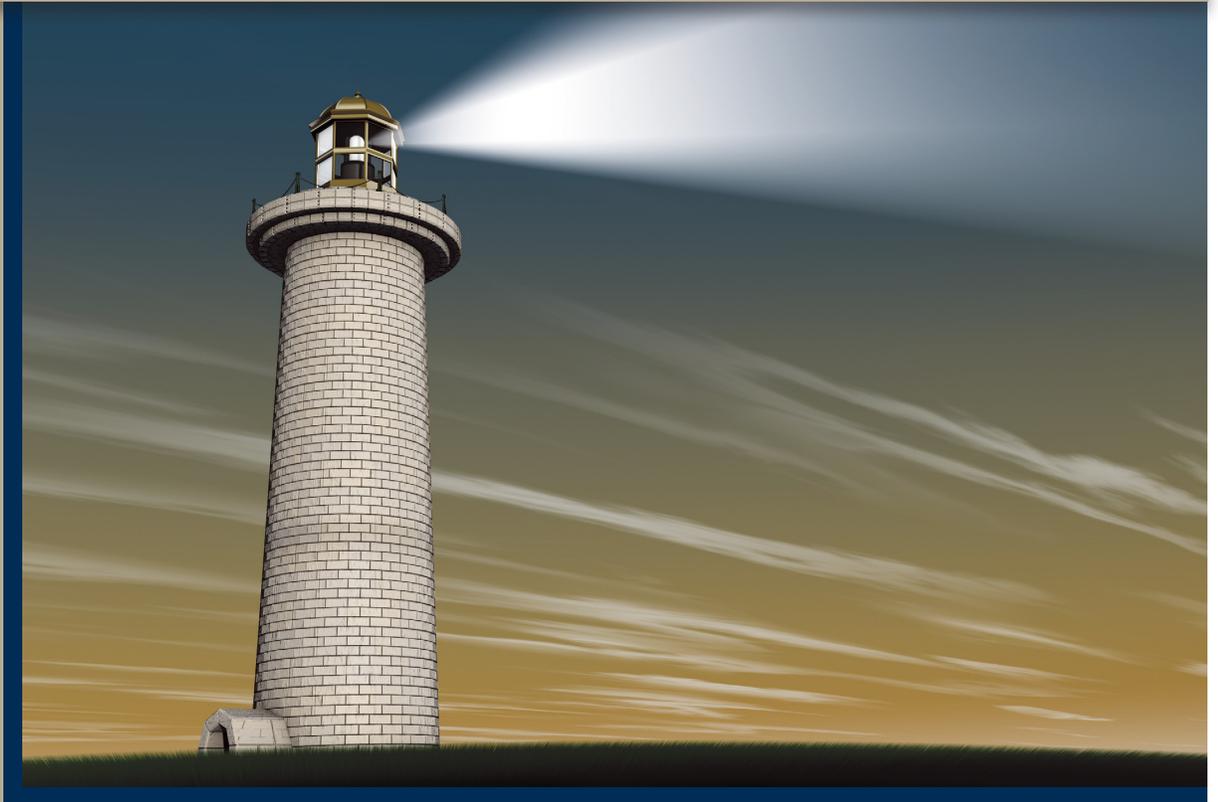


*Independent. Conflict-Free.*

## SMITH's Research & Gradings



*“Approximately 90% of ratings revenues are paid by the issuers (not investors)” — from the SEC report on the role of ratings to the Governmental Affairs Oversight Committee*



### **SMITH's Credit Grading System**

has three components: 1.) long-term ability to make timely debt service payments; 2.) recovery/residual value; 3.) event risk.

### **The application of SMITH's Credit Gradings**

will provide you with new levels of confidence in your bond portfolio.

### **SMITH's Credit Quality Scale grades**

the BIS joint and several obligations of the G-20 Central Banks as 135; U.S. Treasury debt obligations as 100/10/0; sub-sovereign entities, such as States, have been ranked as high as 90/10/0, while the highest corporate rating was 75/10/0.

*Consistent and Comprehensive.*

## Investor-Driven



*“Clearly, the revelation that almost any municipal bond issue rated by Moody’s is better than the best corporate bond issue is staggering.”*  
— Terry Smith,  
January 2003



### **Accountability and Transparency in Rating Agencies Act of 2010**

requires the SEC to conduct annual audits of the internal processes for determining credit ratings. The credit rating agencies must establish and maintain, on a public website, a central database of the historical default rates of all classes of financial products rated by the organization. Each rating agency must disclose fees paid for each rating, the type and number of ratings provided, and the net revenue earned from each issuer in the last two years, along with how much of the rating agencies net revenue each issuer represents. The SEC requires rating agencies to structure payments in a way that ensures accurate and reliable surveillance of credit ratings over time.

### **The Municipal default study published by Moody’s Investors Service in late 2002**

served to underscore the differences between municipal ratings and corporate ratings. The study was an incredible admission on the part of Moody’s — at long last, the truth about the relative nature of ratings had been confirmed. And it prompted the CRA Act of 2006.

Since 1992.

# SMITH's Research & Gradings



## **SMITH's private Grading scale**

provides a comprehensive and unified credit comparison that is consistently applied for all securities — from supranational organizations and sovereign risk gradings to sub-sovereign municipal entities and corporate credit analytics.

## **SMITH's Advantage**

Investors seeking underlying credit quality can receive SMITH's private Gradings. It's a principled and proven approach to credit analysis expressed on Smith's universal scale.

SMITH's Gradings is a time-tested and performance-proven process. Since 1992, SMITH's Gradings accurately predicted the downfall of dot-coms, the collapse of credit enhancement and the insolvency of banking institutions.

SMITH's Research & Gradings exceeds the relatively low standards of the world's central banks and financial regulatory authorities. SMITH's Gradings has nearly 2 decades of default and recovery experience.

*“Over the past decade, SMITH's has consistently looked beyond the boomtown economics of the dot.coms and tel-coms and Enrons to find rewards in the durability of municipal revenues.”*

**Terence M. Smith**  
**Chairman & Chief Executive Officer**  
**SMITH's Research & Gradings**



Terence Smith is chairman and chief executive officer of *SMITH's Research & Gradings*, which was founded in 1992. From its inception, *SMITH's Research & Gradings* has championed independent, third-party credit analytics. As stated in its manifesto, *SMITH's Research & Gradings* believes the rating agencies have an inherent conflict of interest because issuers and underwriters pay for the credit analysis. In 1994, *SMITH's Research & Gradings* launched the world's first comprehensive credit scale for the global fixed income markets.

*SMITH's Research & Gradings* bi-weekly publication provides independent, third-party research and analysis for institutional investors. *SMITH's* Conferences provide unique forums for investors and issuers to discuss matters of mutual interest. In addition to *SMITH's* annual housing, healthcare, and credit enhancement conferences, the company also produces the *All-Star Municipal Analysts Program*.

Mr. Smith is also chairman and chief executive officer of Smith Information Services (SIS), LLC, which provides event-risk credit analytics relating to infrastructure assets.

Prior to *SMITH's Research & Gradings*, Mr. Smith was the president of Global Guaranty, which he founded in 1987 to provide publishing and conference products for the emerging financial guaranty industry. In late 1989, Global Guaranty was sold to Thomson International. While at Thomson, as the head of a business unit, Mr. Smith was a member of the executive management team which oversaw Sheshunoff, Muller Data, Thomson BankWatch, American Banker Newspaper, The Bond Buyer Newspaper, and 40 newsletters. Mr. Smith was responsible for the creation and launching of the American Banker and Bond Buyer Conference Division.

In 1990, Mr. Smith founded Global Guaranty's All-American Municipal Analysts Team to provide greater recognition for the contributions of municipal analysts to the industry.

Mr. Smith has worked in marketing positions at both Ambac Assurance Co. and E.F. Hutton. He has also worked as the managing editor of *Investment Dealers' Digest* and as a reporter for *Institutional Investor's* newsletters.

He has written articles that have appeared in *The American Banker Newspaper*, *The Bond Buyer*, *Asset Sales Report*, *IPO Reporter*, *California Public Finance*, *Mortgage Commentary*, *Corporate Finance Week*, *Bank Report*, *Bond Week*, *The Philadelphia Inquirer*, *Harcourt Brace Publications* and has made appearances on National Public Radio and CNBC.

Mr. Smith received his B.A. in English Literature from St. Joseph's University in Philadelphia.



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