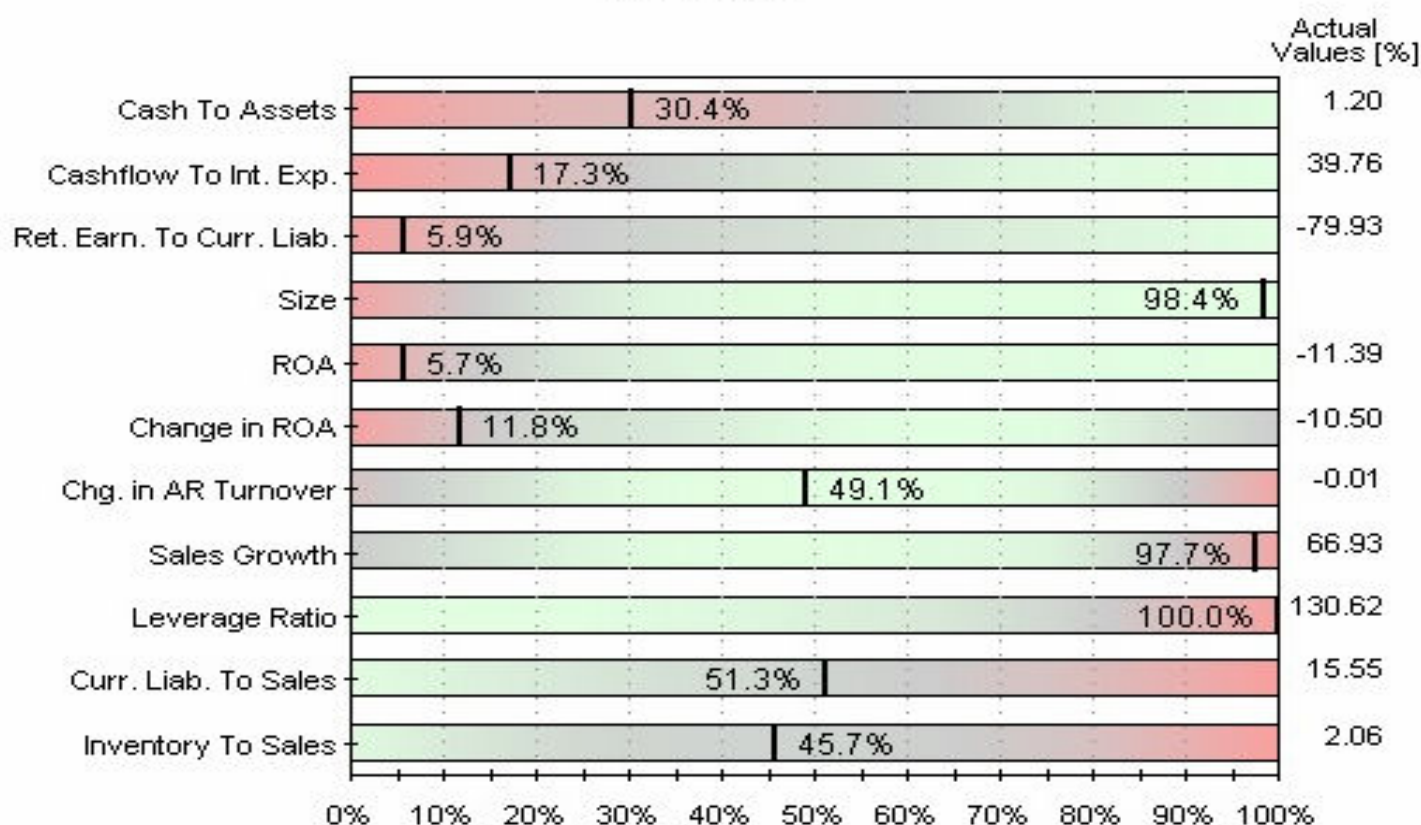
BUFFETS HOLDINGS INC
RiskCalc EDF History



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 visual representation of how each of the firm's ratio compares to those of private firms used to build this RiskCalc model.

Percentile



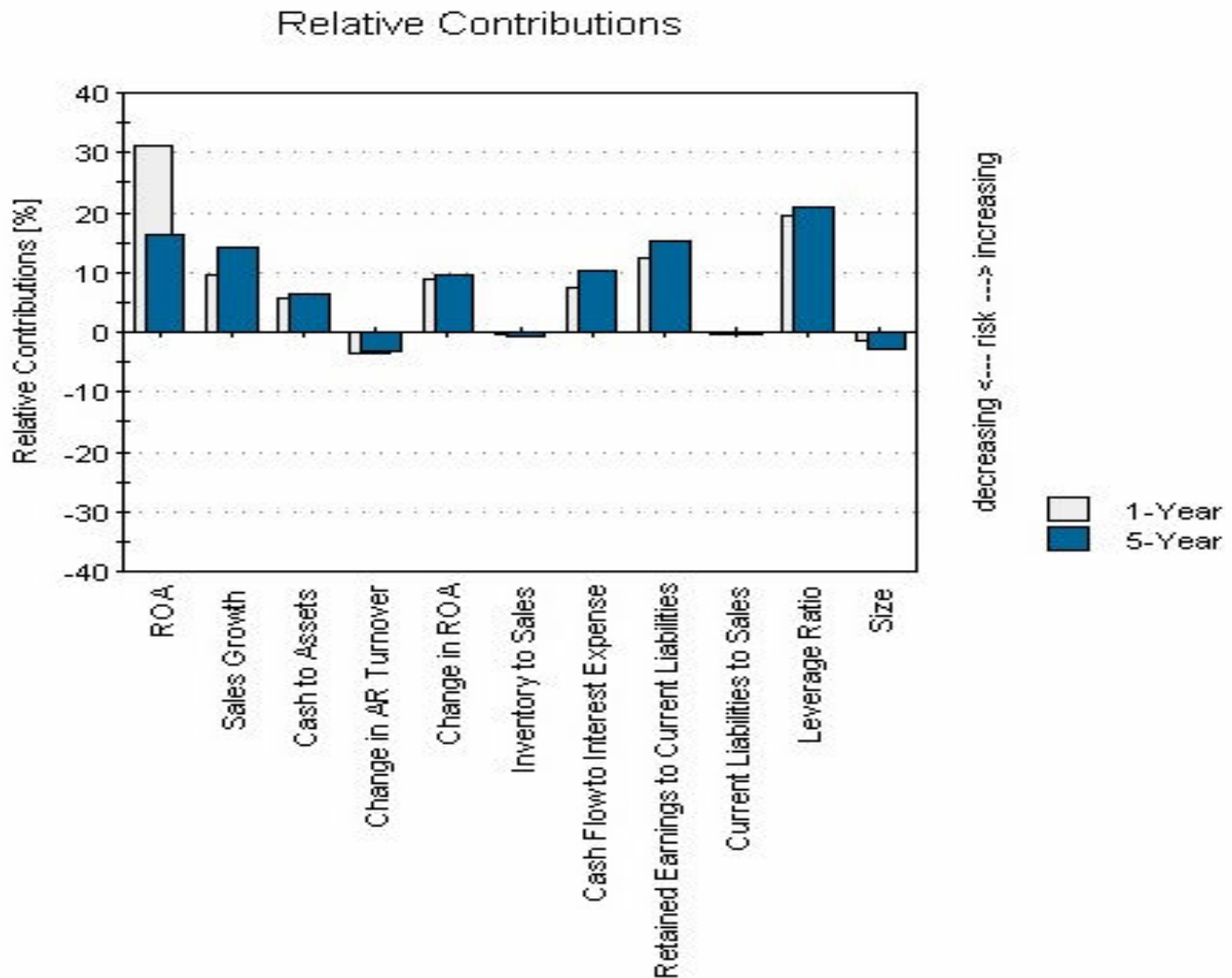
The **PERCENTILE** Graph plots the percentile of each ratio and provides the actual value in the right-hand column. The colors **RED**, **GRAY** and **GREEN** correspond to the level of risk, **HIGH**, **MEDIUM** and **LOW** associated with the specific value of the ratio.

For example, we can observe from the right-hand column that the *Leverage Ratio* is 130.62% which places it in the 100th percentile, and *Sales Growth* is 66.93% which placed it in the 98th percentile. Both are solidly in the red in terms of risk. The *Retained Earnings to Current Liabilities*, *ROA* and *Change in ROA* are negative, -79.93%, -11.39% and -10.50% respectively. All of these five 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.



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

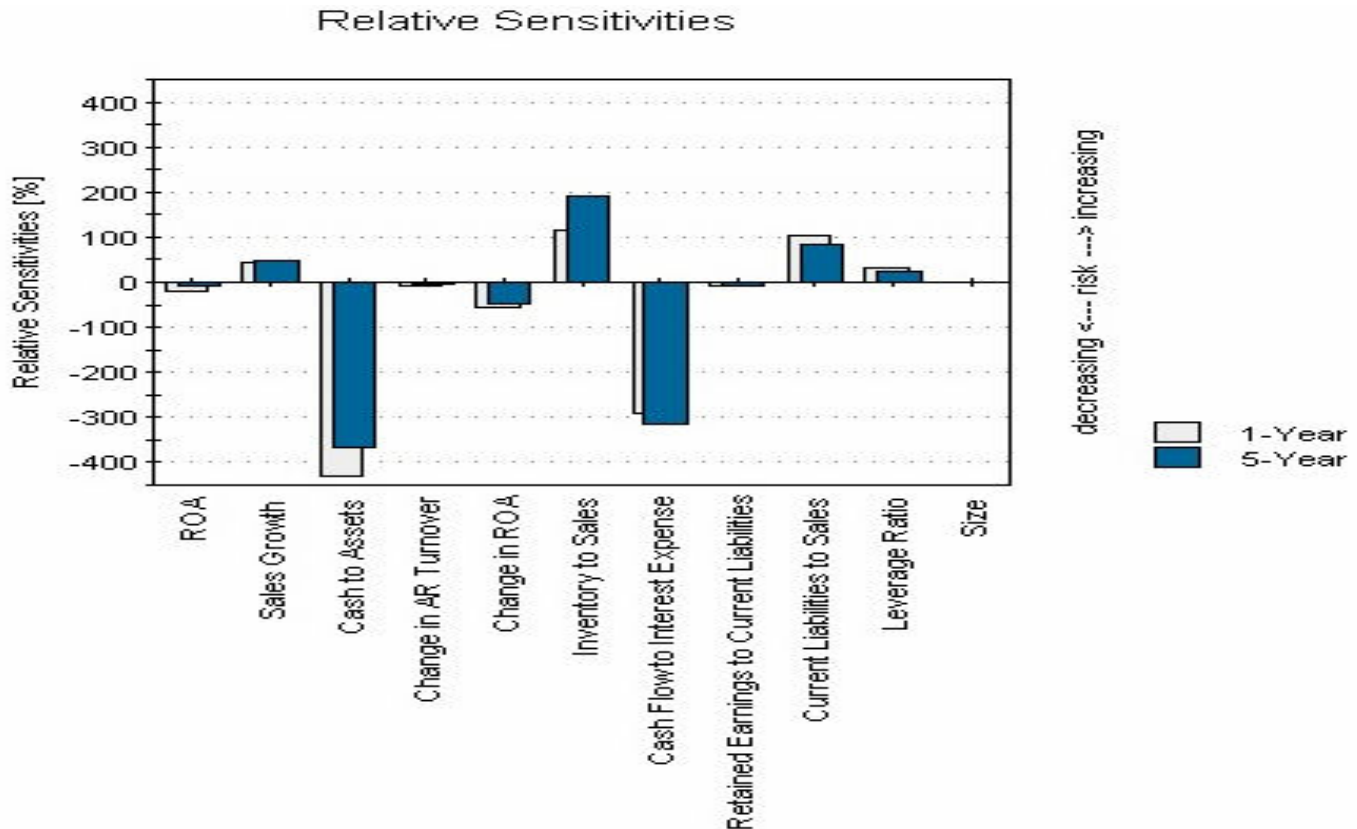


This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In case of the US 3.1 Model, the average EDF level is 1.7%. Relative Contributions are expressed relative to each other.

Eight of the ratios are pulling up Buffets' EDF level relative to the average EDF level, with *ROA* and *Leverage Ratio* being the strongest. *Retained Earnings to Current Liabilities*, *Sales Growth*, *Change in ROA*, *Cash Flow to Interest Expense* and *Cash to Assets* are pulling up the EDF as well.



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.

Buffets' EDF level is most sensitive to changes in *Cash to Assets*, *Cash Flow to Interest Expense*, *Change in ROA*, *ROA*, *Retained Earnings to Current Liabilities* 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. The *Inventory to Sales* has the most **positive** Relative Sensitivity. An increase in the *Current Liabilities to Sales* would also increase the EDF level.

The magnitude of *Current Liabilities to Sales* sensitivity is around 100% meaning that this ratio has an average sensitivity for this firm. The magnitude of Relative Sensitivity of *Cash to Assets* is -428.91%, which means that shocking the firm's *Cash to Assets* will lead to a change in the EDF level that is 4.29 times the size of the average EDF change from shocking any ratio.

Thank you for your interest in CreditEdge and RiskCalc, the revolutionary credit risk management solutions provided by MKMV. We look forward to the opportunity of providing you with more information. Please visit www.mkmv.com to sign up for an online demonstration. A Support Team Member will respond to you shortly.