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For Immediate Release

Corporate Treasurers Prepare for Default, Downgrade According to Treasury Strategies

July 28, 2011 – (Chicago, Ill.) – Corporate Treasurers are preparing for a possible US government default and downgrade. Treasury Strategies, the leading consulting firm to corporate treasuries and financial institutions, sees several default-related themes emerging from our consulting to treasury clients around the globe.

"Corporate treasurers are preparing for the previously unthinkable," says Anthony J. Carfang, Partner of Treasury Strategies. "Working with our treasury clients around the globe, we are helping corporate treasurers pursue several options."

Most treasurers are approaching the downgrade and default issues separately. Treasurers believe a downgrade is highly likely given the trajectory of US government spending. A downgrade will raise the overall cost of funds for all market participants. Treasurers also believe an actual default, although a much lower probability, would create immediate and serious market disruption, the ultimate course of which is unknowable.

To prepare, Treasury Strategies is helping our clients do the following:

- **Review and clarify investment policies** – To gain clarity around the gray areas. Many policies assume US Treasuries are AAA-rated and provide no direction for a portfolio manager in the event of a downgrade.

- **Shorten investment maturities** – Continuing a two-year trend, companies are going ultra-short. Although Treasury Strategies does not see companies selling securities outright, they are reinvesting proceeds of maturing securities in only the shortest of instruments.

- **Increase credit quality** – Proceeds of maturing securities are being reinvested into securities of similar or higher credit quality, including US Treasuries.

- **Move assets into FDIC insured bank deposits** – The FDIC is providing an unlimited guarantee and banks are now permitted to pay interest. However, Treasury Strategies believes some banks may begin capping the deposits they accept from a customer and paying a negative interest rate above the cap. A negative rate of as much as 30bps is still less expensive than buying a treasury bill and protecting it with a Credit Default Swap.

- **Move assets into money market funds (MMFs)** – Most treasurers like the diversification, professional management, credit analysis, and

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transparency of MMFs. Clients are even moving into treasury MMFs since they provide diversification across individual treasury issues and maturities.

- **Issue prime commercial paper –** Top-rated borrowers are issuing as much commercial paper as the market will absorb. Given their expectation that a default will be highly disruptive, they want to go into this with as much cash on the balance sheet as possible.

- **Issue debt securities** – Because treasurers anticipate a downgrade will increase the long-term cost of funds, companies are well-advised to lock in today's rates.

- **Improve cash forecasting and treasury technology tools** – Treasurers learned from the 2008 crisis that timely and accurate information is essential. They have been accelerating their implementation of new technology to improve cash visibility globally, using investment portals to get better market and fund views, and sharpening their pencils around their cash forecasts.

"Treasury Strategies is in daily discussions with corporate treasurers on these issues, which are growing in importance," says Cathy Gregg, a Partner with Treasury Strategies. "Even if a technical default can be avoided in the short-term, most treasurers are convinced a downgrade is inevitable and are getting their operations in order."

Opt-in to receive more information on Treasury Strategies' **Quarterly Corporate Cash Report™** and **Quarterly Corporate Cash Briefing™** webinars to keep current on what's happening with corporate cash.

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Treasury Strategies, Inc. is the leading Treasury consulting firm working with corporations and financial services providers. Our experience and thought leadership in treasury management, working capital management, liquidity and payments, combined with our comprehensive view of the market, rewards you with a unique perspective, unparalleled insights and actionable solutions. Visit www.TreasuryStrategies.com for more information.

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