

Primus Telecomm Group Inc (PRTL)

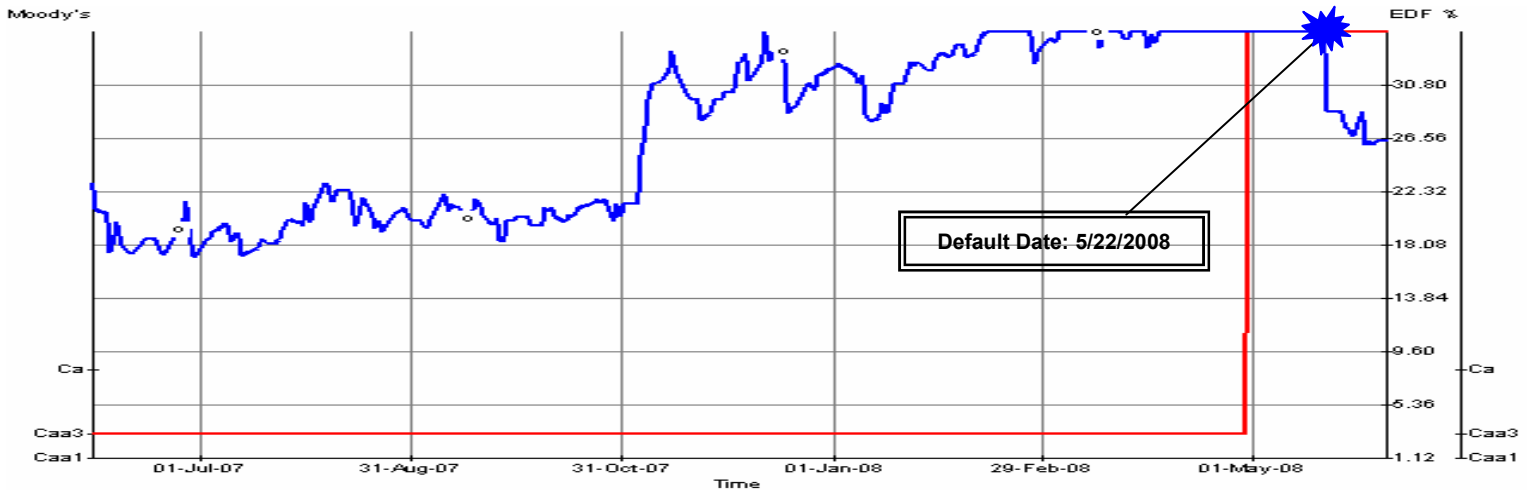
On May 22, 2008, **Primus Telecomm Group Inc**, a global facilities-based integrated telecommunications services provider, announced that it had completed a private exchange transaction to exchange a combination of \$4.7 million of cash and \$67.1 million principal amount of 14 1/4% senior secured notes, for a total of \$130.3 million of outstanding debt combination.

EDF™ as of May 22, 2008: 34.80%
Credit Category (not an agency rating): Ca

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.

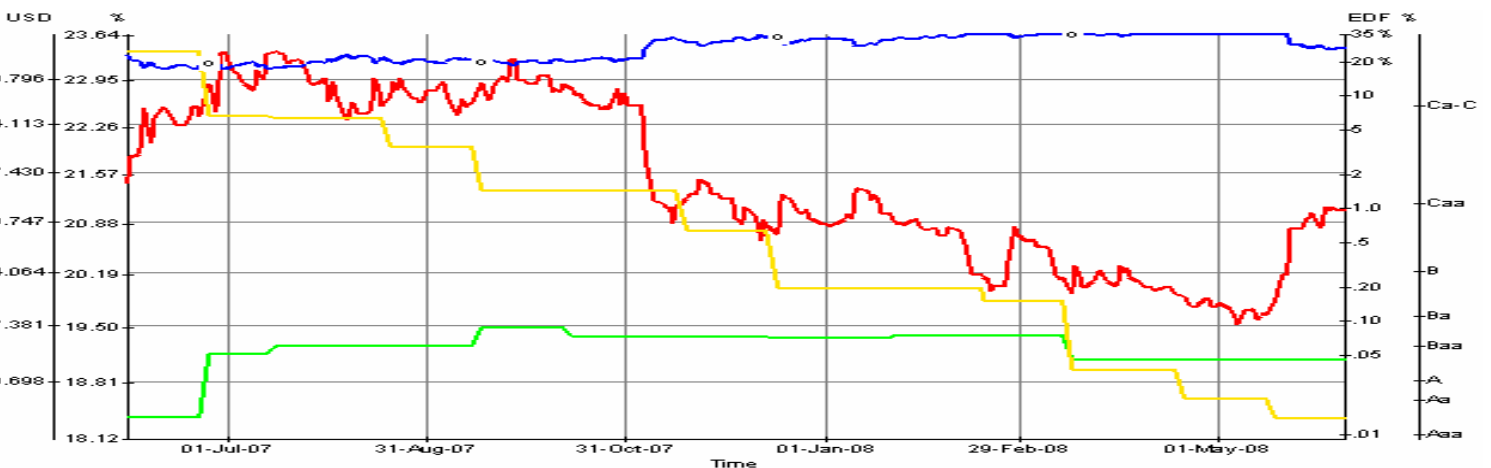
Company Profile

Primus Telecommunications Group caters to callers apt to call abroad. Primarily a provider of domestic and international long-distance and dial-up Internet service, the company has been working to expand its offerings to include Voice over Internet Protocol (VOIP), DSL, and wireless. Among its other service offerings are local phone service, prepaid calling cards, and Web hosting. The company launched VoIP service in the US and Canada in 2004. The US version, branded as Lingo, allows customers to select phone numbers that are "local" for calls originating in certain foreign countries. Affiliates of American International Group own about 25% of the company.



PRIMUS TELECOMM GROUP INC [PRTL] EDF

PRIMUS TELECOMM GROUP INC [PRTL] Moody's Rating



PRIMUS TELECOMM GROUP INC [PRTL] Default Point

PRIMUS TELECOMM GROUP INC [PRTL] Asset Volatility

PRIMUS TELECOMM GROUP INC [PRTL] EDF

PRIMUS TELECOMM GROUP INC [PRTL] Market Value of Assets

This chart shows that Primus Telecomm Group Inc's EDF Credit Measure reached 35% prior to its distressed exchange offer on May 22, 2008. In July 2007, the company had a market value of assets \$796 Million. The company continued to transform its business from telecommunication service re-seller to facilities-based business model and experienced negative cash flow. The market value of assets decreased to \$647 million in May 2008, which almost touched the default point, \$631million. Its asset volatility has remained high around 20% since July 2007. The decline of business value plus high financial risk, led the company to default.

Continue to EDF Details



Generated on June 9, 2008

EDF Information as of: May 22, 2008
 Financial Statement Date: December 31, 2007
 PRTL 8.000 01/15/14 '09 USD 8.00

mm/dd/yy

Define Current: 5/22/08

Define Previous: One Year

Amounts in: USD Millions (except Share Price)	Current	Previous	Amt Change	% Change
EDF	34.80%	25.63%	+917 bp	+35.78%
Credit Category A	Ca	Ca		
Asset Volatility B	18.37%	23.28%	-4.91%	-21.09%
Instantaneous Equity Volatility	134.73%	124.41%	+10.32%	+8.30%
Market Leverage C	93.76%	85.74%	+8.02%	+9.35%
Market Value of Assets D	672.721	704.127	-31.406	-4.46%
Market Capitalization	42.790	79.320	-36.530	-46.05%
Share Price	0.300	0.695	-0.395	-56.83%
Shares Outstanding	142.633	114.129	+28.504	+24.98%
Default Point E	630.755	603.696	+27.059	+4.48%
Short-Term Liabilities	238.351	253.411	-15.060	-5.94%
Long-Term Liabilities	662.727	609.012	+53.715	+8.82%
Total Adjusted Liabilities	901.078	862.423	+38.655	+4.48%
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.



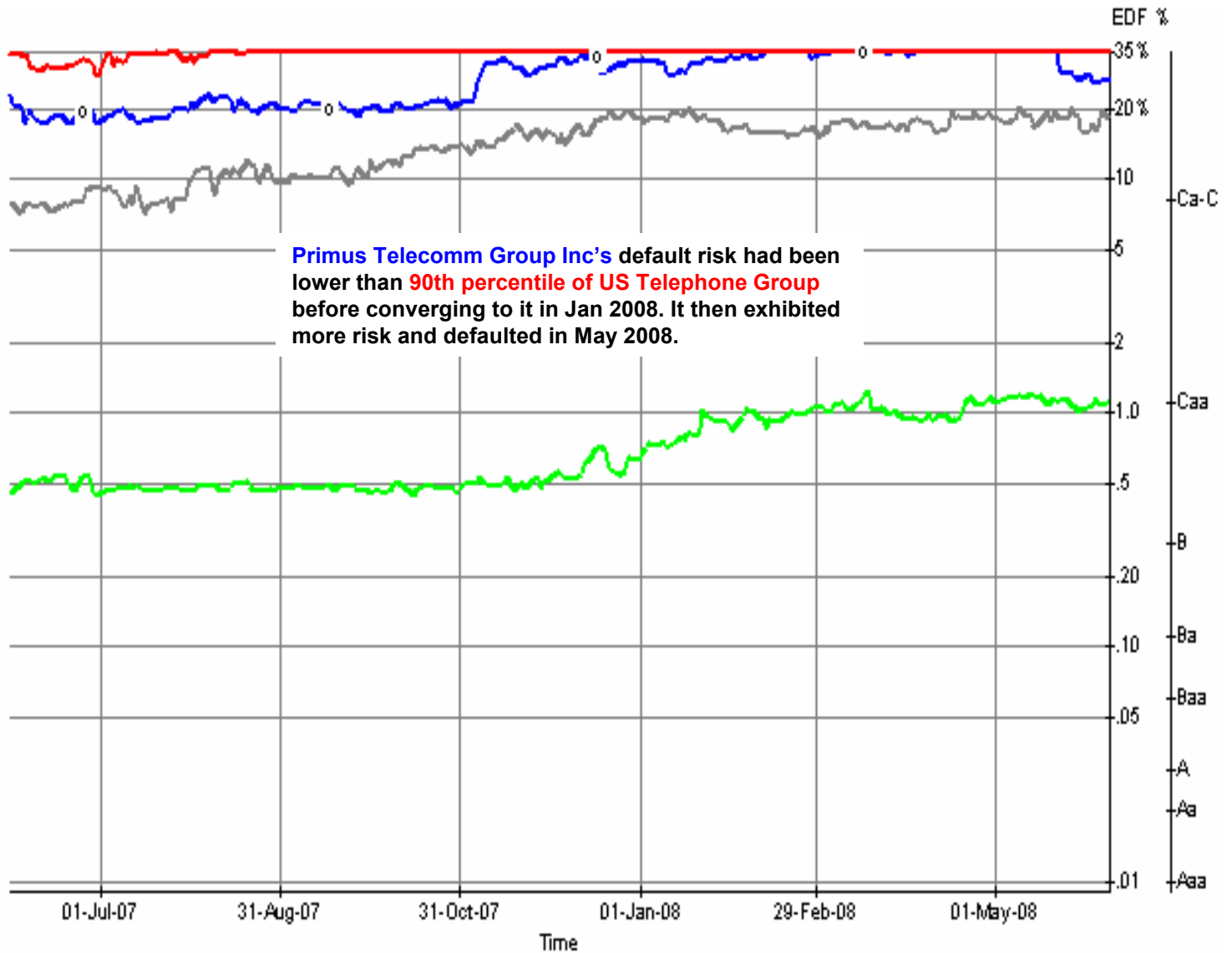
Generated on June 9, 2008

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.



Primus Telecomm Group Inc's default risk had been lower than 90th percentile of US Telephone Group before converging to it in Jan 2008. It then exhibited more risk and defaulted in May 2008.

- PRIMUS TELECOMM GROUP INC [PRTL] EDF
- US TELEPHONE GROUP [USATEL] EDF - Median
- US TELEPHONE GROUP [USATEL] EDF - 75th Percentile
- US TELEPHONE GROUP [USATEL] EDF - 90th Percentile

Continue to RiskCalc EDF Analysis



Generated on June 9, 2008

Herbst Gaming Inc

On May 15, 2008, **Herbst Gaming Inc**, announced that it failed to make the interest payment on the 7% senior subordinated notes due 2014 and that it would not make the June 1, 2008 interest payment on the 8 1/8% senior subordinated notes due 2012.

1-Year RiskCalc EDF: 15.69%

Moody's Senior Unsecured Rating: C

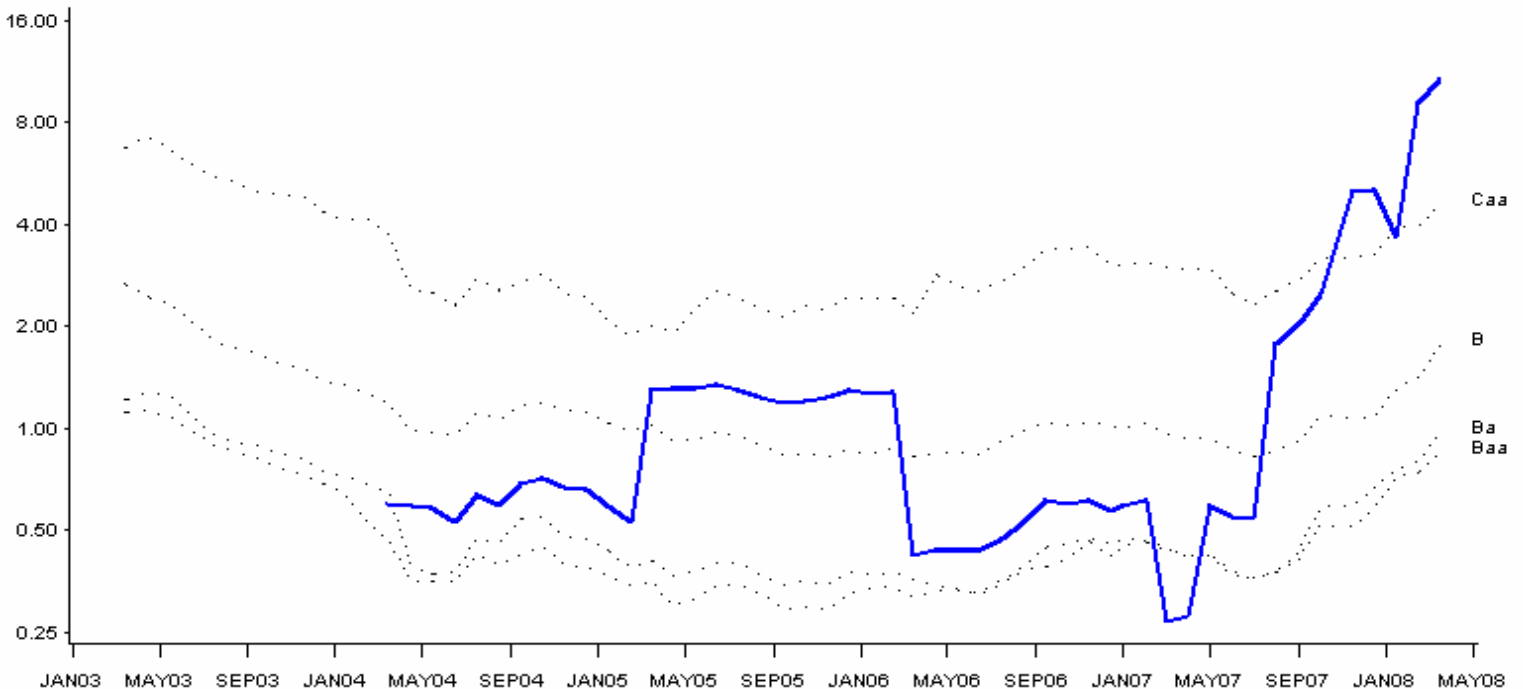
As Herbst Gaming Inc does not have common stock outstanding, its default risk can be assessed using RiskCalc™. RiskCalc™ is a web-based tool that utilizes statistical default probability models for private firms. Models are country-specific, with local validation and calibration using data from sponsor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

Herbst Gaming Inc focuses on two business lines: slot route operations and casino operations. Their slot route operations involve the exclusive installation and operation of slot machines in certain strategic, high traffic, non-casino locations, such as grocery stores, drug stores, convenience stores, bars and restaurants. The company currently has approximately 7,200 slot machines in its slot route business and is one of the largest slot machine operators in Nevada. As of December 31, 2007, its casino operations in Nevada consisted of 16 casinos. Five of these casinos focus on local gaming patrons, and include the ownership and operation of Terrible's Hotel & Casino in Las Vegas, Nevada and four other small casinos in southern Nevada operated under the Terrible's name. Its casino operations outside of Nevada consist of Terrible's St. Jo Frontier Casino in St. Joseph, Missouri ("St. Jo"), Terrible's Mark Twain Casino in LaGrange, Missouri ("Mark Twain"), and Terrible's Lakeside Casino Resort in Osceola, Iowa ("Lakeside Iowa").

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.

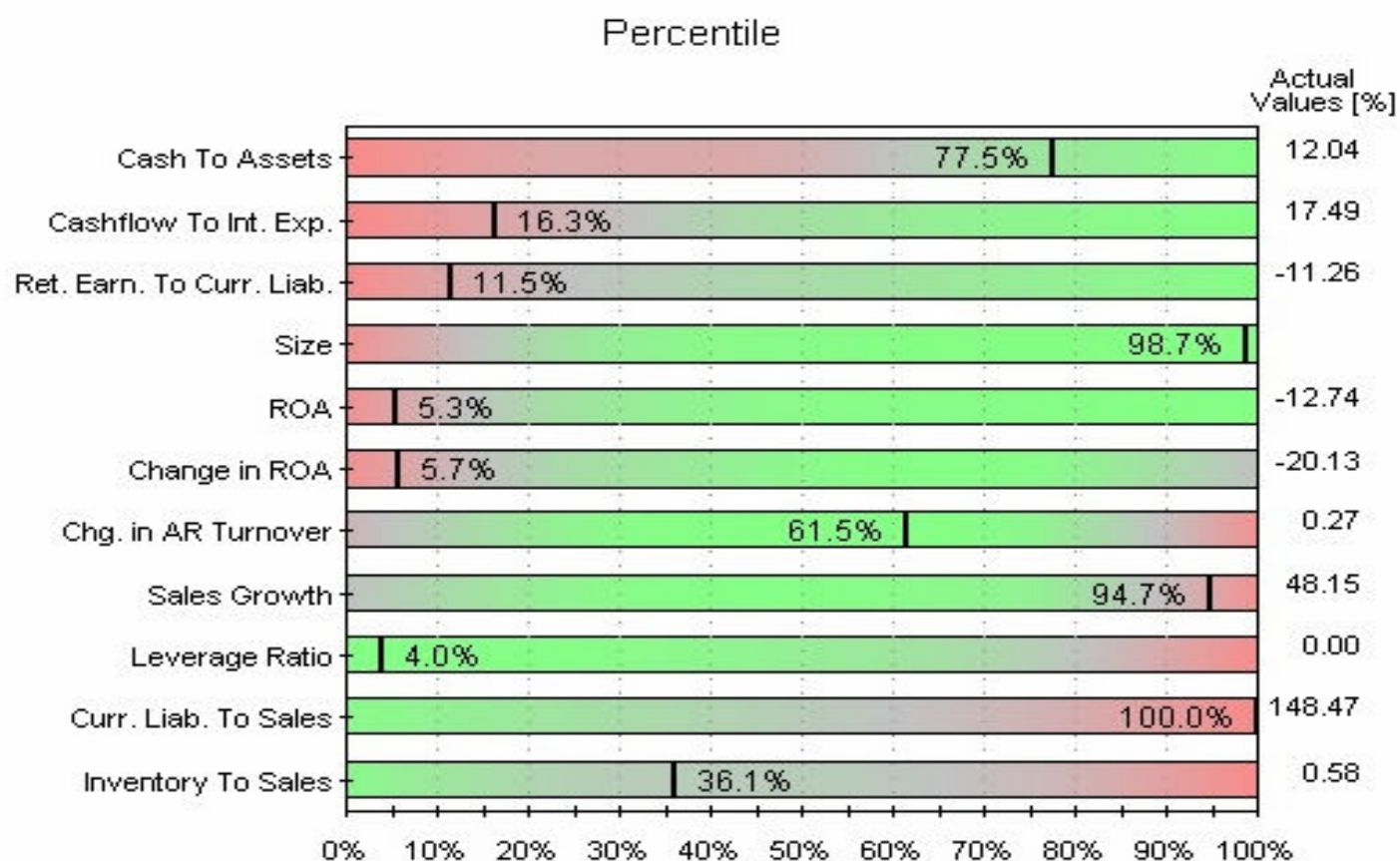
HERBST GAMING INC
RiskCalc EDF History



Generated on June 9, 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.



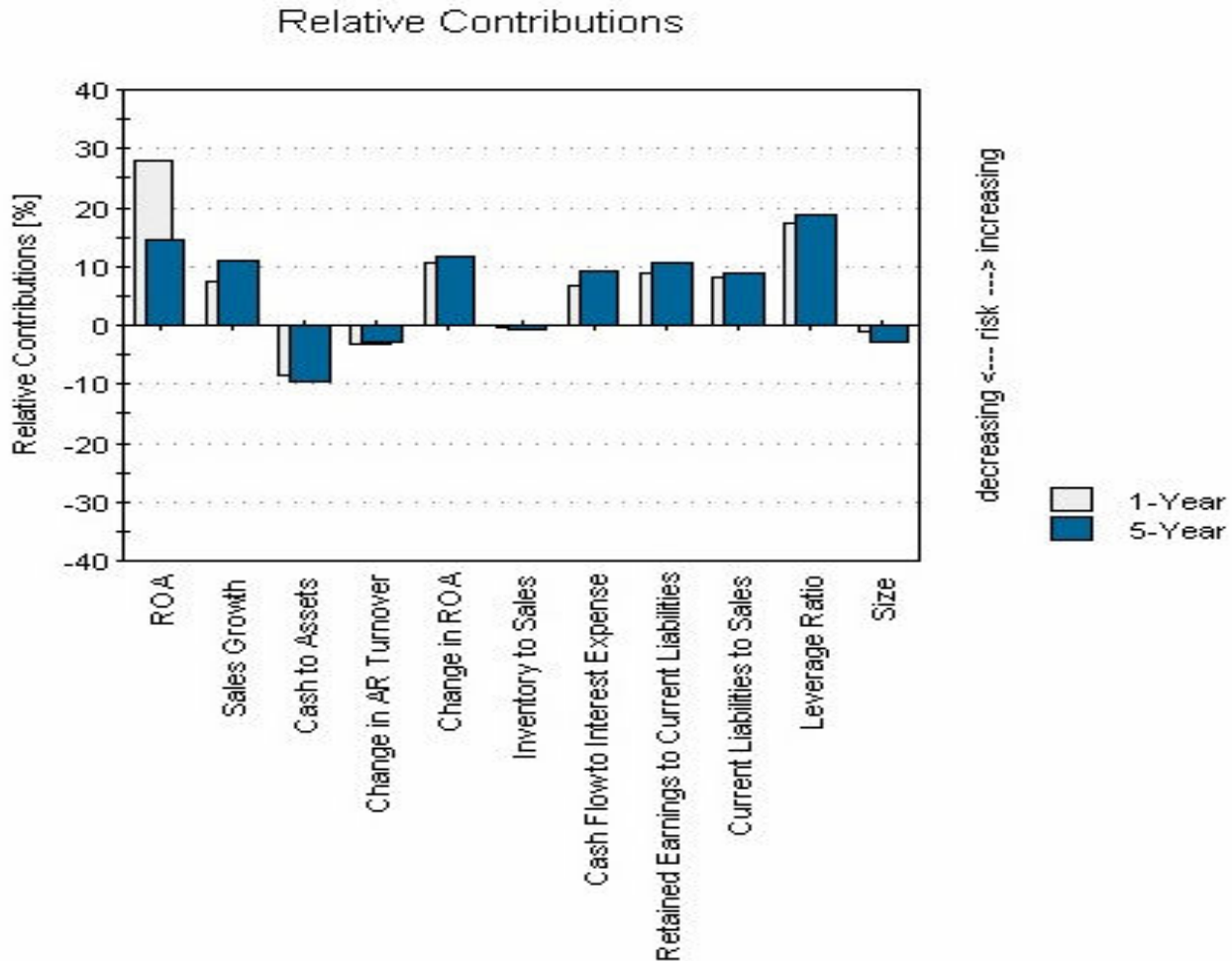
The **PERCENTILE** Graph plots the percentile of each ratio and provides the actual value in the right-hand column. The colors **RED**, **GRAY** and **GREEN** correspond to the level of risk, **HIGH**, **MEDIUM** and **LOW** associated with the specific value of the ratio.

For example, we can observe from the right-hand column that the *Current Liabilities to Sales* is 148.47% which places it in the 100th percentile, and *Sales Growth* is 48.15% which placed it in the 95th percentile. Both are solidly in the red in terms of risk. The *Change in ROA*, *ROA* and *Retained Earnings to Current Liabilities* are negative, -20.13%, -12.74% and -11.26% 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.

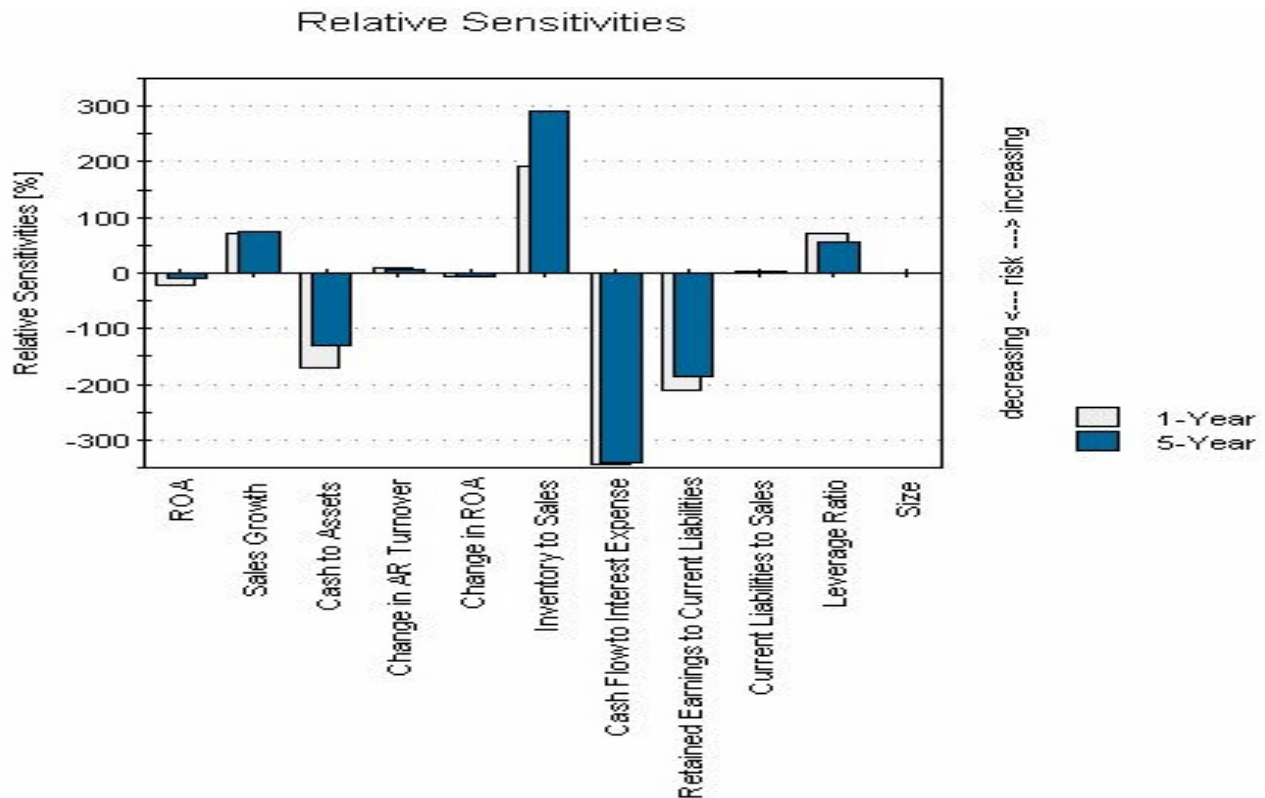


This graph explains how each ratio moves the firm's EDF level away from the average default rate of the firms that were used in the model development. In case of the US 3.1 Model, the average EDF level is 1.7%. Relative Contributions are expressed relative to each other.

All of the ratios except *Cash to Assets*, *Change in AR Turnover*, *Inventory to Sales* and *Size* are pulling up Herbst Gaming's EDF level relative to the average EDF level, with *ROA* and *Leverage Ratio* being the strongest, 27.91% and 17.29% respectively. *Change in ROA*, *Retained Earnings to Current Liabilities*, *Current Liabilities to Sales*, *Sales Growth* and *Cashflow to Interest Expense* 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.

Herbst Gaming’s EDF level is most sensitive to changes in *Cashflow to Interest Expense*, *Retained Earnings to Current Liabilities*, *Cash to Assets*, *ROA* and *Change in ROA*. 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 *Sales Growth* and *Current Liabilities to Sales* would also increase the EDF level.

The magnitude of Relative Sensitivity of *Cashflow to Interest Expense* is -344.09%, which means that shocking the firm’s *Cashflow to Interest Expense* will lead to a change in the EDF level that is 3.44 times the size of the average EDF change from shocking any ratio.