CAPITAL MARKETS UPDATE

February 2010

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Executive Summary

- The recent economic crisis effectively shut down the North American capital markets during the latter half of 2008
- However, markets came roaring back in 2009, providing access to debt and equity capital for corporates of all sizes
- On a relative basis, the Canadian markets held up very well, and remain a very competitive source of capital for domestic companies -- especially seasoned issuers
- Nevertheless, the U.S. market -- which remains the deepest and most liquid in the world -- still offers certain critical advantages for Canadian companies
  - Canadian companies seeking to effect large financings are often forced to look South
  - U.S. debt investors remain more willing to invest in risky credits
  - Niche or high-growth stories typically find a more aggressive set of investors in U.S. equity markets
- As U.S. investors have been forced to reach for yield, cash has rushed back into the capital markets: first into high grade credits, followed by high yield debt and equities
  - With the Fed clearly on hold for the foreseeable future, U.S. markets should remain wide open for Canadian issuers

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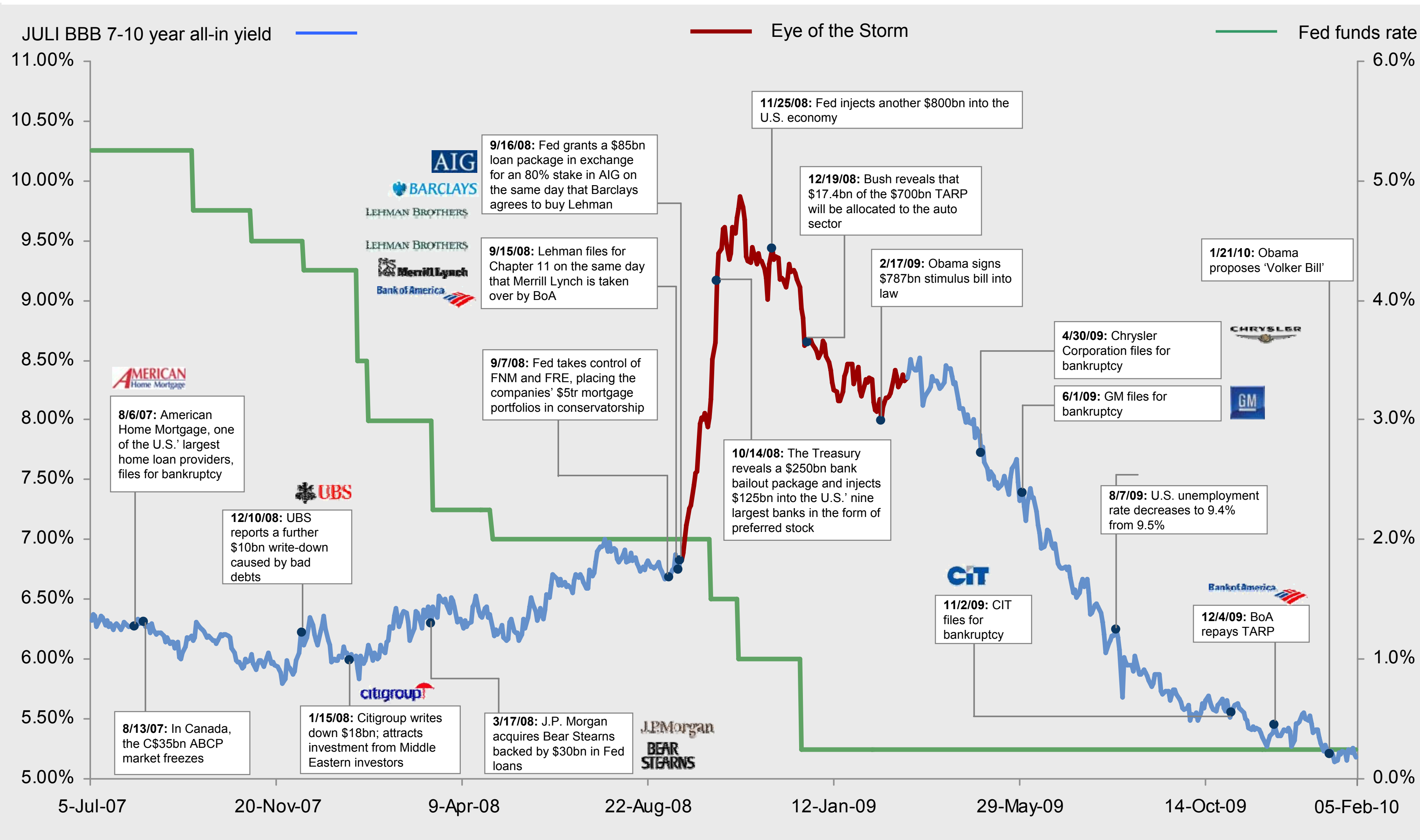
Credit crisis timeline

BBB all-in yield and Fed Funds Rate since 7/5/07



Source: Bloomberg, Data Query, Factiva; All data as of 2/07/10

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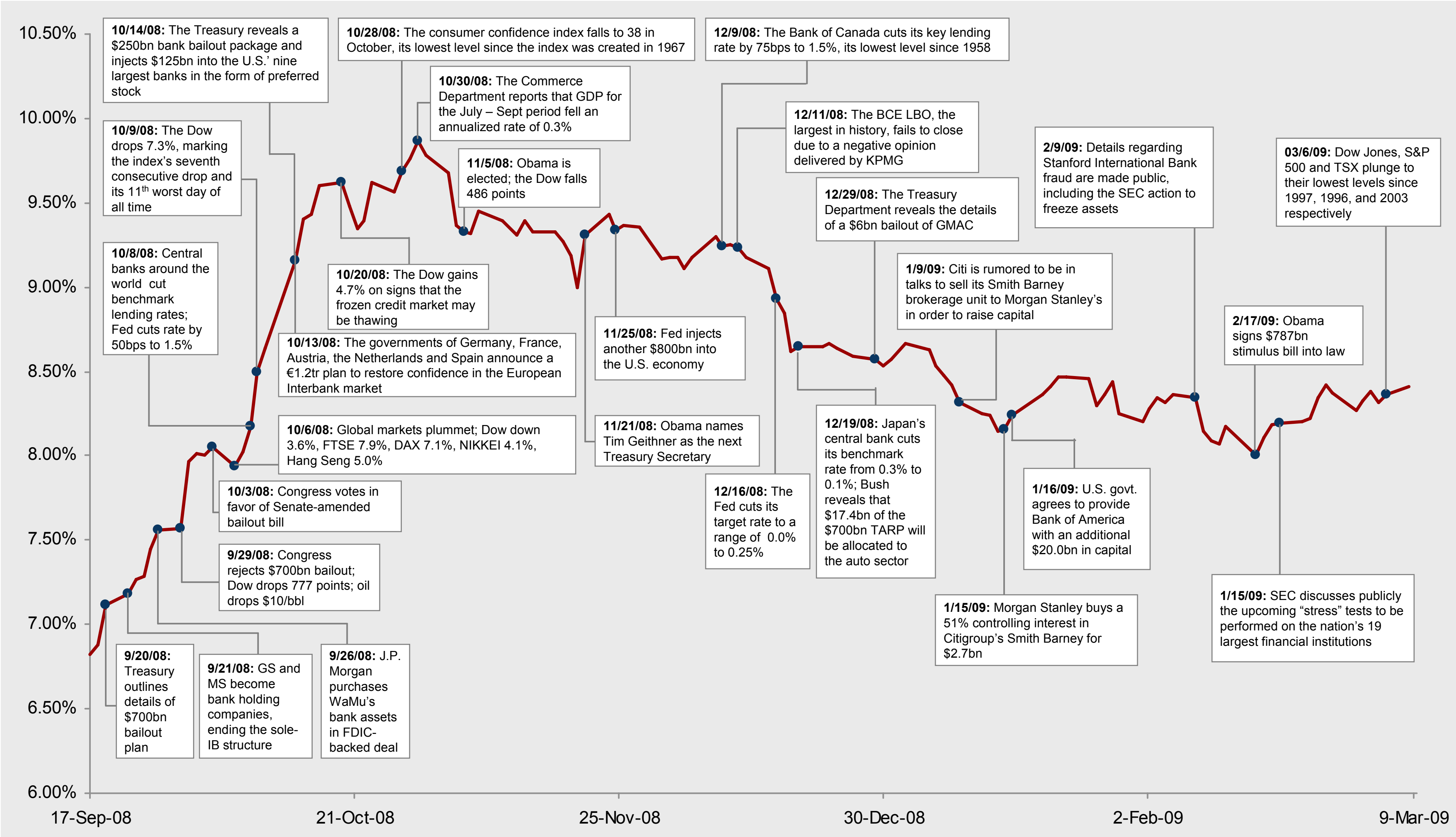
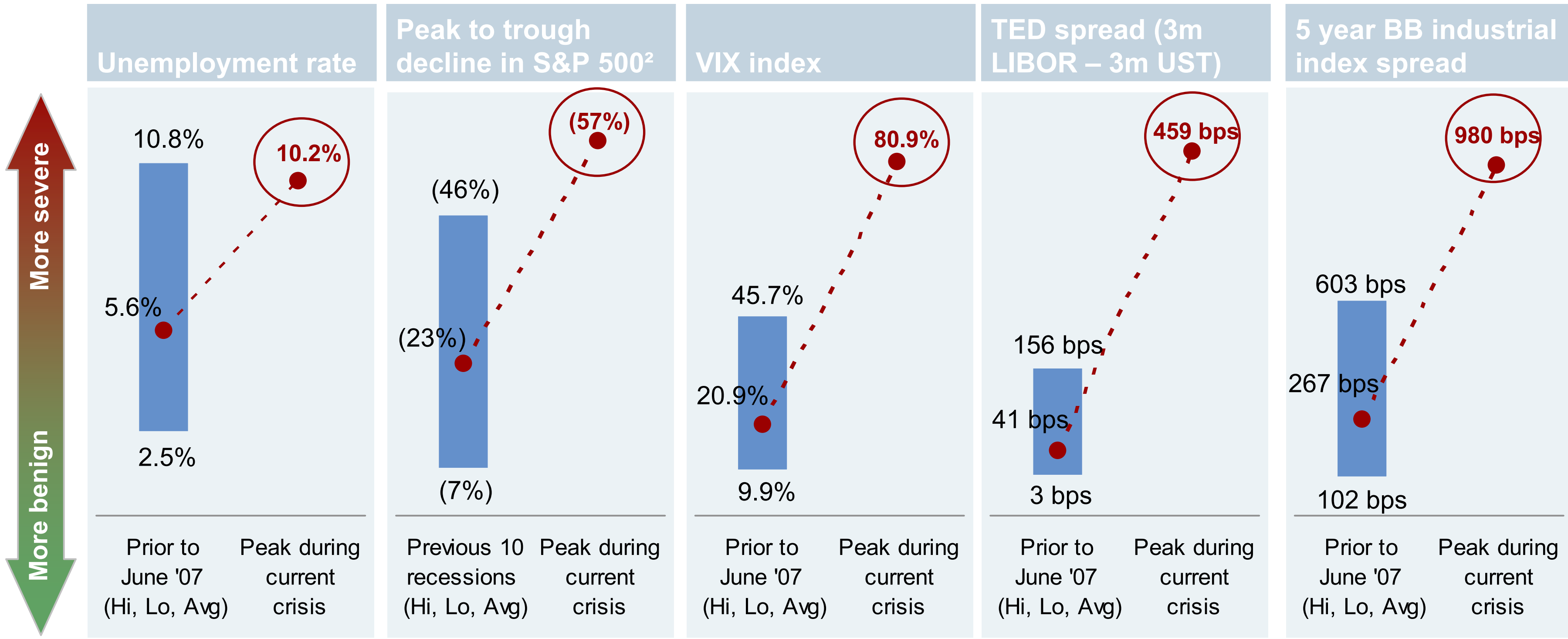
Credit crisis timeline – eye of the storm (the state of the market post Lehman bankruptcy until the bottom of the market)

BBB all-in yield between 9/17/08 and 03/09/09



Source: Bloomberg, Data Query, Factiva; All data as of 2/07/10

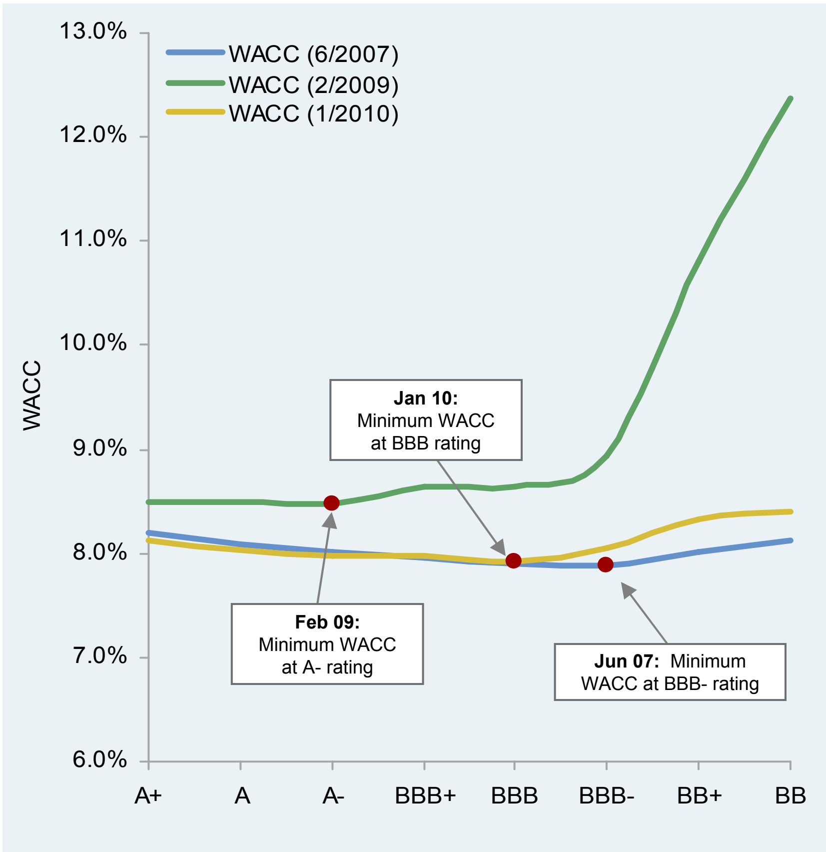
Severity of the recent crisis has been unprecedented



Source: Bloomberg; J.P.Morgan; National Bureau of Economic Research
Note: Unemployment and peak to trough decline in S&P 500 based on data since 1948; VIX, TED spread and 5 year BB spread based on data since 1997.

Cost of capital trending back towards normalcy but increased risk perception remains

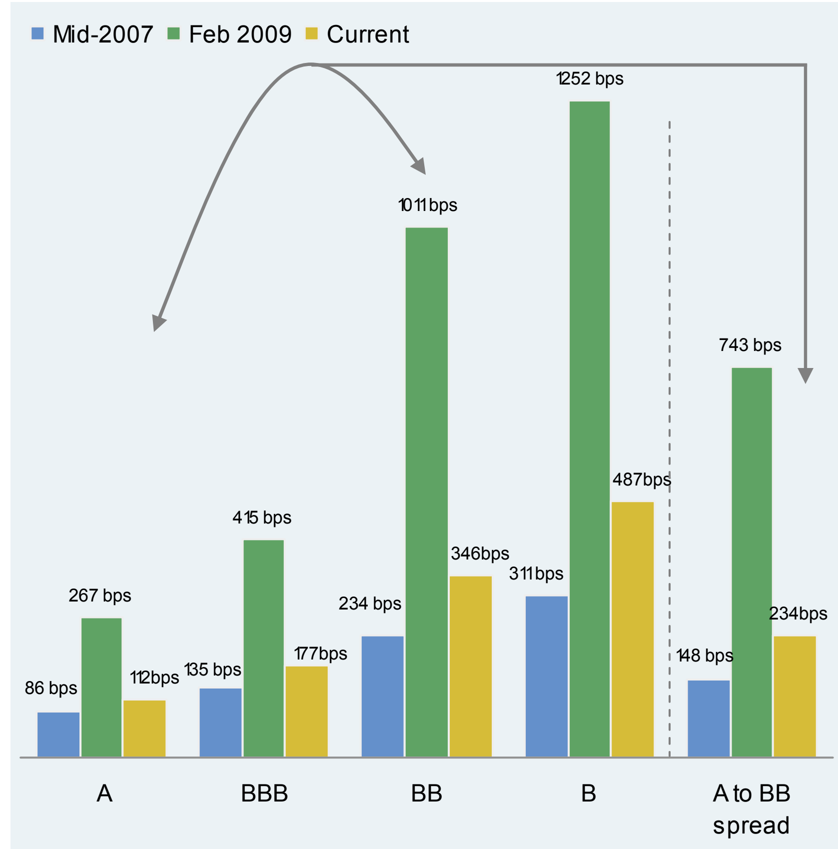
Lowest cost of capital now achieved at higher ratings



Source: Bloomberg, J.P. Morgan

Note: Assumes beta of 1 at each point in time, 10-year U.S. treasury (risk-free) rates, average 10-year bond yields across ratings from Bloomberg, market risk premiums of 5% (June 07), 9% (Feb 09), and 6.5% (Jan 10), and illustrative ratings benchmarks for a typical industrial firm. Assumes 35% tax rate adjusted for Moody's 10-year expected default rate

10-year industrial bond spreads (bps)



Source: Bloomberg Industrial Index vs. 10-year Treasury as of July 07, Feb 09 and Jan 09

Investor risk aversion and investor risk perception increased materially but have now declined again, in part because of technical factors

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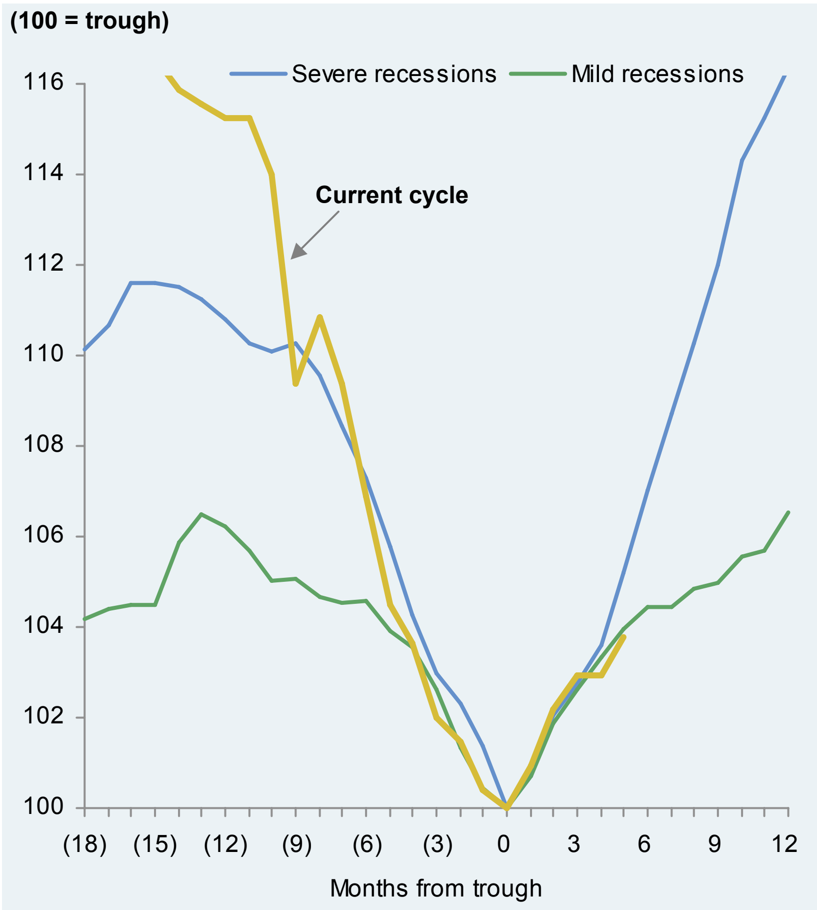
Despite ebullient capital markets, returning to “normalcy” will take time

U.S. industrial production in recessions and recoveries



Source: NBER, Bloomberg, J.P. Morgan
Severe recession troughs: Oct ‘49, May ’54, Apr ‘58, Mar ‘75, Nov ‘82
Mild recession troughs: Feb ‘61, Nov ‘70, Jul ‘80, Mar ‘91, Nov ‘01
Current industrial production trough: Jun ‘09

Relationship between expected unemployment and GDP

Estimated time to return to 6.0% unemployment:	Real GDP growth needed if unemployment is: 9.0%	10.0%	11.0%	12.0%
4 quarters	10.0%	12.5%	15.0%	17.5%
8 quarters	6.3%	7.5%	8.8%	10.0%
12 quarters	5.0%	5.8%	6.7%	7.5%
16 quarters	4.4%	5.0%	5.6%	6.3%
20 quarters	4.0%	4.5%	5.0%	5.5%

Source: J.P. Morgan economic research and banking estimates

Focus areas to watch / Key questions

- Will savings rate continue to increase?
- Will consumer credit remain difficult to obtain?
  - Will loan defaults and mortgage foreclosures continue to rise?
- Will housing prices continue to decrease?
  - Will commercial loan defaults accelerate?
- Will employment stabilize?

Quarterly GDP growth has been 5.0% or higher in only 10 of the last 80 quarters

U.S. and Canadian economic forecasts

Canadian economic and interest rate forecast

% change Q/Q, saar	4Q09	1Q10	2Q10	3Q10	4Q10
Real GDP	3.0%	4.5%	2.5%	3.5%	4.0%
CPI (% oya)	0.9%	1.8%	1.5%	1.7%	1.7%
IPPI (% oya)	(2.7%)	0.3%	1.9%	3.2%	3.2%
Unemployment rate	8.6%	8.5%	8.3%	8.1%	7.8%

	Current	1Q10	2Q10	3Q10	4Q10
BOC overnight rate	0.25%	0.25%	0.50%	0.75%	1.50%
3m C$ LIBOR	0.44%	0.30%	0.42%	0.75%	1.27%
2yr Canada Treasury	1.28%	1.43%	1.70%	1.99%	2.25%
5yr Canada Treasury	2.45%	NA	NA	NA	NA
10yr Canada Treasury	3.37%	3.56%	3.79%	3.96%	4.09%
30yr Canada Treasury	4.00%	NA	NA	NA	NA

Note: As of 2/4/10; forecasts from street consensus
Source: Bloomberg, Bank of Canada website, MorganMarkets

U.S. economic and interest rate forecast

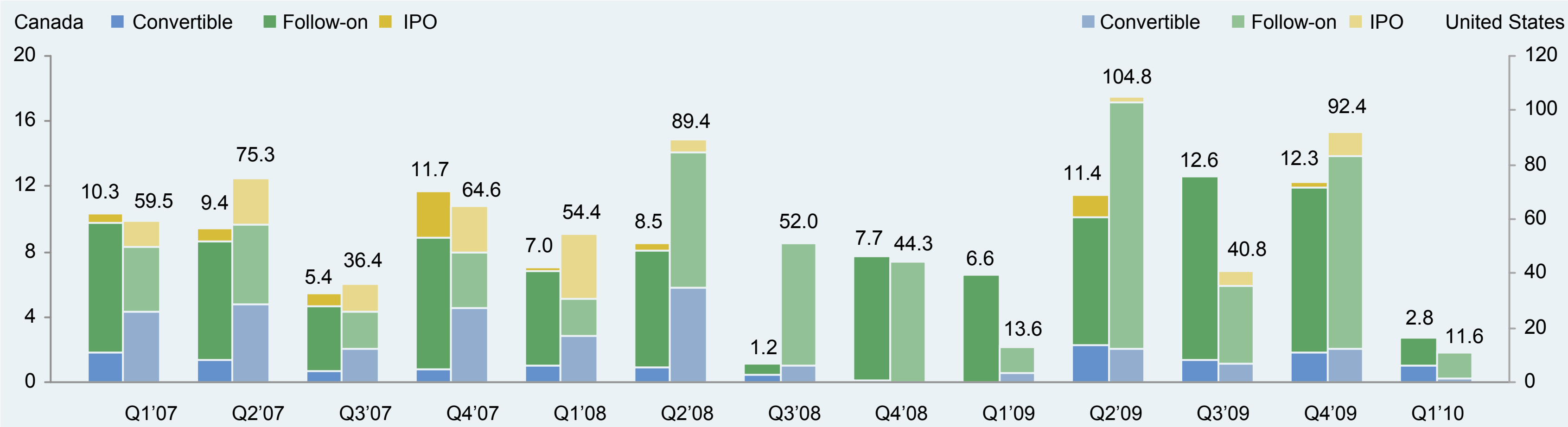
% change Q/Q, saar	4Q09	1Q10	2Q10	3Q10	4Q10
Real GDP	5.7%	3.0%	4.0%	4.0%	3.5%
CPI (% oya)	1.5%	2.9%	2.8%	2.1%	1.4%
PPI (% oya)	1.8%	3.7%	3.3%	2.4%	0.6%
Unemployment rate	10.0%	9.8%	9.4%	9.5%	9.4%

	Current	1Q10	2Q10	3Q10	4Q10
Fed funds rate	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
3m LIBOR	0.25%	0.30%	0.30%	0.30%	0.30%
2yr UST	0.83%	1.30%	1.50%	1.75%	2.05%
5yr UST	2.35%	2.85%	3.15%	3.40%	3.70%
10yr UST	3.61%	3.90%	4.10%	4.25%	4.50%
30yr UST	4.51%	4.60%	4.80%	4.90%	5.15%

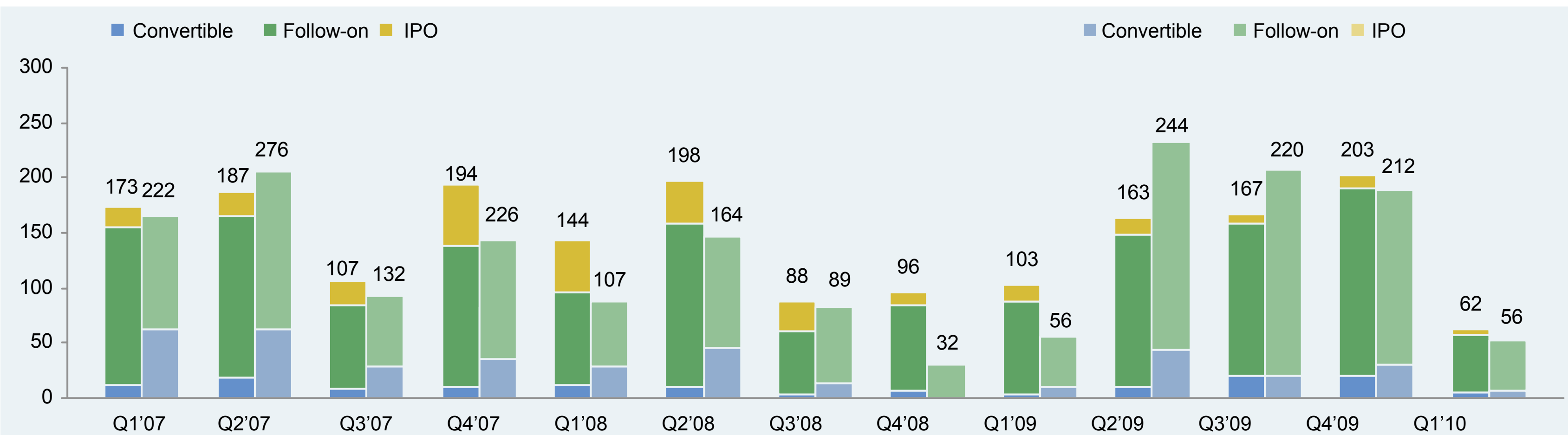
Note: As of 1/29/10; J.P. Morgan forecast; forecasts are for quarter-end
Source: Federal Reserve website, MorganMarkets

Impact of the crisis on U.S. vs. Canadian equity capital markets

Deals by dollar value of issuances ($bn)



Deals by number of issuances



Source: Dealogic for deals announced by 02/02/2010

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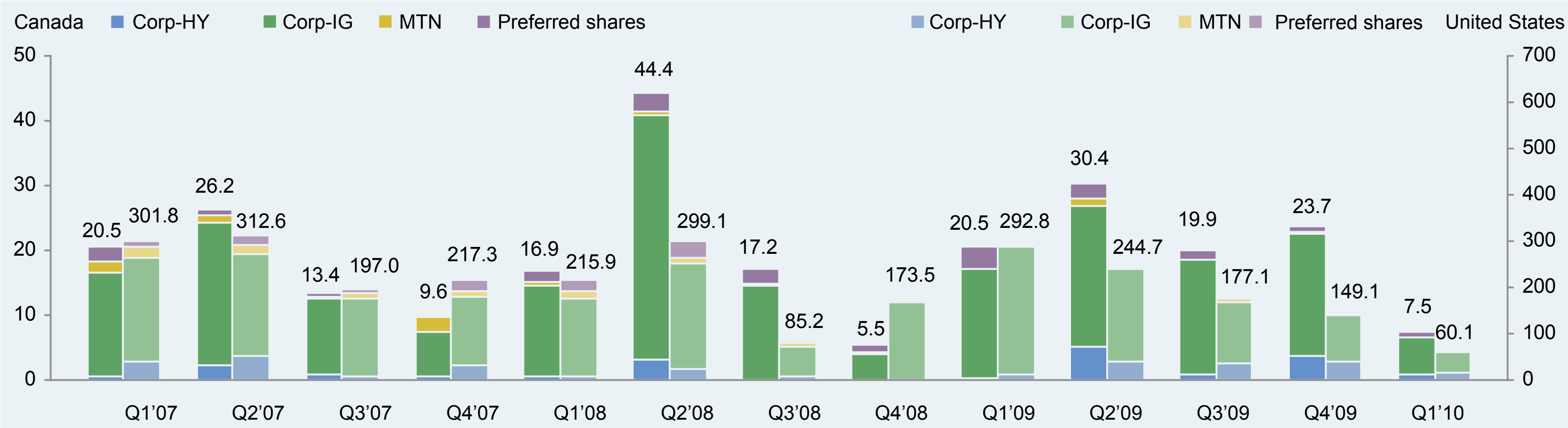
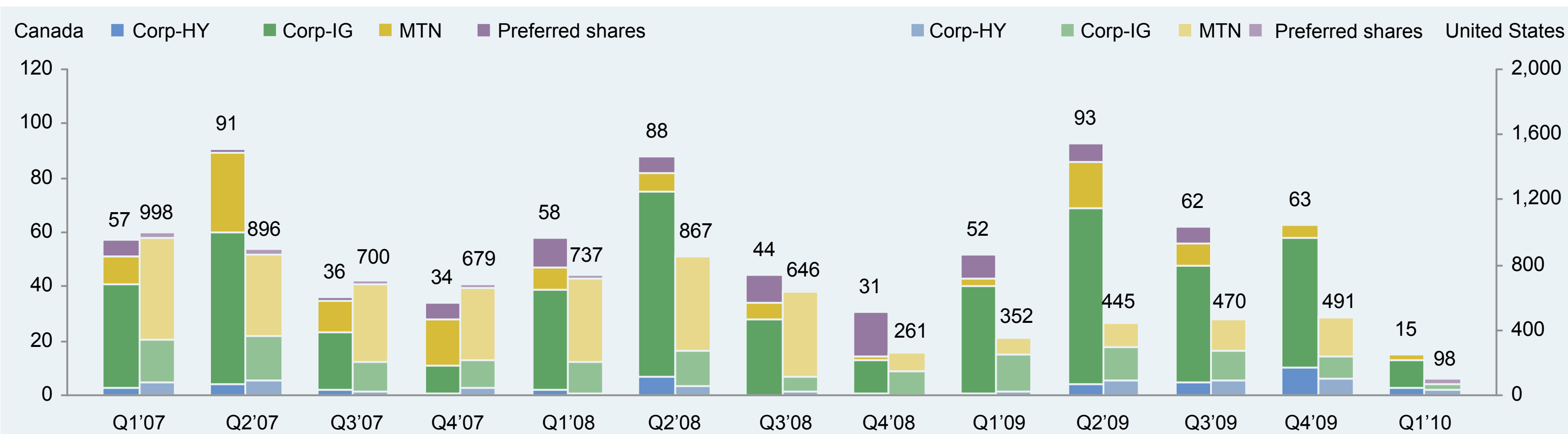
Impact of the crisis on U.S. vs. Canadian debt capital markets

Deals by dollar value of issuances in ($bn)



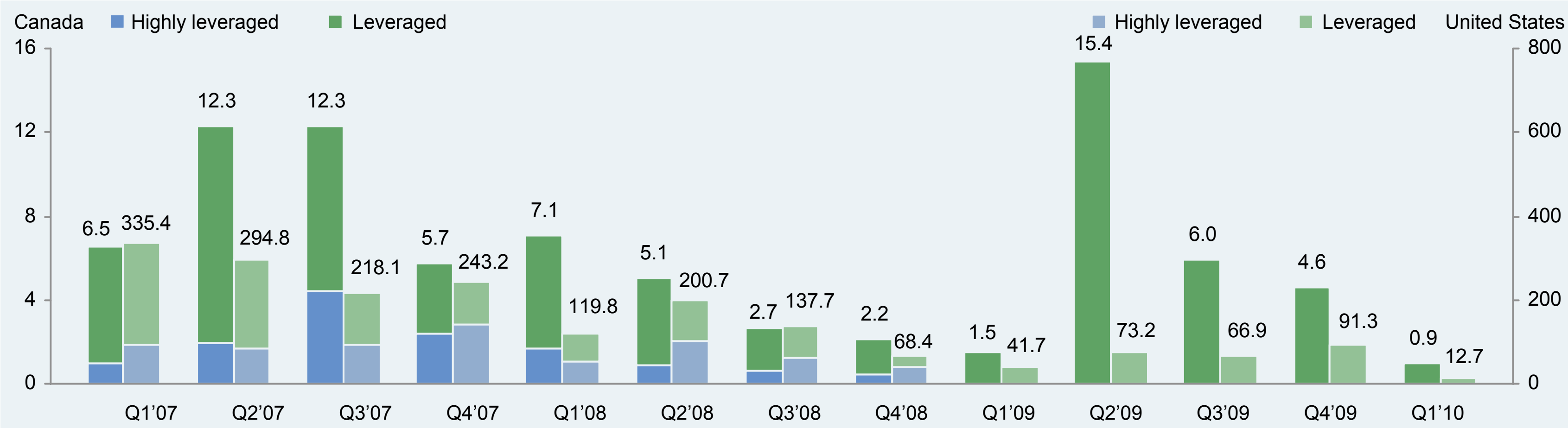
Deals by number of issuances



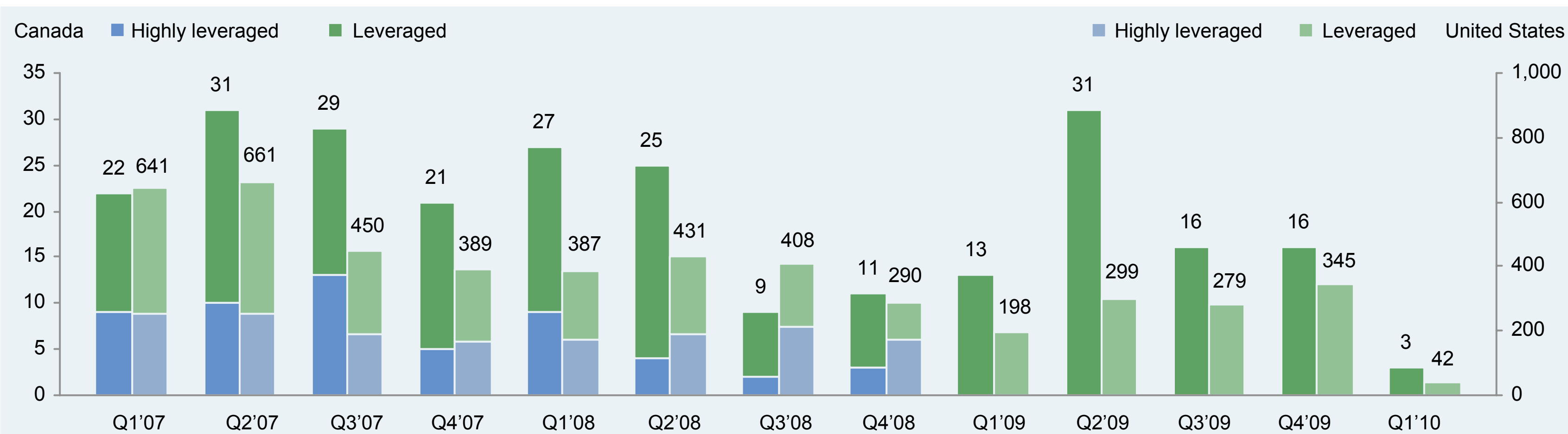
Source: Dealogic for deals announced by 02/02/2010

Impact of the crisis on U.S. vs. Canadian loan markets

Deals by dollar value of issuances ($bn)



Deals by number of issuances



Source: Dealogic for deals announced by 02/02/2010

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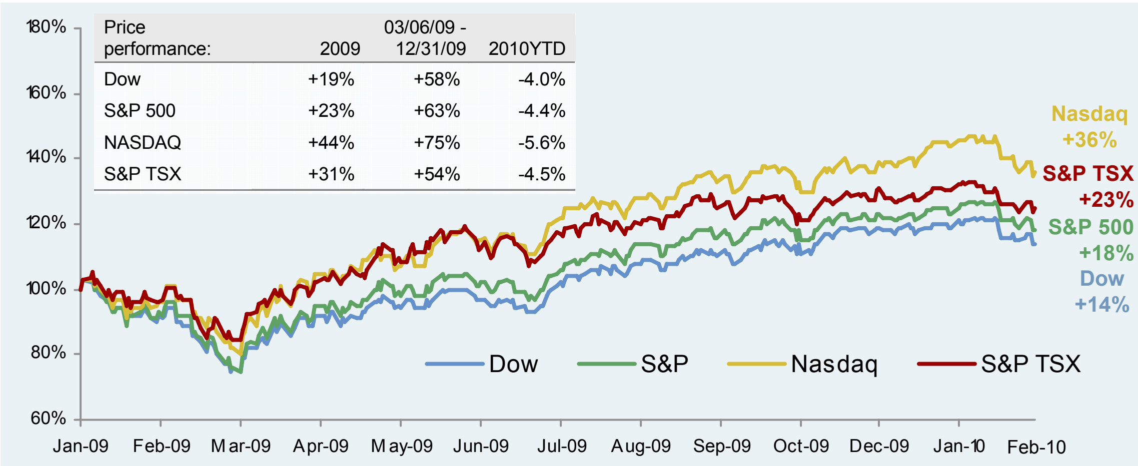
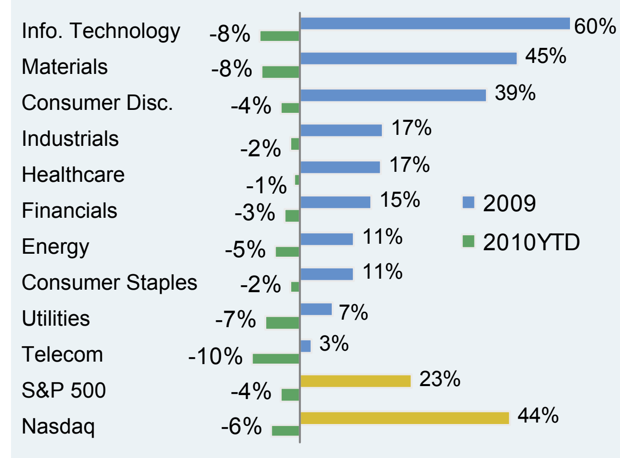
Investors are experiencing a resurgence in equity capital markets

The equity market landscape has changed dramatically

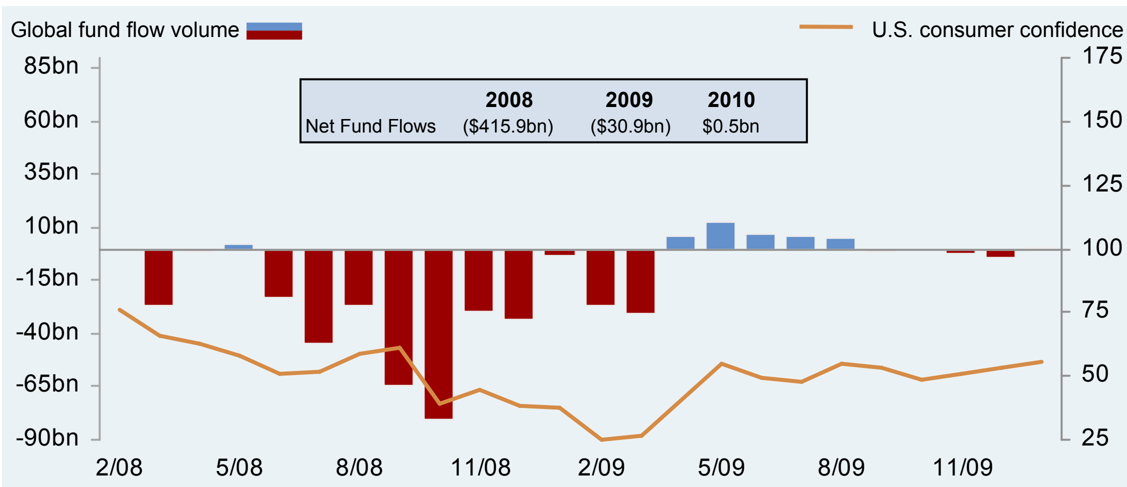


Price performance:	2009	03/06/09 - 12/31/09	2010YTD
Dow	+19%	+58%	-4.0%
S&P 500	+23%	+63%	-4.4%
NASDAQ	+44%	+75%	-5.6%
S&P TSX	+31%	+54%	-4.5%

S&P sector performance 2009 & 2010YTD



U.S. consumer confidence and global net fund flows stabilized late in 2009[1]



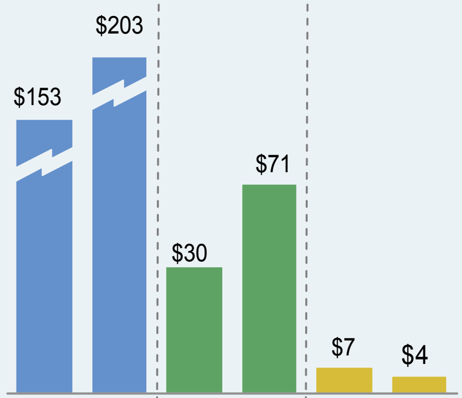
	2008	2009	2010
Net Fund Flows	($415.9bn)	($30.9bn)	$0.5bn

Market volatility has diminished

Source: Bloomberg, Factset as of 02/05/10
[1] EPFR data as of 02/05/10, excludes ETFs

The momentum gained in the 2009 new issuance market has continued in 2010YTD, with 58 companies raising over $11bn

U.S. follow-on activity, 2008-2010YTD[1]



	'08	'09	Q3'09	Q4'09	Jan'10	Feb'10
# of deals	249	602	192	168	46	12
% of mkt cap	15%	18%	18%	19%	16%	17%
% dis. file/offer	-9%	-10%	-10%	-9%	-8%	-7%
% sec.	68%	78%	80%	74%	67%	100%

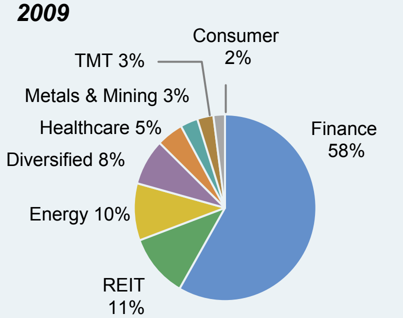
Key follow-on trends in 2009

- **Record levels of equity issuance**
  - Equity issuance in 2009 hit record levels with $203bn total proceeds raised as more than twice the number of companies tapped the equity markets in 2009 vs. 2008
  - Equity issuance boomed in Q2 2009 with issuers raising more proceeds in a single quarter than all of 2007
- **Large offerings dominated by financials**
  - 28 companies in 2009 raised more than $1.0bn each, 23 of these offerings were executed in Q2'09
  - Financials accounted for 57% of total proceeds raised this year
- **Accelerated marketing, balance sheet repair**
  - 2009 was characterized by issuers raising capital on an accelerated basis to use for refinancing, repayment of debt and general balance sheet repair
    - TARP repayment and debt repayment represented over 65% of total issuance
- **Shift toward opportunistic capital raises**
  - Towards the end of the year, issuers increasingly shifted to opportunistic capital raises looking to raise dry powder for potential acquisitions

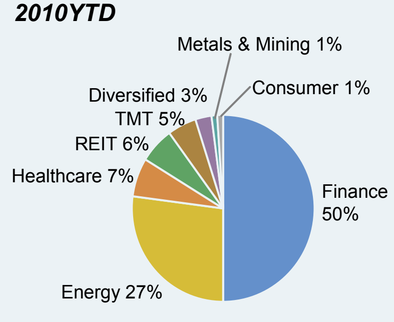
U.S follow-on issuance (by $ raised)[2]

By sector

2009

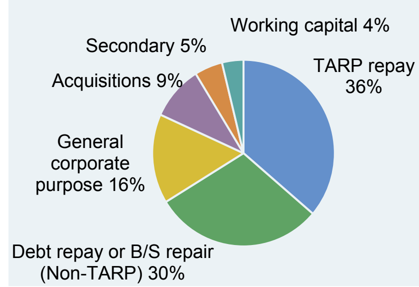


2010YTD

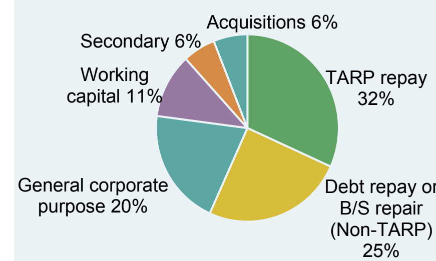


By use of proceeds

2009



2010YTD



Source: Bloomberg, Dealogic, and Factset as of 02/05/10. Excludes closed-end funds, rights offerings, and ADRs. Shading denotes J.P. Morgan bookrun transactions

[1] Aftermarket performance data based on FOs >$25mm; excludes block trades

[2] Excludes block trades and deals <$25mm

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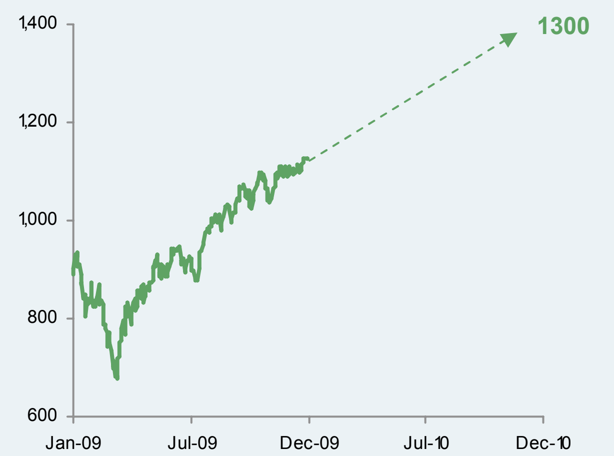
Looking forward to 2010 and beyond, the equity markets are expected to continue their rally and equity issuance is likely to remain robust

Key trends for 2010

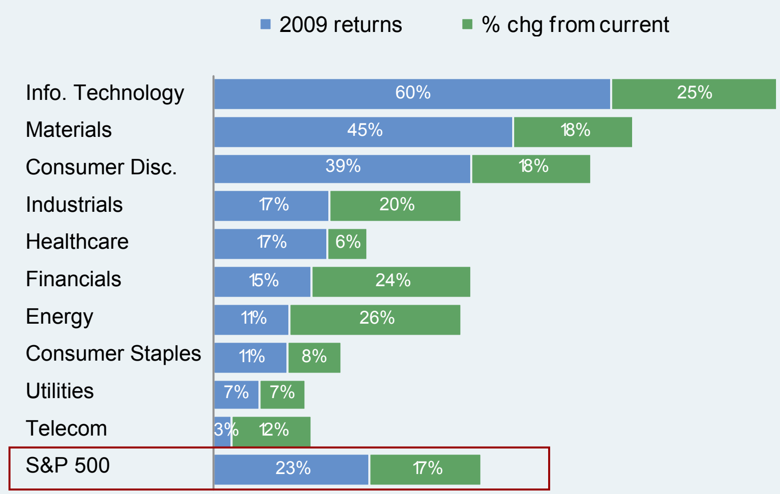
- **Competing macro trends**
  - Economic landscape marked by tension between sustained elevated growth and depressed levels of activity:
    - Strong profits and elevated margins
    - Unemployment above 9%
    - Core inflation falling below 1%
    - The Fed on hold for all of 2010
    - Large federal budget deficit
- **Continued strength in the equity market**
  - Potential shocks – policy errors from premature fiscal tightening and from sudden monetary tightening in EM due to rapid overheating
- **Follow-on issuance to remain robust**
  - Looking forward to 2010, equity issuance will remain active although deal sizes will most likely return to more modest sizes and the focus will increasingly shift towards opportunistic acquisition-related equity issuance
    - The number of offerings with secondary selling will also continue to accelerate
- **IPO market activity to continue to accelerate**
  - The IPO market will continue to be very active in 2010 as the number of filings are accelerating especially for financial sponsor-backed IPOs

S&P 500 YE 2010 target of 1300, based on 14.5x P/E and 2011E EPS of $90



- **Anticipate a benign market environment**
  - Low volatility
  - Steady flight out of zero-return cash
  - Greater attention to value inducing investors to switch from low-yielding fixed income into equities
- **Energy, IT, Financials and Industrials to lead the way**
  - Expected to lead the continued economic expansion and rally in the markets
- Aggressive overweight of equities, high-yield, EM currencies and hedge funds vs. government and HG bonds and commodities

J.P. Morgan is bullish on continued economic expansion



Target PE	Target PE as % of LT avg PE	2011 EPS contribution
16.5x	69%	$16.00
18.3x	113%	$2.50
16.5x	80%	$7.50
16.0x	97%	$8.50
11.8x	59%	$12.50
14.2x	111%	$14.00
13.1x	89%	$12.50
14.2x	100%	$10.50
12.0x	99%	$3.50
15.0x	91%	$2.50
14.5x	**77%**	**$90.00**

Source: Bloomberg, Factset, J.P. Morgan estimates

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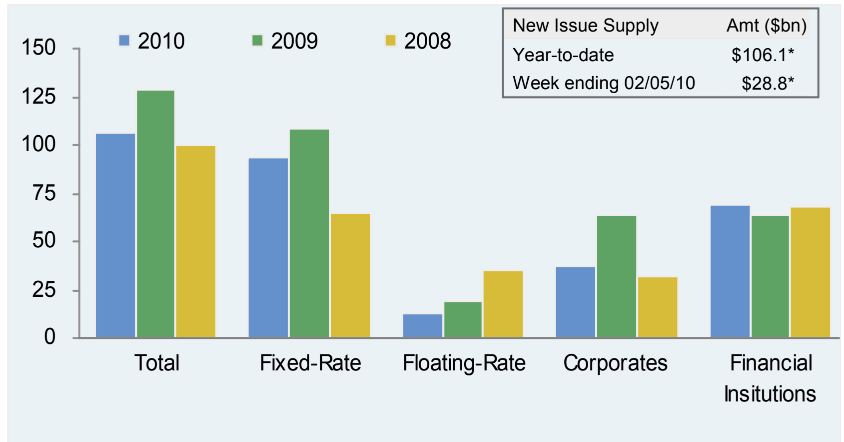
Financials continue to outpace supply expectations, while corporate issuance is expected to increase as companies emerge from earnings season

New issue market overview

- New issue market backdrop remains favorable for issuers
  - Low returns on cash mean investors are eager to put money to work
  - Supply-demand dynamic has created a general shortage of spread product
  - Low all-in cost helped by compressed UST yields
  - Capacity for large financings
- Large M&A financings drove supply in the new issue market last week
  - Sole-led by J.P. Morgan, **Berkshire Hathaway** (Aa2/AA+) raised $8bn to finance its Burlington Northern acquisition
    - 1-, 2-, and 3-year FRN and 2-, 3-, 5-year fixed tranches
    - Weighted average FRN coupon of L+16, fixed coupon of 2.50%
    - Deal represents the largest ever sole-led investment grade offering (excluding self-funding)
  - **Kraft** (Baa2/BBB-) priced $9.5bn to finance its acquisition of Cadbury
    - 3-, 6-, 10-, 30-year fixed rate tranches
    - Largest deal to date in 2010

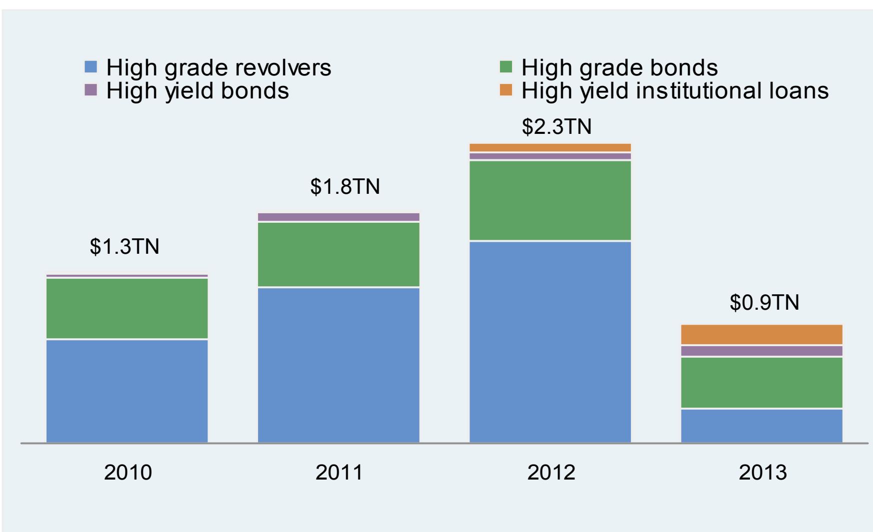
Annual YTD issuance comparison*



New Issue Supply	Amt ($bn)
Year-to-date	$106.1*
Week ending 02/05/10	$28.8*

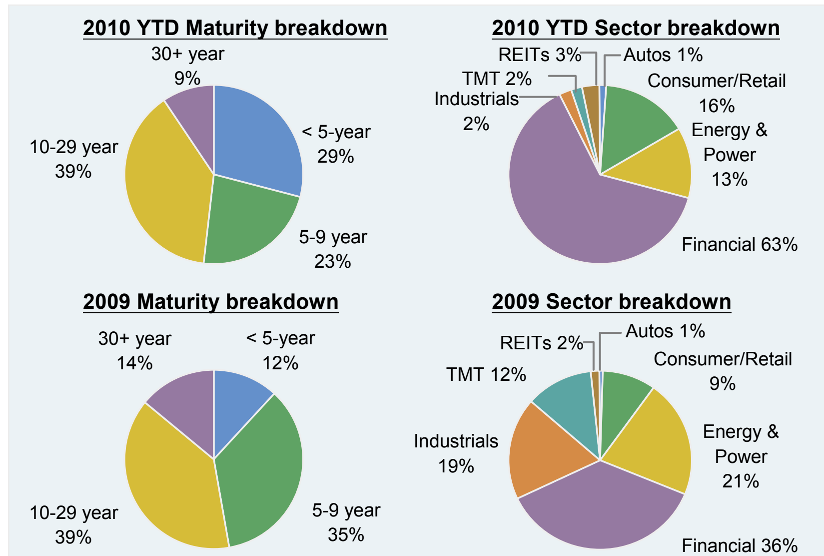
Source: Securities Data Corporation, J.P. Morgan as of February 5, 2010. Note: Excludes issuance maturing in less than 18 months and extendibles; *Includes USD gov't guaranteed

Attractive market conditions presents an opportunistic environment to address large maturities towers in the next few years



Source: J.P. Morgan

Investment grade issuance breakdown*



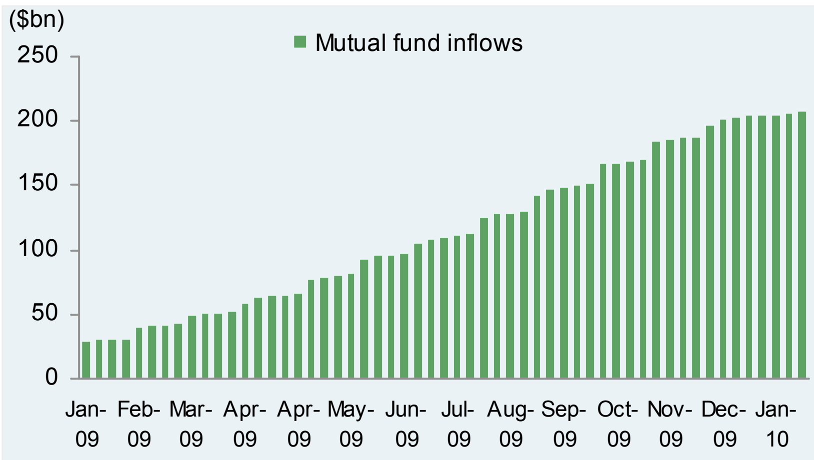
Source: Securities Data Corporation, J.P. Morgan
*Excludes USD gov't guaranteed issuance

Despite a bullish longer-term outlook, J.P. Morgan's strategists have taken a more cautious near-term view toward High Grade credit given recent volatility

Credit Spread Overview

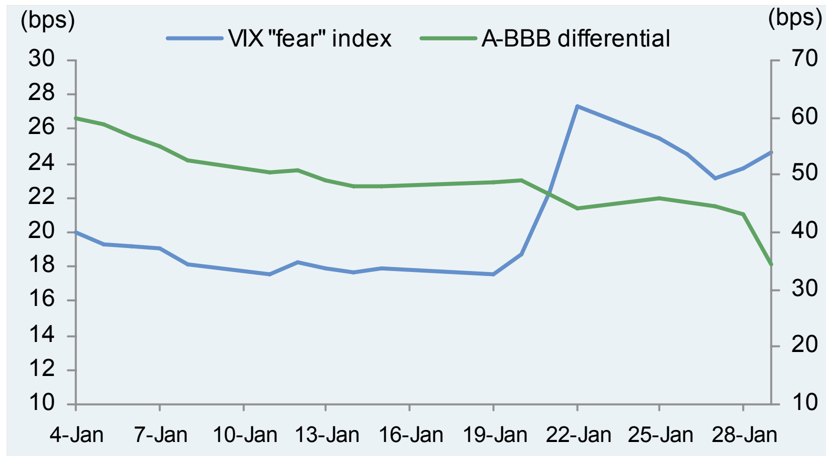
- J.P. Morgan maintains a bullish medium-term view in High Grade credit given improving credit fundamentals, modest expected issuance, and strong demand
- However, JPM's strategists have taken has a more cautious short-term outlook on High Grade credit spreads due to low bond yields and several developing risks
  - **Greece and sovereign default risks in Europe** could cause potential flight to quality pushing UST yields lower, a weaker euro versus the dollar, and general risk aversion could lead to raising credit spreads across asset classes
  - **End of Fed's mortgage purchase program** in March is likely to increase allocations to mortgages at the expense of corporates if mortgage spreads widen as expected
  - **Uncertainty over financial regulation** including the Financial Crisis Responsibility Fee, pending changes to bank regulatory capital requirements, as well as limits on certain bank activities such as proprietary trading
- Demand for High Grade bonds remains strong, with the following recent trends
  - Pace of inflows from retail and institutional investors is slowing
  - Insurance companies remain active buyers with significant cash positions with maturities of structured credit products without new issuances in those markets
  - Sovereign Wealth Fund inflows expected to increase given growing reserves

Inflows into High Grade credit have stabilized but remain at historically strong levels



Source: J.P. Morgan

Despite recent uptick in market volatility, A-BBB credit differential continues to decrease as investor risk appetite remains strong



Source: J.P. Morgan

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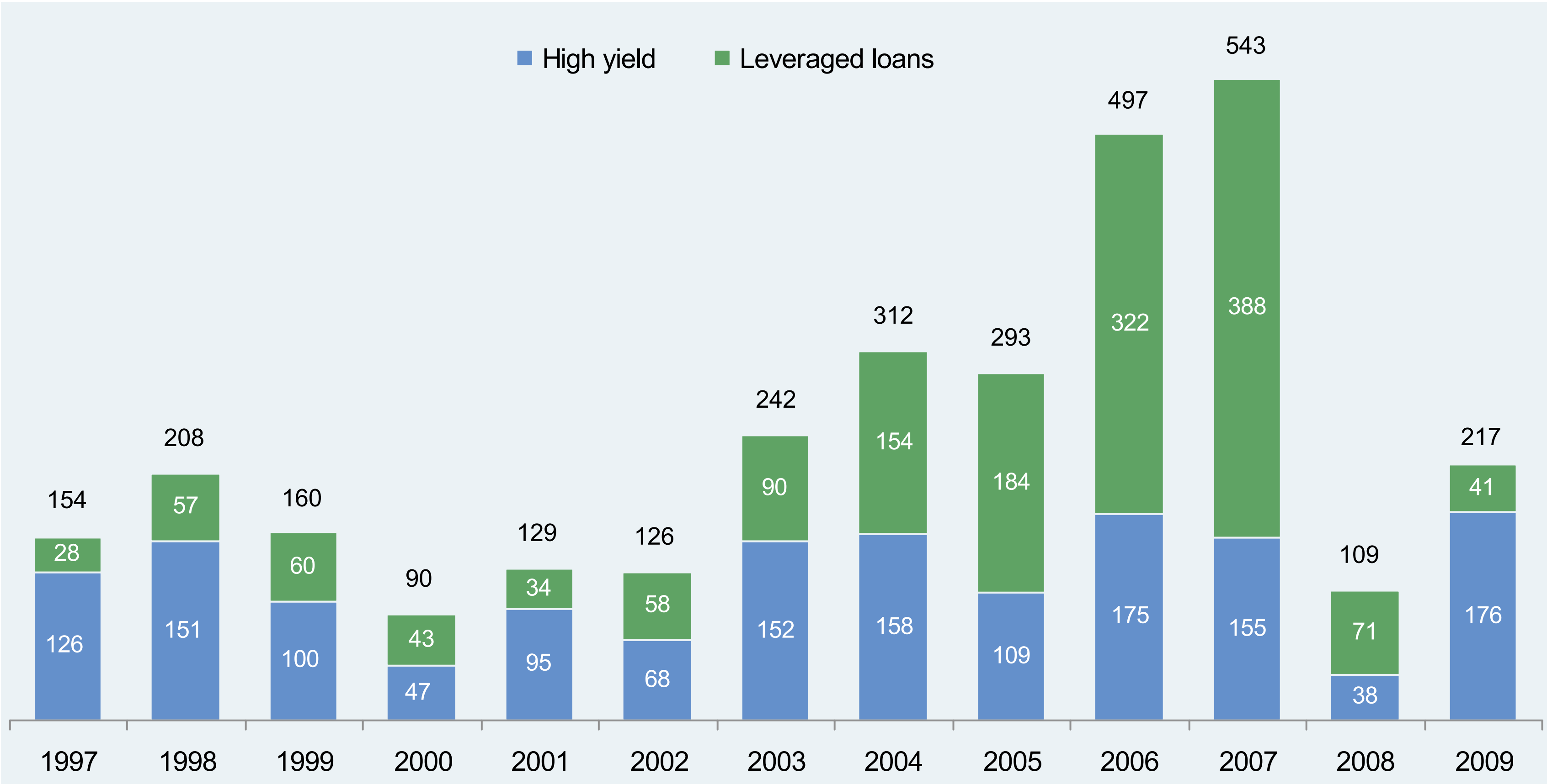
High yield primary market volume rebounded from 2008's historic low to set a new record high

Annual high yield and leveraged loan new issue volume ($bn)



Source: J.P. Morgan, S&P LCD (12/31/2009)

Leveraged loan volume remained subdued, but increasing signs of life emerged in the 4th quarter with nearly $20bn of supply

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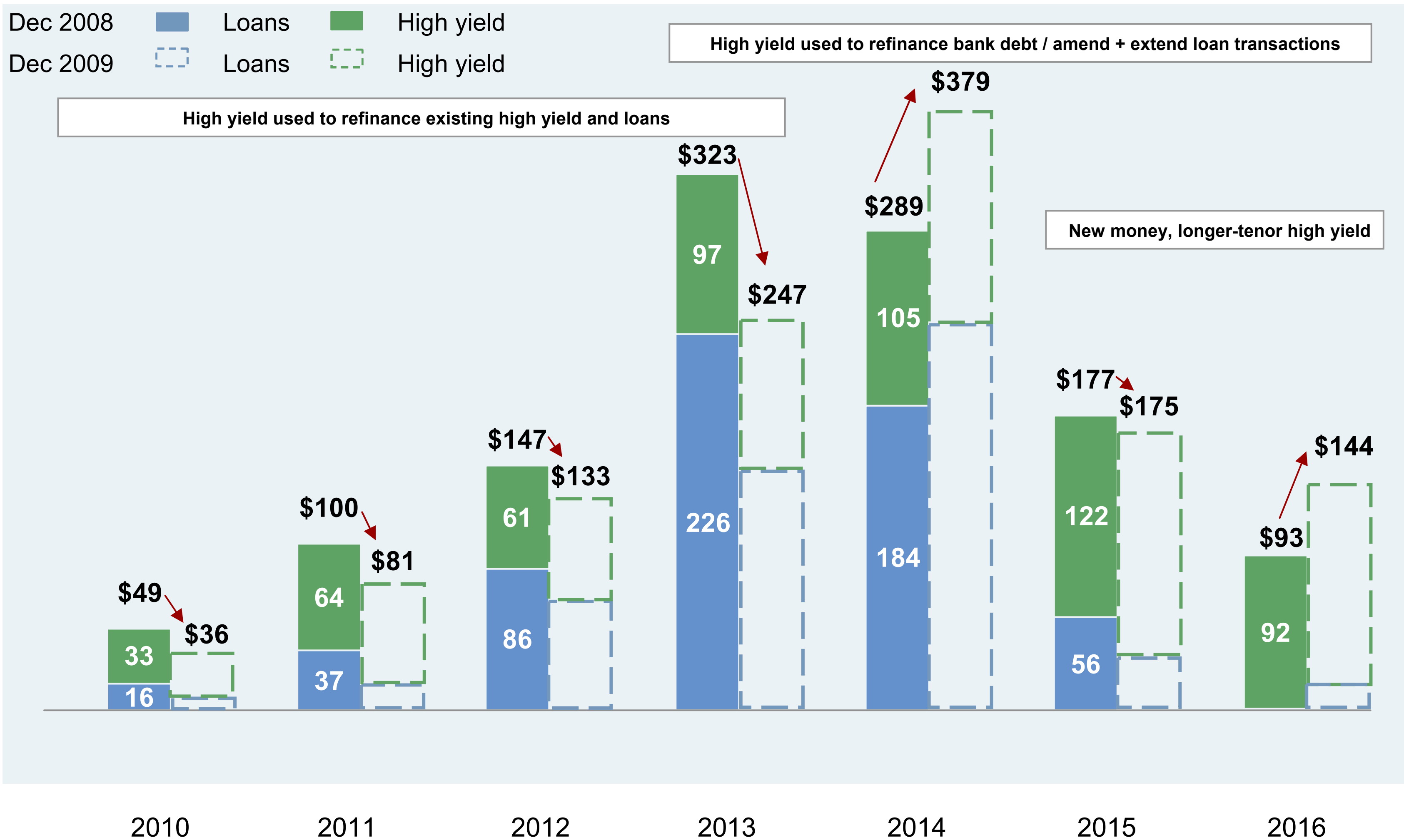
Focus has been predominantly on terming out impending maturities and extending maturity profiles

Maturities as of December 2008 and December 2009 ($bn)

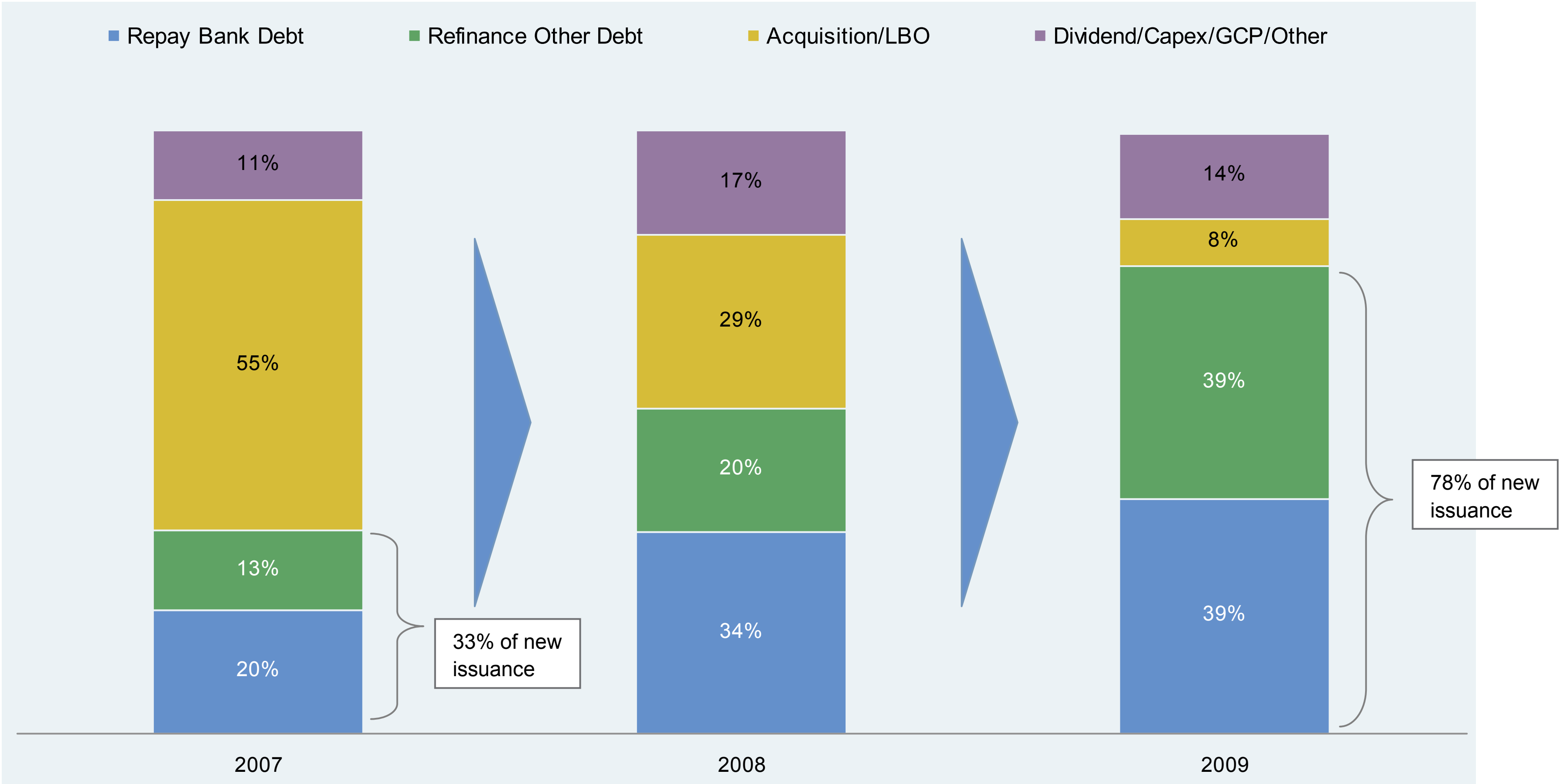


Source: J.P. Morgan, S&P LCD (12/18/2009)

In 2009, $130bn of near-term maturities were extended to 2013 and beyond

Issuers focused on managing the balance sheet and preserving liquidity

Use of proceeds – U.S. high yield new issuance



Source: J.P. Morgan (12/31/2009)

Risk appetites increased dramatically over 2009 – dividends, acquisitions, and CCCs gained prominence in 4Q

2010 high yield and leveraged loan outlook

- Strong technicals will carry over from 2009 and provide a solid foundation for early-2010
  - Demand outweighed supply in 2009 in spite of record high yield issuance
  - Investors will still seek returns in higher yielding asset classes
  - After a stellar year, capital will continue to be allocated to high yield and leveraged loans
- Primary market activity will remain elevated, but the composition of supply will change meaningfully
  - More aggressive uses-of-proceeds will supplement the continued need to address loan and bond maturities
  - Dramatic increase in primary loan market activity
  - Credit quality and strong credit statistics will remain a prerequisite for investors
- LBO financing will return
  - Volume will hinge on the evolution of availability, terms and conditionality of committed financing
  - Inevitably, leverage multiples will increase, credit statistics will weaken and equity components will shrink, but capital structures will not test 2006/2007 levels
- J.P. Morgan's high yield research strategist is "reluctantly bullish" after 2009's strong performance
  - Forecasts loan and bond default rates of 4% (after reaching 14% and 11%, respectively, in 2009)
  - Expects capital appreciation to continue in 2010, with "above coupon" returns of 13.1% and 10.7% for loans and bonds, respectively, in 2010
- Despite a generally bullish picture, risks remain
  - Uncertainty about the progress and sustainability of the economic recovery – inflation, unemployment, commercial real estate, the consumer
  - Timing and impact of the withdrawal of government support

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Questions?

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Current state of the Canadian economy

Current state of the economy

Canada GDP

- GDP rose 0.1% in 3Q09 and is expected to show a trend of healthy growth in the near future
- The recent recession was driven in large part by a significant decline in exports of goods and services and in capital expenditures

Inflation

- CPI (all items) inflation fell 0.3% in Dec but it is expected to rise with slow economic recovery
- Inflation rate is expected to be in the lower part of Canada's 1.0 – 3.0% target rate

Commodities

- The Bank of Canada monthly commodity price index reached its highest level since Oct 2008 in Jan 2010
- Commodity prices have been gaining momentum, even though oil prices are predicted to be depressed

Consumer sentiment

- Unemployment rate remained steady at 8.4% in Jan 2010. Employment has been volatile; number of employments fell by 28,000 in the latest month but rose 72,000 the month prior
- Consumer confidence fell between Sep 2009 (highest level since Apr 2008) and Dec 2009. Consumers are delaying major purchases
- Housing starts in 2009 was 149,081, a 29.3% decline from 2008 but it is expected to rise

Retail sales

- Retail sales increased 0.84% in Oct 2009, showing signs of demand recovery
- Domestic demand is not expected to rise quickly but experience a gradual recovery

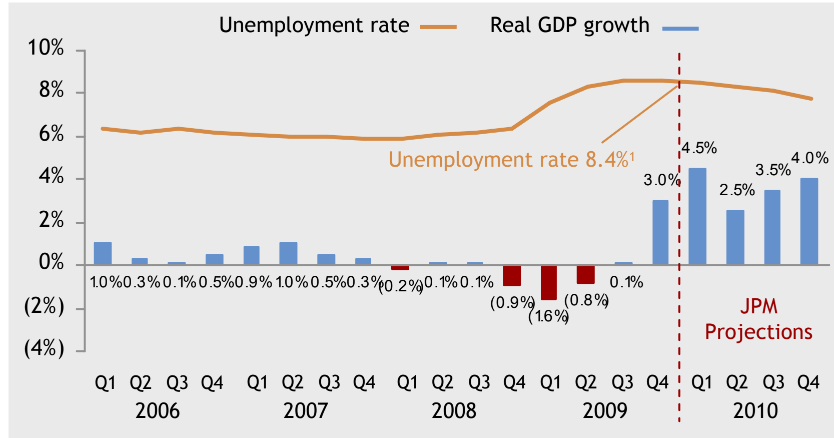
TSX Composite Index

- S&P/TSX Composite Index is up 48% from its trough in March 2009 but it is down 4.5% in 2010 year-to-date

Source: Bank of Canada, Statistics Canada, Canada Ecotrends, Royal Bank of Canada, February 4, 2010

Trend

Unemployment rate and real GDP growth



Source: Statistics Canada, JPM projections as of 2/4/10 from MorganMarkets
[1] In January 2010

JPM economic forecast

% change Q/Q, saar	3Q09A	4Q09E	1Q10E	2Q10E	3Q10E	4Q10E
Real GDP	**0.1%**	**3.0%**	**4.5%**	**2.5%**	**3.5%**	**4.0%**
CPI (% oya)	(0.9%)	0.9%	1.8%	1.5%	1.7%	1.7%
IPPI (% oya)	(6.6%)	(2.7%)	0.3%	1.9%	3.2%	3.2%
Private consumption	**3.1%**	**3.0%**	**3.0%**	**2.5%**	**3.0%**	**3.0%**
Unemployment rate	**8.6%**	**8.6%**	**8.5%**	**8.3%**	**8.1%**	**7.8%**

	Current	1Q10E	2Q10E	3Q10E	4Q10E
BOC overnight rate	0.25%	0.25%	0.50%	0.75%	1.50%
3m C$ LIBOR	0.44%	0.30%	0.42%	0.75%	1.27%
2yr Canada Treasury	1.28%	1.43%	1.70%	1.99%	2.25%
5yr Canada Treasury	2.45%	NA	NA	NA	NA
10yr Canada Treasury	3.37%	3.56%	3.79%	3.96%	4.09%
30yr Canada Treasury	4.00%	NA	NA	NA	NA
2s/10s curve	+209 bps	+213 bps	+209 bps	+197 bps	+184 bps
2yr Canada/UST curve	+46 bps	+42 bps	+38 bps	+37 bps	+26 bps
10yr Canada/UST curve	-25 bps	-4 bps	-3 bps	-4 bps	-5 bps

Note: As of 2/4/10; forecasts from street consensus
Source: Bloomberg, Bank of Canada website

Current state of the U.S. economy

Economic overview

- Real GDP growth accelerated to a 5.7% annual rate in 4Q09, confirming that large parts of the economy are now expanding
  - **Consumer spending** rose at a 2.0% pace, and 2.4% for all of 2H09
  - **Manufacturing growth** remained strong near year-end as core capital goods shipments increased for four consecutive months through December 2009
  - **Real final sales** reached 2.2% in 4Q09, steadily increasing from 0.7% annualized rate in 2Q09 to 1.5% in 3Q09
  - **Rising profits and revenues** has led to a convincing upturn in spending on business equipment
- While new and existing home sales weakened noticeably toward the end of 2009, homebuilding activity is expected to increase in 2010
  - New home sales declined 16.2% in the last two months of 2009
  - Part of the recent weakness reflects concern about the possible expiration of the homebuyer tax credit as well as unseasonably cold and wet weather
- Foreign central banks' holdings of Treasuries at the Fed declined this month for the first time since May 2008
- Increased and broad-based concern over sovereign credit continues, especially following S&P's decision to downgrade its outlook for Japan's sovereign debt rating

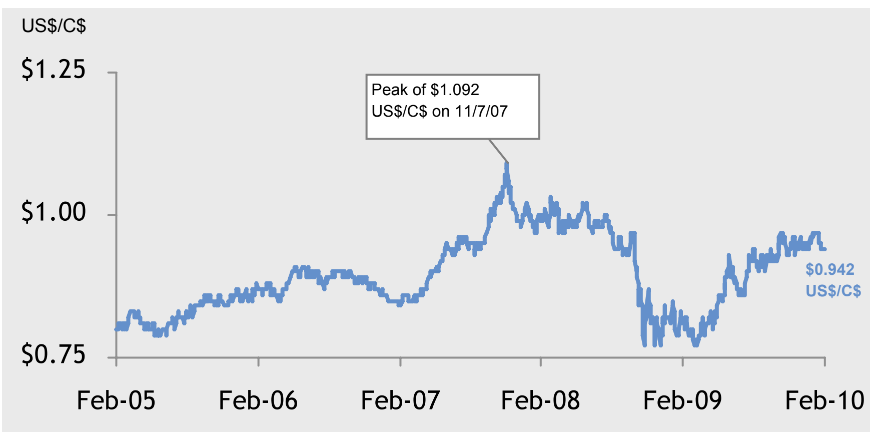
Economic and interest rate forecast

% change Q/Q, saar	4Q'09	1Q'10	2Q'10	3Q'10	4Q'10
Real GDP	5.70%	3.00%	4.00%	4.00%	3.50%
CPI (% oya)	1.50%	2.90%	2.80%	2.10%	1.40%
PPI (% oya)	1.80%	3.70%	3.30%	2.40%	0.60%
Unemployment rate	10.00%	9.80%	9.40%	9.50%	9.40%

	29-Jan-10	1Q'10	2Q'10	3Q'10	4Q'10
Fed funds rate	0-0.25%	0-0.25%	0-0.25%	0-0.25%	0-0.25%
3m LIBOR	0.25%	0.30%	0.30%	0.30%	0.30%
2yr UST	0.83%	1.30%	1.50%	1.75%	2.05%
5yr UST	2.35%	2.85%	3.15%	3.40%	3.70%
10yr UST	3.61%	3.90%	4.10%	4.25%	4.50%
30yr UST	4.51%	4.60%	4.80%	4.90%	5.15%
2s/10s curve	278 bps	260 bps	260 bps	250 bps	245 bps
10s/30s curve	90 bps	70 bps	70 bps	65 bps	65 bps

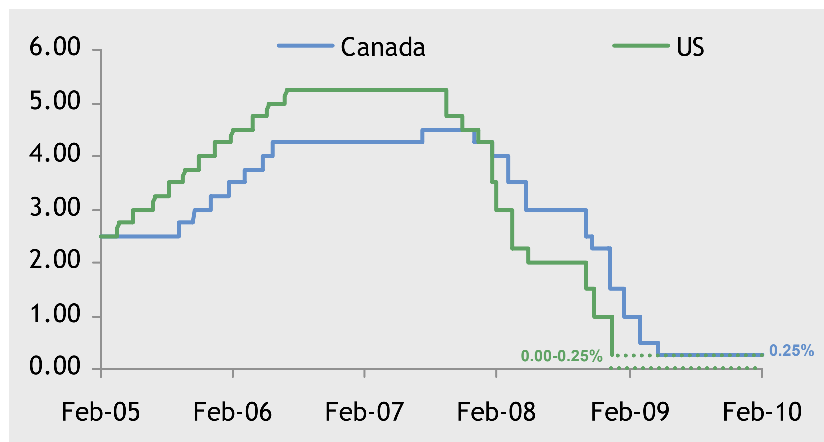
Note: As of 1/29/10; J.P. Morgan forecast; forecasts are for quarter-end
Source: Federal Reserve website, MorganMarkets

5-year US-Canadian exchange rate



Source: Factset as of 2/3/10

5-year BoC overnight rate vs. federal funds target rate



Source: Bank of Canada; Federal Reserve

APPENDIX

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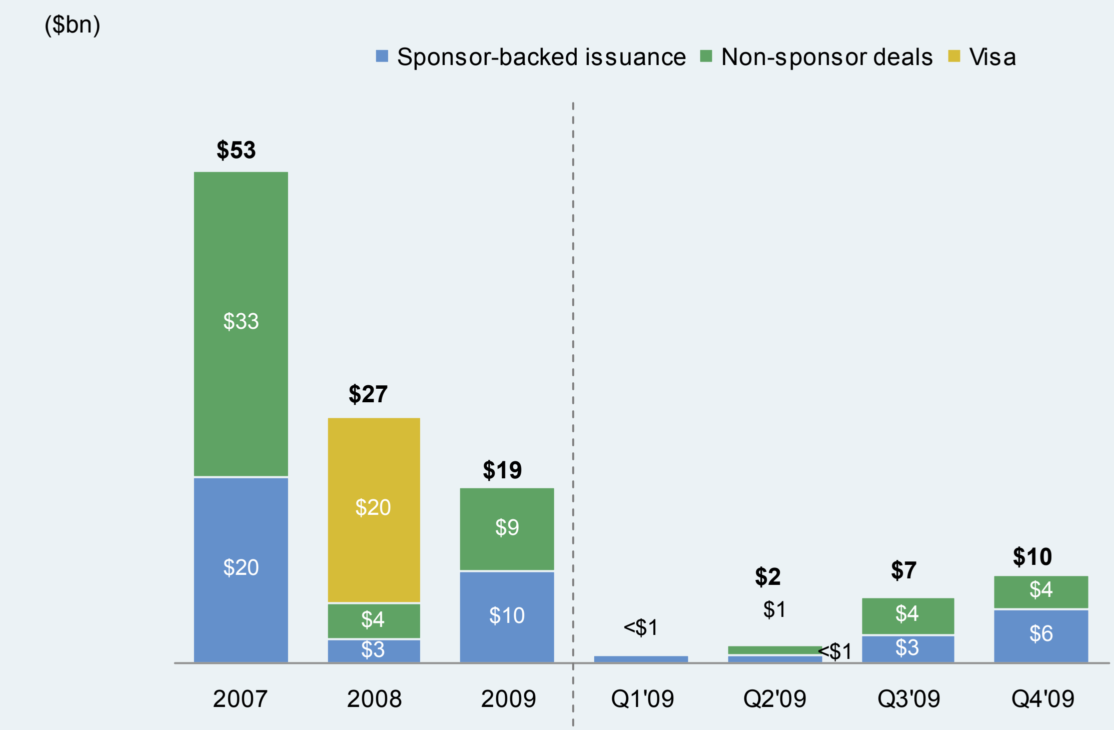
The IPO market rebounded in 2009 with 58 IPOs executed, testing the market's appetite for new issuance

Key IPO trends in 2009

- The U.S. IPO market rebounded in 2009 with 58 IPOs priced raising $19bn in total proceeds
  - Adjusting for the $19.7bn Visa IPO in 2008, only 28 IPOs were completed in 2008 raising $7bn
- **Late acceleration**
  - IPO activity picked up in earnest after Labor Day with 37 IPOs priced raising a total of $14bn
    - Only 2 IPOs priced between the end of Q3'08 and the beginning of Q2'09
- **Shift in issuer complexion**
  - Throughout the year, issuers shifted from high-growth/ "nichy" companies to diversified and cyclical companies with more levered capital structures signaling renewed investor risk appetite
    - However, investors continue to be sensitive to valuation and high levels of leverage
- **Return of financial sponsor-backed IPOs**
  - Financial-sponsor backed IPOs accelerated through the end of 2009 as 71% of the IPOs executed in Q4'09 were sponsor-backed

U.S. IPO activity, 2007-2009[1]



	2007	2008	2009	Q1'09	Q2'09	Q3'09	Q4'09
# of deals	211	29	58	1	13	16	28
# sponsor deals	93	8	32	1	6	5	20
% of mkt cap	34%	38%	38%	17%	38%	48%	33%
% secondary	40%	58%	47%	-	48%	44%	47%
Offer/30-day	13%	3%	9%	10%	22%	2%	6%

Source: Dealogic and SEC filings as of 12/31/09
[1] Aftermarket performance includes deals >$50mm

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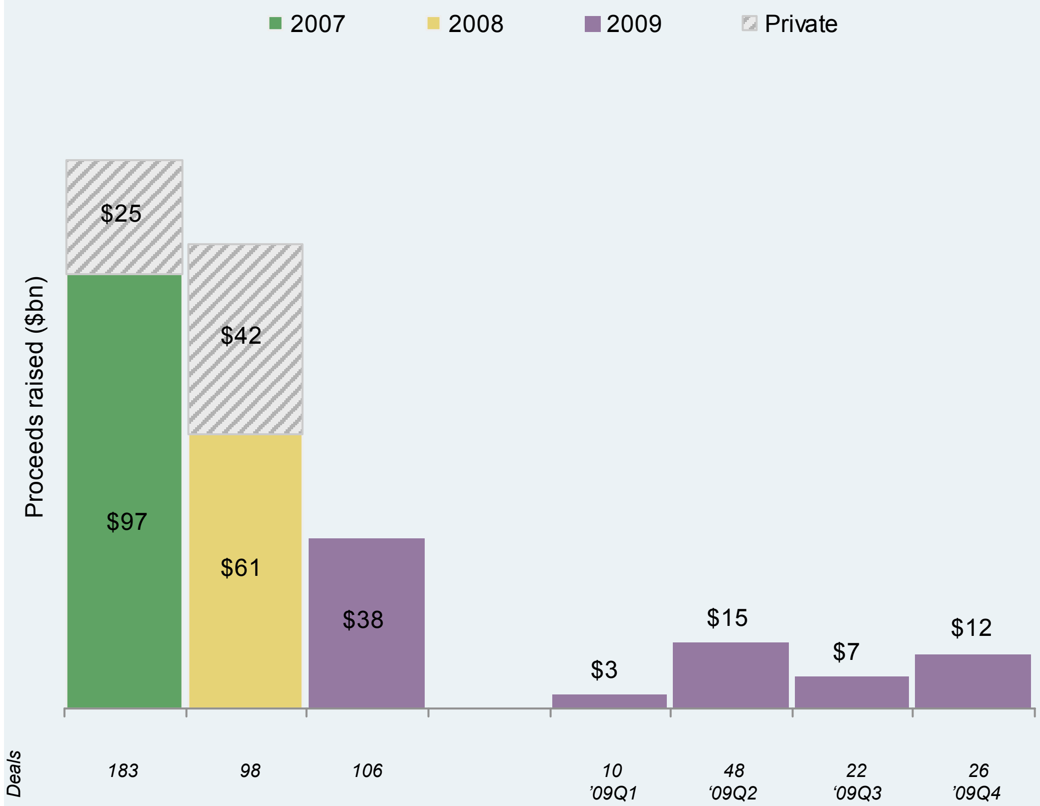
The convertible market re-opened in 2009

Key convertible trends in 2009

- **Re-opening of convert market**
  - After going dormant in Q4'09, the convert market re-opened in January 2009 with the Newmont Mining dual tranche offering
  - Similar to common equity issuance, convertible activity peaked in Q2'09
- **Smaller size offerings prevail**
  - Average deal size of $359mm in 2009 vs. $623mm in 2008
  - More issuers in 2009 vs. 2008 despite total proceeds falling short of 2008 levels
- **Investors looking for dividend yield pick-up vs. common equity**
- **Diverse investor appetite**
  - Significant investor demand across all market caps, ratings, and industry sectors as year progressed
- **Favorable pricing for the issuer**
  - Upsizing into demand and pricing towards issuer friendly end of the price talk
    - Out of the 106 deals priced in 2009, 57 were upsized from the initial launch size by an average of 21%

Annual equity-linked issuance 2006-2009



APPENDIX

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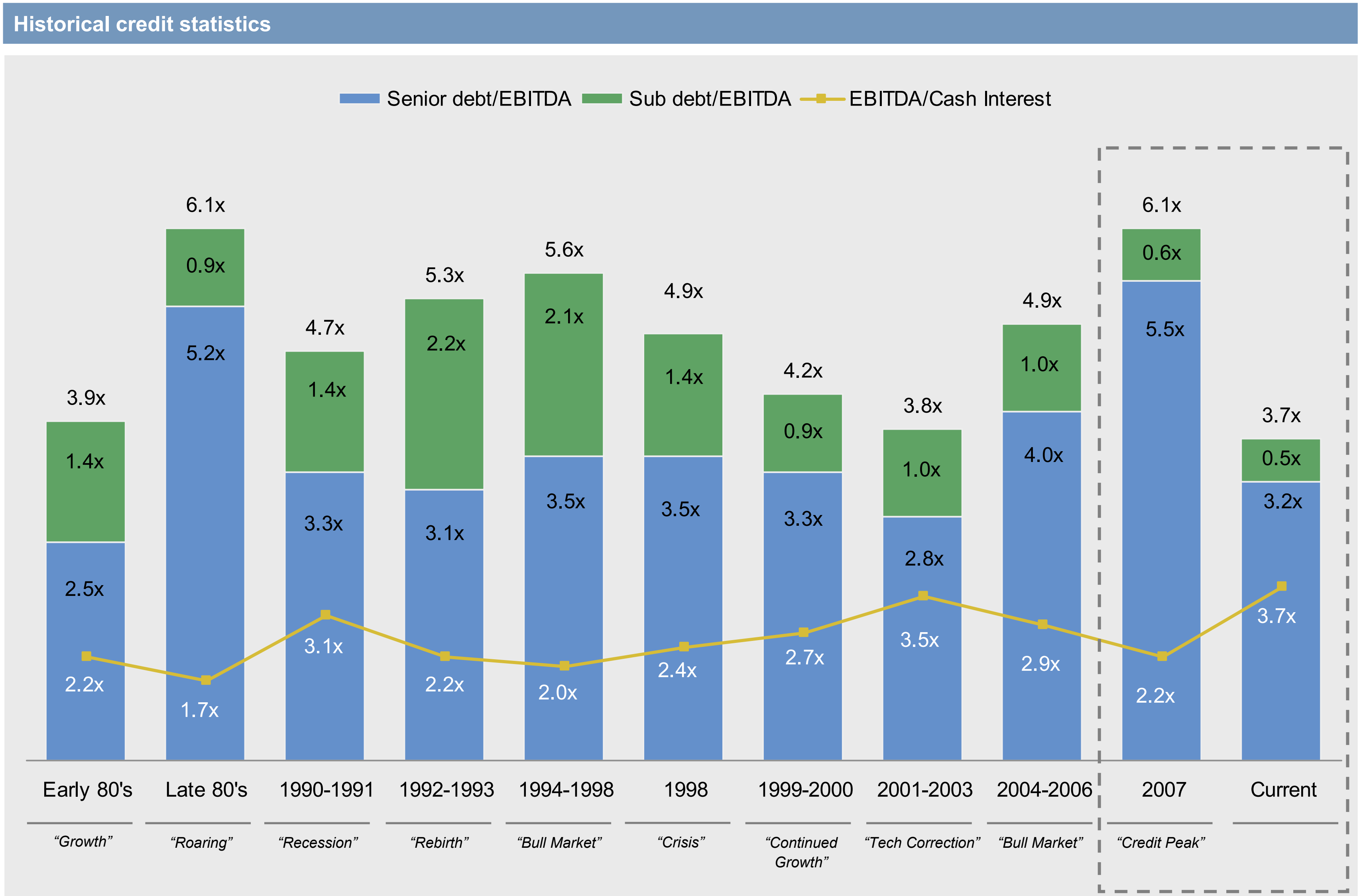
Historical credit metrics in the leveraged finance market



Source: J.P. Morgan estimates; S&P/PMD

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