

## Special Comment

# Moody's Global Corporate Finance

March 2008

## Compendium of 2007 Corporate Defaults

### Summary

Nineteen Moody's-rated corporate issuers defaulted on a total of \$6.7 billion of debt in 2007. Of these nineteen defaulters, seventeen defaulted on a total of \$4.7 billion of corporate bonds and seven defaulted on rated bank loans totaling \$2.0 billion. In this special comment, we detail the default events for these issuers and list the bonds and bank loans outstanding at the time of default.

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### Analyst Contacts:

New York 1.212.553.1653

**Franklin Kim**  
*Senior Associate*

**Kenneth Emery**  
*Senior Vice President*

**Richard Cantor**  
*Managing Director*



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## Compendium of 2007 Corporate Defaults

## American Color Graphics, Inc.

*Provider of print and pre-media services*

- **\$280.0 million 10% Guaranteed Senior Secured Second Priority Notes due 6/15/2010**

On November 14, 2007, American Color Graphics, Inc. ("ACG") announced that it had received consent from noteholders to defer an upcoming interest payment. Holders of more than 92.5% of ACG's 10% Senior Second Secured Notes due 2010 agreed to defer the December 15 semi-annual interest payment to March 15, 2008. It is Moody's view that any missed, delayed or deferred debt payment obligation constitutes a default event, even if the deferral is permitted by noteholder consent. Therefore, the deferred interest payment is a default by Moody's definition. ACG, headquartered in Brentwood, Tennessee, is a leading provider of print and pre-media services.

## Bally Total Fitness Holding Corporation

*Operates a chain of health clubs*

- **\$225.0 million 9.875% Senior Subordinated Notes, Series B due 10/15/2007**

- **\$75.0 million 9.875% Senior Subordinated Notes due 10/15/2007**

- **\$235.0 million 10.5% Guaranteed Global Notes due 7/15/2011**

On April 16, 2007, Bally Total Fitness Holding Corporation ("Bally") failed to make the semiannual interest payment on its 9.875% senior subordinated notes maturing in 2007, with \$300 million outstanding. There is a 30-day grace period to pay the interest before an event of default occurs under the subordinated notes indenture; however, Bally's failure to make the interest payment on the subordinated notes constitutes an event of default under the indenture governing its senior notes. Bally was able to secured limited waiver and forbearance agreements from holders of its senior notes and senior subordinated. However, unable to negotiate a consensual restructuring with noteholders, Bally filed voluntary petitions for reorganization on July 31, 2007 under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of New York. Headquartered in Chicago, Illinois, Bally, through its wholly-owned subsidiaries, is one of the largest publicly traded commercial operators of fitness centers in North America.

## Fedders North America, Inc.

*Air treatment products manufacturer*

- **\$155.0 million 9.875% Guaranteed Senior Global Notes due 3/14/2014**

- **\$75.0 million L+200 Revolver due 2/1/2011**

- **\$50.0 million L+200 Revolver due 9/10/2009**

- **\$40.0 million L+120 Term Loan B due 9/19/2009**

On August 22, 2007, Fedders North America, Inc. ("Fedders North America") filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code. The filing included Fedders North America's parent Fedders Corporation ("Fedders") and all of its North American subsidiaries. Non-North American operations were not included in the filing. The non-North American subsidiaries will continue their business operations without supervision from United States courts and will not be subject to the Chapter 11 requirements of the United States Bankruptcy Code. Fedders North America, headquartered in Liberty Corner, New Jersey, is a manufacturer and marketer of air treatment products, including air conditioners, air cleaners, gas furnaces, dehumidifiers and humidifiers, and thermal technology products.

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## Focus (Finance) Plc Focus DIY (Investments) Limited

*DIY retailer - Finance conduit*

- **GBP 100.0 million 9.375% Senior Subordinated Global Bonds due 3/3/2015 [\$201.6 million]**

On July 3, 2007, Focus (Finance) Plc ("Focus Finance") and Focus DIY (Investments) Limited ("Focus Investments") did not pay the interest payments originally due June 4, 2007 on the 9.375% senior subordinated notes issued by Focus Finance. Both finance conduits of Focus DIY Holdings Limited ("Focus DIY"), Focus Investments, as the guarantor, and Focus Finance are obligated to pay the interest within the 30-day interest payment grace period, or be in default under Moody's definition. Headquartered in Crewe, Focus DIY is one of the largest DIY retailers, by market share, in the United Kingdom and operates 256 stores. Revenues during the first three months ending January 2007 stood at GBP 152.4 million. Focus DIY was sold to private equity firm Cerberus on June 18, 2007 for a nominal price of GBP 1. On July 26, 2007, following completion of the sale after EU approvals, the 9.375% senior subordinated notes issued by Focus Finance was repaid in the amount of 40 pence for every 1£ of debt.

## InSight Health Services Corp.

*Provider of diagnostic imaging services*

- **\$194.5 million 9.875% Guaranteed Senior Subordinated Global Notes due 11/1/2011**
- **\$300.0 million FLT Guaranteed Senior Secured Global Notes due 11/1/2011**
- **\$30.0 million Revolving Credit Facility**

On May 29, 2007, InSight Health Services Holdings Corp. ("Holdings") announced that it and its wholly-owned subsidiary InSight Health Services Corp. ("InSight") filed voluntary petitions for Chapter 11 in the United States Bankruptcy Court for the District of Delaware. Holdings' prepackaged reorganization plan is expected to expedite the exchange, announced in April, of InSight's senior subordinated notes for 90% of Holding's common stock. Headquartered in Lake Forest, California, InSight provides diagnostic imaging and information, treatment and related management services.

## Lake at Las Vegas Joint Venture LLV-1, LLC

*Owns and operates the Lake Las Vegas Resort*

- **\$475.0 million Guaranteed Senior Secured 1st Lien Term Loan due 2012**
- **\$65.0 million Guaranteed 1st Lien Senior Secured Revolver due 2012**

On December 31, 2007, Lake at Las Vegas Joint Venture ("LLVJV") and its co-borrower LLV-1, LLC ("LLV-1"), failed to make a scheduled interest payment on its senior secured credit facility due 2012. Subsequently, on January 2, 2008, shares of LLVJV and LLV-1 were sold to the Atalon Group LLC, transferring the Lake Las Vegas real estate to the operational restructuring firm. Both LLVJV and LLV-1 were headquartered in Las Vegas, Nevada, where they owned and operated the Lake Las Vegas Resort, a 3592-acre master-planned residential and resort destination located 17 miles east of the Las Vegas strip.

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## Movie Gallery, Inc.

*Retails movie and game rentals*

- **\$175.0 million Guaranteed Senior Secured Second Lien Term Loan due 9/8/2012**
- **\$600.0 million Guaranteed Senior Secured First Lien Term Loan due 3/8/2012**
- **\$25.0 million Guaranteed Senior Secured First Lien Letter of Credit due 3/8/2012**
- **\$100.0 million Guaranteed First Lien Senior Secured Revolver due 3/8/2012**
- **\$321.8 million 11% Guaranteed Senior Global Notes due 5/12/2012**

On September 10, 2007, Movie Gallery, Inc. ("Movie Gallery") did not make the interest payment due on its second lien credit agreement, and decided to defer the payment to beyond the applicable grace period. The company already had signed two existing forbearance agreements under its first lien credit agreement and with holders of its 11% senior notes indenture due 2011. To obtain the financing necessary to maintain regular operations and to reduce its debt, Movie Gallery and certain of its subsidiaries filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Eastern District of Virginia. Movie Gallery's Canadian subsidiary was not a part of the filing and will continue operating outside of the Chapter 11 cases. Headquartered in Dothan, Alabama, Movie Gallery is a leading provider of in-home movie and game entertainment in the United States.

## North Atlantic Holding Company, Inc.

*Manufacturer and marketer of loose leaf tobacco*

- **\$27.9 million 12.25% Senior Discount Notes due 3/1/2014**

On May 9, 2007, North Atlantic Holding Company, Inc. ("NAHC") completed a debt exchange where holders of 76.9% of NAHC's outstanding 12.25% Senior Discount Notes due 2014 tendered their bonds for new Second Lien Notes. The NAHC notes were exchanged at the rate of \$812.50 principal amount of Second Lien Notes per \$1,000 principal amount at maturity of NAHC Notes. As holders who tendered their bonds are receiving new securities with a diminished financial obligation compared to the original bonds, Moody's views this debt restructure as a distressed exchange, which is a default by Moody's definition. NAHC and its subsidiaries are the third largest manufacturer and marketer of loose leaf chewing tobacco in the United States, and the largest importer and distributor in the United States of premium cigarette papers and related products.

## North Atlantic Trading Company, Inc.

*Manufacturer and marketer of loose leaf tobacco*

- **\$114.0 million 9.25% Senior Notes due 3/1/2012**

On May 9, 2007, North Atlantic Trading Company, Inc. ("NATC") completed a debt exchange where holders of 57% of NATC's outstanding 9.25% Senior Notes due 2012 tendered their bonds for new Second Lien Notes. The NATC notes were exchanged at the rate of \$950 principal amount of Second Lien Notes for each \$1,000 principal amount at maturity of NATC Notes. As holders who tendered their bonds are receiving new securities with a diminished financial obligation compared to the original bonds, Moody's views this debt restructure as a distressed exchange, which is a default by Moody's definition. NATC and its affiliated companies are the third largest manufacturer and marketer of loose leaf chewing tobacco in the United States, and the largest importer and distributor in the United States of premium cigarette papers and related products.

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## Pope & Talbot, Inc.

*Produces pulp and wood based building products*

- **\$75.0 million 8.375% Debentures due 6/1/2013**
- **\$60.0 million 8.375% Senior Notes due 6/1/2013**
- **\$75.0 million FLT Revolver due 6/28/2012**
- **\$250.0 million Term Loan, Tranche B due 6/28/2012**

On October 29, 2007, Pope & Talbot, Inc. ("Pope & Talbot") and its United States and Canadian subsidiaries were granted creditor protection under the Companies' Creditors Arrangement Act ("CCAA") of Canada. Pope & Talbot expects to use the protection of the CCAA to provide for additional time to explore options as it continues its restructuring efforts. Though headquartered in Portland, Oregon, Pope & Talbot's manufacturing facilities are located primarily in British Columbia, Canada. Smaller operations are located in the northwestern United States. Pope & Talbot produces pulp and wood based building products.

## Port Townsend Paper Corporation

*Produces pulp, paper and corrugated products*

- **\$125.0 million 11% Guaranteed Senior Secured Notes due 4/15/2011**
- **\$23.0 million Canadian Revolving Credit Facility due 7/21/2010**

On January 29, 2007, Port Townsend Paper Corporation ("PTPC") and its United States affiliates filed a voluntary petition for reorganization under Chapter 11 of the United States Bankruptcy Code in the Western District of Washington. Through a recapitalization agreed to in principle by members of an ad hoc committee holding more than 70% in principal amount of PTPC's 11% Senior Secured Notes due 2011, PTPC hopes to reduce its funded indebtedness by at least \$50 million, which would bring the total to less than \$100 million. Port Townsend Paper Corporation, headquartered in Port Townsend, Washington, is a vertically integrated producer of fiber based packaging products in Western Canada and the United States.

## Remy International, Inc.

*Manufacturer of electrical components*

- **\$145.0 million 8.625% Guaranteed Senior Notes due 12/15/2007**
- **\$165.0 million 11% Guaranteed Senior Subordinated Global Notes due 5/1/2009**
- **\$150.0 million 9.375% Guaranteed Senior Subordinated Global Notes due 4/15/2012**
- **\$125.0 million FLT Second-Priority Senior Secured Global Notes due 4/15/2009**

On May 15, 2007, Remy International, Inc. ("Remy") did not pay the interest payments originally due April 15, 2007 on its 9.375% senior subordinated notes. The expiration of a 30-day interest payment grace period is a default under Moody's definition. Remy announced in April that it had entered into forbearance agreements with almost 90% of its unsecured noteholders. The forbearance agreements, which remain in effect, are expected to facilitate ongoing discussions with representatives of a majority of the holders of its outstanding notes regarding a recapitalization plan to delever Remy's balance sheet. Headquartered in Anderson, Indiana, Remy is a leading global manufacturer and remanufacturer of aftermarket and original equipment electrical components for automobiles, light trucks, heavy duty trucks and other heavy duty vehicles.

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### SunCom Wireless, Inc.

*Provides digital wireless communications services*

- **\$344.1 million 9.375% Senior Subordinated Notes due 2/1/2011**
- **\$393.3 million 8.75% Senior Subordinated Global Notes due 11/15/2011**

On January 31st, 2007, SunCom Wireless Holdings, Inc. ("SunCom") reached a debt exchange agreement with creditors holding approximately \$679.3 million, or 91.3%, of the 9.375% Senior Subordinated Notes due 2011 and 8.75% Senior Subordinated Notes due 2011 of its subsidiary, SunCom Wireless, Inc. According to the terms of the agreement, bondholders will exchange all of their outstanding subordinated notes for approximately 87% of Suncom's outstanding Class A Common Stock, on a fully-diluted basis. This will leave current SunCom stockholders holding approximately 13% following the completion of the debt-for-equity exchange. On May 16, 2007, Suncom completed the debt exchange transactions. Headquartered in Berwyn, Pennsylvania, SunCom offers digital wireless communications services to consumers in the Southeastern United States, Puerto Rico and the U.S. Virgin Islands.

### Teksid Aluminum Luxembourg Sarl SCA

*Manufactures aluminum engine cases*

- **EUR 240.0 million 11.375% Guaranteed Global Bonds due 7/15/2011 [\$310.4 million]**

Teksid Aluminum Luxembourg Sarl SCA ("Teksid") did not make the interest payment, due January 15, 2007, on the 11.375% Senior Notes maturing in 2011. In addition, Teksid has announced that it was not in compliance with certain financial covenants of its bank facility in the fourth quarter of 2006. However, by March 15, Teksid was able to sell certain of its assets, allowing it to make the coupon payment a month after the expiration of the grace period. Headquartered in Carmagnola, Italy, the Teksid Aluminum group of companies produces aluminum castings for the automotive industry, with operations in Europe, North and South America and Asia.

### Visiocrp plc (fka Schefenacker AG)

*Supplier of automotive parts*

- **EUR 200.0 million 9.5% Senior Subordinated Notes due 2/11/2014 [\$259.3 million]**

On February 12, 2007, Visiocrp plc ("Visiocrp") did not make the interest payment on its 9.5% senior subordinated notes maturing in 2014. Since the 30-day grace period for the interest payment has expired without payment, Visiocrp is in default on its bonds under Moody's definition. Visiocrp had previously defaulted in November of the previous year due to a missed interest payment on its senior secured credit facility. In an effort to reduce its debt load, Visiocrp moved its corporate headquarters to the United Kingdom late in 2006 and agreed to a debt restructuring plan via a company voluntary agreement ("CVA") under the United Kingdom Insolvency Act of 1986. On May 2, 2007, Visiocrp completed a debt-for-equity swap, whereby secured creditors received 70% of equity and unsecured bondholders received 7.5 million euros in cash and 5% of equity with an option for 10%. Visiocrp is a leading private Tier 1 automotive supplier of rear vision systems, lighting systems and a Tier 2 supplier of sound systems. Visiocrp changed its name from Schefenacker on December 11, 2007.

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## Wornick Company (The)

*Supplier of shelf-stable flexible-packaged foods*

- **\$125.0 million 10.875% Senior Secured Global Notes due 7/15/2011**

On July 16, 2007, The Wornick Company ("Wornick") did not make the interest payment on its 10.875% senior notes maturing in 2011 and is in default under Moody's definition. Wornick entered into forbearance agreements with approximately 80% of its note holders and with lenders under its senior secured credit facilities. Both forbearance agreements stipulated a 30-day period in which both note holders and senior secured lenders agreed not to exercise remedies available to them under an event of default. Able to work out a restructuring plan with a majority of its senior note holders, Wornick filed a "pre-packaged" petition for relief under Chapter 11 of the United States Bankruptcy Code on February 14, 2008. Headquartered in Cincinnati, Ohio, Wornick specializes in the manufacturing, packaging and distribution of extended shelf-life, shelf-stable, and frozen food for the military and for commercial customers.

## Ziff-Davis Media Inc.

*Special interest media company*

- **\$12.3 million 12% Guaranteed Senior Subordinated Notes, Series B due 7/15/2010**
- **\$90.3 million FLT Guaranteed Senior Subordinated Floating Rate Notes due 8/12/2009**
- **\$205.0 million FLT Guaranteed Senior Secured Floating Rate Global Notes due 5/1/2012**

On September 15, 2007, Ziff Davis Media Inc. ("Ziff Davis") failed to make the interest payment within the 30-day grace period on its Senior Subordinated Compounding Notes due 2009. Therefore, under Moody's definition, Ziff Davis is in default. On August 15, Ziff Davis issued a press release announcing that it currently is exploring various options to restructure its debt. Headquartered in New York, Ziff Davis is a media company serving the technology and videogame markets and is one of the largest technology magazine publishers in the United States.

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## Author

Franklin Kim

## Production Associate

Martina Reptova

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