STANDARD & POOR'S

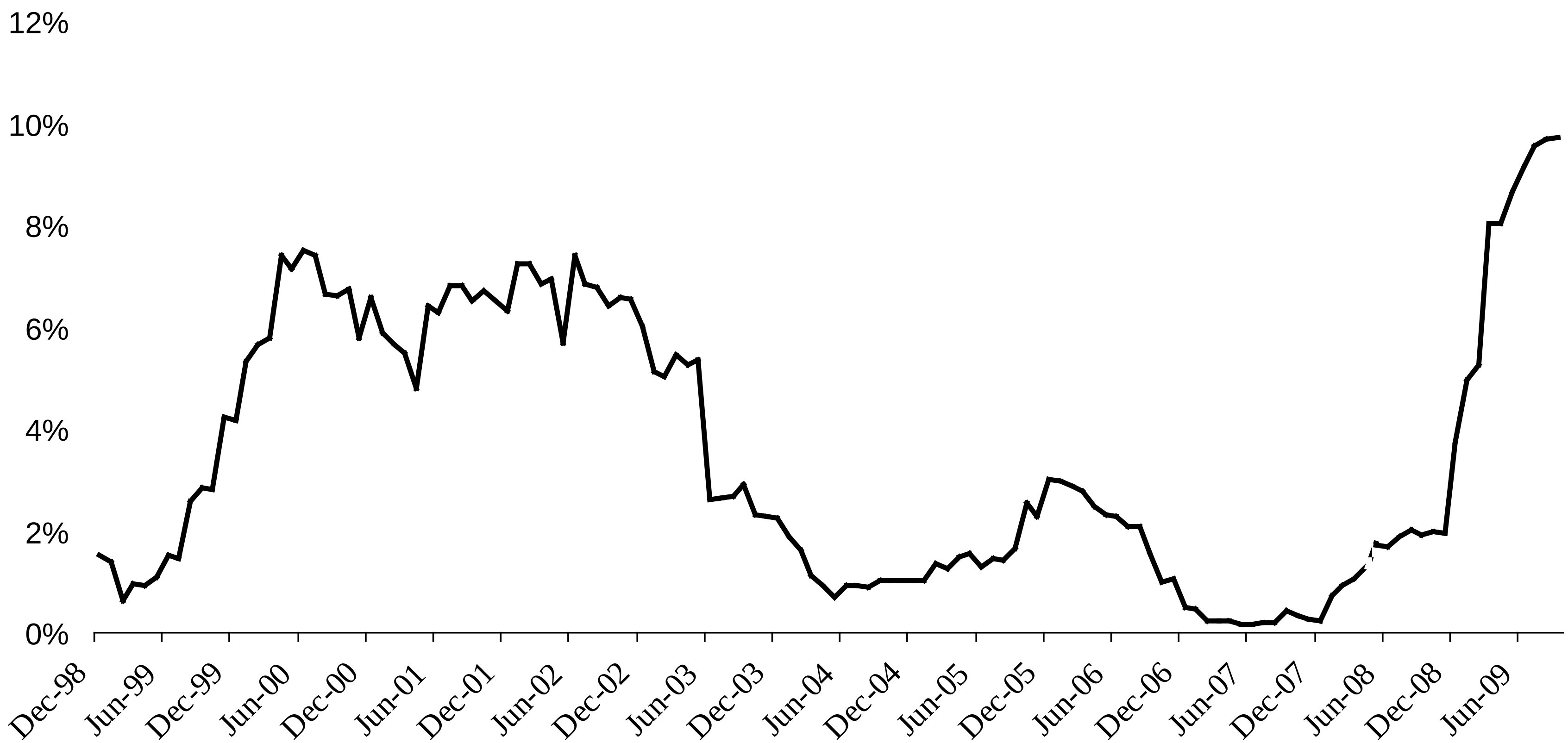
LSTA 14th Annual Conference
Default & Recovery Panel

Moderator:
Steven Miller, Standard & Poor's LCD

Panelists:
Edward Altman, Max L. Heine Professor of Finance at the Stern School of Business, New York University
Bill Chew, Managing Director, Standard & Poor's Ratings
James Ferguson, President, Octagon Credit
Michael Zupon, Sound Harbor Partners

The McGraw-Hill Companies

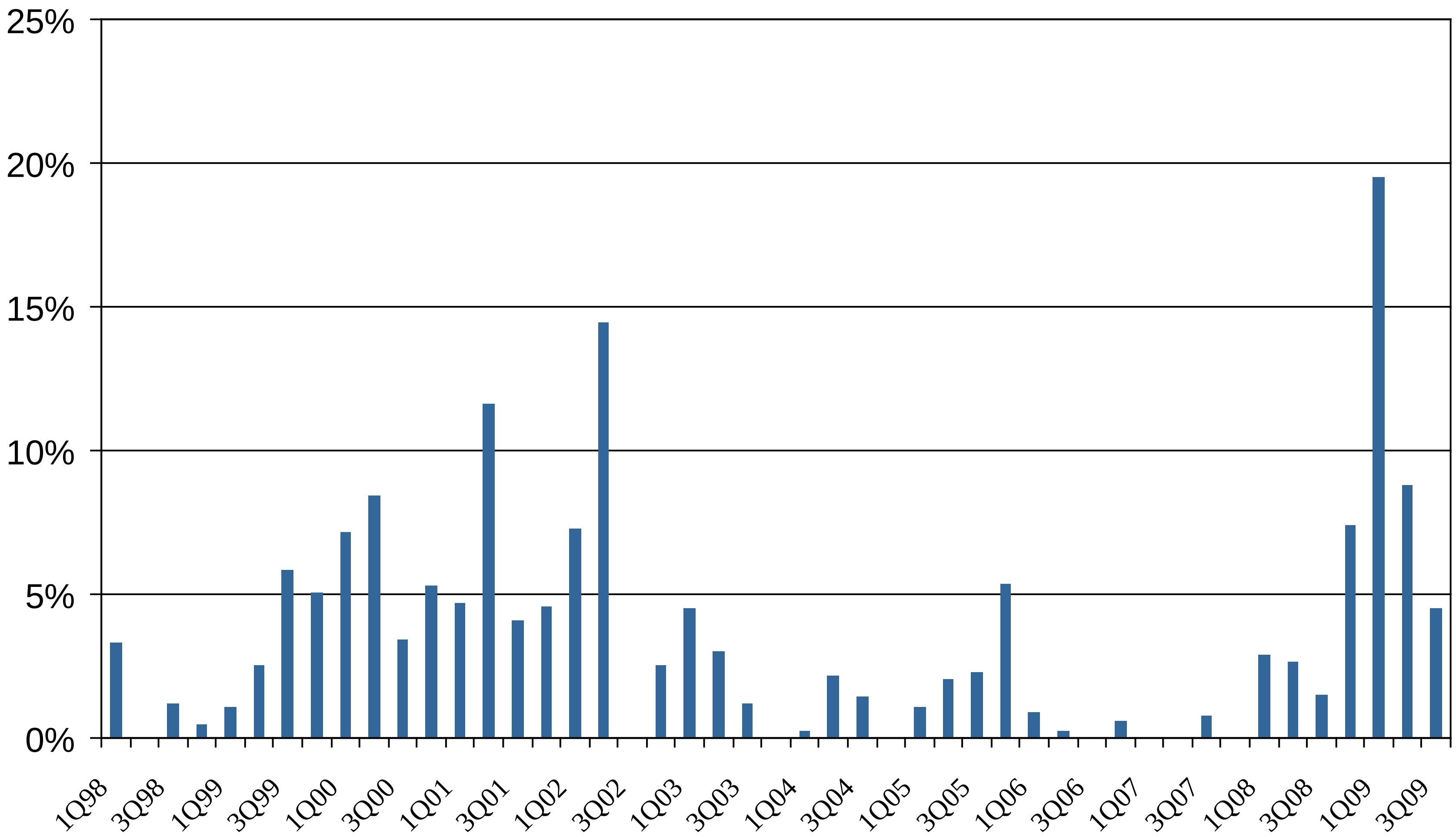
Lagging Twelve-Month Default Rate by Principal Amount



Source: Standard & Poor's LCD

STANDARD &POOR'S

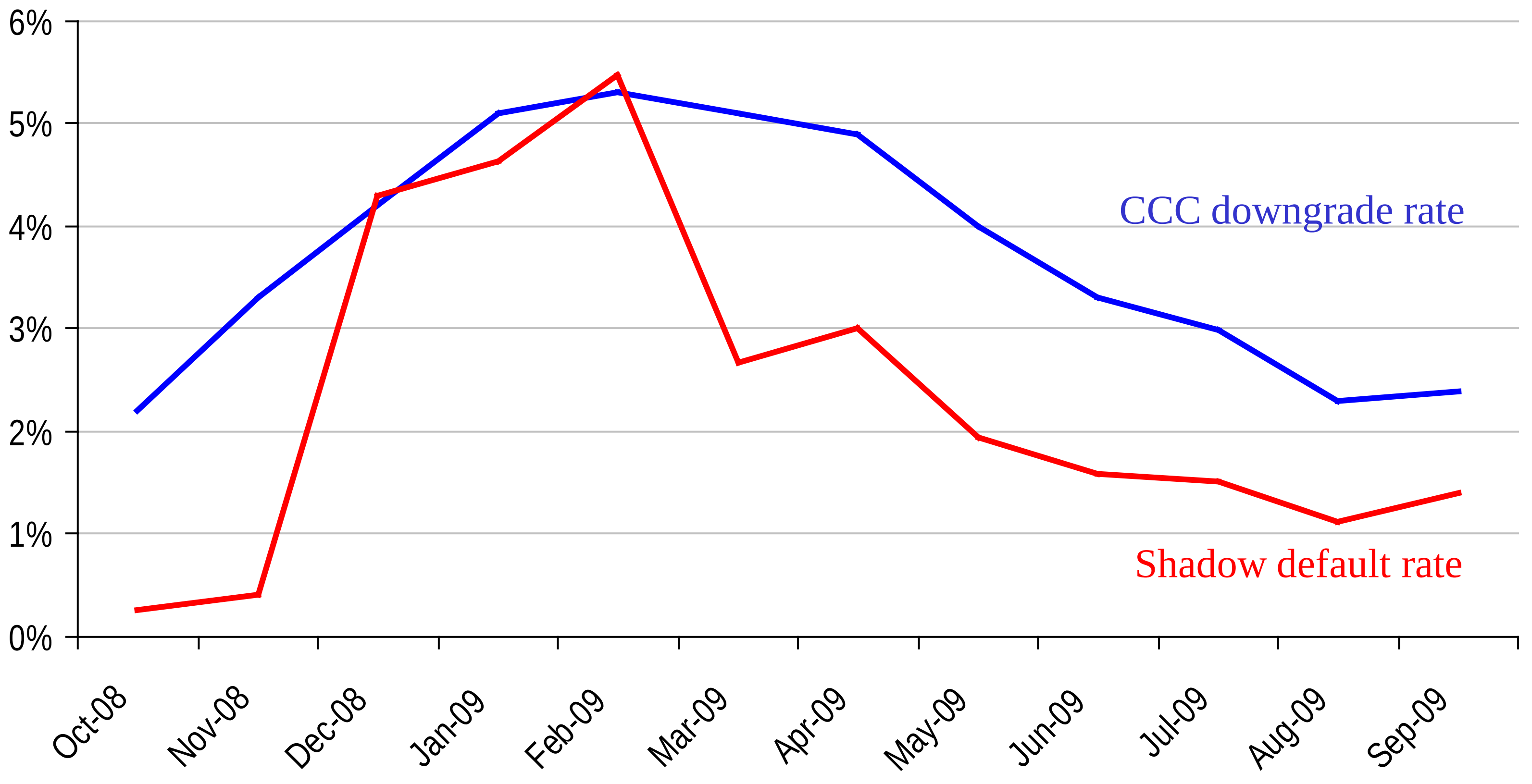
Annualized quarterly Default Rate by Principal Amount



Source: Standard & Poor's LCD

STANDARD & POOR'S

Watch Lists Shrink



Source: Standard & Poor's LCD

STANDARD & POOR'S

S&P's chief economist David Wyss see three paths:

Worst Case – L(ong & Ugly)
GDP: -1.0% in '10; +0.7% in '11

Best Case – V(igorous)
GDP: 3.6% in '10; +3.6% in '11

Mid-Case – U(ninspiring)
GDP: +1.6% in '10; +3.2% in '11

Source: Standard & Poor's LCD

Altman Default and Recovery Forecasts: Summary of Forecast Models

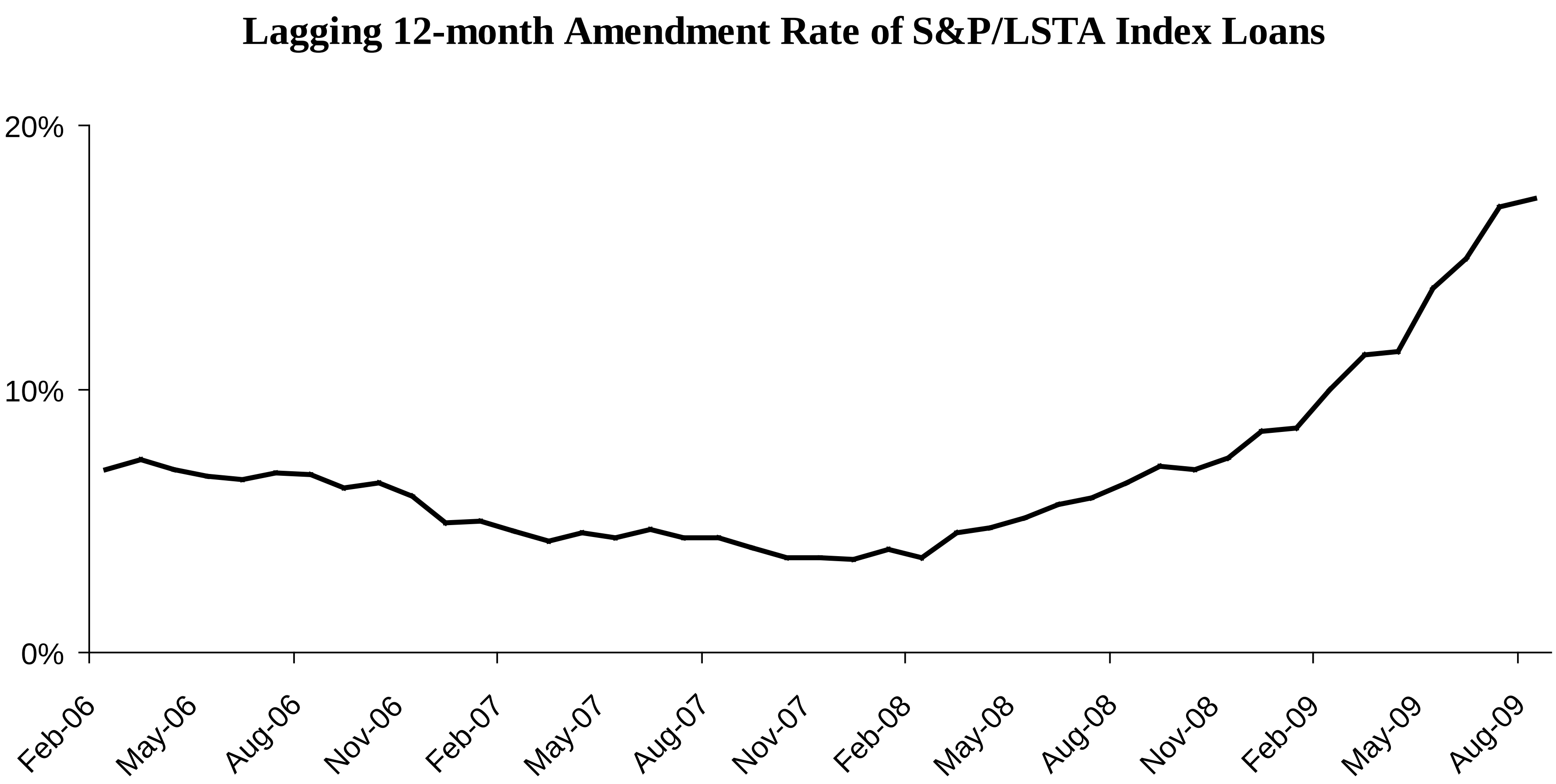
Model	2009 Default Rate Forecast as of 1/31/2009	2009 Recovery Rate Forecast*	2010 (9/30) Default Rate Forecast as of 9/30/2009	2010 (9/30) Default Rate Forecast as of 9/30/2009
Mortality Rate	**7.98%**	**30.0%**	**7.98%**	**7.98%**
Scenario (2001)	**12.30%**	**25.22%**	**11.60%**	**n/a**
Scenario (1991)	**15.40%**	**23.75%**	**15.40%**	**n/a**
Yield-Spread	**18.32%**	**20.35%**	**6.08%****	**6.08%****
Distress Ratio	**14.16%**	**24.74%**	**6.05%*****	**6.05%*****
Average of Models	**13.63%**	**24.27%**	**9.42%**	**6.70%**

*Based on the log-linear default rate/recovery rate regression (Slide 12). **Based on Sept. 30, 2009 yield-spread of 670.83bp.
***Based on Sep. 30, 2009 Distress Ratio of 26.8%.

Source: All Corporate Bond Issuance and Authors' Estimates of Market Size in 2009.

STANDARD &POOR'S

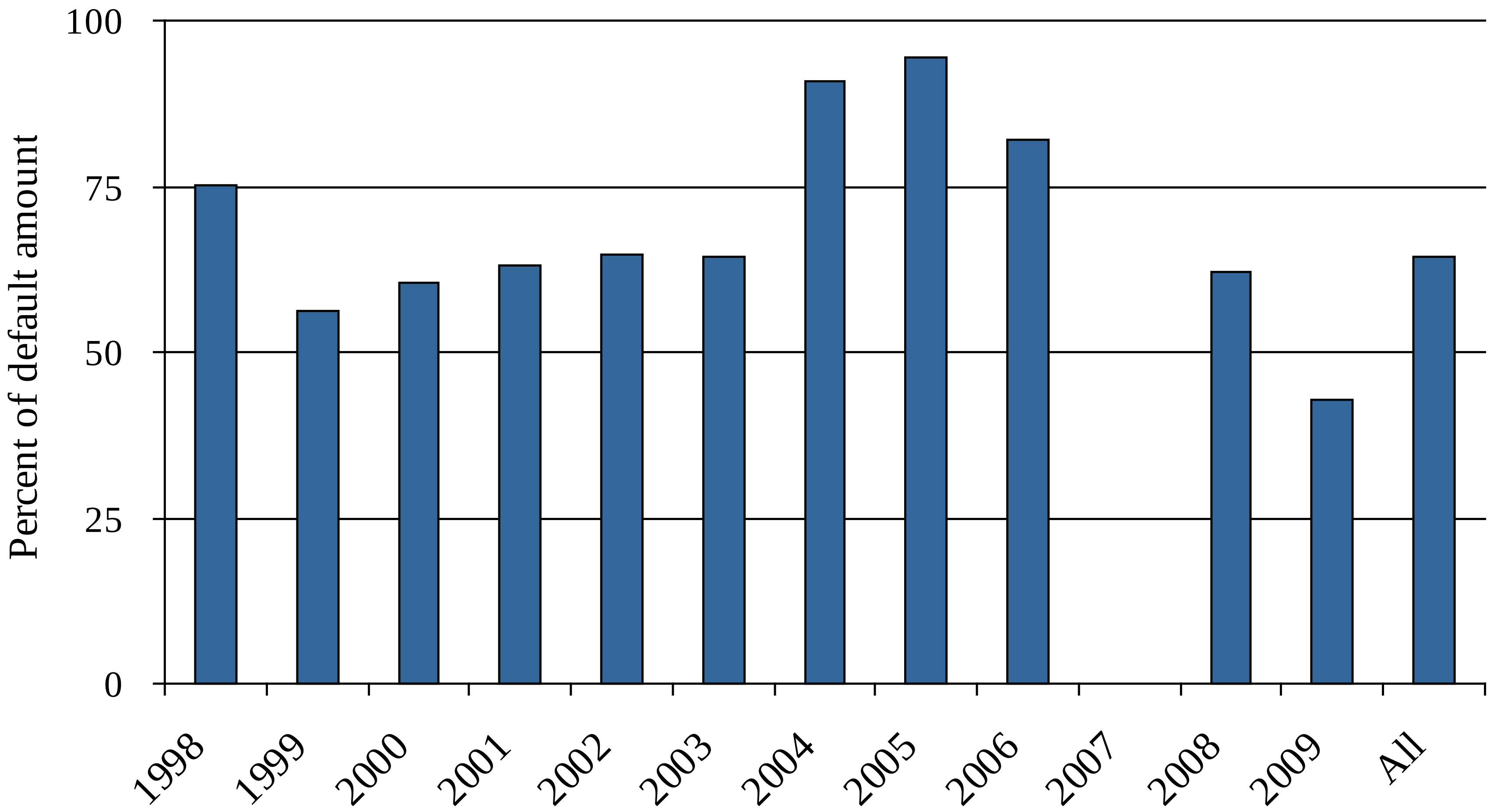
How much of an impact



Source: Standard & Poor's LCD

STANDARD &POOR'S

Recoveries – Are we heading higher?



Source: Standard & Poor's LCD

STANDARD & POOR'S

STANDARD
&POOR'S

www.standardandpoors.com