

Interrep National Radio Sales Inc (IREP)

On March 30, 2008, **Interrep National Radio Sales Inc** and its 15 affiliates filed for Chapter 11 of U.S. Bankruptcy Protection. On April 3, 2008, the company got the court approval to tap \$25 million of its DIP loan.

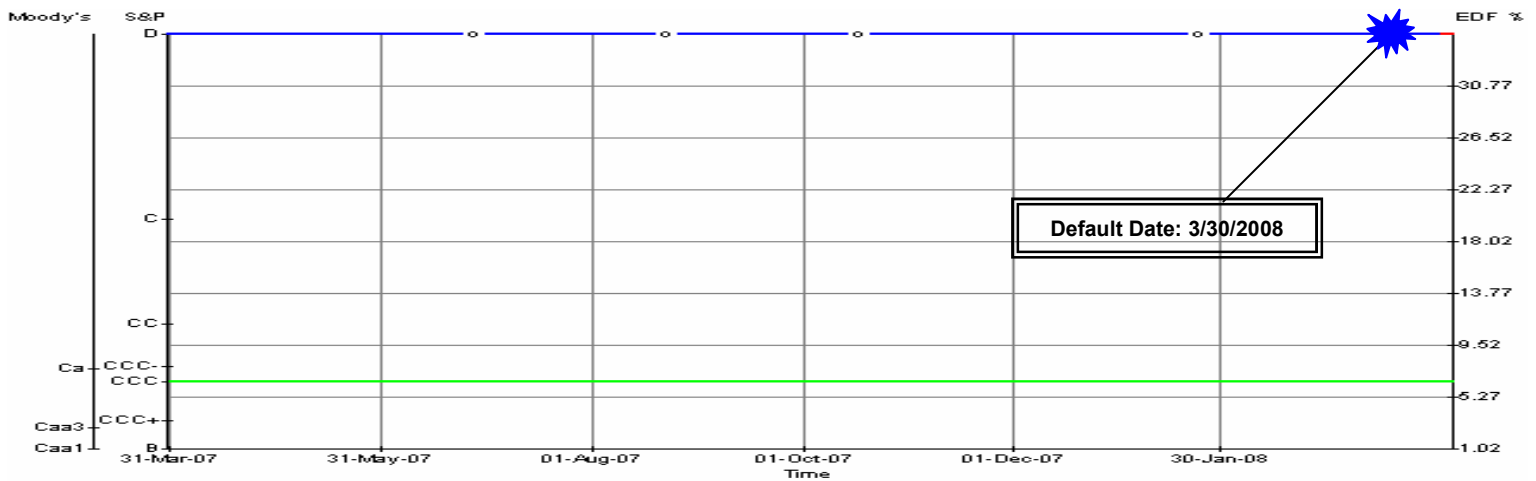
EDF™ as of March 30, 2008: 35%

Credit Category (not an agency rating): C

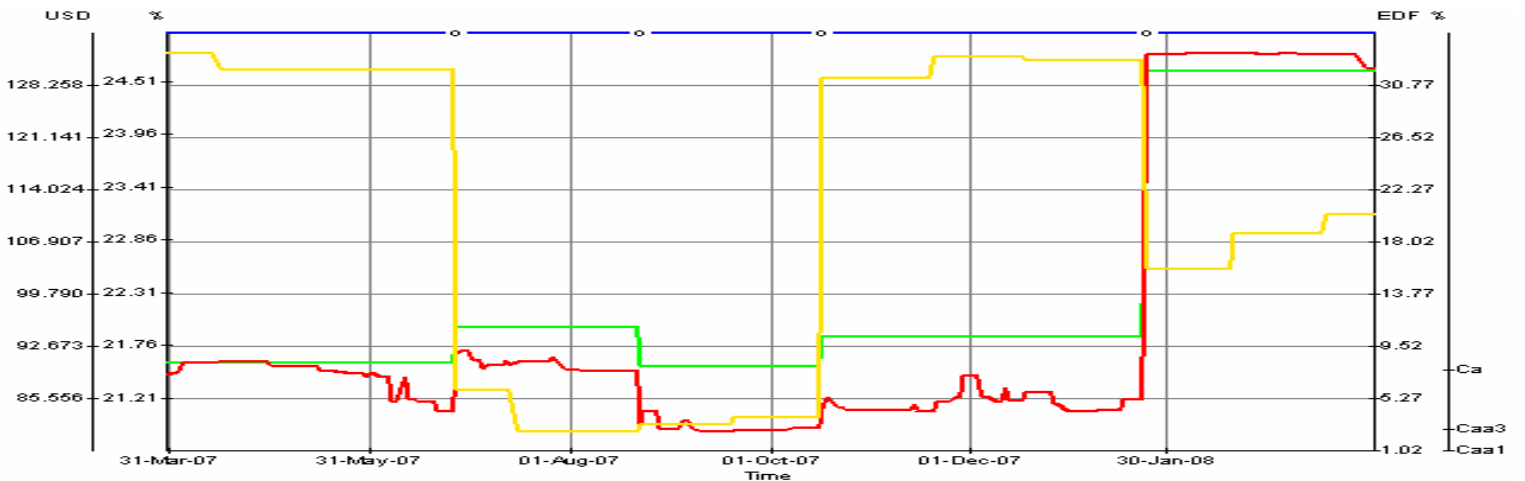
Expected Default Frequency (EDF) is the probability that a firm will default within a given time horizon. Default is defined as failure to make a scheduled payment or the initiation of bankruptcy proceedings. The main drivers of EDF credit measures are the market value of the firm (asset value), the 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

Radio ads are music to Interrep's ears. Interrep National Radio Sales is the largest independent radio representation firm in the US. The parent company of almost 15 rep firms, Interrep sells spot radio advertising time for 1,500 US stations. Several of the firms are dedicated to stations owned by single companies (Spanish station SBS/Interrep and CBS), while CBS Radio Sales and Entercom Communications typically account for 29% and 11% of Interrep's revenues, respectively. Interrep has also added interactive media sales to its rep services and has expanded its offerings to include market research, event marketing, and promotional marketing services.



INTEREP NATL RADIO SALES INC [IREP] EDF
 INTEREP NATL RADIO SALES INC [IREP] Moody's Rating
 INTEREP NATL RADIO SALES INC [IREP] S&P Rating



INTEREP NATL RADIO SALES INC [IREP] Default Point
 INTEREP NATL RADIO SALES INC [IREP] Asset Volatility
 INTEREP NATL RADIO SALES INC [IREP] EDF
 INTEREP NATL RADIO SALES INC [IREP] Market Value of Assets

This chart displays that Interrep National Radio Sales Inc's EDF Credit Measure had already reached 35% in March 2007, twelve months before it filed for Bankruptcy in March 2008. Due to the continuous decline in company's revenue and a loss of key clients, the market value of assets decreased to \$84 million while its default point reached \$94 million in January 2008. Although the company got a new fund injection in February 2008, it did not stop its losses. Meanwhile, the asset volatility kept increasing to 23.13% from 22.56% in March 2008. The shrinkage of business value plus high financial risk, led the company to default.

[Continue to EDF Details](#)



Generated on April 7, 2008

EDF Information as of: April 8, 2008
 Financial Statement Date: September 28, 2007
 No Reference Issue

mm/dd/yy

Define Current: 4/8/08

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	23.13%	23.13%		
Instantaneous Equity Volatility	12,519.01%	8,470.44%	+4,048.57%	+47.80%
Market Leverage C	99.82%	99.73%	+0.09%	+0.09%
Market Value of Assets D	130.484	130.600	-0.116	-0.09%
Market Capitalization	0.230	0.340	-0.110	-32.35%
Share Price	0.020	0.030	-0.010	-33.33%
Shares Outstanding	11.500	11.333	+0.167	+1.47%
Default Point E	130.243	130.243		
Short-Term Liabilities	124.998	124.998		
Long-Term Liabilities	10.490	10.490		
Total Adjusted Liabilities	135.488	135.488		
Other				
Common Dividends	0.000	0.000		
Preferred Dividends	0.532	0.532		
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 Small & Mid-Size 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.



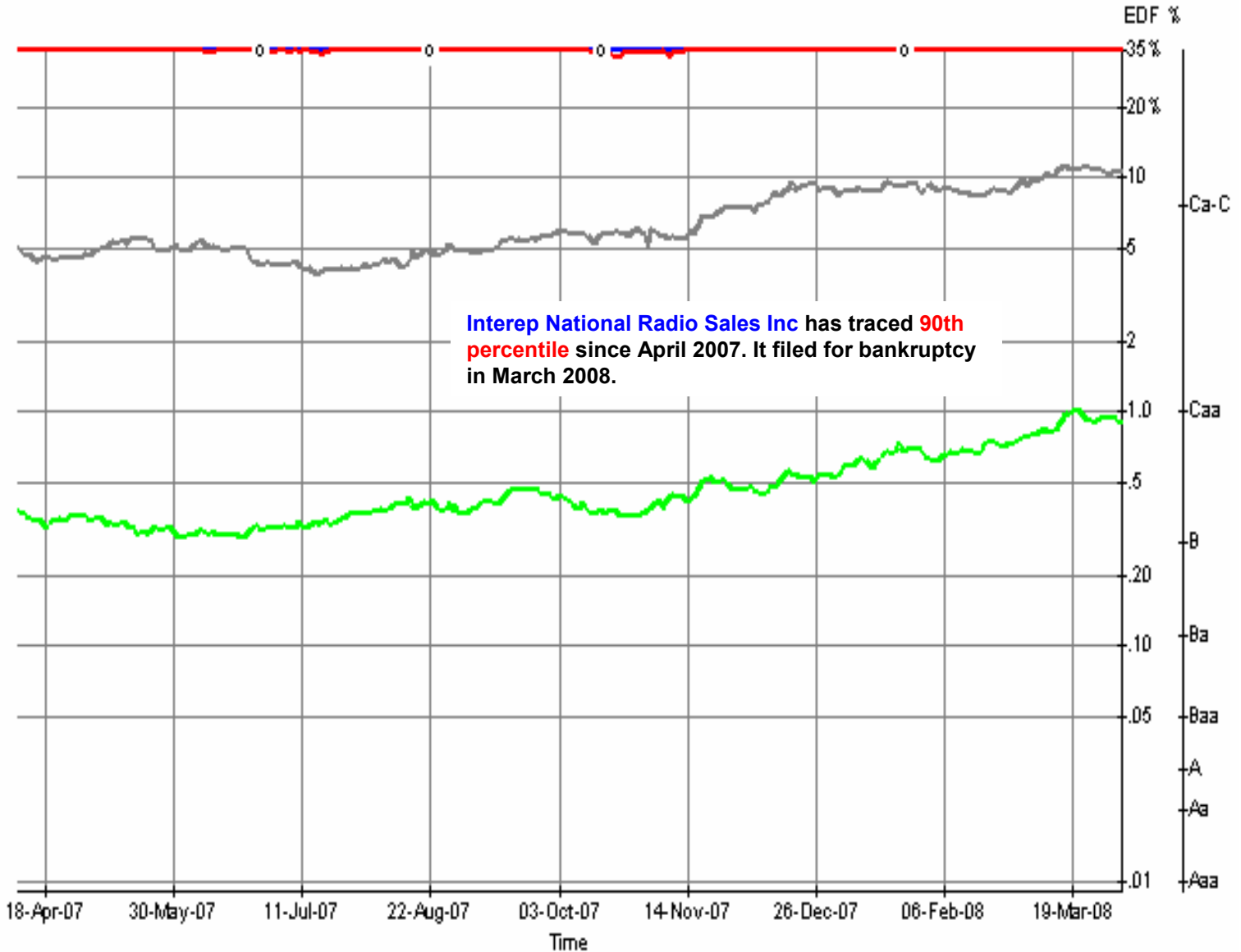
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Relative Analysis

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.



- INTEREP NATL RADIO SALES INC [IREP] EDF
- US BUSINESS SERVICES GROUP [USABSR] EDF - Median
- US BUSINESS SERVICES GROUP [USABSR] EDF - 75th Percentile
- US BUSINESS SERVICES GROUP [USABSR] EDF - 90th Percentile

Continue to RiskCalc EDF Analysis



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Leiner Health Products Inc

On March 10, 2008, **Leiner Health Products Inc** and certain of its U.S. affiliates, filed for Chapter 11 of the US Bankruptcy Code in Delaware. A group of pre-petition lenders has agreed to provide the company with \$74 million in DIP financing, which is subject to the court approval.

1-Year RiskCalc EDF: 10.81%

Moody's Senior Unsecured Rating: C

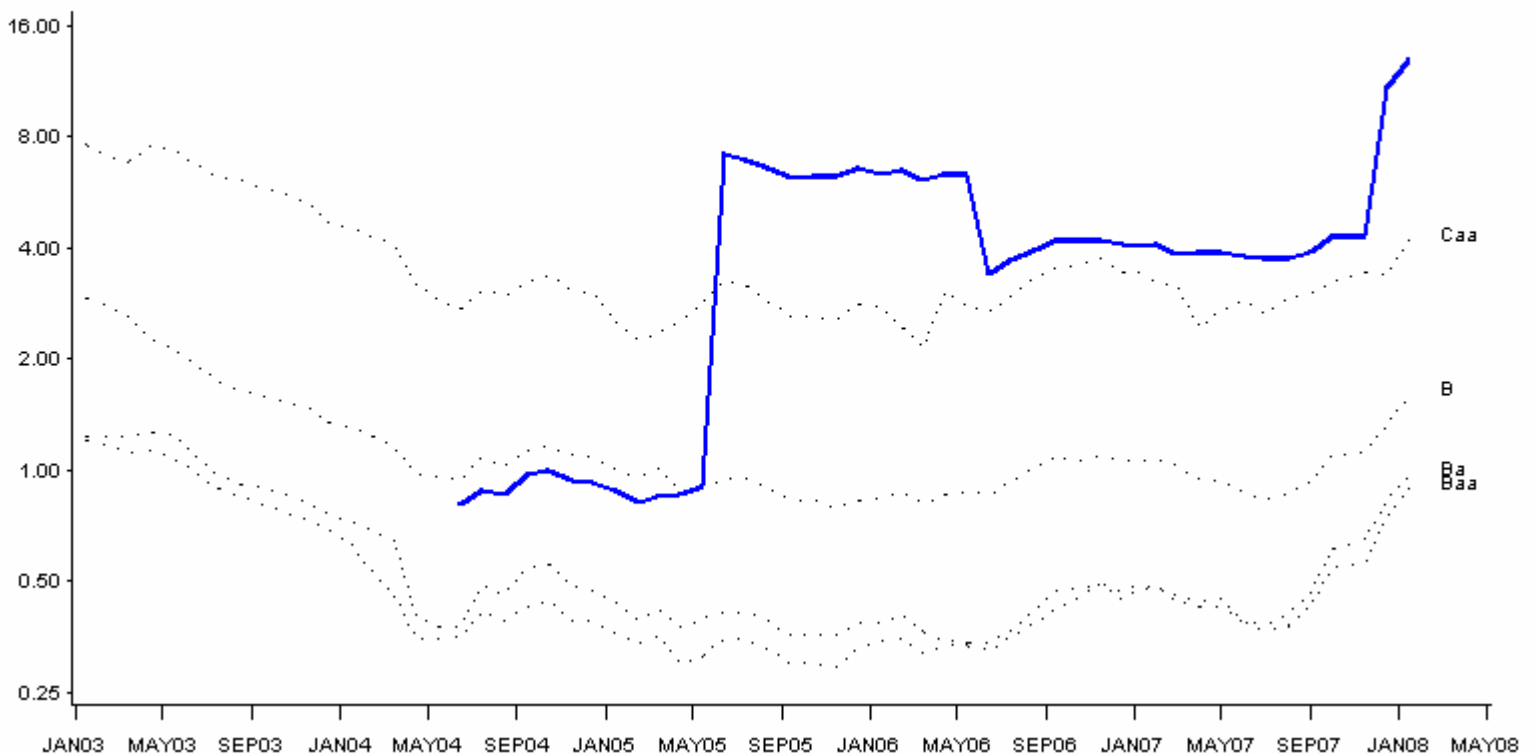
As Leiner Health Products Inc does not have common stock outstanding, its default risk can be assessed using RiskCalc™. RiskCalc™ is a web-based tool that utilizes statistical default probability models for private firms. Models are country-specific, with local validation and calibration using data from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

The company is a leading supplier of store brand VMS products and store brand OTC pharmaceuticals in the U.S. FDMC retail market. Most of its products are manufactured for its customers to sell as their own store brands. The company has long-term relationships with leading food, drug, mass merchant and warehouse club retailers and focus on the fastest-growing of these retailers—the mass merchants and warehouse clubs. In addition to its primary VMS and OTC products, the company provides contract manufacturing services to consumer products and pharmaceutical companies

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.

LEINER HEALTH PRODUCTS INC
RiskCalc EDF History



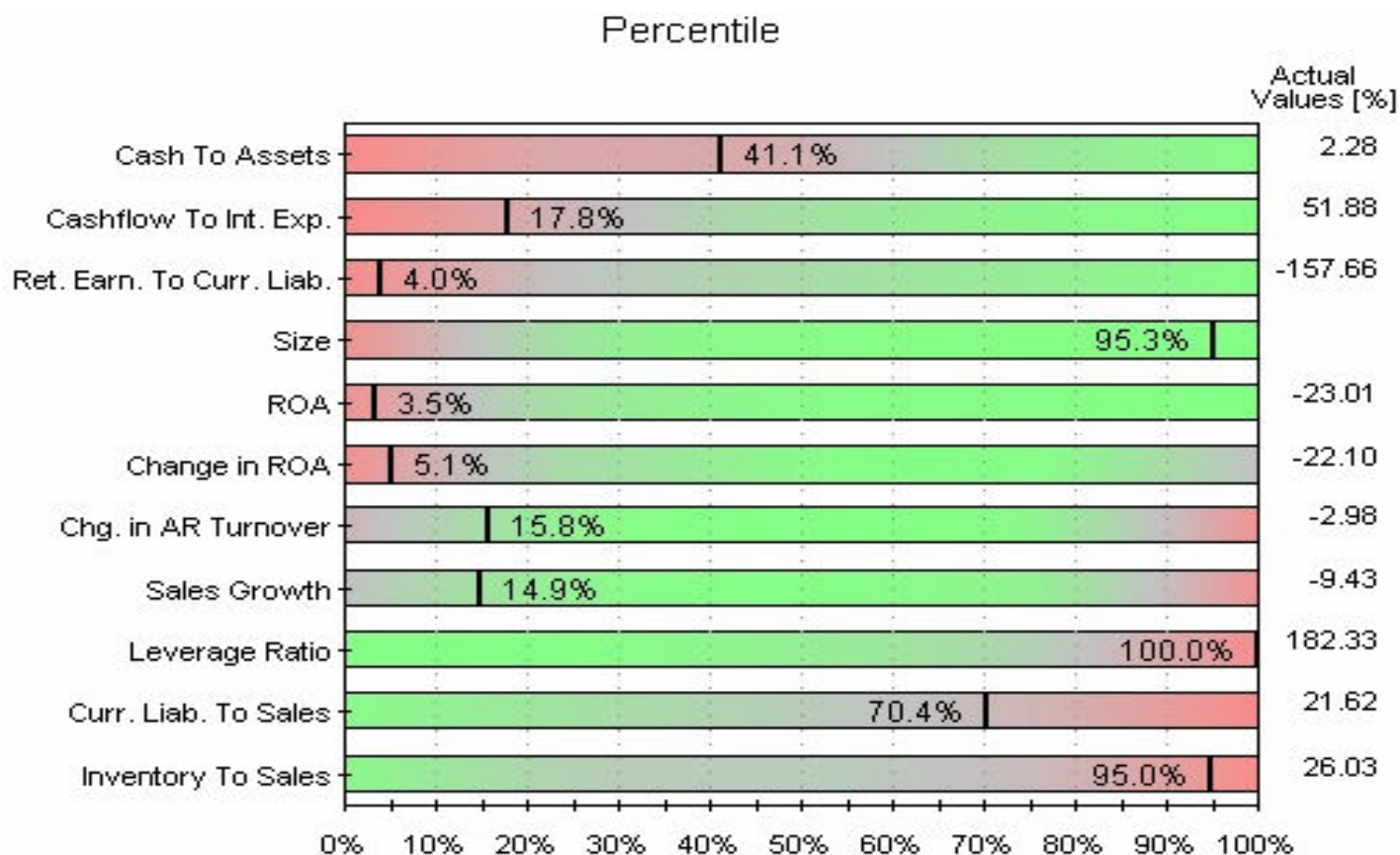
Continue to RiskCalc EDF Drivers



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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.



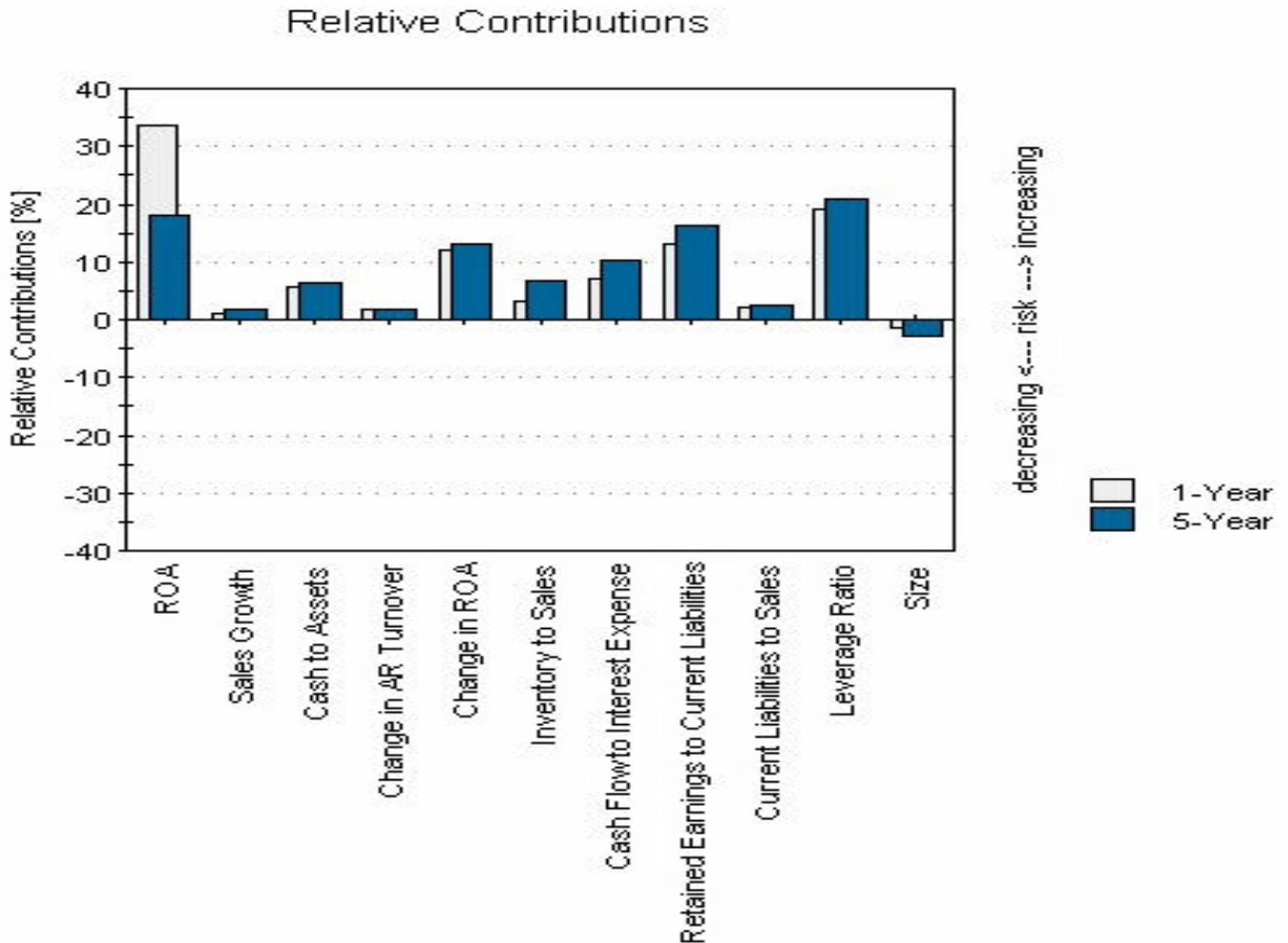
The **PERCENTILE** Graph plots the percentile of each ratio and provides the actual value in the right-hand column. The colors **RED**, **GRAY** and **GREEN** correspond to the level of risk, **HIGH**, **MEDIUM** and **LOW** associated with the specific value of the ratio.

For example, we can observe from the right-hand column that the *Leverage Ratio* is 182.33% which places it in the 100th percentile, and *Inventory to Sales* is 26.03% which placed it in the 95th percentile. Both are solidly in the red in terms of risk. The *Retained Earnings to Current Liabilities*, *ROA* and *Change in ROA* are negative, -157.66%, -23.01% and -22.10% 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.

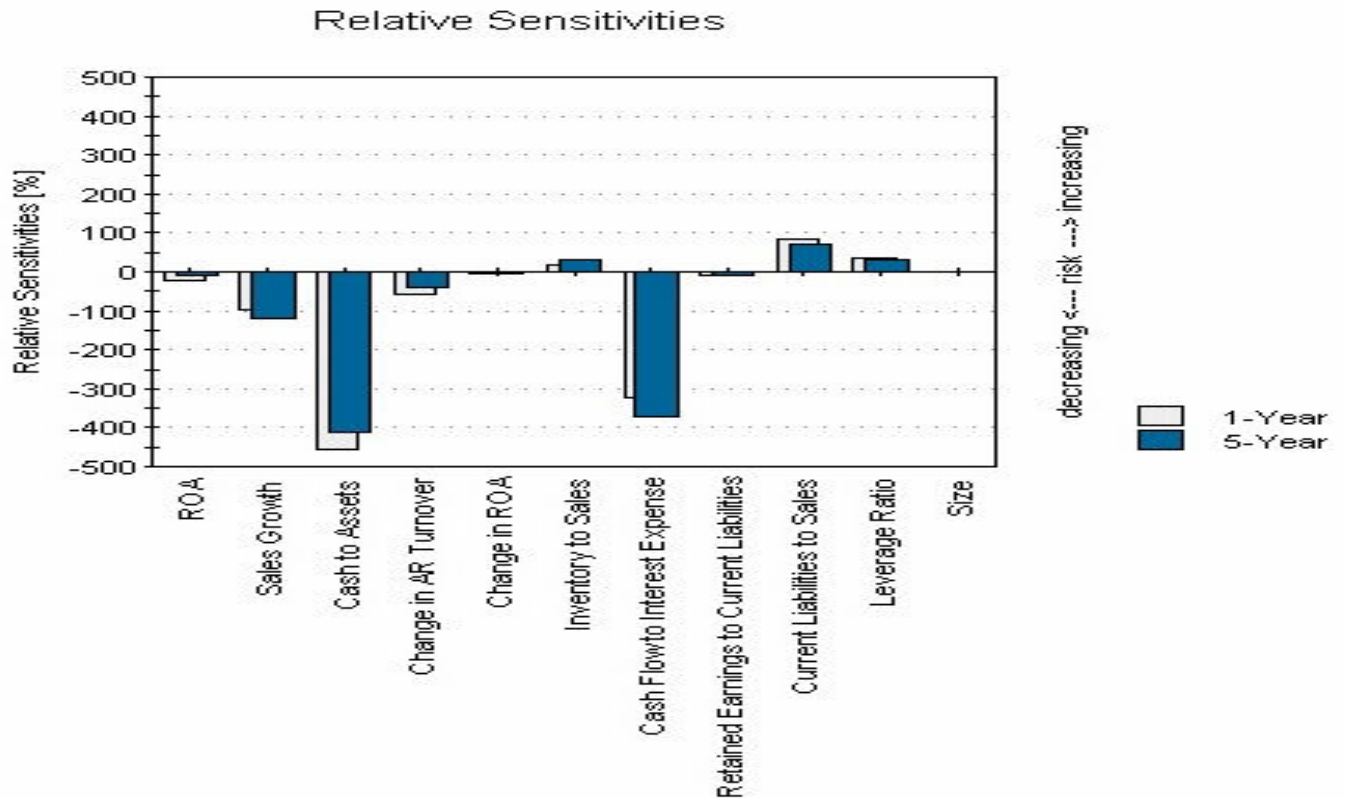


This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In case of the US 3.1 Model, the average EDF level is 1.7%. Relative Contributions are expressed relative to each other.

All of the ratios except *Size* are pulling up Leiner's EDF level relative to the average EDF level, with *ROA* and *Leverage Ratio* being the strongest, 33.60% and 19.06% respectively. *Retained Earnings to Current Liabilities*, *Change in ROA*, *Cash Flow to Interest Expense*, *Cash to Assets*, *Inventory to Sales*, *Current Liabilities to Sales*, *Change in AR Turnover* and *Sales Growth* 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.

Leiner’s EDF level is most sensitive to changes in *Cash to Assets* and *Cash Flow to Interest Expense*. 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 *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 *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 -455.73%, which means that shocking the firm’s *Cash to Assets* will lead to a change in the EDF level that is 4.56 times the size of the average EDF change from shocking any ratio.