MOODY'S INVESTORS SERVICE

RATING METHODOLOGY

Debtor-in-Possession Lending

Table of Contents:

INTRODUCTION 1
SCOPE OF THIS METHODOLOGY 2
DIP FACILITY OVERVIEW 2
SCORECARD FRAMEWORK 3
OTHER RATING CONSIDERATIONS 12
ASSIGNING INSTRUMENT-LEVEL RATINGS 14
ASSUMPTIONS 14
LIMITATIONS 15
INFORMATION PROVIDED TO MOODY'S FOR THE ASSIGNMENT OF DIP RATINGS 16
APPENDICES 17
MOODY'S RELATED PUBLICATIONS 20

Analyst Contacts:

NEW YORK	+1.212.553.1653
William Fahy *Vice President - Senior Credit Officer* william.fahy@moodys.com	+1.212.553.1687
Janice Hofferber *Managing Director - Corporate Finance* janice.hofferber@moodys.com	+1.212.553.4493
Tom Marshella *Managing Director – US and America Corporate Finance* tom.marshella@moodys.com	+1.212.553.4668
TORONTO	**+1.416.214.1635**
Ed Sustar *Senior Vice President* ed.sustar@moodys.com	+1.416.214.3628

This rating methodology replaces the *Debtor-In-Possession Lending* methodology published in March 2009. The use of the methodology was expanded to include Canada and other jurisdictions with a comparable bankruptcy framework, in particular related to the granting of super-priority status to DIP facility providers and to the expected time frames for companies to exit bankruptcy. In addition, a scorecard sub-factor that considers the nature of the DIP was added.

Introduction

In this rating methodology, we explain our general approach to assessing credit risk for debtor-in-possession (DIP) loans[1] in the US and Canada as well as in other jurisdictions with comparable legal frameworks or mechanisms regarding bankruptcy or insolvency. This document provides general guidance intended to help the reader understand the qualitative and quantitative factors that are likely to affect DIP loan rating outcomes.

We discuss the scorecard used for DIP loans. The scorecard[2] is a relatively simple reference tool that can be used in most cases to approximate credit profiles for DIP loans and to explain, in summary form, many of the factors that are generally most important in assigning ratings to DIP loans.

We also discuss other rating considerations, which are factors that may be important for ratings but are not included in the scorecard, usually because they can be meaningful for differentiating credit profiles, but only in some cases. In addition, some of the methodological considerations described in one or more cross-sector rating methodologies may be relevant to DIP loan ratings.[3] Furthermore, since ratings are forward-looking, we often incorporate directional views of risks and mitigants in a qualitative way.

As a result, the scorecard-indicated outcome is not expected to match the actual rating for each company.

1 In this methodology, we use the terms "DIP loans" and "DIP facilities" interchangeably to mean the package of super-priority credit facilities, which may include a combination of a revolving credit with loans or notes.

2 In our methodologies and research, the terms "scorecard" and "grid" are used interchangeably.

3 A link to an index of our sector and cross-sector methodologies can be found in the "Moody's Related Publications" section.

Our presentation of this rating methodology proceeds with (i) the scope of this methodology; (ii) an overview of DIP facilities; (iii) the scorecard framework; (iv) a discussion of the scorecard factors; (v) other rating considerations not reflected in the scorecard; (vi) the assignment of instrument-level ratings; (vii) methodology assumptions; and (viii) limitations. In Appendix A, we describe how we use the scorecard to arrive at a scorecard-indicated outcome. Appendix B shows the full view of the scorecard factors, sub-factors, weights and thresholds.

Scope of This Methodology

This methodology applies to DIP loans in the US and Canada as well as in other jurisdictions where the legal framework or mechanisms regarding bankruptcy, insolvency or receivership[4] are comparable to those in the US and Canada, in particular with regard to the granting of super-priority status to DIP providers and the expected time frames for companies to exit bankruptcy.

This methodology does not apply to post-petition[5] structured finance transactions, such as financings that involve asset securitizations through bankruptcy-remote special purpose vehicles. This methodology does not apply to an issuer's pre-petition obligations.

DIP Facility Overview

DIP financing provides a company that is seeking bankruptcy-court protection with funds to operate its business while it develops and implements a plan of reorganization. As an incentive to lenders to extend funding to distressed corporate borrowers, the US Bankruptcy Code affords DIP lenders very strong protection against loss. Under Chapter 11 of the US Bankruptcy Code, section 364 grants DIP lenders super-priority status that establishes a right of DIP lenders to be repaid from collateral proceeds before any pre-petition creditors, regardless of whether the debtor company completes a Chapter 11 reorganization or is forced to liquidate its assets in a Chapter 7 proceeding. Bankruptcy courts in the US often grant DIP lenders liens on company assets, which have priority (known as priming liens) over liens held by secured lenders that occupied the highest positions in the company's pre-petition capital structure. Super-priority facilities may also be granted by bankruptcy judges in Canada, as provided for under the Companies' Creditors Arrangement Act (the CCAA), which, like Chapter 11, allows insolvent companies to reorganize and seek protection from creditors.

Importantly, before any post-petition loan can benefit from the super-priority claim status granted under section 364 of the US Bankruptcy Code, the facility must receive specific approval from the bankruptcy court administering the bankruptcy case and be designated as a DIP loan. Accordingly, this methodology relates only to facilities that have received such specific bankruptcy-court approval and qualify as DIP loans. Similarly, in Canada, super-priority status is granted by the judge, and this methodology applies only to Canadian DIP loans that have been granted this status.

DIP ratings are typically assigned at or around the time that the facilities are put into place and withdrawn shortly thereafter, because available information about the financial operating performance of the company and its progress toward emerging from bankruptcy is generally very limited.

Companies file for bankruptcy-court protection for many reasons, and each company takes a different path through the process. Most large companies that enter bankruptcy are able to reorganize and emerge, in which case the DIP loan is repaid. Yet some companies' reorganization efforts falter, resulting in a liquidation and an increased risk of loss for DIP creditors.

[4] For the purpose of brevity, from this point forward we will refer to any legal system of reorganizing an insolvent company as bankruptcy.
[5] Pre-petition financings are those that were put into place before a company entered bankruptcy by petitioning the court for relief from creditors, and post-petition financings are those put into place after a company has filed for bankruptcy.

Scorecard Framework

The scorecard in this rating methodology is composed of four factors. Some of the four factors comprise sub-factors.

EXHIBIT 1
Debtor-in-Possession Lending Scorecard

Rating Factors	Factor Weighting	Sub-factors	Sub-factor Weighting
Nature of Bankruptcy Filing and Reorganization	15%	Cause of Bankruptcy Filing	5%
		Nature and Scope of Reorganization	10%
Structural Features of the DIP Facility	25%	--*	25%
DIP Facility's Face Value as a Percentage of Pre-petition Debt	10%	--*	10%
Collateral Coverage	50%	--*	50%
Total	**100%**		**100%**

* This factor has no sub-factors.

Please see Appendix A for general information relating to how we use the scorecard and for a discussion of scorecard mechanics. The scorecard does not include every rating consideration.[6]Discussion of the Scorecard Factors

Factor 1: Nature of Bankruptcy Filing and Reorganization (15% Weight)

Why It Matters

The reasons for the bankruptcy filing and the nature and scope of the reorganization are critical, because the conditions that precipitated the filing and the complexity of the reorganization plan are primary indicators of whether a company can emerge from bankruptcy-court protection and repay the DIP facility. Bankruptcy protection can be very effective in rightsizing a company's liabilities and giving the company some breathing room to reinvest cash flow in the business. However, bankruptcy in itself cannot, for instance, protect a company from competition, resolve production difficulties or improve the operating environment. The nature and scope of the reorganization are important indicators of the likely duration of the bankruptcy and the likelihood of a successful emergence, which is lower in situations where the debtor's liability structure is highly complex and a great deal of business restructuring must be accomplished.

How We Assess It for the Scorecard

CAUSE OF BANKRUPTCY FILING:

Scoring for this sub-factor is primarily based on an assessment of the conditions that precipitated the bankruptcy filing, which can vary considerably. A high debt load resulting from a leveraged acquisition that coincides with a cyclical downturn in key markets can tilt a company into bankruptcy. Or a competitive shift in a company's business can cause cash flow to drop below a level sufficient to support its debt structure. In general, the more permanent and structural the conditions are that led to the bankruptcy, the more they will negatively influence the score for this sub-factor.

We consider whether the filing was caused by an external event, such as an adverse legal judgment, or whether a high debt load or an impaired business model led the company to file for bankruptcy.

In assessing the cause of the bankruptcy, we typically consider the company's financial condition and business model immediately before the filing. If a company's business model is strong, the company

[6] Please see the "Other Ratings Considerations" and "Limitations" sections.

generally has a greater likelihood of emerging from bankruptcy once the specific issues leading to the filing are resolved through the reorganization process. DIP facilities extended to companies with strong business models typically have higher scores for this sub-factor.

Companies that have fundamentally flawed business models, such as a company with a single product that has been overtaken in the market by competitors, typically have lower scores for this sub-factor. We typically view companies with weak business models as having the least potential for successfully emerging from bankruptcy, regardless of their liability structure.

NATURE AND SCOPE OF REORGANIZATION:

In assessing the complexity of the restructuring plan, we consider the number and types of liabilities that the company must renegotiate and the nature of the financial or business issues it must address while operating under bankruptcy-court protection.

Companies with simple debt structures, such as a single class of debt or a single lender, typically face a less complex reorganization because they have fewer parties to negotiate with. Such companies typically have higher scores for this sub-factor. Conversely, a company with a large number of secured, unsecured and subordinated creditors must navigate the competing interests and objectives of multiple parties with different priorities of claim. Further complications can arise where there is a large, specific claim related to employee pensions or other post-employment benefits (OPEB) that constitute a significant percentage of the total claims against the company. The existence of large, non-debt creditor classes, such as asbestos claimants, for example, can also greatly complicate and delay reorganization. Companies with larger and more complex liabilities subject to compromise typically have lower scores for this sub-factor.

In our assessment, we may also consider the amount of reinvestment needed to carry out a restructuring. Companies that must address relatively straightforward operating problems are in a stronger position during reorganization than those that must execute major transformative restructurings of key aspects of the business. Companies using the bankruptcy process to negotiate significant adjustments to the terms and conditions of complex contracts with labor groups or major customers or suppliers often face obstacles to timely emergence, and typically have lower scores for this sub-factor.

FACTOR 1

Nature of Bankruptcy Filing and Reorganization (15%)

Sub-factor	Sub-factor Weight	A	Baa	Ba	B	Caa
Cause of Bankruptcy Filing*	5%	Filing was precipitated by an external event, such as a large and unexpected liability (e.g., a legal judgment); company is not highly leveraged, reinvestment has been ample and its business model remains strong with no other large legacy claims; its products are in demand, and it has no large competitive disadvantages.	Filing was precipitated by a high debt load that the company is unable to service in the face of a cyclical downturn; its business model is sound and reinvestment was adequate prior to the filing; legacy liabilities are not significant and the company does not have any large competitive disadvantages.	Filing was precipitated by a high debt load that the company is unable to service due to longer-term trends that are undermining the business; competitive disadvantages may be emerging but are not yet at a critical level; business reinvestment was adequate prior to the filing; while the company may list non-debt liabilities (e.g., pensions, OPEB, environmental litigation) in its bankruptcy filing, they are not a primary consideration in the case.	Filing was precipitated by a failing business model that will require a major restructuring and large reinvestment; or an accumulation of debt and non-debt liabilities (e.g., pensions, OPEB, environmental, litigation) will likely outstrip future cash flow.	Filing was precipitated by a fundamentally flawed business model that cannot be easily corrected through restructuring and reinvestment, regardless of liability structure; debt and non-debt liabilities (e.g., pensions, OPEB, environmental litigation) are very likely to outstrip future cash flow.
Nature and Scope of Reorganization	10%	Reorganization appears straightforward; it will focus on the resolution of the external liability or judgment that precipitated the filing while operations should be largely unchanged; the liabilities subject to compromise are debt under 2-3 key facilities (but principally of a single priority), with vendor claims and other general claims that are of modest scale.	Reorganization is relatively uncomplicated; it will focus on rightsizing the debt load and correcting operating problems that are not of significant scale or complexity; the liabilities subject to compromise are debt under 3-5 facilities (1 or 2 priorities of claim), with vendor claims and other general claims that are of modest scale.	Reorganization is somewhat complex; it will require a significant business restructuring as well as rightsizing the debt load; the liabilities subject to compromise are debt under multiple facilities (with various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 10% of total claims.	Reorganization is challenging to execute; many aspects of the business must be restructured, and large reinvestment is needed; the liabilities subject to compromise are debt under multiple facilities (various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 30% of total claims.	Limited potential to successfully reorganize and emerge from bankruptcy; the liabilities subject to compromise are debt under multiple facilities (various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 50% of total claims.

* OPEB stands for other post-employment benefits.

Factor 2: Structural Features of the DIP Facility (25% Weight)

Why It Matters

The structural features of a DIP loan are important because they can provide investors meaningful protection against loss when reorganization plans begin to falter.

The willingness of lenders to inject new money into a distressed company provides an important indication of creditor confidence in the debtor's ability to restructure. The existence of upstream guarantees is also important because it establishes a direct claim at the operating subsidiary level, where the company's earnings, cash flow and primary hard assets reside.

Borrowing base features provide protection against loss because they can limit the amounts of debt outstanding in relation to available collateral value. The priority of liens is another important structural feature because it establishes which creditors get paid first. The nature of the collateral is important because different collateral types can be easier or harder to value and to sell.

Financial covenants that require the company to meet certain thresholds in its reorganization can provide early warnings to investors that a company is executing poorly on its business plan, making unnecessarily large capital investments or failing to maintain adequate liquidity.

How We Assess It for the Scorecard

In assessing the structural features of a DIP facility, we assign points for the existence and strength of a given structural feature, based on the descriptions in the table below.

FACTOR 2

Structural Features of the DIP Facility (25%)

Feature	3 Points	2 Points	1 Point	0 Points
Nature of DIP	Pure new-money DIP for which no priming liens are required.	Mostly new-money DIP for which some priming liens are needed.	DIP is relatively balanced between new money and rollover amounts, and there is a significant use of priming liens.	DIP is more heavily weighted to rollover amounts, and there is a very significant use of priming liens.
Upstream Guarantees	All subsidiaries have provided guarantees.	All principal operating units are guarantors, but not all subsidiaries have provided guarantees.	Some subsidiaries have provided guarantees, but some principal operating units are not guarantors.	No upstream guarantees.
Borrowing Base Structure	Yes, advance rates are conservative for the issuer's specific lines of business.	Yes, advance rates are normal for the issuer's specific lines of business (e.g., 85% on eligible accounts receivable, 65% on eligible inventory).	Yes, but advance rates are aggressive for the issuer's specific lines of business.	No borrowing base restrictions.
Priority of Liens	All of the collateral protection is achieved through first liens.	Most of the collateral protection is achieved through first liens, but there is some reliance on second liens.	Collateral protection relies heavily on second liens.	Collateral protection relies partly on third liens.
Nature of Collateral	Collateral coverage is completely provided by more-liquid assets, such as cash, marketable securities, accounts receivable and inventories.	Collateral coverage is largely provided by more-liquid assets, such as cash, marketable securities, accounts receivable and inventories, but there is some reliance on fixed assets.	Collateral coverage is provided by fixed assets.	Collateral coverage relies heavily on assets that are more difficult to value, such as intangible assets and stock of subsidiaries.
Covenants	Covenant package includes an operating performance test (minimum EBITDA), a minimum liquidity test (minimum cash) and some limitation on disbursements (maximum capital expenditures), and these are tested at least monthly.	Covenant package includes at least an operating performance test (minimum EBITDA) and some limitation on disbursements (maximum capital expenditures), and these are tested at least monthly.	Covenant package includes either an operating performance test (such as, minimum EBITDA) or some limitation on disbursements (maximum capital expenditures) and is tested less frequently than monthly.	Minimal or no financial covenants.

The results for an individual DIP facility are summed to produce an aggregate numeric score. The aggregate numeric score falls in a range of 0 to 18 points. A facility that includes a number of different, well-structured features has a higher score for this factor, indicative of a more protective structure.

Facilities that lack certain important features or where the specific features have weaknesses typically have lower scores for this factor. The aggregate score is then mapped to a broad rating category based on the scale below.

Factor Rating	A	Baa	Ba	B	Caa
Aggregate Score	> 15	12 - 15	8 - 11	4 - 7	0 - 3

NATURE OF DIP:

We assess the nature of the DIP facility primarily based on the facility's proportion of rollover money and new money. Rollovers occur when pre-petition secured borrowings are rolled over into term loans that are a part of the DIP facility. New-money portions of DIP loans can be term loans or revolving credit facilities and are often needed to assist a company in meeting incremental funding requirements of the business, such as seasonal builds in working capital. Lenders extend new money to bankrupt companies when unencumbered assets are available to provide sufficient collateral coverage or when they can secure bankruptcy court approval for priming liens on assets that have already been pledged to pre-petition lenders.

However, courts will grant such priming liens only on assets where there is a finding of "adequate protection" for pre-petition lenders whose loans are secured by the collateral. This may occur when the pre-petition lender is deemed to be over-collateralized and the excess collateral value can be used to secure incremental debt under the DIP facility. Typically, the existing lenders will participate in providing the new-money portion of the DIP loan while rolling some part of their pre-petition exposure into the rollover portion. The pre-petition lender effectively improves its position with respect to the portion of its pre-petition loan that is rolled over into the DIP, but in some cases this is necessary to get the DIP financing done.

DIP facilities with greater proportions of new-money advances where no priming liens are necessary typically have higher scores for this feature. An example is a manufacturing company that is able to attract new-money advances for working capital needs and that has unencumbered assets available to secure the new financing without priming its pre-petition lenders. DIP facilities that are more heavily weighted toward rollover advances (perhaps where larger new-money advances could not be achieved) or DIP facilities that rely heavily on priming lien s because all assets are fully encumbered by pre- petition lenders typically have lower scores for this feature.

UPSTREAM GUARANTEES:

Scoring for this feature is primarily based on the extent of upstream guarantees from subsidiaries or principal operating units. In many cases, companies have used borrowing structures that centralize debt at the parent company. If a DIP facility is provided to the parent company of a business, upstream guarantees help to establish a direct claim against the operating subsidiary. This is often necessary as part of the process of granting collateral. Through the use of upstream guarantees, it is also possible to gain some protection against any liabilities that might be created at the subsidiary level.

Facilities that have upstream guarantees from all subsidiaries or from all principal operating units typically have higher scores for this feature. Where some operating subsidiaries are non-guarantors, the facility will likely have a lower score . In some situations, foreign subsidiaries may not be able to provide guarantees of DIP facilities. In cases where not all material subsidiaries provide upstream guarantees, scoring involves analytical judgment and is typically based on the degree of earnings capacity, cash flow and asset value of guarantor and non-guarantor subsidiaries.

BORROWING BASE STRUCTURE:

In assessing this feature, we consider how conservative or aggressive advance rates are for a specific business. Many DIP facilities include revolving credit facilities under which the availability of funds to the debtor is based on specific advances against certain company assets, typically receivables and inventory. This approach regulates cash advances to the debtor company and ensures that the asset base that acts as collateral for the facility is well in excess of the amounts borrowed under the facility.

The most common structures in the US have included advance rates of 85% of eligible receivables and 65% against eligible inventory. We typically consider the advance rates used in a particular DIP facility in relation to the nature of the company's inventories and receivables as well as the way in which eligibility of inventory and receivables is defined. In general, DIP facilities that contain a borrowing base structure with conservative advance rates typically have the highest scores for this feature.

PRIORITY OF LIENS:

We expect that all tranches of a DIP facility will have super-priority status; i.e., all DIP tranches will be legally senior to any pre-petition liens (liens granted to creditors before the company entered bankruptcy.) In some cases, a DIP facility may consist of only one tranche, or the super-priority status of all tranches may be identical. However, DIP facilities may include a combination of revolving credit facilities and term loans, and liens granted to the various tranches of the facility may not be the same. In some cases, the new money portion of the DIP will have a claim that is senior to the rollover portion of the DIP.

In considering this structural feature for a particular tranche, we assess whether collateral protection (relative to the other tranches of the DIP) relies on first-, second- or third-lien claims.

In many cases, the revolving credit tranche may be secured by a first lien on the company's assets, and the term loan tranche may hold a second-lien position. In such cases the revolving credit would typically receive three points in the scorecard for this feature, while the term loan would receive one point.

Yet not all situations are clear-cut. In many DIP facilities, the revolving credit may have a first lien on current assets and a second lien on fixed assets, while the term loan may have a first lien on fixed assets and a second lien on current assets. In such cases, we typically assess how reliant each tranche is on the second-lien claim. In general, facilities that have a greater portion of collateral protection under first liens have higher scores for this feature than facilities that rely more heavily on second liens.

NATURE OF COLLATERAL:

In assessing this feature, we consider the mix of collateral supporting the DIP facility and how readily the assets can be converted into cash. Priority claim on current assets, such as receivables and inventory, which are most readily converted to cash, offers lenders strong protection from loss. A DIP facility mostly supported by liens on fixed assets and intangibles typically offers weaker collateral coverage. Although liens on fixed assets such as factories and equipment can often provide good protection, these assets generally take longer to convert to cash and their value can be more subject to market conditions. In the case of liquidation (Chapter 7 in the US),[7] these values can be highly volatile and lenders can be subject to a rapid erosion of protection from loss.

Other assets, such as intangibles, vary in their utility as collateral. The value of the trademark of a bankrupt restaurant chain, for instance, would typically depend on the ability of the chain to emerge from bankruptcy and restore profitable operations.

COVENANTS:

In assessing the quality of the covenant package, we consider whether the facility must meet certain operating performance and liquidity tests. We also consider whether the facility has limitations on capital expenditures.

Also important, a company undergoing reorganization typically must report its performance on a monthly basis, rather than on a quarterly basis, which enhances the lender's ability to monitor progress of the restructuring. In general, facilities that contain a broader range of financial covenants that are tested more frequently provide better protection for DIP investors and typically have higher scores for this feature.

Factor 3: DIP Facility's Face Value as a Percentage of Pre-Petition Debt (10% Weight)

Why It Matters

This factor is important because it is a primary indication of the amount of debt service a company will be required to pay during reorganization. Bankruptcy-court protection frees companies from paying pre-petition unsecured debt, allowing them to conserve cash. Although the cost of capital associated with a DIP facility can be high compared with conventional lending, a DIP facility that is significantly smaller than pre-

[7] In Canada, companies can be liquidated under the Bankruptcy and Insolvency Act or under the Winding-up and Restructuring Act.

petition debt is more affordable for the debtor, providing DIP lenders greater certainty of timely payment. If the DIP facility has rolled a large portion of pre-petition debt into the DIP, there is much less relief for the debtor and less assurance that cash flow will be sufficient to service DIP loans.

Additionally, to the extent that pre-petition debt represents the level of company assets, a low ratio of DIP loans to pre-petition debt is an indication of a larger asset base that can provide protection for DIP lenders.

How We Assess It for the Scorecard

DIP FACILITY'S FACE VALUE / PRE-PETITION DEBT:

The numerator is the DIP facility's face value, and the denominator is the level of pre-petition debt.

FACTOR 3

DIP Facility's Face Value as a Percentage of Pre-petition Debt (10%)

Factor	Factor Weight	A	Baa	Ba	B	Caa
DIP Facility's Face Value / Pre-petition Debt*	10%	≤ 10%	10 - 20%	20 - 30%	30 - 50%	> 50%

* For the linear scoring scale, the A endpoint value is 1%. A value of 1% or better equates to a numeric score of 4.5. The Caa endpoint value is 80%. A value of 80% or worse equates to a numeric score of 19.5.

Factor 4: Collateral Coverage (50% Weight)

Why It Matters

The value of the assets pledged as collateral against a DIP loan is critical to assessing how insulated DIP investors are from losses in the event that the reorganization effort fails and the issuer is liquidated.

Higher multiples of coverage provide more protection in the event of failure due to the potential for volatility in the value of the debtor's assets. In a liquidation, potential buyers have significant leverage to drive down asset sale values. A significant collateral cushion can protect DIP lenders from a potential loss resulting from a distressed sale of assets, when such a sale is necessary.

How We Assess It for the Scorecard

COLLATERAL VALUE / DIP FACILITY

The numerator is collateral value, and the denominator is the amount of the DIP facility.

FACTOR 4

Collateral Coverage (50%)

Factor	Factor Weight	A	Baa	Ba	B	Caa
Collateral Value / DIP Facility*	50%	≥ 3x	2 - 3x	1.25 - 2x	1 - 1.25x	< 1x

* For the linear scoring scale, the A endpoint value is 10x. A value of 10x or better equates to a numeric score of 4.5. The Caa endpoint value is 0.25x. A value of 0.25x or worse equates to a numeric score of 19.5.

In assessing collateral coverage, we typically estimate the value of the assets pledged as collateral, and we usually haircut stated values significantly to arrive at an adjusted value. We may estimate collateral value based on third-party appraisals of specific assets that use fair market, orderly or distressed liquidation assumptions, other third-party valuation information, or based on asset values for comparable assets in other transactions. We may use other valuation techniques for a company or its assets to arrive at an adjusted value for the collateral used in our analysis. We also may consider management estimates of realizable values, discounted cash flow models and the book value of assets on the balance sheet, among other sources of information.

Typically, we discount the stated values from these sources based on our assessment of the specific case at hand, our experience analyzing the specific industry, or our experience analyzing similar assets. We generally use values that reflect the potential for actual proceeds from a distressed sale of assets during bankruptcy to be lower than would be the case were the company a going concern. In addition, a company's receivables may have higher delinquency or loss rates, and upkeep and reinvestment in the company's assets may have been curtailed in the periods immediately before and during a bankruptcy proceeding. Thus, the values we use may appearconservative.

Our assessment of collateral value also typically considers the substantial variation in the types of collateral that can be pledged against a DIP loan. For example, more-liquid assets, such as receivables and inventory, would normally warrant lower discounts to stated values than assets that may be less liquid, such as trademarks, operating rights, or property, plant and equipment.

The value ascribed to a collateral package typically includes our general assessments of the quality of the assets and how liquid they are. Current assets, such as accounts receivable and inventory, are typically valued more highly than longer-term, less-liquid assets, such as property and equipment, intangibles, trademarks or stock of foreign subsidiaries. Current assets vary in quality. For example, we would ascribe less value to inventories that are perishable, are subject to change in consumers' taste or have high obsolescence risk than to products that are more durable and likely to be in steady demand. For commodity inventories, we typically consider market price volatility.

Asset-light companies often require a different type of analysis. Where the value of hard assets is marginal, secured lenders may rely on intangible assets or on adjusted enterprise value. In these situations, we may estimate the company's level of EBITDA generation and apply a distressed valuation multiple to arrive at an enterprise value for the company. For example, we may estimate EBITDA based on trends in the company's operating history (including the relative stability or volatility of EBITDA and the investment that has been necessary to maintain it), taking into consideration restructuring actions contemplated by the reorganization and our view of the likelihood that these actions will be successful. This type of analysis results in a greater level of uncertainty in the event that a plan of reorganization is unsuccessful and the DIP moves into liquidation, in part due to the uncertainty associated with estimating a steady-state EBITDA when the company is in a distress situation. As a result, all other things being equal, for DIP facilities that are largely secured by intangible assets, such as franchise rights[8], trademarks or brands, or where valuation relies heavily on EBITDA multiples, scoring for this factor is typically lower for asset-light companies than for DIPs that benefit from hard-asset collateral.

Considerations in Assessing Collateral Value

As mentioned above, the adjusted value of the collateral being pledged typically represents a significant haircut from the stated value. Where third-party appraisals are provided, we typically consider the nature and purpose of the appraisal.[9] Where distressed liquidation values are provided on specific assets, they typically have greater bearing on our assessment of adjusted value than appraisals using a standard base-value approach.

In assessing cash and marketable securities, the adjusted value typically reflects a lower value than that reported on the company's balance sheet at the time the rating is assigned. While bankruptcy-court administration of the company's reorganization may limit the risk of cash depletion, for purposes of analysis, we typically expect that by the time a liquidation of assets is needed to repay a DIP loan, much of the reported cash and marketable securities will have been expended in the reorganization effort and only minimal cash balances will remain as collateral protection for lenders. In situations where there are specific restrictions placed on the company in the form of restricted cash accounts for the benefit of DIP lenders or

[8] In relatively rare cases, franchise rights may provide the bankrupt entity a monopoly to provide an essential, widely used service, which we could view as a stable source of value, provided the franchise is not at risk of being withdrawn or substantially modified.

[9] For instance, appraisals may be more granular or more general, or more conservative or more liberal, based on the intended use, the type of appraisal (e.g., current market value or fair value), or the underlying assumptions used, including the expected sale period (e.g., distressed sale versus orderly sale).

where financial covenants set minimum levels of required cash balances, we will typically consider these protective features when assessing the adjusted value of cash and marketable securities.

In assessing accounts receivable or inventory pledged as collateral under a DIP facility, the adjusted value for this asset type will typically reflect a discount from reported values of between 15% and 30% for eligible receivables and between 25% and 50% for eligible inventory. Higher discounts may be appropriate in some situations. The discount will depend on an assessment of the specific collateral involved. For instance, a lower discount (i.e., a higher collateral value) may be used for a diversified pool of receivables due from highly rated industrial companies. A higher discount (i.e., a lower collateral value) may be used for inventory that we consider to have a high obsolescence or spoilage risk, such as inventories of fresh produce. As part of the assessment of receivables and inventory, we typically consider information such as accounts receivable ageing and loss trends, inventory turnover trends and shrinkage rates, concentration risks, and potential implications for the company's receivables and inventory from the bankruptcy-court filing.

For instance, the potential for higher delinquency or loss rates may be a consideration for the receivables of a bankrupt company that is unable to provide reliable ongoing product support to customers (such as service on a high-tech electronics product). We may also consider the nature of the receivables pledged and situations that could impair or delay the ability of lenders to collect, such as cases in which there are high concentrations of government receivables or foreign receivables. In our analysis, we consider borrowing-base calculations related to the assets. Where detailed analysis by third parties has identified certain receivables or inventory as ineligible assets, we typically apply a much higher discount than described above for such ineligible assets, or exclude the assets completely in our assessment of collateral value.

With respect to property, plant and equipment and any other tangible assets, we may adjust the value of the collateral based on the nature of the specific asset, its age and condition, if known, and its utility to third parties in the event of liquidation. In general, personal property such as machinery and equipment will be discounted between 50% and 75% from reported book values, unless there is strong evidence that supports a different discount rate, e.g., a stamping machine used in an auto parts plant may have limited utility for third parties and warrant an aggressive discount from book values while a relatively new aircraft owned by an airline may have greater intrinsic value and warrant a lower discount. In instances where real estate assets have been held by a company for an extended period and are carried on the books at values well below current market values, we typically consider third-party appraisals (adjusted for any tax that might be assessed upon sale) in arriving at the adjusted value.

In some situations, a company may pledge the stock of certain subsidiaries as collateral for a DIP loan. For example, a company that has profitable foreign subsidiaries that are not included in the bankruptcy filing may pledge the stock of these businesses as collateral. In these situations, we typically assess the earnings of each of the foreign subsidiaries as stand-alone entities and apply an EBITDA multiple (typically ranging between 4x and 7x for standard cases) to arrive at an implied enterprise value for the foreign subsidiaries, against which we net any debt of those subsidiaries. The multiple used will typically depend on comparable market values at the time we assess the DIP. We then may need to consider tax or other consequences that would diminish the value of the subsidiaries to creditors. For instance, in the US, we generally apply a discount to this value equal to the inverse of the amount the tax code effectively limits in terms of the pledging of foreign subsidiary assets as collateral (e.g., a 33% discount to reflect a tax code that limits pledging to two-thirds of the holder's ownership interest).

In assessing the value of intangible assets, the specific nature of the intangibles is important. Intangible assets, such as customer lists, trademarks and goodwill, often have limited realizable value for a company undergoing the bankruptcy process. However, where intangibles involve, for example, patents on high-value drug technologies in the case of pharmaceutical companies or airwave rights for broadcasters, the realizable value may be significant.

Other Rating Considerations

Ratings may include additional factors that are not in the scorecard, usually because they may have a meaningful effect in differentiating credit quality, but only in some cases. Such factors include financial controls and the quality of financial reporting; the quality and experience of management; assessments of corporate governance as well as environmental and social considerations; exposure to uncertain licensing regimes; corporate legal structure; and possible government interference in some countries. Regulatory, litigation, liquidity, technology and reputational risk as well as changes to consumer and business spending patterns, competitor strategies and macroeconomic trends also affect ratings.

Following are some examples of additional considerations that may be reflected in our ratings and that may cause ratings to be different from scorecard-indicated outcomes.

Uncertainties Inherent in Bankruptcy Proceedings

Bankruptcy courts, including those in the US and Canada, have considerable latitude to make judgments that can result in different outcomes based on the particular circumstances for the issuer, its creditors and its perceived prospects for achieving an orderly reorganization. Our approach considers that all outcomes cannot be predicted. For example, in the US, the court has the power to limit actions by the DIP lenders following covenant violations if doing so is deemed consistent with the goals and purpose of Chapter 11 bankruptcy proceedings. Where uncertainties regarding the reorganization process are significant, the ratings of DIP facilities can be adversely affected.

Unpredictable Changes in Collateral Value

The significant uncertainties involved in the bankruptcy process can give rise to a range of issues that can meaningfully influence the potential value of collateral in a DIP loan. Estimating the value of collateral is subject to substantial uncertainty. In addition, the market value and liquidity of collateral may fluctuate over time, sometimes on a rapid and unpredictable basis. Where collateral values have a high potential for variability over time, the ratings of DIP facilities can be adversely affected.

Impact of External Forces on Reorganization Effort

The economic, political and social consequences of a company's failure to emerge from bankruptcy can also influence the reorganization process and affect our ratings of DIP facilities. A company's reorganization can be aided or hindered by external considerations, such as its political or economic influence in a particular region or on a particular constituency. A large employer in a region with little economic diversity may garner more indirect support from the community and government in its reorganization efforts than a small employer. Similarly, companies that represent a significant portion of the tax base in a region, or that are large exporters or that offer unique or critical technologies (such as a defense contractor) may find greater government or community support in their reorganization efforts.

Also, the amount of support a company receives from large customers, suppliers and labor groups depends in part on its degree of importance to those stakeholders and can have an important influence on a company's efforts to reorganize.

DIP Size / EBITDA

A company's earnings and ability to generate cash flow can be important considerations in assessing its ability to successfully reorganize and emerge from bankruptcy protection.

Just as Debt/EBITDA is used in assessing the credit quality of going concerns, the size of the DIP loan relative to EBITDA can be used in assessing the credit quality of a DIP loan. However, the typical range of Debt/EBITDA ratios for a particular rating category in an industry is not directly applicable in assessing DIP/EBITDA. Generally, because the size of the DIP loan included in the numerator would exclude all of the company's pre-petition debt (and debt-like claims included in Moody's standard adjustments), the ratio of DIP/EBITDA for a given rating level may be considerably smaller.

Although analysts may use this metric in assessing DIP facilities, it has not been specifically built into the scorecard because of the significant variability that can occur in defining and measuring EBITDA of a bankrupt entity, as was noted in the discussion of the Collateral Coverage factor. Trailing pre-petition EBITDA is not fully informative, because it does not take into consideration the restructuring actions contemplated by the reorganization. Current post-petition EBITDA may be more informative, but it often requires significant adjustments stemming from specific aspects of the reorganization, which could cloud the metric. Scenario analysis of post-emergence EBITDA is subject to substantial uncertainty, due to the high number of variables that affect it, including the market for the company's products and the company's ability to fully implement its plan of reorganization.

Because of this variability, both in the potential range of EBITDA and in the confidence we may have in any particular scenario, specific DIP/EBITDA thresholds are not a meaningful tool for analysis, because they cannot be uniformly applied. Nevertheless, as a general consideration, when a company's DIP facility is of modest scale in relation to the EBITDA level that the company can be reasonably expected to generate, it can be a credit strength. Alternatively, when the size of the DIP facility is a higher multiple of EBITDA or the company's ability to generate EBITDA is highly uncertain, the DIP rating may be adversely affected.

Term of DIP Facility

Generally, the original term of a US or Canadian DIP facility is 12 to 18 months in order to provide the company with sufficient time to develop and gain approval for a plan of reorganization and to implement it. In the US, this time frame is set in consideration of a provision in the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 that limits a bankruptcy court's ability to extend beyond 18 months from the date of the original bankruptcy filing the period during which a bankrupt company has an exclusive right to file a plan of reorganization.

Reorganizations that extend beyond this period of exclusivity can become more complicated by competing plans of reorganization, and the process of sorting out these competing plans can cause even greater delays in emerging from bankruptcy. If such delays preclude emergence from bankruptcy before the scheduled maturity of the DIP facility, a forced refinancing of the DIP facility may be needed.

In Canada, proceedings are also typically expeditious. While the specific legal procedures regarding exclusivity and competing plans are different from those in the US, there is typically a similar analysis of the factors that could complicate or delay the proceeding beyond the term of the DIP facility.

Specific Granting of DIP Status by Court

The super-priority status of a DIP facility is effective only if the facility has been approved as a DIP facility by the bankruptcy court. Absent this specific approval by the court, the facility would be regarded as a general claim in the bankruptcy case and would not be afforded the rating benefit associated with a DIP facility.

For these reasons, we assign DIP ratings only in cases where court orders have been issued that grant DIP status to the facility. In some cases, the court may issue an interim order that grants DIP status for only a portion of the total contemplated facility, with the ultimate intention of granting DIP status to the full facility at a later date. Because the super-priority status of the DIP is critically dependent on receipt of the court order, in such cases we assign ratings only for the portion of the facility that has been approved by the court. The portions of the contemplated DIP facility that are subject to a subsequent court decision may be rated once the court has expressly granted DIP status to the larger facility.

Delayed Draw Features on Facilities Subject to Certain Events or Thresholds

Some DIP facilities contain delayed draw features that make advances subject to certain conditions or events being satisfied by the company, which can reduce risk to lenders. For instance, a DIP facility might limit a company's access to the full amount of the facility until the company achieves a certain level of EBITDA, achieves certain cost reductions, or achieves certain milestones in its restructuring plan. Such conditions limit lenders' exposure until a higher probability of a successful restructuring, as measured by the defined threshold, is achieved. To the extent that these features reduce overall risk, they can support the facility's credit strength.

Mandatory Prepayment Requirements

Some DIP facilities contain provisions that require repayment of the DIP facility (and possibly a reduction of the commitment) from the proceeds of asset sales or with funds from an excess cash-flow sweep. Such features are important considerations because they can help reduce overall exposure for DIP lenders.

Reporting Requirements

DIP facilities have various reporting requirements, including periodic reporting related to operating performance, covenant compliance, borrowing-base calculations and updated appraisals. Operating performance, covenant compliance and borrowing-base calculations may be required on weekly, monthly or quarterly time schedules, and appraisals may be required on an annual, semiannual or as- needed basis. In general, the more frequent the reporting requirements are and the greater the information flow is to DIP lenders, the more favorably we view these requirements in our assessments.

Assigning Instrument-Level Ratings

The scorecard-indicated outcome is oriented to the super-priority debtor-in-possession debt and debt facilities.

Our notching for the various classes of debt in a DIP facility is described in this section. For clarity, we do not use our cross-sector methodologies for notching of corporate instruments or loss given default for DIP facilities because DIP facilities have super-priority status under the relevant bankruptcy code or insolvency framework.[10]

As described in the "Priority of Liens" section of the Structural Features factor, the various tranches of a DIP facility may have different priority positions in the collateral relative to each other, and their ratings may also be different based on their respective collateral positions. In other cases, the collateral coverage for all the tranches may be sufficiently similar that their ratings are the same.

In cases where there is a distinction of priority among tranches based on all of the collateral, the collateral coverage of the senior-most tranche would typically be calculated based on all of the collateral, and the collateral coverage for junior tranches would be calculated based on the remaining collateral after satisfying the more senior tranches. In this analysis, we may estimate the revolving credit usage based on the issuer's history of working capital usage and restructuring plan, including the investments that are expected to be made.

In cases where there are different collateral packages (e.g., the revolving credit has a first lien on current assets and a second lien on fixed assets, while the term loan has a first lien on fixed assets and a second lien on current assets), we would typically calculate the collateral coverage for each tranche based on the value of its first-lien collateral plus the value (if any) of the junior-lien collateral after satisfying the tranches holding the more senior position in that collateral.

The relative ratings of each tranche may also be informed by our confidence level in the overall collateral or the different components of that collateral, and we may also consider the likelihood, if any, that the size of a particular DIP debt class could be increased during the restructuring.

Assumptions

Key rating assumptions that apply to DIP loans include our view that sovereign credit risk is strongly correlated with that of other domestic issuers, that legal priority of claim affects average recovery on different classes of debt sufficiently to generally warrant differences in ratings for different debt classes of the same issuer, and the assumption that access to liquidity is a strong driver of credit risk.

[10] Please see the discussion of notching considerations in the "Other Rating Considerations" section.

Our forward-looking opinions are based on assumptions that may prove, in hindsight, to have been incorrect. Reasons for this could include unanticipated changes in any of the following: the macroeconomic environment, general financial market conditions, industry competition, disruptive technology, or regulatory and legal actions.

Limitations

In the preceding sections, we have discussed the scorecard factors, many of the other rating considerations that may be important in assigning ratings, and certain key assumptions. In this section, we discuss limitations that pertain to the scorecard and to the overall rating methodology.

Limitations of the Scorecard

There are various reasons why scorecard-indicated outcomes may not map closely to actual ratings.

The scorecard in this rating methodology is a relatively simple tool focused on indicators for relative credit strength. The scorecard is also limited by its upper and lower bounds, causing scorecard-indicated outcomes to be less likely to align with ratings for issuers at the upper and lower ends of the rating scale.

The weights for each sub-factor and factor in the scorecard represent an approximation of their importance for rating decisions across the DIP loan universe, but the actual importance of a particular factor may vary substantially based on an individual company's circumstances.

Factors that are outside the scorecard, including those discussed above in the "Other Rating Considerations" section, may be important for ratings, and their relative importance may also vary from company to company. In addition, certain broad methodological considerations described in one or more cross-sector rating methodologies may be relevant to DIP loan ratings.[11] Examples of such considerations include the following: how sovereign credit quality affects non-sovereign issuers and the assignment of short-term ratings.

Furthermore, in our ratings we often incorporate directional views of risks and mitigants in a qualitative way.

General Limitations of the Methodology

This methodology document does not include an exhaustive description of all factors that we may consider in assigning DIP loan ratings. Companies issuing DIP facilities may face new risks or new combinations of risks, and they may develop new strategies to mitigate risk. We seek to incorporate all material credit considerations in ratings and to take the most forward-looking perspective that visibility into these risks and mitigants permits.

Ratings reflect our expectations for an issuer's future performance; however, as the forward horizon lengthens, uncertainty increases and the utility of precise estimates, as scorecard inputs or in other rating considerations, typically diminishes. In any case, predicting the future is subject to substantial uncertainty.

[11] A link to an index of our sector and cross-sector methodologies can be found in the "Moody's Related Publications" section.

Information Provided to Moody's for the Assignment of DIP Ratings

We may receive DIP rating requests at different stages during the bankruptcy process, and therefore the nature and detail of the information provided to us can vary from situation to situation. For instance, when a DIP rating request is made several weeks after the initial bankruptcy filing by a company, a relatively detailed plan of reorganization may be available for submission in the rating process. However, for a rating request made within the first few days after a bankruptcy filing, it is less likely that a detailed plan of reorganization would be available.

In general, the following types of information are often provided to us as part of our analysis of DIP loans. This list is not meant to define specific information requirements for every rating request, nor is it meant to contemplate every type of information that could be needed to rate a specific DIP loan.

» Copy of the petition filed with the bankruptcy court detailing, among other information, the specific entities included or excluded from the bankruptcy filing, the liabilities of the company potentially subject to compromise, and the court overseeing the bankruptcy case.

» Copy of the court order (or interim order) designating the debtor-in-possession status of the specific facility to be rated.

» Information regarding the company's plan of reorganization, including financial and liquidity forecasts detailed on a quarterly, or preferably monthly, basis for the reorganization period. Depending on when in the process of the bankruptcy case the DIP rating is requested, the level of detail available about the plan of reorganization may vary.

» Detailed information about the facility to be rated, including size, details of individual revolving- or term-loan tranches, the portion of the facility that represents new money versus rollover amounts of pre-petition debt, priority of tranches, collateral protection, any borrowing base formulas, financial covenants, or other key terms and conditions. Initially, this information may be available only in the form of a term sheet, but ultimately would need to be provided in the form of actual executed agreements and schedules.

» Collateral value information, preferably in the form of independent appraisals, that might provide comparisons of the current market value and the orderly or distressed liquidation value.

In many situations, the management and financial sponsors of a company seeking a DIP rating will meet with us to discuss the plan of reorganization and the structure of the DIP financing.

Appendix A: Using the Scorecard to Arrive at a Scorecard-Indicated Outcome

1. Measurement or Estimation of Factors in the Scorecard

We explain our general approach for scoring each scorecard factor and show the weights used in the scorecard. We also provide a rationale for why these scorecard components are meaningful as credit indicators. We may incorporate non-public information.

2. Mapping Scorecard Factors to a Numeric Score

After estimating or calculating each sub-factor, the outcomes for each of the sub-factors are mapped to a broad Moody's rating category (A, Baa, Ba, B or Caa, also called alpha categories) and to a numeric score.

Because of the significant uncertainties associated with lending to a company that is operating under bankruptcy protection, we do not believe that a DIP facility warrants the assignment of a Aaa (highest quality, lowest risk) or Aa (high quality, very low risk) rating. Accordingly, we exclude these rating categories from the scorecard. The scorecard does not go below Caa, because a company with low overall value is more likely to be liquidated than reorganized and thus would be unable to obtain DIP facility financing.

Qualitative factors are scored based on the description by broad rating category in the scorecard. The numeric value of each alpha score is based on the scale below.

A	Baa	Ba	B	Caa
6	9	12	15	18

Quantitative factors are scored on a linear continuum.[12] For each metric, the scorecard shows the range by alpha category. We use the scale below and linear interpolation to convert the metric, based on its placement within the scorecard range, to a numeric score, which may be a fraction. For example, given a Baa collateral coverage range of 2.0x to 3.0x, the numeric score for an issuer with coverage of 2.9x, relatively strong within this range, would score closer to 7.5, and an issuer with coverage of 2.1x, relatively weak within this range, would score closer to 10.5. In the text or table footnotes, we define the endpoints of the line (i.e., the value of the metric that constitutes the lowest possible numeric score and the value that constitutes the highest possible numeric score).

A	Baa	Ba	B	Caa
4.5-7.5	7.5-10.5	10.5-13.5	13.5-16.5	16.5-19.5

3. Determining the Overall Scorecard-Indicated Outcome[13]

The numeric score for each sub-factor (or each factor, when the factor has no sub-factors) is multiplied by the weight for that sub-factor (or factor), with the results then summed to produce an aggregate numeric score. The aggregate numeric score is then mapped back to a scorecard-indicated outcome based on the ranges in the table below.

12 The exception is scorecard factor 2, Structural Features of the DIP Facility. For this factor, we assign points for the existence and strength of a given structural feature. Please see the following section, "Discussion of the Scorecard Factors."

13 The scorecard-indicated outcome is oriented to the super-priority debtor-in-possession debt and debt facilities.

EXHIBIT 2
Scorecard-Indicated Outcome

Scorecard-Indicated Outcome	Aggregate Numeric Score
Aaa	$x \leq 1.5$
Aa1	$1.5 < x \leq 2.5$
Aa2	$2.5 < x \leq 3.5$
Aa3	$3.5 < x \leq 4.5$
A1	$4.5 < x \leq 5.5$
A2	$5.5 < x \leq 6.5$
A3	$6.5 < x \leq 7.5$
Baa1	$7.5 < x \leq 8.5$
Baa2	$8.5 < x \leq 9.5$
Baa3	$9.5 < x \leq 10.5$
Ba1	$10.5 < x \leq 11.5$
Ba2	$11.5 < x \leq 12.5$
Ba3	$12.5 < x \leq 13.5$
B1	$13.5 < x \leq 14.5$
B2	$14.5 < x \leq 15.5$
B3	$15.5 < x \leq 16.5$
Caa1	$16.5 < x \leq 17.5$
Caa2	$17.5 < x \leq 18.5$
Caa3	$18.5 < x \leq 19.5$
Ca	$19.5 < x \leq 20.5$
C	$x > 20.5$

For example, an issuer with an aggregate numeric score of 11.7 would have a Ba2 scorecard-indicated outcome.

Appendix B: Debtor-in-Possession Lending Scorecard

	Factor or Sub-factor Weight	A	Baa	Ba	B	Caa
Factor 1: Nature of Bankruptcy Filing and Reorganization (15%)						
Cause of Bankruptcy Filing [*1]	5%	Filing was precipitated by an external event, such as a large and unexpected liability (e.g., a legal judgment); company is not highly leveraged, reinvestment has been ample and its business model remains strong with no other large legacy claims; its products are in demand, and it has no large competitive disadvantages.	Filing was precipitated by a high debt load that the company is unable to service in the face of a cyclical downturn; its business model is sound and reinvestment was adequate prior to the filing; legacy liabilities are not significant and the company does not have any large competitive disadvantages.	Filing was precipitated by a high debt load that the company is unable to service due to longer-term trends that are undermining the business; competitive disadvantages may be emerging but are not yet at a critical level; business reinvestment was adequate prior to the filing; while the company may list non-debt liabilities (e.g., pensions, OPEB, environmental litigation) in its bankruptcy filing, they are not a primary consideration in the case.	Filing was precipitated by a failing business model that will require a major restructuring and large reinvestment; or an accumulation of debt and non-debt liabilities (e.g., pensions, OPEB, environmental, litigation) will likely outstrip future cash flow.	Filing was precipitated by a fundamentally flawed business model that cannot be easily corrected through restructuring and reinvestment, regardless of liability structure; debt and non-debt liabilities (e.g., pensions, OPEB, environmental litigation) are very likely to outstrip future cash flow.
Nature and Scope of Reorganization	10%	Reorganization appears straightforward; it will focus on the resolution of the external liability or judgment that precipitated the filing while operations should be largely unchanged; the liabilities subject to compromise are debt under 2-3 key facilities (but principally of a single priority), with vendor claims and other general claims that are of modest scale.	Reorganization is relatively uncomplicated; it will focus on rightsizing the debt load and correcting operating problems that are not of significant scale or complexity; the liabilities subject to compromise are debt under 3-5 facilities (1 or 2 priorities of claim), with vendor claims and other general claims that are of modest scale.	Reorganization is somewhat complex; it will require a significant business restructuring as well as rightsizing the debt load; the liabilities subject to compromise are debt under multiple facilities (with various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 10% of total claims.	Reorganization is challenging to execute; many aspects of the business must be restructured, and large reinvestment is needed; the liabilities subject to compromise are debt under multiple facilities (various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 30% of total claims.	Limited potential to successfully reorganize and emerge from bankruptcy; the liabilities subject to compromise are debt under multiple facilities (various priorities of claim), and vendor claims or other large, specific claims (e.g., pension, OPEB, environmental litigation) exceed 50% of total claims.
Factor 2: Structural Features of the DIP Facility (25%)						
Structural Features of the DIP Facility	25%	> 15	12 - 15	8 - 11	4 - 7	0 - 3
Factor 3: DIP Facility's Face Value as a Percentage of Pre-petition Debt (10%)						
DIP Facility's Face Value / Pre-petition Debt [*2]	10%	≤ 10%	10 - 20 %	20 - 30%	30 - 50%	> 50%
Factor 4: Collateral Coverage (50%)						
Collateral Value / DIP Facility [*3]	50%	≥ 3x	2 - 3x	1.25 - 2x	1 - 1.25x	< 1x

[*1] OPEB stands for other post-employment benefits.

[*2] For the linear scoring scale, the A endpoint value is 1%. A value of 1% or better equates to a numeric score of 4.5. The Caa endpoint value is 80%. A value of 80% or worse equates to a numeric score of 19.5.

[*3] For the linear scoring scale, the A endpoint value is 10x. A value of 10x or better equates to a numeric score of 4.5. The Caa endpoint value is 0.25x. A value of 0.25x or worse equates to a numeric score of 19.5.

Moody's Related Publications

Credit ratings are primarily determined by sector credit rating methodologies. Certain broad methodological considerations (described in one or more cross-sector rating methodologies) may also be relevant to the determination of credit ratings of issuers and instruments. An index of sector and cross-sector credit rating methodologies can be found here.

For data summarizing the historical robustness and predictive power of credit ratings, please click here.

For further information, please refer to *Rating Symbols and Definitions*, which is available here.

Moody's Basic Definitions for Credit Statistics (User's Guide) can be found here.

Report Number: 1108429

Authors
Bill Fahy
Merxe Tudela

Production Associate
Sunith Kashyap

MOODY'S
INVESTORS SERVICE