

October 4, 2006

Standard & Poor's Seeks Comment On Proposed Changes To Recovery And Issue Ratings, Says Report

Primary Credit Analysts:

William H Chew, New York (1) 212-438-7981; bill_chew@standardandpoors.com
Laura Feinland Katz, New York (1) 212-438-7893; laura_feinland_katz@standardandpoors.com
Blaise Ganguin, Paris (33) 1-4420-6698; blaise_ganguin@standardandpoors.com

Secondary Credit Analysts:

Calvin R Wong, New York (1) 212-438-7495; calvin_wong@standardandpoors.com
Clifford M Griep, New York (1) 212-438-7432; cliff_griep@standardandpoors.com
Ian Thompson, Melbourne (61) 3-9631-2100; ian_thompson@standardandpoors.com

Media Contact:

Mimi Barker, New York (1) 212-438-5054; mimi_barker@standardandpoors.com

NEW YORK (Standard & Poor's) Oct. 4, 2006—In an article published today, Standard & Poor's Ratings Services announced its proposal to expand recovery rating coverage and enhance issue-level ratings. "Request For Comment: Expanding Recovery Rating Coverage And Enhancing Issue Ratings" details the proposed criteria changes and invites market participants to provide feedback by Dec. 1, 2006.

We also published today "Credit FAQ: Why Standard & Poor's Proposes To Expand Its Recovery Ratings And Enhance Issue Ratings," which provides ancillary information on the initiative.

The key proposed changes are:

- Extending recovery rating coverage to speculative-grade unsecured (and subordinated) debt for industrials, and to speculative-grade secured and unsecured debt for financial services companies, sovereigns, and non-U.S. public finance entities;
- Enhancing the recovery rating scale and the "notching" framework (i.e.,

raising or lowering a specific issue rating from that of its issuer credit rating) for issue ratings. We would make our recovery rating scale more granular, introducing a 7-point scale (1+ to 6) in place of our current 6-point scale (1+ to 5); and

--Standardizing our approach to issue ratings so that they reflect a combination of default and recovery prospects. We would explicitly arrive at debt ratings through a notching approach relative to the default rating, using the recovery rating to determine the amount of up- or down-notching from the issuer credit rating.

"We believe that the proposal we have put out for comment is responding in a timely and deliberate manner to marketplace demands, including the increasing focus on post-default recovery," said Standard & Poor's managing director and head of recovery ratings, Bill Chew. "Our proposal is an evolution of our innovative recovery ratings, a natural extension beyond the secured loan and note ratings we have traditionally provided."

"This proposal builds on our nearly three years experience of doing fundamental recovery ratings in different markets," according to managing director Laura Feinland Katz. "During this time we've talked with hundreds of issuers and investors, through both formal and informal discussions, and we are confident that the marketplace will welcome the changes we are proposing, which will give the marketplace greater visibility, particularly at the lower range of the rating scale."

Standard & Poor's noted that the implementation of the new Basel II agreement for bank capital adequacy and the explosion in the CDO and CDS markets have also been major drivers for the changes, as they both require recovery inputs.

A teleconference call is scheduled for Thursday, Oct. 5, 2006, at 9:00 AM EST.

Live-Dial-In-Numbers:

U.S./All Others: 1-210-234-9748

U.K.: 44-20-7108-6390

Conference ID#: 4697069

Passcode: SANDP

Replay Number: 1-203-369-0776

Replay will expire on Thursday, Oct. 12, 2006

Live Audio Streaming:

URL: <http://www.mymeetings.com>, Under Events, Select Join an event

Conference ID#: 4697069

Passcode: SANDP

Replay Web Streaming:

URL: <http://www.mymeetings.com>, Under Events, Select Join an event

Conference ID#: 4697069

Passcode: SANDP

Web replay streaming will expire on Thursday, Nov. 2, 2006.

Standard & Poor's Seeks Comment On Proposed Changes To Recovery And Issue Ratings, Says Report

The report is available to subscribers of RatingsDirect, the real-time Web-based source for Standard & Poor's credit ratings, research, and risk analysis, at www.ratingsdirect.com. If you are not a RatingsDirect subscriber, you may purchase a copy of the report by calling (1) 212-438-9823 or sending an e-mail to research_request@standardandpoors.com. Ratings information can also be found on Standard & Poor's public Web site at www.standardandpoors.com; under Credit Ratings in the left navigation bar, select Find a Rating, then Credit Ratings Search. Members of the media may request a copy of this report by contacting the media representative provided.

Copyright © 2008 Standard & Poor's, a division of The McGraw-Hill Companies, Inc. (S&P). S&P and/or its third party licensors have exclusive proprietary rights in the data or information provided herein. This data/information may only be used internally for business purposes and shall not be used for any unlawful or unauthorized purposes. Dissemination, distribution or reproduction of this data/information in any form is strictly prohibited except with the prior written permission of S&P. Because of the possibility of human or mechanical error by S&P, its affiliates or its third party licensors, S&P, its affiliates and its third party licensors do not guarantee the accuracy, adequacy, completeness or availability of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. S&P GIVES NO EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE. In no event shall S&P, its affiliates and its third party licensors be liable for any direct, indirect, special or consequential damages in connection with subscriber's or others use of the data/information contained herein. Access to the data or information contained herein is subject to termination in the event any agreement with a third-party of information or software is terminated.

Analytic services provided by Standard & Poor's Ratings Services (Ratings Services) are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. The credit ratings and observations contained herein are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of the information contained herein should not rely on any credit rating or other opinion contained herein in making any investment decision. Ratings are based on information received by Ratings Services. Other divisions of Standard & Poor's may have information that is not available to Ratings Services. Standard & Poor's has established policies and procedures to maintain the confidentiality of non-public information received during the ratings process.

Ratings Services receives compensation for its ratings. Such compensation is normally paid either by the issuers of such securities or third parties participating in marketing the securities. While Standard & Poor's reserves the right to disseminate the rating, it receives no payment for doing so, except for subscriptions to its publications. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

Any Passwords/user IDs issued by S&P to users are single user-dedicated and may ONLY be used by the individual to whom they have been assigned. No sharing of passwords/user IDs and no simultaneous access via the same password/user ID is permitted. To reprint, translate, or use the data or information other than as provided herein, contact Client Services, 55 Water Street, New York, NY 10041; (1)212.438.9823 or by e-mail to: research_request@standardandpoors.com.