In-depth View of Risk Analysis in Relation to the Current Economic Situation

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My background

1969   assistant credit manager, HFC

1979   equipment leasing/contracts manager, HP

1989   credit manager, HP

1999   customer care executive (Ops/IT), DLL

2009   corporate credit executive, CP

Credit Rating Providers

17-20% of public companies are Rated

No effective Ratings for mid/large private cos

Absent are Ratings needs of unsecured creditors

'Issuer Pay' model creates significant conflicts

Traditional Ratings are not dynamic enough

They reflect only complete business cycles

The Credit Ratings Industry

Is changing

http://www.gm.com/corporate/investor_information/

General Motors Company (the "new GM") currently has no publicly traded securities. Please note that none of the publicly owned stocks or bonds issued by the former General Motors Corporation (now renamed "Motors Liquidation Company"), including its common stock currently traded on the Pink Sheets over-the-counter market under the ticker symbol "MTLQQ", are or will become securities of General Motors Company, which is an independent separate company.
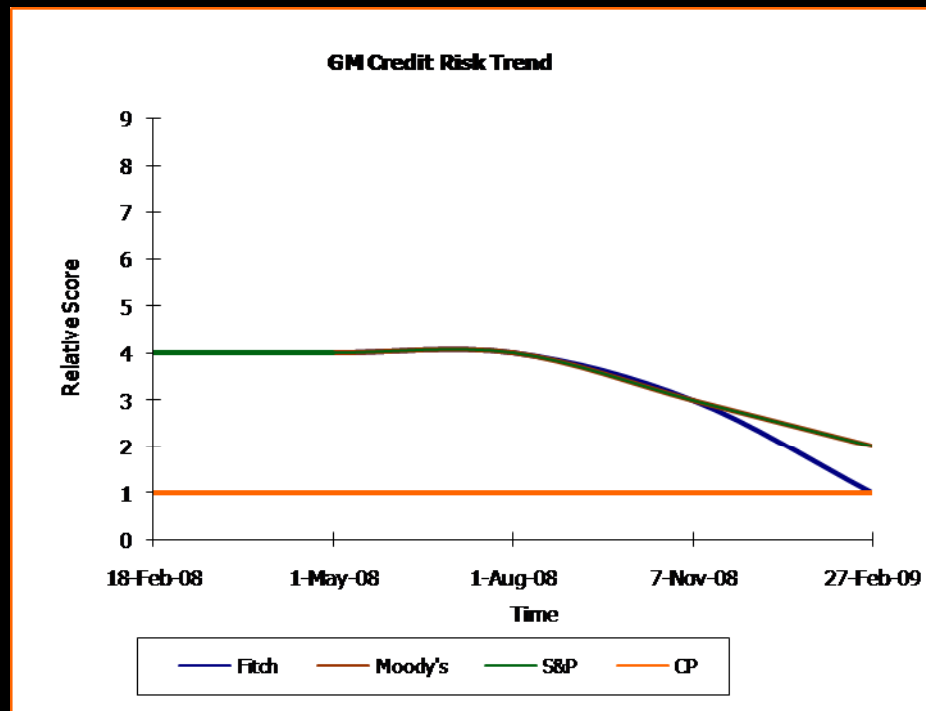
The actual Credit Rating of General Motors

External Agency	2 Nov 07	18 Feb 08	1 May 08	1 Aug 08	7 Nov 08	27 Feb 09
Fitch	B	B	B	B-	CCC	C
Moody's	B3	B3	B3	B3	Caa2	Ca
S&P	B	B	B	B-	CCC+	CC
Period	Q4 07	Q1 08	Q2 08	Q3 08	Q4 08	Q109
CP	C-	C-	C-	C-	C-	C-

CP's Credit Ratings turned negative on GM in Q'1 2007
GM Credit Risk Trend
18 Feb 08 – 27 Feb 09

Major agencies started downgrading GM in mid 2008

CreditPointe

Timely, Objective Credit Ratings and Securities Research
with Global Coverage and Unmatched Quality

CreditPointe

Credit Risk Reports

Segment Reports

BPA/BPO Services

Real Time Intelligence

Credit Models

Equity Models

Sears Holding Corp [SHLD.O] Q2 09 Credit Rating

Key Risk Metrics

0-3 months

Credit Rating	B-	Credit Rating Change	^
Credit Score [0-100]	79	Est. Prob. Of Default	20.90%

3-12 months

Credit Rating	C+	Outlook	Negative
Credit Score [0-100]	78	Est. Prob. Of Default	22.00%

Sears Holding Corp [SHLD.O] Q2 09 Credit Rating

Covenant Status	Q2 08	Q3 08	Q4 08	Q1 09	Q2 09
Inventory Coverage	Met	Met	Met	Met	-
Leverage	Met	Met	Met	Met	-
Fixed Charge	N/A	N/A	N/A	N/A	Met

Sear's Holdings Credit Facilities

As of Q'2 2009, SHLD.O had access to $2,428.0 M

All with significant covenants

Fixed charge ratio was 5.7 : 1 is now 1.0 : 1.0

May 21, 2009, bifurcation of $4.1 B amended to

$1.7B and $2.4B tranches maturing 03 24 2010 and 06 22 2012

2010 scheduled repayments of $995 M plus

6.55% and 7.45% debentures and $171 M medium term notes

CreditPointe is a scalable ratings and securities research company

CREDIT RATINGS

Immediate access to CP ratings on global companies

Forward-looking ratings and

Estimated Default Probabilities for all corporates globally

Real Time updates (see RTI) makes our ratings continuous

Our business model is a pure 'low-cost' subscription model

It is not an 'issuer pay' model

CreditPointe with novel, validated products and unique IP

RTI results show it's a leading indicator of
CDS spread changes and stock prices at

Sector, industry and company level reporting

Systematically identifies impact of global developments
(news, content, research) on both
Intrinsic value (Equities) and Default Risk (Credit)

Relating these developments in detailed ontological models

CP's Credit Risk Ratings are independent, objective and provide timely assessments of credit risk based on qualitative and fundamental data

Proprietary expertise and on-going validation

Analyst's qualitative judgment

Fundamental data based rating algorithms, supported by statistical modeling

Letter grade corresponding to the major rating agencies

Credit score based on fundamental data of sector specific rating algorithms

CP's Real Time Intelligence (RTI) provides an early warning system, connecting seemingly unconnected events, in a simple presentation

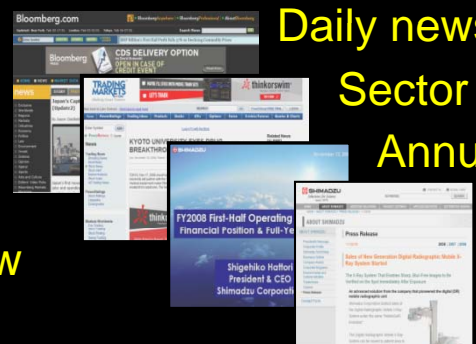**1** Portfolios are updated daily reflecting incremental changes...

2 Drill down to company specific ratings trends
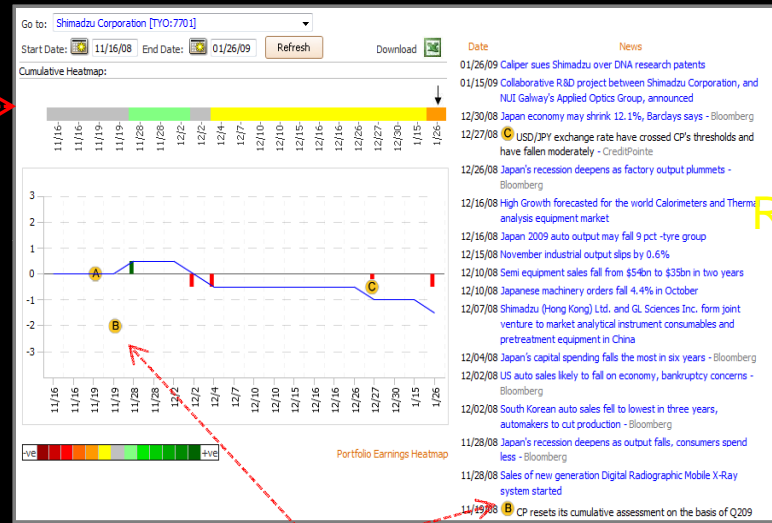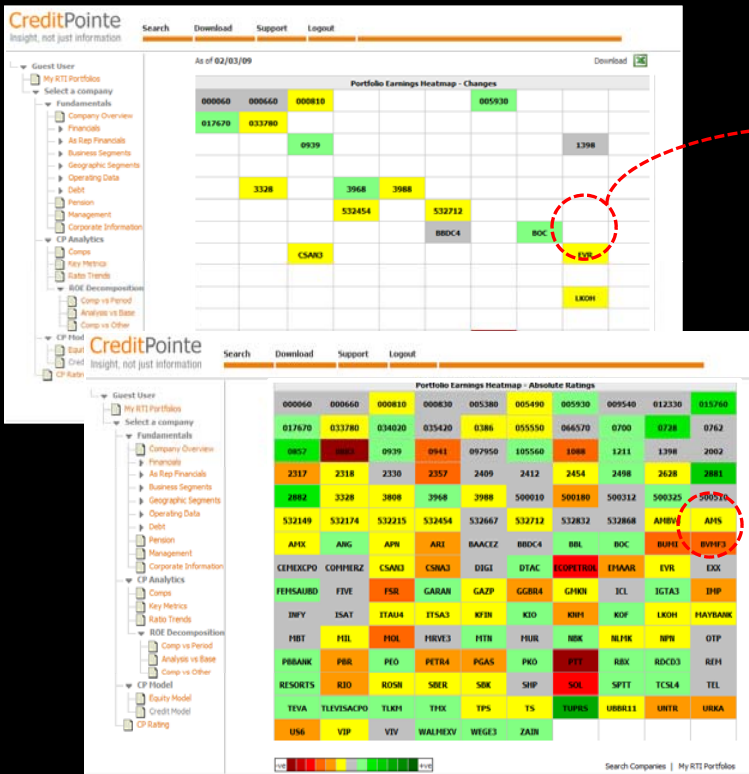
3

RSS Feeds

Ratings change

Daily news

Sector news

Annual Reports

Company Web sites

1a ...while maintaining a cumulative (quarter-to-date) view

Real Time Intelligence provides a holistic, continuous assessment of the impact of [global] economic developments/news on a company's default risk

Aggregating and assessing the potential of a company's default risk in 3-12 months

Based on detailed ontological models at a sector/industry/ company level

Analyzing a development in context; identify/assess seemingly unrelated developments

Presented in the form of a heat map at a portfolio and company level

RTI thresholds trigger complete re-assessment and rating

A continuously 'learning' framework where analysts refine CP's ontologies as they find new dimensions/ factors of relevance to a company or security

RTI is produced by a sophisticated [patent pending] technology framework
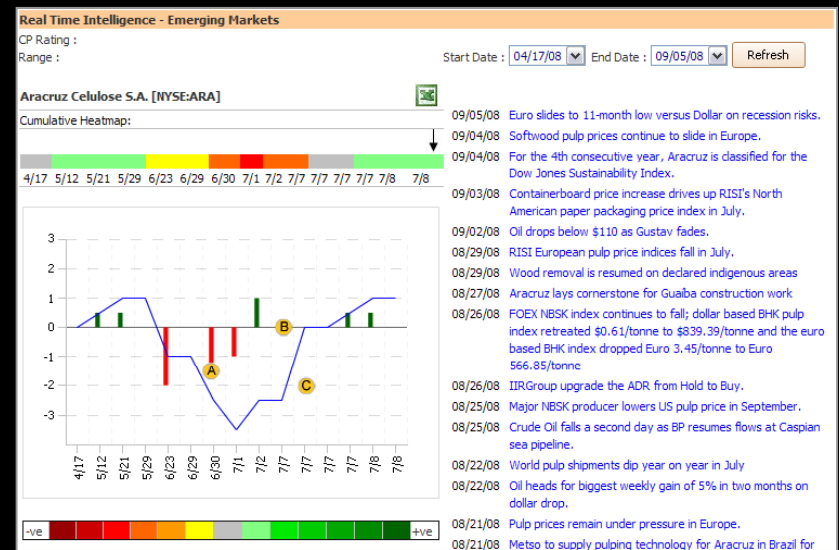
Last 4 quarters RTI is a leading indicator of CDS spread changes in a large majority of the cases

RTI-CDS Spread Relationship
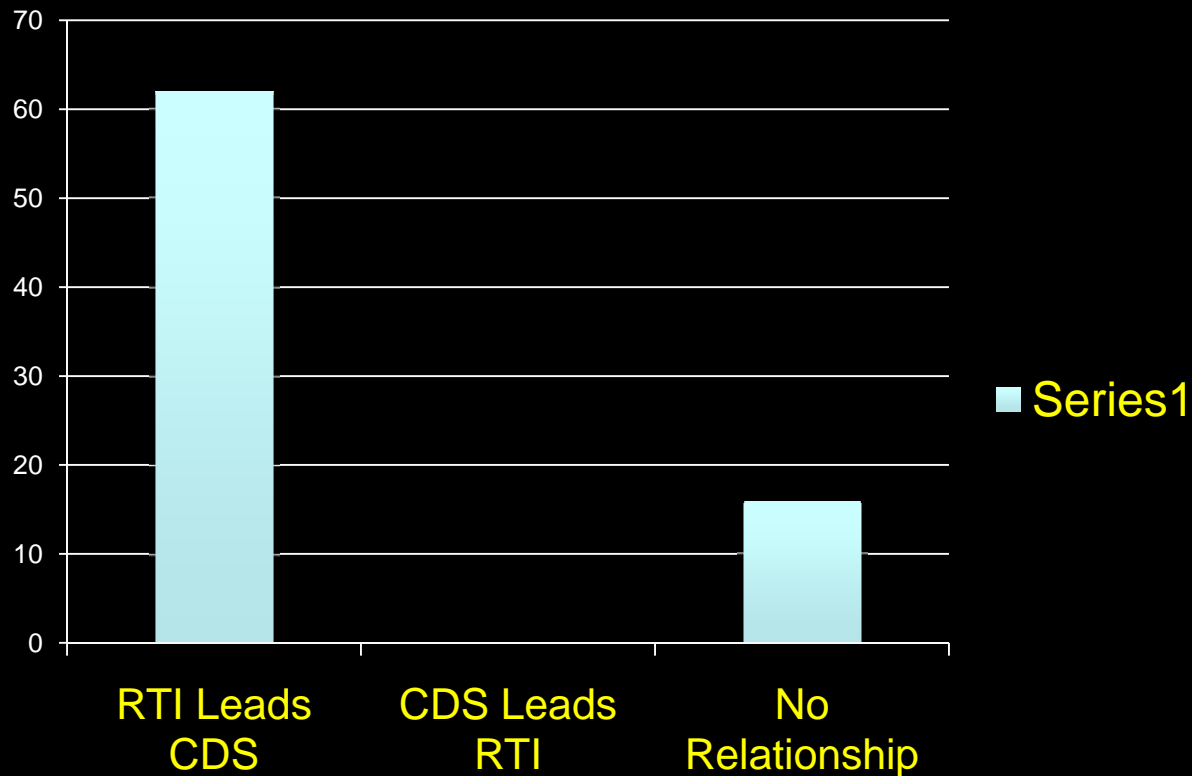
The last 4 quarters show that we are on target with earnings surprises roughly 70-80% of the time

Sample Portfolio of Global Consumer Goods & Retail Companies

CP Real Time Intelligence

CP Assessment vs Earnings Releases

Earnings Classification	S Neg	Neg	Neutral	Pos	S Pos	Total
S Neg						0
Neg		9	2	1		12
Neutral		3	7			10
Pos			1	5		6
S Pos						0
Total	0	12	10	6	0	28

CP Assessment

Exact Match	75.00%
Acceptable Match [+- 1 notch]	96.43%
Incorrect Match	0.00%
Type 1 Errors	3.57%

Results:

CP assessments were exactly the same as the actual results 75% of the time

CP assessments were correct 96.43% of the time if you allow for a judgmental degree of 1 notch on either side

There was one Type 1 error

There was no case where CP assessment was 2 notches away from actual results

The last 4 quarters we are predicting changes in intrinsic value a lot more consistently than sell side analysts

Sample Global Equity Portfolio
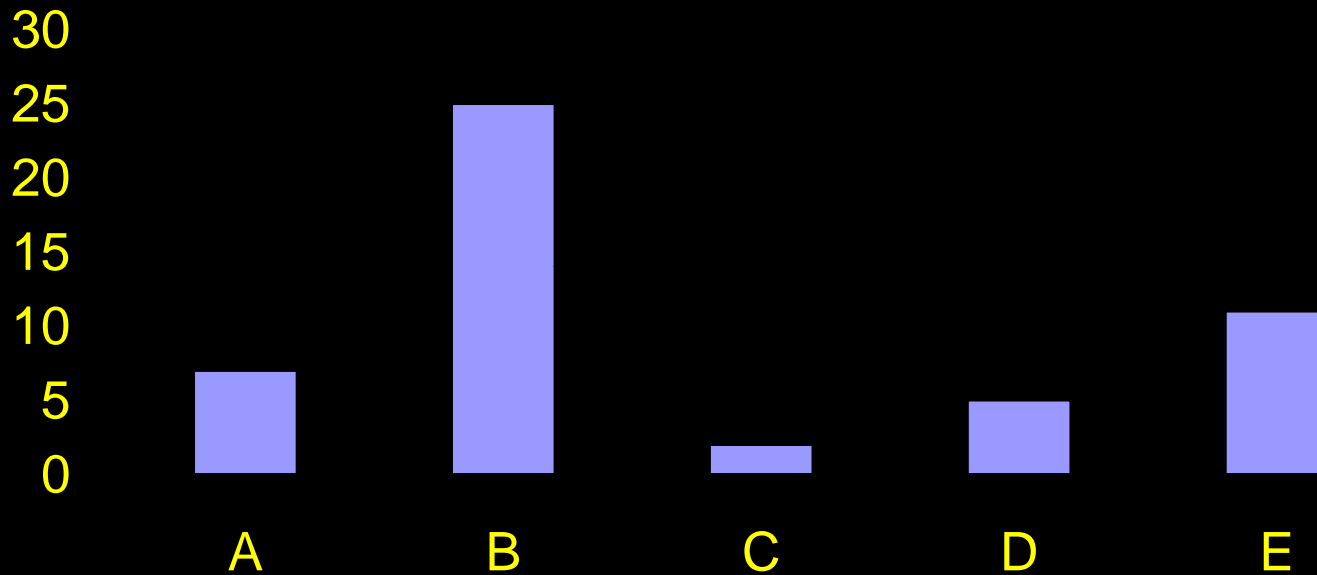
CP/Analyst Recommendation are the same	7	
CP/Analyst Recommendation are the same but CP predicted it ahead of the analyst	5	
CP/ARC are different but CP and ER are in line	20	
CP/ARC are different and ARC and ER are in line	2	
ARC/ CP rating both are incorrect	5	
Total ARC available	39	

A	7
B	25
C	2
D	5
E	11
	50

Media Tek reports strong earnings; in line with CP assessment
RTI rating remained +ve throughout vs neutral outlook by street analyst

Media Tek, Inc [TPE:2454]

Cumulative Heat Map:

Start Date: 02/06/09 End Date: 04/30/09
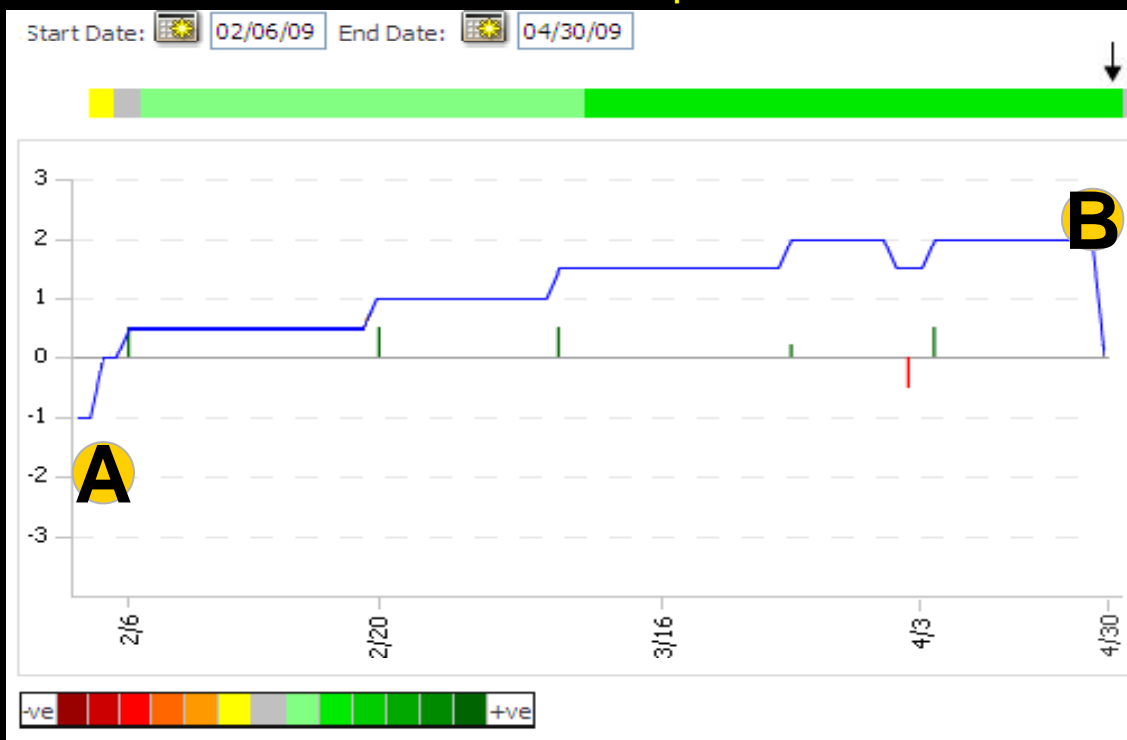
A = Earnings for Q408 was below
street expectation
B = Earnings for Q109 was above
street expectation

CP Assessment

First Order Events:
• Impact of surge in overall company wide sales [+]
• Impact of positive outlook amid strong demand [+]

Second Order Events:
• Impact of appreciation of USD against NTs[+]

CP assessment remained +ve throughout the period as against neutral outlook by street analysts

Analyst Recommendation Changes:
• UBS downgraded Media Tek from Buy to Neutral [3/05]

Media Tek Earnings Release:
• Media Tek reported strong earnings in line with CP assessment on account of recovered demand for chips used in mobile phones and televisions, mostly in China
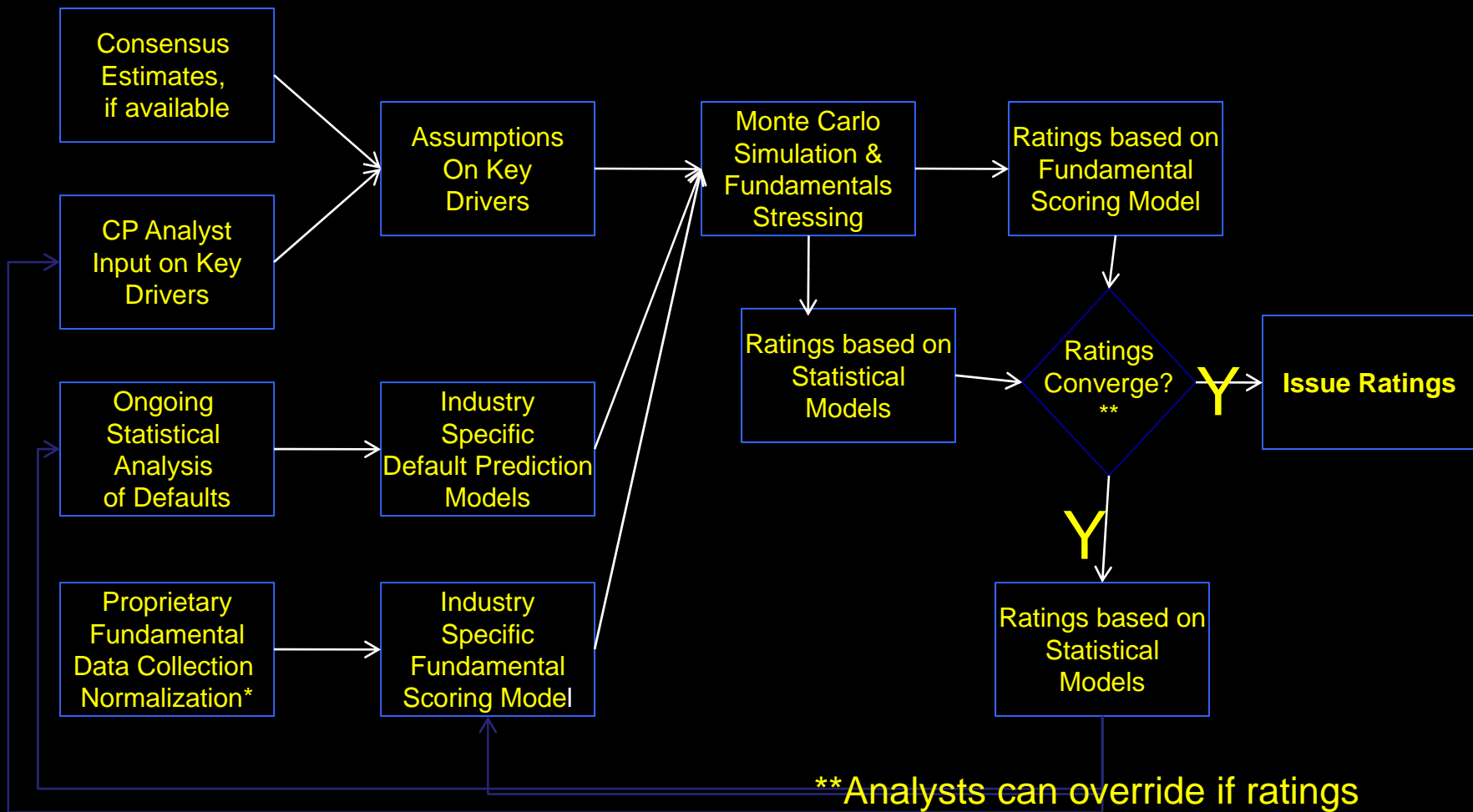
Media Tek, Inc [TPE:2454] [Q109] Stock price movement relative to the broad index also clearly validates RTI
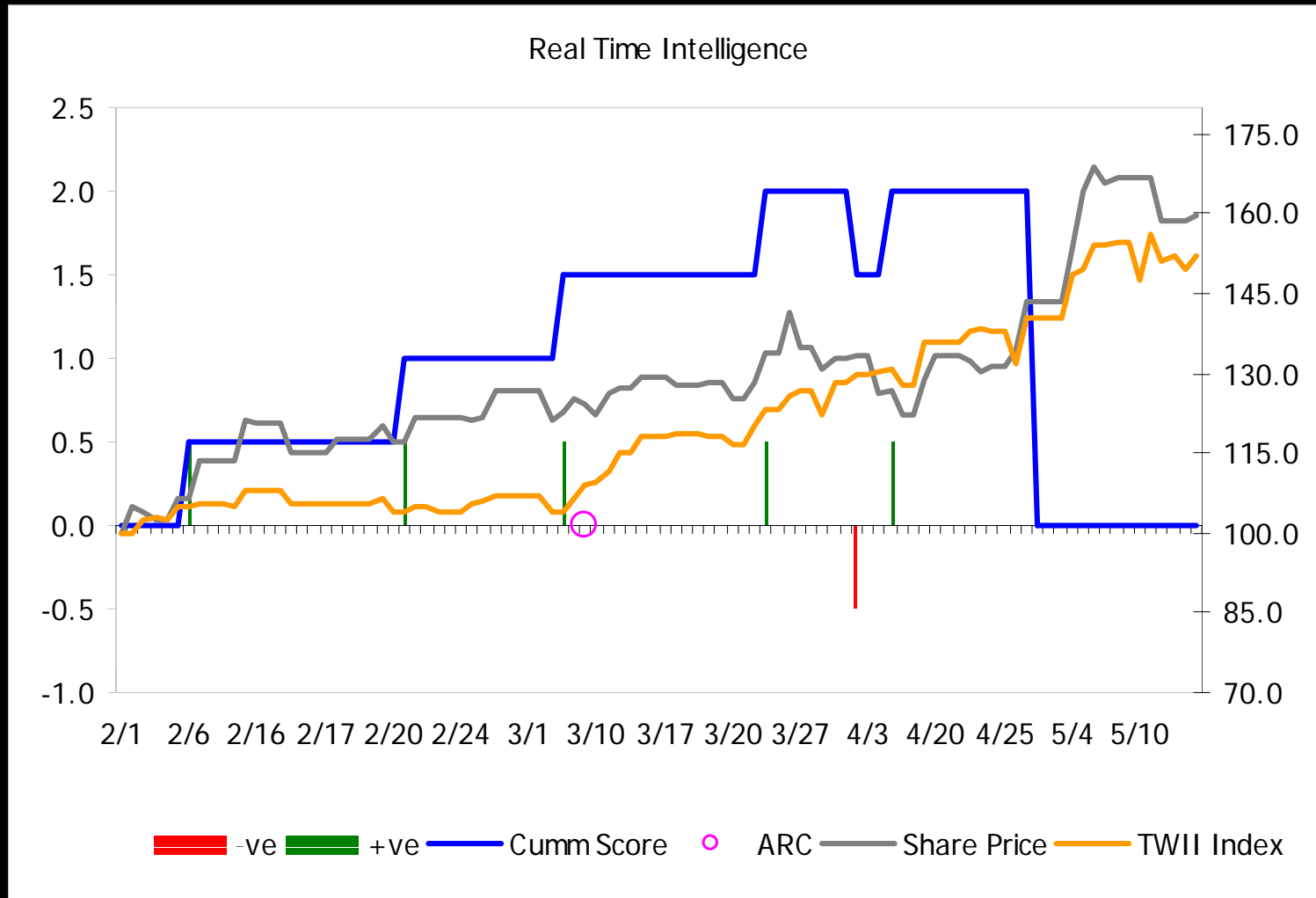
CreditPointe

Credit Rating Methodology

We deploy a multi-dimensional approach to developing our credit ratings including statistical models and sound fundamental analysis

*Qualitative and Quantitative

**Analysts can override if ratings based on the two approaches do not converge

The Continuous Adjustment – Real Time Intelligence

Periodic letter-grade credit ratings

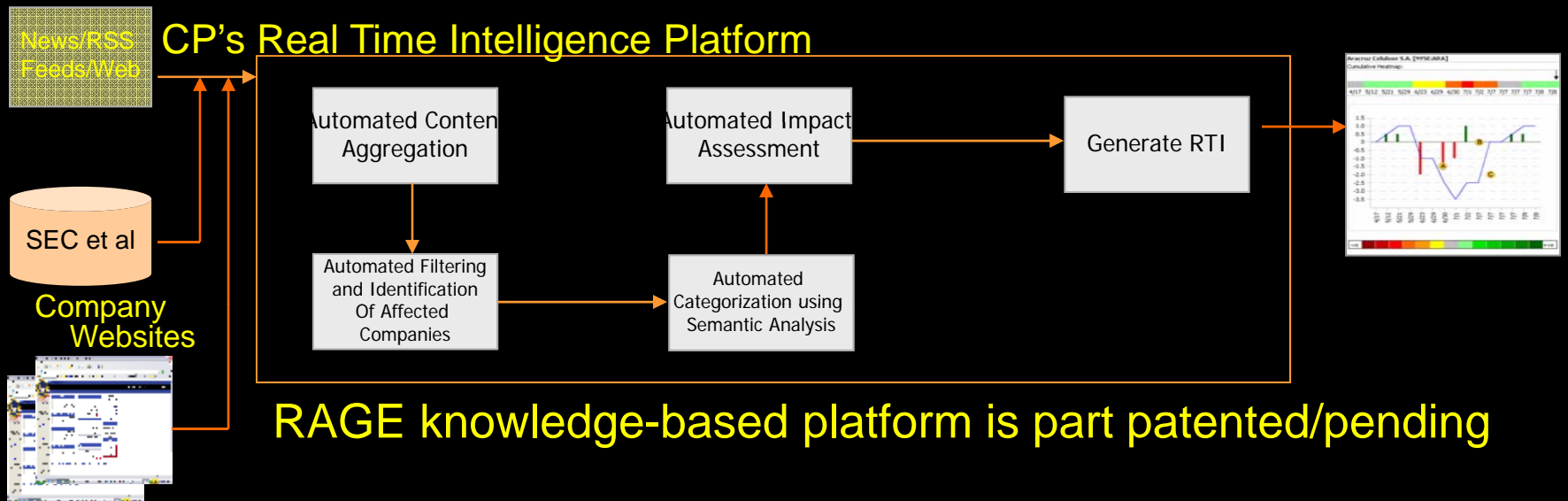A+, A, A-, B+, B, B-, C+, C, C-, plus

Real Time Intelligence

The continuous score reflects trends in credit risk

Post the periodic full review

Serves as a significant **early warning indicator**

Uniquely combined natural language processing, computational linguistics and other knowledge components produces RTI

News/RSS Feeds/Web

CP's Real Time Intelligence Platform

SEC et al

Company Websites

Automated Content Aggregation

Automated Filtering and Identification Of Affected Companies

Automated Categorization using Semantic Analysis

Automated Impact Assessment

Generate RTI

RAGE knowledge-based platform is part patented/pending

CP's RTI platform combine natural language processing, computational linguistics, text mining and other information

Aggregation via Rage's web crawlers, RSS receivers

Content filtering a variation of latent semantic analysis and linguistic rules, Categorizes text to ontologies

Earnings Releases analyzed using our Sentiment Analyzer

Our differentiated domain expertise is evident in the results of our ongoing bankruptcy prediction research

Our overall classification accuracy [predicting a bankrupt company as bankrupt and a healthy company has healthy] is upwards of 95% on a robust cross-validated basis up to 1 year prior to bankruptcy

Similarly, up to 2 years prior to bankruptcy, our classification accuracy is approximately 90%

Known studies report accuracies in the 60-70% range up to 1 year prior to bankruptcy and much less beyond that

We attribute the strong results

Figure 2. Summary of Overall Classification Accuracy
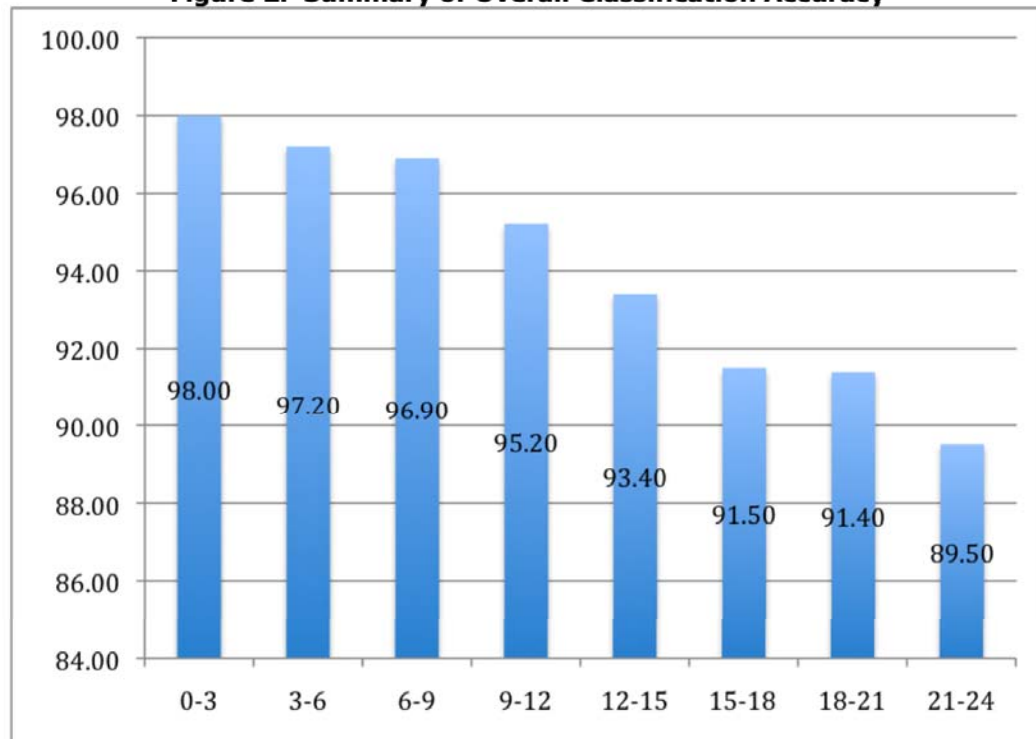
CreditPointe with novel, validated products and unique IP - RTI

Helps address the acute information overload problem

Fundamental analysts (buy or sell side) largely process all information manually

RTI has systematized a large part of this process

Provides consistent, objective synthesis of developments and their impact

RTI leverages significant levels of technology enables scaling to cover all public companies globally

We have a world class, robust infrastructure, significant intellectual strength and access to large pools of skilled resources

US operations
Experienced management team
- Deep expertise in financial services
- Pioneered credit and collections automation starting in the late 80s
- Significant expertise in credit risk assessment and investment analysis
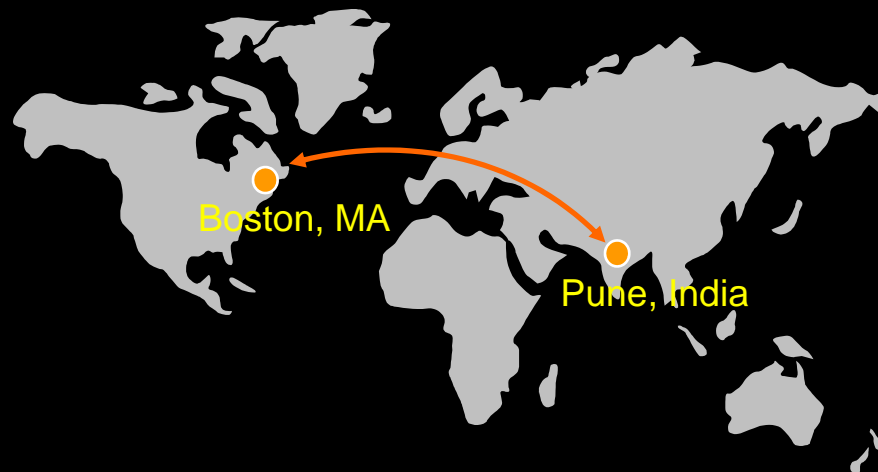
Off shore operations (India)

Highly skilled, experienced resources

- Current strength: 200

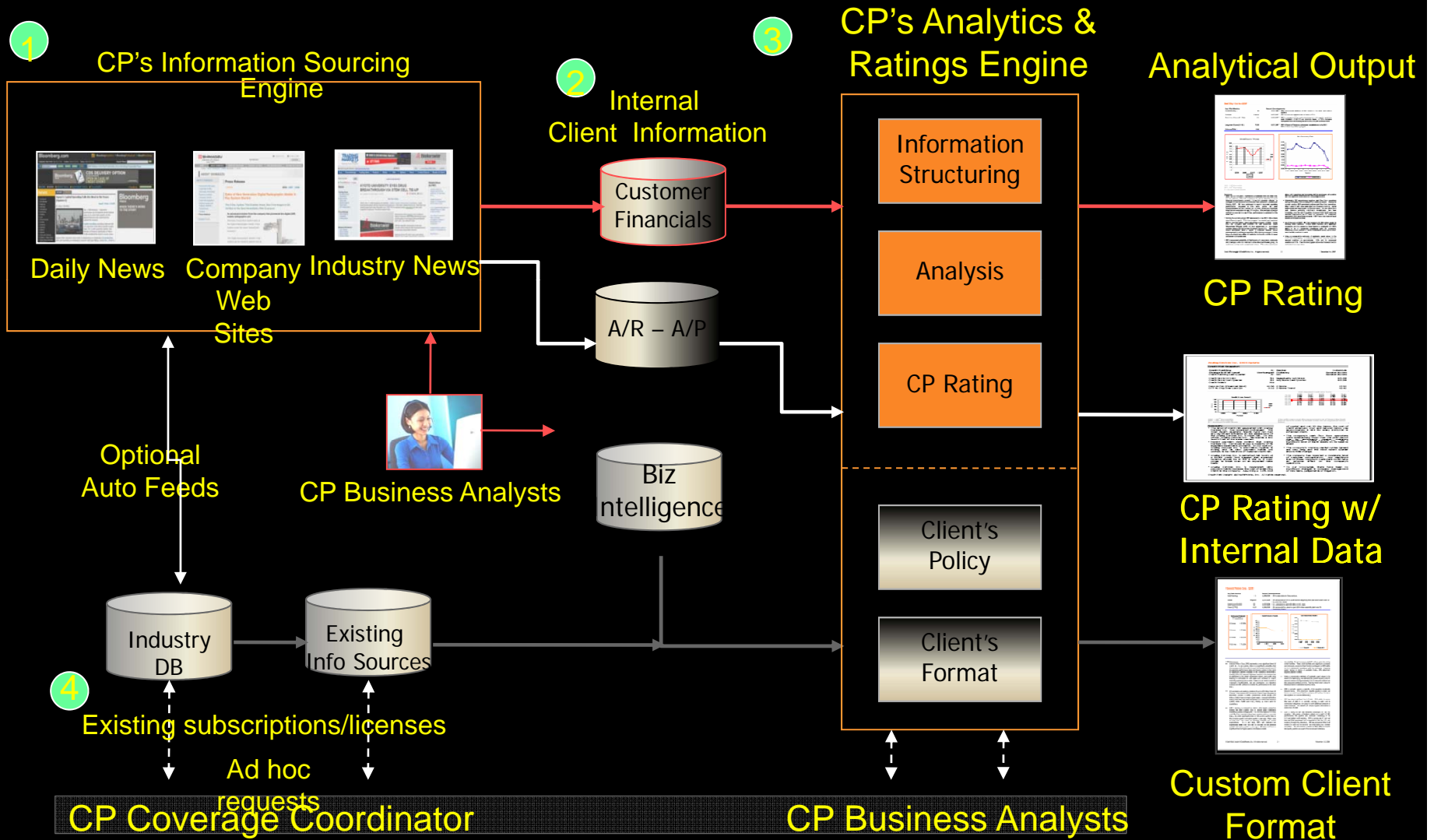- 1/3 of our professionals have master's or higher degree

- Each of our professionals undergoes rigorous training in our service methodologies and products, as appropriate

Highly secure

- Certified by major financial institutions

Scalable; Access to a large number of additional skilled resources

Boston, MA

Pune, India

CP combines its information sourcing capability, your data and licenses, and our ratings engine for public and private company analysis

1 CP's Information Sourcing Engine

Daily News   Company Web Sites   Industry News

Optional Auto Feeds

CP Business Analysts

4

Industry DB → Existing Info Sources

Existing subscriptions/licenses

Ad hoc requests

CP Coverage Coordinator

2 Internal Client Information

Customer Financials

A/R – A/P

Biz Intelligence

3 CP's Analytics & Ratings Engine

Information Structuring

Analysis

CP Rating

Client's Policy

Client's Format

CP Business Analysts

Analytical Output

CP Rating

CP Rating w/ Internal Data

Custom Client Format

CreditPointe

Timely, Objective Credit Ratings and Securities Research with Global Coverage and Unmatched Quality

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