STANDARD
&POOR'S

RATINGSDIRECT®

May 13, 2008

Credit FAQ:

Standard & Poor's New Approach To Speculative-Grade Ratings

Corporate & Government Ratings:
Solomon B Samson, Managing Director, New York (1) 212-438-7653; sol_samson@standardandpoors.com
Nicholas D Riccio, Managing Director, New York (1) 212-438-7853; nick_riccio@standardandpoors.com

Table Of Contents

647847 | 300017896

Credit FAQ:

Standard & Poor's New Approach To Speculative-Grade Ratings

Standard & Poor's Ratings Services recently reviewed its approach to rating leveraged credits. This process included independent market research and a very hard look at key analytical issues within the leveraged markets. The review has prompted us to introduce several enhancements to our analytical approach, which were outlined in a report published earlier today, titled "Standard & Poor's Revises Its Approach To Rating Speculative-Grade Credits." The following series of questions and answers will hopefully further clarify the reasoning behind our enhanced approach and how we intend to implement it, as well as give the leveraged markets an indication of our expectations for the new approach's ramifications.

Frequently Asked Questions

How will Standard & Poor's implement the changes?

The various elements of the proposed changes are meaningful individually. As a package, the elements reinforce each other and represent a more substantial overall enhancement to speculative-grade ratings. They will be phased in--and some elements will be introduced earlier than others for a given credit. In any event, the enhancements will be applied in the ordinary course of surveillance, as part of the continual review of ratings. There is no need for a portfolio review, since there are no explicit criteria changes.

Do you expect rating changes as a result of the analytical enhancements? If so, in which direction would ratings likely move?

The enhancements were not designed to affect the ratings distribution. Rather, we expect that some companies will be candidates for rating upgrades and others for downgrades. We have not attempted to quantify the number of potential changes. On the other hand, we cannot predict that the overall impact will be neutral, particularly given the current backdrop of economic and credit market challenges. All things being equal, the envisioned analytical changes--especially the greater sensitivity to near-term factors--should lead to overall higher ratings in good times, but lower ones in troubled times.

So does this imply greater ratings volatility?

Indeed, volatility should increase, given the shorter time frame and re-balancing of analytical factors, as well as a more dynamic approach to surveillance. All these elements increase the likelihood for rating changes and reversals as company fortunes change. We view this as a positive, making for an improved rating product. However, there is no intention to go overboard in this respect. We recognize that extreme volatility would detract from the usefulness of ratings.

Why is Standard & Poor's introducing these enhancements now?

This initiative is largely a function of our ongoing efforts to improve our products and keep them current with market developments. We think of these changes as evolutionary, building on past enhancements. We should also be better positioned to confront the current credit environment and its challenges--even if the timing is coincidental. In particular, the greater emphasis on liquidity seems timely under current market conditions.