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

NACM Canada 11th Annual Credit Conference
Toronto - October 22, 2009

John LaRocca - CreditPointe, Inc.
john@creditpointe.com
a Division of RAGE Frameworks, Inc.
www.creditpointe.com

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
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
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

<table>
<thead>
<tr>
<th>External Agency</th>
<th>2 Nov 07</th>
<th>18 Feb 08</th>
<th>1 May 08</th>
<th>1 Aug 08</th>
<th>7 Nov 08</th>
<th>27 Feb 09</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fitch</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>B-</td>
<td>CCC</td>
<td>C</td>
</tr>
<tr>
<td>Moody’s</td>
<td>B3</td>
<td>B3</td>
<td>B3</td>
<td>B3</td>
<td>Caa2</td>
<td>Ca</td>
</tr>
<tr>
<td>S&amp;P</td>
<td>B</td>
<td>B</td>
<td>B</td>
<td>B-</td>
<td>CCC+</td>
<td>CC</td>
</tr>
<tr>
<td>Period</td>
<td>Q4 07</td>
<td>Q1 08</td>
<td>Q2 08</td>
<td>Q3 08</td>
<td>Q4 08</td>
<td>Q109</td>
</tr>
<tr>
<td>CP</td>
<td>C-</td>
<td>C-</td>
<td>C-</td>
<td>C-</td>
<td>C-</td>
<td>C-</td>
</tr>
</tbody>
</table>
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

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
<table>
<thead>
<tr>
<th>Credit Risk Reports</th>
<th>Real Time Intelligence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment Reports</td>
<td>Credit Models</td>
</tr>
<tr>
<td>BPA/BPO Services</td>
<td>Equity Models</td>
</tr>
</tbody>
</table>
# Sears Holding Corp [SHLD.O] Q2 09 Credit Rating

## Key Risk Metrics

<table>
<thead>
<tr>
<th>Time Span</th>
<th>Credit Rating</th>
<th>Credit Score [0-100]</th>
<th>Est. Prob. Of Default</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-3 months</td>
<td>B-</td>
<td>79</td>
<td>20.90%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Credit Rating Change^</td>
</tr>
<tr>
<td>3-12 months</td>
<td>C+</td>
<td>78</td>
<td>22.00%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Est. Prob. Of Default</td>
</tr>
<tr>
<td>Covenant Status</td>
<td>Q2 08</td>
<td>Q3 08</td>
<td>Q4 08</td>
</tr>
<tr>
<td>-------------------</td>
<td>-------</td>
<td>-------</td>
<td>-------</td>
</tr>
<tr>
<td>Inventory Coverage</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>Leverage</td>
<td>Met</td>
<td>Met</td>
<td>Met</td>
</tr>
<tr>
<td>Fixed Charge</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
</tbody>
</table>

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
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.

Portfolios are updated daily reflecting incremental changes...

Drill down to company specific ratings trends...

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

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
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 reassessment 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

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
Last 4 quarters RTI is a leading indicator of CDS spread changes in a large majority of the cases.
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

**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

<table>
<thead>
<tr>
<th>CP/Analyst Recommendation</th>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>CP/Analyst Recommendation are the same</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP/Analyst Recommendation are the same but CP predicted it ahead of the analyst</td>
<td></td>
<td>B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP predicted it ahead of the analyst</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP/ARC are different but CP and ER are in line</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>CP/ARC are different and ARC and ER are in line</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARC/ CP rating both are incorrect</td>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total ARC available</td>
<td>39</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ARC not available</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
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:

A = Earnings for Q408 was below street expectation
B = Earnings for Q109 was above street expectation

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved
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.

**Consensus Estimates, if available**

**CP Analyst Input on Key Drivers**

**Ongoing Statistical Analysis of Defaults**

**Proprietary Fundamental Data Collection Normalization**

**Assumptions On Key Drivers**

**Industry Specific Default Prediction Models**

**Industry Specific Fundamental Scoring Model**

**Monte Carlo Simulation & Fundamentals Stressing**

**Ratings based on Fundamental Scoring Model**

Ratings Converge? **

**Ratings based on Statistical Models**

**Ratings based on Statistical Models**

**Issue Ratings**

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

*Qualitative and Quantitative*
The Continuous Adjustment – Real Time Intelligence

Periodic letter-grade credit ratings

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

Automated Content Aggregation  
Automated Filtering and Identification Of Affected Companies  
Automated Impact Assessment  
Automated Categorization using Semantic Analysis

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 to our differentiated domain expertise.
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
CP combines its information sourcing capability, your data and licenses, and our ratings engine for public and private company analysis.
CreditPointe

Timely, Objective Credit Ratings and Securities Research with Global Coverage and Unmatched Quality
In-depth View of Risk Analysis in Relation to the Current Economic Situation

NACM Canada 11th Annual Credit Conference
Toronto - October 22, 2009

John LaRocca - CreditPointe, Inc.
john@creditpointe.com

a Division of RAGE Frameworks, Inc.

www.creditpointe.com

© Rage Frameworks, Inc. 2001-2009 All Rights Reserved