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Investment-grade market: tone strong during week, prompts corporate, FDIC deals; new deals tighten

It was a solid week in the investment-grade bond market, with a steady stream of deals and a market tone that remained strong.

The tone was good enough at the market close Thursday for a syndicate source to comment that it was “definitely appetizing” for potential issuers but also that it was horrible timing heading into the holiday slowdown.

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High yield sees demand, Freeport, Charter gain; Kansas City Southern prices at big yield

Counting down the days to the end of the year, the high yield market saw yet another quickly shopped, heavily discounted probably “final” deal of 2009 this week – this one for **Kansas City Southern Railway Co.** As was the case when **El Paso Corp.** brought a new deal to market the week before, the new K.C. Southern offering carried an already fat double-digit coupon, priced at a considerable discount to par to boost its yield to acceptable levels – and then moved up smartly when it moved into the secondary market.

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Municipal issuers wait for 2009 and better market; Virginia College Authority plans \$330 million

As 2008 winds down, several municipal issuers were putting their bond sales on the backburner until the arrival of the New Year – and the arrival of better market conditions. Conditions did improve somewhat for the troubled secondary market, with yields up several basis points on the week, thanks to a rate cut from the Federal Reserve.

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Convertibles strengthen in thin volume: Wachovia leads financials; energy adds despite lower oil

The convertible bond market saw pricing strengthen in the past week, especially prices of liquid, better credit-quality names, as technical factors seemed to outweigh fundamentals in some instances, market sources said.

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Emerging market yields sink; Mexico pushes \$2 billion through primary; volumes trickle thinner

Emerging markets burned the week at both ends as **Ecuador** defaulted and **Mexico** crashed through the doors of a locked primary with a \$2 billion 10-year bond sale.

FULL STORY ON PAGE 10

Prospect News

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Investment-grade market: tone strong during week, prompts corporate, FDIC deals; new deals tighten



Investment Grade
By **Andrea Heisinger**

It was a solid week in the investment-grade bond market, with a steady stream of deals and a market tone that remained strong.

The tone was good enough at the market close Thursday for a syndicate source to comment that it was “definitely appetizing” for potential issuers but also that it was horrible timing heading into the holiday slowdown.

The secondary market saw most issuers solidly tighter. By Thursday, a source said that between the market open and close, corporate bonds were in significantly.

By midweek, secondary activity was mostly on the upside, with gainers outnumbering decliners by nearly two to one.

The biggest surprise of the week was a break in the recent trend of heavy corporate issuance at the beginning, with a tapering off after a couple of days.

Wednesday produced a decent amount of new corporate issues, surprising even syndicate desks that were expecting offerings to decline.

FDIC offerings abound

One thing that has remained constant is the steady issuance from financial names of notes backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program.

Among those pricing guaranteed notes were names that had previously tapped the program, including **Bank of America Corp.**, **Morgan Stanley** and **JPMorgan Chase & Co.**

JPMorgan priced perhaps the largest FDIC-backed offering of the week, with its \$7.75 billion in three tranches on Thursday.

Following the lead of **General Electric Capital Corp.**, which has previously priced FDIC-backed notes, there was an issue from **John Deere Capital Corp.** The funding arm of the farm machinery manufacturer priced \$2 billion in one tranche of notes due 2012.

Deal variety eyed

Most of the deals that have priced FDIC-backed bonds have been bank holding companies, but a source said there are two other categories of financial institutions eligible to issue under the plan.

There will likely be more of these types of issuers, a source said. The names will diversify as the months wear on and the June deadline for issuing gets closer.

By Wednesday, syndicate sources were still mopping up from the first two days of the week that saw bond sales from **Procter & Gamble Co.**, **United Technologies Corp.**, **Kinder Morgan Energy Partners LP** and **Kraft Foods Inc.**

All of these names as well as **Enbridge Energy Partners LP** were seen trading solidly tighter in the secondary in the days following their pricing.

One source commented on the volume of new corporate issues, saying that syndicate desks are starting to thin out for the holidays and no one was expecting much for new deals past Tuesday.

<p>“IT WAS NICE TO SEE THERE’S STILL INVESTOR INTEREST IN THIS ENVIRONMENT.”</p>	<p><i>– A market source, commenting on Procter & Gamble’s oversubscribed bond offering</i></p>
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On Wednesday, the new offerings from the **Walt Disney Co.** and **Enbridge Energy Partners** were largely a surprise as they were announced and priced quickly.

“We definitely didn’t expect all these deals today,” a source said Wednesday after the market close.

FDIC-backed deals are not expected to let up heading into the holidays, although they may slow, a source said.

New deal spreads tighten

The recently priced FDIC-backed bonds were also seen solidly tighter. Deals from Bank of America, GE Capital and **Citigroup** all improved after pricing. This was partly due to a positive reaction by the financial markets to the large Federal Reserve cut to its Federal Funds rate following a two-day meeting. The rate was reduced to essentially zero – a larger-than-expected cut and a record low.

Other names being watched by secondary traders included GE Capital and parent company General Electric Co. Their bonds were seen to mostly have shrugged off Thursday’s warning from Standard & Poor’s that the two have a one-in-three chance of losing their AAA ratings during the coming two years.

In the past few months both have taken steps to shore up their finances to maintain this rating. In conference calls, the company discussed cutting expenses and issuing less debt in the coming year.

Bonds from Citigroup were similarly unaffected by the downgrade from Moody’s Investors Service. And continuing the trend of relative indifference were investors in Goldman Sachs, who didn’t react much to the company’s first quarterly loss in a decade that was reported Tuesday. The now bank holding company’s bonds were seen generally higher following the news.

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The week saw more new deals from low-BBB rated issuers, which have been something of a rarity in the past couple of months.

“WE DEFINITELY DIDN’T EXPECT ALL THESE DEALS TODAY.”

– A market source said Wednesday of the primary market activity

Lower-rated credits emerge

After a bleak September and much of October that saw only the highest-rated names coming into the primary market, a large issue from **Altria Group Inc.** broke the new deal market back open with a large deal.

The Baa1/BBB/BBB+ rated tobacco company issued a second, much smaller deal Thursday with \$775 million of notes.

The company is acquiring tobacco company UST Inc. and has used proceeds from both deals to pay for the recently approved transaction.

Another lower-rated company, **Energy Transfer Partners LP**, got its deal done Thursday, but at a high price of Treasuries plus 878 basis points.

The 10-year notes (Baa3/BBB-/BBB-) priced at a coupon, a source close to the deal said.

Many of the new deals continue to price at a coupon instead of a spread, as both remain high, a source said.

Despite the high prices, many of the new deals priced in line with or below price guidance and continue to tighten in trading.

United Technologies’ notes priced at Treasuries plus 360 bps, which was mostly in line with price talk. The talk began at the beginning of the day at mid-to-high 300s, a source close to the deal

said. They then looked at the company’s outstanding notes and used the levels they were trading at for guidance. Talk was gradually tightened in to the 360 bps area, which was in line with where it came.

The same source worked on Procter & Gamble’s deal and said the pricing strategy was similar. The size was largely unknown until right before pricing, he said. The deal ended up pricing at the tight end of talk, which was in the 312.5 bps area, with the notes coming at 310 bps.

Investor interest grows

The P&G deal ended up “very oversubscribed,” the source said. “It was nice to see there’s still investor interest in this environment,” he said.

The decent market tone has benefited corporate issuers in the past couple of weeks, a source said. Many of them were part of a massive backlog that built while market conditions declined daily and any negative headlines would scare away both investors and issuers.

“It’s a great opportunity for companies to get money that’s been lacking in the past three months,” he said.

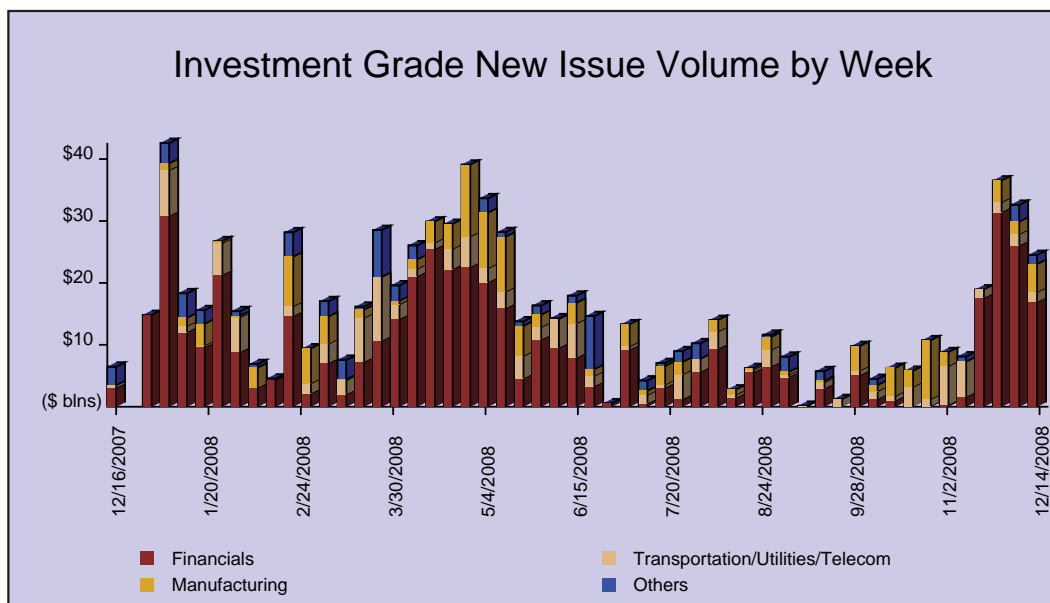
Many of those issuing now were planning to do so months ago, and the current stability has allowed deals to price as needed before the end of the year.

In the secondary, one utility saw its bonds tighten on news that it had backed away from an acquisition.

Constellation Energy Group Inc.’s bonds were tighter Wednesday, although with restrained trading, after the power company backed away from its deal to be acquired by a unit of Berkshire Hathaway Inc. Constellation instead decided to go for a more complex offer from Electricite de France SA.

The week ended with a slow in new deals but with some optimism as an automaker bailout plan was unveiled and the corporate bond market tone remained up.

Paul Deckelman contributed to this story



High yield sees demand, Freeport, Charter gain; Kansas City Southern prices at big yield



High Yield

By Paul Deckelman

Counting down the days to the end of the year, the high yield market saw yet another quickly shopped, heavily discounted probably “final” deal of 2009 this week – this one for **Kansas City Southern Railway Co.** As was the case when **El**

Paso Corp. brought a new deal to market the week before, the new K.C. Southern offering carried an already fat double-digit coupon, priced at a considerable discount to par to boost its yield to acceptable levels – and then moved up smartly when it moved into the secondary market.

That secondary, meantime, seemed to have caught a bid, even though equities struggled for most of the week. Among the big gainers were such names as **Freeport McMoRan Copper & Gold Inc.** and **Charter Communications Inc.**

Ford Motor Co.’s bonds were better, helped by statements from management indicating that Ford has no imminent liquidity problems, won’t try to cut debt at its bondholders’ expense by offering them less value for their bonds, and potentially expects would-be buyers to show considerable interest should it decide to sell its Volvo unit.

Rival **General Motors Corp.**’s bonds stayed in idle, waiting for definitive word on its government bailout.

Another gainer for most of the week was GM’s 49%-owned **GMAC LLC**, whose bonds firmed solidly as the troubled automotive and mortgage finance company and a committee of its large bondholders announced amended terms for its pending offer to exchange new debt, preferred shares and cash for existing bonds, as part of its efforts to convert to a commercial bank and get federal bailout money. GMAC reported improved bondholder participation, but had still not reached its goal of having 75% of the participating issues tendered.

Another closely watched exchange offer, for **Station Casinos Inc.**, came to naught, as a majority of bondholders refused to take part, calling its terms “inadequate.”

Kansas City Southern prices at 16½%

Kansas City Southern Railway Co. successfully priced what its new deal near the end of what was otherwise a pretty sorry year for the junk bond market. Terms became available early Tuesday, showing that the Kansas City, Mo.-based provider of railroad transportation in the United States and Mexico had priced a \$190 million issue of 13% five-year senior unsecured notes at 88.405 to yield 16½% on Monday. The yield came at the tight end of the 16½% to 16¾% yield talk, while the coupon came on top of talk.

It was brought to market by Morgan Stanley, the left bookrunner, and Banc of America Securities, the joint bookrunner.

Because the bonds came at such a steep discount, proceeds

amounted to \$164.17 million. The issue was upsized from \$175 million but the proceeds were in line with the \$150 million to \$175 million range that the company intended to raise.

Showing just how the junk market has deteriorated, the yield at which the bonds came was more than twice that seen earlier in the year when the company successfully priced a \$275 million issue of 8% senior unsecured notes due 2015 at par in May.

The proceeds of the latest deal, along with other monies, will be used to take out the \$200 million issue of 7½% notes maturing in this coming June 2009.

“THERE IS SO MUCH
UNCERTAINTY OUT THERE.
AND THE MARKETS ARE TIGHT.
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CONSERVATIVE.
SO WE JUST WENT.”

-Ginger Adamiak,
investor relations
director, Kansas
City Southern Co.

The company’s investor relations director, Ginger Adamiak, said that Kansas City Southern decided the more prudent course would be to borrow the money now – rather than risk waiting until next year to do so.

“Maybe January will be better – but maybe GM and others will go bankrupt,” Adamiak pointed out. “There is so much uncertainty out there. And the markets are tight. People are being very conservative.

“So we just went.”

The deal in some respects resembled the previous week’s El Paso deal, also brought to market with Morgan Stanley on the left side; the Houston-based energy transportation company sold \$500 million of new 12% senior notes due 2013 at 88.909 to yield 15¼%. And like that El Paso deal, the new Kansas City Southern deal began moving upwards “right out of the gate,” a trader said, eventually arriving at a similar 92-93 context.

It was, he opined, “just another case of the underwriters mispricing the bonds. They talked the issuer into giving a much bigger discount” than was needed.”

Secondary seen stronger

Apart from new-deal-related credits, the secondary market seemed firmer for the most part. The KDP High Yield Daily Index, which had ended the previous week at 46.92, had jumped to 48.73 by midday on Friday, while its yield had tightened to 16.44% from 17.70%. The widely followed CDX 11 high yield index of junk bond performance had improved to 76 bid, 77 offered late Thursday, a trader said, from 72 5/8 bid, 72 7/8 offered at the close

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the Friday before.

The high yield mutual fund flow statistics generated by AMG Data Services, a measure of overall junk market liquidity trends, showed that in the week ended Wednesday, \$85.7 million more came into the weekly-reporting funds than left them, which followed other inflows in the two previous weeks. For the year, the net inflow for such funds rose to \$702.5 million, up from \$616.8 million the previous week.

A junk trader said that “the market had a better tone than I would have categorized,” given the way shares struggled for much of the week after the initial euphoria from Tuesday’s larger-than expected Federal Reserve rate cut seemed to wear off, as Wall Streeters took profits from Tuesday’s gains, and worried about whether the Fed has any more economy-stabilizing tricks in its bag.

With all of that going on, he said that in high yield, “there seemed to be more upticks in the more active bonds than downticks.”

“You had Charters up, **Opti Canadas**, Freeport, up, even **Idearc** [Corp.] was up, and **Hertz** [Corp.] was up.”

Charter’s bonds were among the most actively traded issues, and were seen moving up solidly after having retreated at the end of the previous week when the troubled St. Louis-based cable operator said it would explore options for improving its financial flexibility with its bondholders; market sources cited company disclosure that it had some \$900 million of cash and equivalents on hand, which calmed investor fears of an imminent bankruptcy.

Also among both the actives and the big risers was Freeport McMoRan, boosted by hopes that the federal stimulus package will revive demand for copper, and by the rise in gold prices against the declining dollar.

OptiCanada Inc’s bonds shot up on news the Canadian energy company will sell part of its stake in a 50-50 development project to its partner and use the proceeds for debt payments,

GMAC ‘euphoria’

GMAC’s bonds were up most sessions on the week, on news that sweetened terms for its debt exchange offer had lured more bondholders, putting it closer to its goal of 75% participation

needed to support its application to become a regular bank eligible for government bailout money. When the amended terms were announced and more investors signed on early in the week, “needless to say, there was euphoria in GMAC land,” a trader said.

<p>“NEEDLESS TO SAY, THERE WAS EUPHORIA IN GMAC LAND.”</p>	<p><i>-A trader, on the response of GMAC LLC’s bonds to news that more bondholders had signed on for the company’s exchange offer.</i></p>
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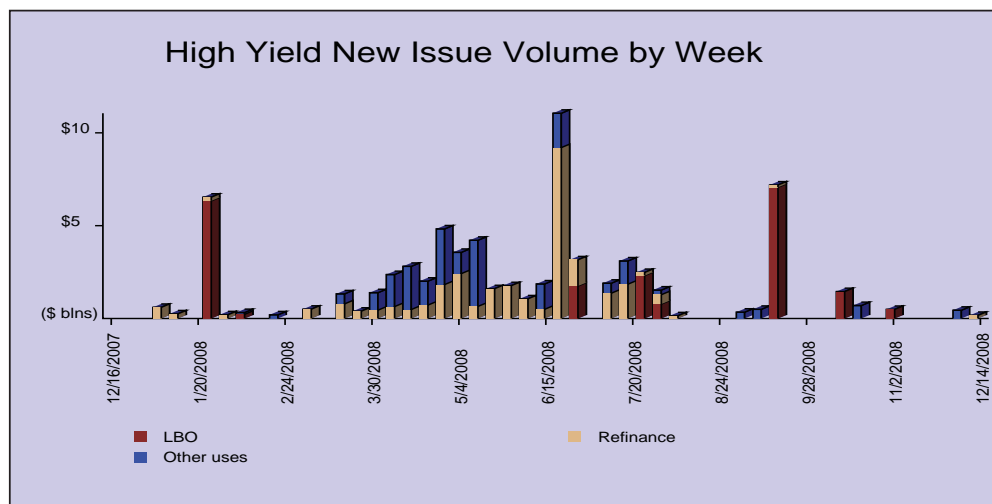
However, that came to a halt Thursday on the news that several large holders, including the operator of the world’s biggest bond fund, Pacific Investment Management Co., had not been lured to tender their bonds by the sweetened terms, leaving GMAC short of its goal. But GMAC did some more tinkering, and its bonds were seen improved on Friday.

Ford is firmer

Among the automotive names, Ford’s bonds were stronger during the week, as the company said it has no short-term liquidity problem, is not considering any efforts to reduce its unsecured debt – meaning that it would be unlikely to embark upon the kind of debt exchange some junkers have been doing lately that would compel bondholders to accept less than face value for their bonds – and is also considering options for its Volvo car business and expects to generate some interest if the Swedish carmaker is put up for sale.

Ford also reiterated that it was not in need of an immediate federal bailout, only a standby line of credit.

Rival GM’s bonds were mostly spinning their wheels, as investors awaited word on the carmaker’s bailout. That word finally came Friday morning, with GM to receive \$13.5 billion in short-term loans, and troubled competitor Chrysler another \$4 billion, with the money to be provided almost immediately.



Municipal issuers wait for 2009 and better market; Virginia College Authority plans \$330 million



Municipals

By Sheri Kasprzak

By Sheri Kasprzak, New York

As 2008 winds down, several municipal issuers were putting their bond sales on the backburner until the arrival of the New Year – and the arrival of better market conditions. Conditions did improve somewhat for the troubled secondary market, with yields up several basis points on the week, thanks to a rate cut from the Federal Reserve.

Despite a lazy week for pricings, some upcoming sales for 2009 were announced, including offerings from the **Virginia College Building Authority**, the **University of Notre Dame** and the **San Diego Public Facilities Finance Authority**.

Municipal insiders seemed to agree during the week that from now until January, new-issue offerings would be few and far between.

“We don’t have anything coming up until January,” said one sellside reached this week.

“I’m pretty sure that’s the way it is most places. Issuers are just going to wait and see what happens with the market in the New Year. I think at this point, it’s just too late and there’s such a small window in which to price things that it’s really hardly worth it.”

Suffolk brings \$310 million

Even though there wasn’t a lot of pricing action during the week, it wasn’t completely dead.

Suffolk County of New York brought \$310 million in series 2008 tax anticipation notes on Thursday, attracting 23 bids with the competitive sale and bringing in a record low 0.82% net interest cost for the county.

Citigroup Global Markets, Banc of America Securities and J.P. Morgan Securities Inc. all took pieces of the deal.

Proceeds will be used for capital expenses ahead of the collection of property taxes.

“Clearly, the financial markets have again indicated their faith in the county’s financial stability,” said Joseph Sawicki, Suffolk’s county comptroller, in a statement.

“This is a major savings for Suffolk County taxpayers as interest costs will be \$2.4 million less than budgeted for 2009.”

Nassau sells two

Short-term notes abounded during the week. Also in New York, **Nassau County** sold two short-term notes, including a \$132 million offering of series 2008 general obligation tax anticipation notes and \$125 million in series 2008 bond anticipation notes.

The TANs included \$85 million in series 2008A notes, due Sept. 30, 2009, and \$47 million in series 2008B notes, due Oct. 30, 2009.

Citigroup Global Markets won the competitive bid for \$15 million of the 2008A notes, which priced to yield 0.82%. J.P. Morgan Securities Inc. was the winner for \$70 million of the 2008A notes, which priced to yield 0.867%.

“ISSUERS ARE JUST GOING TO WAIT AND SEE WHAT HAPPENS WITH THE MARKET IN THE NEW YEAR. I THINK AT THIS POINT, IT’S JUST TOO LATE AND THERE’S SUCH A SMALL WINDOW IN WHICH TO PRICE THINGS THAT IT’S REALLY HARDLY WORTH IT.”

– Sellside when asked about new issue volume for the remainder of 2008.

Barclays Capital Inc. won \$15 million of the 2008B notes, which priced to yield 0.86% and J.P. Morgan won \$32 million in series 2008B notes, which priced to yield 0.867%.

Proceeds will be used for general expenses ahead of the collection of taxes.

The county also sold \$125 million in BANs (MIG 1/SP-1+/F1+) on a negotiated basis through lead manager Merrill Lynch & Co.

The notes, due Oct. 15, 2009, have a 2.5% coupon to yield 1.25%.

Proceeds will be used for general county expenses ahead of a 2009 bond sale.

Deschutes County authority sells bonds

Elsewhere, the **Hospital Facility Authority of Deschutes County** in Oregon priced \$103.46 million in series 2008 hospital revenue refunding bonds for **Cascade Healthcare Community**.

The bonds (A3) are due 2013 to 2018 with term bonds due 2023, 2028 and 2038. The coupons on the bonds range from 5.5% to 8.5%.

Morgan Stanley & Co. was the lead manager and proceeds will refund, redeem or defease Cascade’s series 2005A hospital revenue bonds and pay fees associated with an interest rate swap termination.

Virginia College Building Authority sale

Looking to what’s up for the New Year, a couple of large sales have emerged for January so far, including a \$330 million offering of series 2009A educational facilities revenue bonds (A1) from the

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Virginia College Building Authority.

That sale is expected to occur the week of Jan. 5, most likely on Jan. 7, according to sales calendars. Though the full details of the deal are not available, the bonds are expected to sell on a negotiated basis and are due 2009 to 2038.

“CLEARLY, THE FINANCIAL MARKETS HAVE AGAIN INDICATED THEIR FAITH IN THE COUNTY’S FINANCIAL STABILITY. THIS IS A MAJOR SAVINGS FOR SUFFOLK COUNTY TAXPAYERS AS INTEREST COSTS WILL BE \$2.4 MILLION LESS THAN BUDGETED FOR 2009.”

*– Joseph Sawicki,
Suffolk County,
N.Y., comptroller
on the county’s
\$310 million sale
of tax anticipation
notes.*

Proceeds will be used to acquire notes issued by nine state higher educational institutions.

Another deal coming up this January is a \$400 million offering of series 2009A electric system revenue bonds from the **Salt River Project Agricultural Improvement and Power District** of Arizona. The deal is expected to price the week of Jan. 12, according to a calendar of upcoming deals.

The bonds (Aa1) will be sold on a competitive basis.

Proceeds will be used for ongoing capital improvement projects, including power generation, transmission and distribution investment.

Notre Dame deal coming

Also coming up, the **University of Notre Dame** in Indiana is scheduled to sell \$100 million in series 2009 taxable fixed-rate notes in January, said a preliminary official statement released Friday.

The notes (Aaa) will be sold on a negotiated basis with Merrill Lynch & Co. as the lead manager.

The maturity date for the notes has not been set.

Proceeds will be used for the day-to-day operating expenses of the university.

San Diego water deal

Also ahead in January, the **San Diego Public Facilities Finance Authority** in California has announced plans to price \$65 million in series 2009A water revenue bonds for the **City of San Diego Water Enterprise** on Jan. 16, a sellside source confirmed Wednesday.

The bonds (A1//AA-) will be sold on a negotiated basis with Morgan Stanley & Co. as the lead manager.

Proceeds will be used to refund outstanding debt and fund a debt service reserve.

Secondary sees a boost

Even though the past few weeks have been tough for the secondary municipals market, traders saw a marked improvement during the week, thanks in part to the Federal Reserve’s decision to cut interest rates to 0% to 0.25%.

Trading volume was still mostly down, but yields were up, especially on the long end.

“We’re up five, six basis points, probably a bit more on the long end,” noted one trader during the week.

The bonds that were trading in the secondary varied among several sectors, including education and utilities.

In specific trades, the **San Diego County Water Authority’s** certificates of participation were seen trading with the 5% 2027s at 6%.

Freed to trade during the week were the **University of Chicago’s** series 2008B revenue bonds. The 4.25% 2016s were seen at 3.85%. The bonds priced Dec. 12 to yield 4.06%.

Also freed to trade were **Miami-Dade County, Fla.’s** Building Better Communities G.O.s. The 6% 2024s were trading around par. Those bonds priced Dec. 11 to yield 6.13%.

Convertibles strengthen in thin volume: Wachovia leads financials; energy adds despite lower oil



Convertibles

By Rebecca Melvin

The convertible bond market saw pricing strengthen in the past week, especially prices of liquid, better credit-quality names, as technical factors seemed to outweigh fundamentals in some instances, market sources said.

The week started out slowly with trading quiet Monday amid mixed pricing as the holiday lull thinned the ranks of convertibles players. But on Tuesday, convertibles rallied along with equities when the Federal Reserve cut its Fed Funds target interest rate to a record low between zero and 25 basis points, from the previous target of 100 bps, in an attempt to contain the financial crisis.

The move was seen as a largely positive development, although market sources said it was not a surprise.

It was aimed at unfreezing the credit markets, but it also highlighted the fact that the government continues to throw everything it can at the problem and the Fed now will be relying heavily on its balance sheet to effect policy.

“The market’s been expecting this. This is a serious crisis we’re facing and the regulators need to take drastic measures to avoid a bigger disaster, and I think they know this and everybody knows this,” a sellside convertible trader said.

Investors eye quality

On Wednesday and Thursday, better quality, more liquid convertible bonds continued to have better buyers, and sellers were harder to come by. The forceful move caused some to pause.

“Yesterday’s offers are today’s bids. It’s a little crazy; and I’m a little suspicious that it’s getting ahead of itself. I mean I would rather have it like this than the other way; but, I’d rather it [were] in a more measured way,” a West Coast-based sellside said Friday.

“It’s the technicals – lower supply, no new stuff and cash available – versus the fundamental perspective; so, which one do you believe,” the sellside said.

“It’s really quiet. I don’t think anything has traded in the Street except odd lots. It feels like Christmas Eve,” a New York-based sellside trader said.

<p>“YESTERDAY’S OFFERS ARE TODAY’S BIDS. IT’S A LITTLE CRAZY; AND I’M A LITTLE SUSPICIOUS THAT IT’S GETTING AHEAD OF ITSELF. I MEAN I WOULD RATHER HAVE IT LIKE THIS THAN THE OTHER WAY; BUT, I’D RATHER IT [WERE] IN A MORE MEASURED WAY.”</p>	<p><i>– A West Coast-based sellside said of the emergence of buyers for convertibles</i></p>
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General Motors Corp. paper was in focus after the Bush administration unveiled an emergency bailout package for the ailing auto industry that includes \$17.4 billion in rescue loans in exchange for certain benchmarks being met, like positive cash flow generation by March 31.

Several financial names were in play during the week.

Wachovia Corp. was a notable gainer among financial convertible preferreds; with its convertibles having moved up to about 720 by the end of the week from about 600 a week earlier.

Volume overall was thin. But “it’s to be expected at this time of year. People are just winding down,” a New York-based sellside said Thursday, referring to the holiday lull that has now set in.

“They’ll come back in January. They’ll figure out where things are and then make their decisions,” the sellside said.

Meanwhile, the market, despite the recent grab for all things investment grade, continued to be very cheap despite the current strengthening mode. “There’s a ways to go,” the trader said.

Among the week’s notable gainers were **Mylan Inc.** and **Amgen Inc.** Losers were **Nortel Networks Corp.** and **Sirius XM Radio Inc.**, which has convertible paper coming due in February.

GM higher on bailout

By midafternoon Friday, the GM 6.25% convertibles due 2033 had jumped 30 cents, or 9%, to \$3.779 in light volume versus a stock price of \$4.04. That compared with \$3.48 for the GPMs versus a stock price of \$3.66 at the close Thursday.

In heavier volume, the GM 5.25% convertibles due 2032 gained 20 cents, or 7%, to \$3.20 versus a stock price of \$4.04. That compared with \$3 versus a stock price of \$3.66 on Thursday for the GBMs.

Shares of the Detroit-based car maker (NYSE: GM) were climbing late Friday following news of the bailout package.

Mentioned in this article:

Amgen Inc.	Nasdaq: AMGN
General Motors Corp.	NYSE: GM
Mylan Inc.	NYSE: MYL
Nortel Networks Corp.	NYSE: NT
Sirius XM Satellite Radio Inc.	Nasdaq: SIRI
Wachovia Corp.	NYSE: WB

On Friday, the market quieted down significantly as a severe snow storm barreled across the midwestern and eastern United States.

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Mylan bonds add

The Mylan Laboratories 1.25% convertibles due 2012 were seen trading with a 71 handle late Thursday. NASD Trace put a late trade at 73.

The bonds are up from the high 60s, where they had been trading for at least three weeks. Before then they had been trading in the mid-50s.

"I bought a chunk back when it was 55, 56 and then it jumped to the high 60s, and they had been there for quite awhile," a New York-based sellside said.

"IT'S TO BE EXPECTED AT THIS TIME OF YEAR. PEOPLE ARE JUST WINDING DOWN."

— A New York-based sellside on the diminished trading volume

The Mylan 3.75% convertibles due 2015, which priced in September, were seen at about 87, and the Mylan 6.5% mandatory convertible preferred shares due 2010 were seen in the low 600s.

On Wednesday a JPMorgan analyst said Mylan is likely to improve its profit margins over the next two years and benefit from increasing use of generic pharmaceuticals in foreign markets.

The analyst put a rating of "overweight" on the shares, with a price target of \$14 per share, and said the company's profit margins should grow over the next year or two as it integrates the Merck business.

Amgen gains

Amgen's 0.125% convertibles due 2011 traded higher at 95 mid-week versus a share price of \$58.00, compared with 93.5 bid, 94 offered on Friday versus a share price of \$58.13.

Amgen's 0.375% convertibles due 2013 traded at 93 versus the \$58.00 stock price, compared with 91.35 versus a stock price of \$58.13 on Friday.

Shares of the Thousand Oaks, Calif.-based biotech settled down

42 cents, or 0.7%, at \$57.71.

The company's convertibles have been strengthening pretty steadily over the last few weeks as they have caught the eye of investors, who currently want the security of investment-grade paper, and are also weighing the prospects of the health care/biotech space carefully.

Sirius weaker as maturities loom

Sirius XM 3.25% convertibles due 2011 slumped to 15 bid, 17 offered Friday versus a previous price of 24 to 24.5.

The stock of the New York-based satellite radio company's stock was trading at not much more than a dime.

Sirius XM is looking to complete its capital structure initiative by March 1, according to slides, which were filed Thursday with the Securities and Exchange Commission.

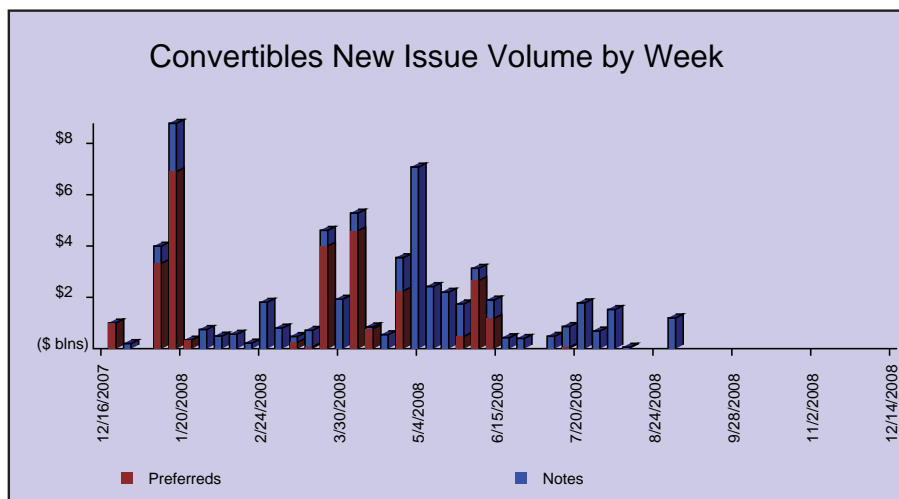
The company's debt maturities in 2009 include \$209 million of Sirius' 2.5% convertible notes in February, \$2 million of its 8.75% convertible notes in September, \$400 million of XM's 10% convertible notes in December and \$33 million of XM's 10% secured convertible notes also in December.

Some of the convertible February paper, which is due in two months, has been taken out via debt-for-equity offers, but there is still \$200 million left outstanding out of \$300 million, and given where the stock is trading, it is getting tougher to do that kind of deal for the remainder.

"We have one big holder wondering how he's going to get paid," a trader said Wednesday, adding that the company has a genuine business and something ought to be able to be done. "The question is: are they going to tank the whole capital structure to get it done."

Shareholders are reportedly against a move by the company to do a reverse stock split to prevent the company from being delisted from the Nasdaq stock market.

It is working with JPMorgan and Evercore Partners on an overall financing plan for the company, which has \$995 million of debt maturing in 2009, according to slides presented by Mel Karmazin, chief executive officer of Sirius XM, at the company's 2008 annual stockholders meeting held Thursday.



Emerging market yields sink; Mexico pushes \$2 billion through primary; volumes trickle thinner



Emerging Markets

By Aaron Hochman-Zimmerman

Emerging markets burned the week at both ends as **Ecuador** defaulted and **Mexico** crashed through the doors of a locked primary with a \$2

billion 10-year bond sale.

The 10-year Mexican bond priced 390 basis points over Treasuries, a 40 bps concession to the curve, but the first major currency issue since September was a welcome sight.

On the other hand, Ecuador president Rafael Correa made good on a two-year threat to default on debt he often referred to as “illegal.”

Quito skipped a \$31 million payment and defaulted on its 12% bonds due 2012, in favor of using the money on social programs.

In trading over the week, flows remained very light as investors began to leave their desks for the holidays.

Through the light volumes sentiment remained strong as lower short-term interest rates in the United States served to slice yields in emerging markets, particularly in Latin America.

Emerging Europe also performed well, even as the ruble continued to devalue, but Asia was somewhat left behind as its levels remained largely unchanged.

During the strong week, emerging markets as a sector tightened nearly 100 bps to nearly 700 bps from 800 bps, according to JPMorgan’s EMBI+ index. The EMBI+ estimates the amount of extra yield investors will require to hold assets in emerging market debt.

Mexico cracks the market

Mexico’s \$2 billion 10-year bonds were sold at 99.784 to yield 390 bps over Treasuries on Thursday.

“It’s a timing issue,” said Enrique Alvarez, a Latin America debt strategist at think tank IDEAglobal, shortly after the sale.

Mexico must have figured “we’re one of the two top tier names and the largest one ... there’s money on the sidelines, yields are declining,” he said. “They’re taking advantage of that.”

Mexico also had to offer up 40 bps more than the 350 bps the curve indicates, Alvarez said.

The timing of the deal was also ahead of many contractionary economic figures, which have not been released yet.

Come January and February, they may not be able to get this off the ground,” he said.

Still, “kudos to them for getting \$2 billion off the market,” he said, adding that this issue will likely fulfill Mexico’s issuance goals for 2009.

“I wouldn’t think they’d do anything more after that,” he said.

Ecuador defaults

Ecuador’s default on Monday dropped its levels across the board, but the three dollar-bonds outstanding did not have far to fall.

President Correa had helped undercut the debt’s value with repeated threats to default. The threats had become so habitual as to prevent any shock or surprise on the part of market watchers, but confusion was common.

<p>“KUDOS TO THEM FOR GETTING \$2 BILLION OFF THE MARKET ... I WOULDN’T THINK THEY’D DO ANYTHING MORE AFTER THAT.”</p>	<p>– Enrique Alvarez, a Latin America debt strategist at think tank IDEAglobal, on Mexico’s sale of \$2 billion of bonds</p>
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Despite the refusal to meet its obligations, Quito had the ability to pay the \$31 million coupon payment on the 12% bonds due 2012, which began the latest round of default speculation.

A syndicate official was confused by Correa’s reluctance to pay when the money was available.

For all his rants and bluster, “not even [Venezuela’s president Hugo] Chavez, on his worst day” defaulted when his government has the ability to pay its debts, the syndicate official said.

“People are still trying to make heads or tails of it,” he said.

All three of Ecuador’s dollar bonds remained in at bid prices in the 20s.

Latin America rides the tides

Latin America was given a broad-spectrum boost by the rate cuts from the Fed on Tuesday.

Yields wrapped in and prices jumped, led by the highly rated credits **Brazil** and Mexico.

Some of the usual high-beta suspects could not take as much advantage of the rate ease as others.

Political turmoil still dogged **Argentina** as the country began a new economic relief program to stimulate job growth.

Also, oil producer Venezuela was stung by a so far ineffective 2.2 million barrel-per-day production cut by OPEC and its partners in **Russia** and **Azerbaijan** on Wednesday.

“Guess what? It’s not enough,” a syndicate official said about the cut from OPEC’s perspective.

“The fear of the global recession is really the driving factor,” he said, “not the fundamentals.”

“They’d have to cut it completely; I don’t see anything spiking

Continued on Page 11

Continued from Page 10

in the near future,” he said.

The drop in oil prices was not enough to check climbing prices, even among the oil producers.

Brazil, Russia and Venezuela all saw their benchmark issues improve the day of the cut.

Turkey, emerging Europe rolling strong

Emerging Europe was helped by the generally positive tone over the week.

Turkey continued to improve as it cut interest rates severely on Thursday.

<p style="text-align: center;">“PEOPLE ARE STILL TRYING TO MAKE HEADS OR TAILS OF IT.”</p>	<p style="text-align: center;"><i>– A syndicate official, speaking on Ecuador’s decision to default on its 12% bond coupon payment</i></p>
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The central bank unexpectedly chopped rates to 16.25% from 17.5%, which helped the benchmark bonds spike more than 3 points.

Also, prospects of a loan from the International Monetary Fund seemed to improve as well.

Turkey received a €343 million loan from the World Bank on Wednesday, according to a statement from the international lender.

The loan is intended to support “reforms aimed at promoting growth and job creation,” the statement said.

“Turkey’s [reform] program aims to improve international competitiveness and the conditions for private investment and the creation of jobs, particularly in the formal sector,” said Ulrich Zachau, country director for Turkey.

Russia has also performed well in spite of a sharp devaluation of the ruble as well as persistently low oil prices.

Russia and its national oil firm **OAO Gazprom** have been

after **Ukraine** to pay a \$2 billion debt before a new contract will be signed.

Quiet Asia lags

While the other sectors were climbing higher, Asia was “kind of quiet,” a trader said. “LatAm definitely outperformed.”

Asia was “mildly tighter” he said, as there is “a growing consensus that Asia will be the last to react to this global recession.”

The Western markets may fall and recover before Asia is seriously affected, he said.

Even during Wednesday’s strong showing, the big names like the **Philippines** and **Indonesia** added a few points, but “CDS wasn’t much tighter today at all,” he said.

In the Philippines, central bank governor Amando Tetangco said on Wednesday the rate cut by the U.S. Federal Reserve allows the Philippine central bank more latitude to adjust rates.

“The Fed move, to the extent it would be effective in spurring credit extensions by the private sector, would be positive for the rest of the economies in the world, including the Philippines,” Tetangco said, according to the *Manila Times*.

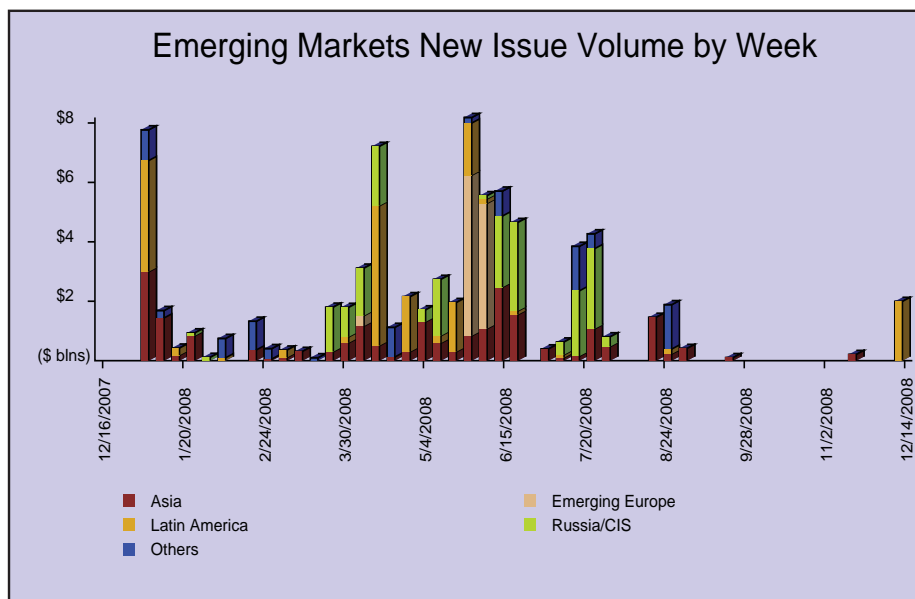
As commodity prices and inflation risks continued to ease in Asia, the Philippines took the opportunity to cut interest rates on Thursday.

The central bank reduced the overnight borrowing rate 50 bps to 5.5% and the overnight lending rate by 50 bps to 7.5%, according to a statement.

The decision was based on “the latest baseline forecasts, which reflect a decelerating inflation path over the policy horizon, with inflation falling within target by 2010, partly due to the sharp fall in November inflation which came earlier than expected,” the bank said.

Elsewhere in **Thailand**, the popular king, Bhumibol Adulyadej, threw his support behind the new British-born prime minister, Abhisit Vejjajiva, on Wednesday.

Abhisit has built a reputation for honesty and pledged to reform Thailand’s “failed politics,” he said, according to reports.



Baldor planning up to \$215 million of additional debt repayment by year-end 2009

By Jennifer Lanning Drey

Portland, Ore., Dec. 15 – **Baldor Electric Co.** projects it will repay as much as \$15 million of debt in the fourth quarter and between \$150 million and \$200 million of debt in 2009, Ronald E. Tucker, chief operating officer of Baldor, said Monday during a company analyst meeting held in New York.

The company projects even if faced with a 15% sales decline in 2009, it would have \$105 million of working capital available for debt reduction as a result of cash flow initiatives being implemented for next year.

The company also expects to save \$80 million through reductions in overtime, headcount, discretionary spending and interest expense.

“We are expecting a much tougher environment in 2009,” John A. McFarland, chief executive officer of Baldor, said during the

meeting.

The company has seen an upper single-digit decline in orders in recent months, he added.

Despite the deteriorating sales environment, Tucker said Baldor is comfortable that it will be able to maintain compliance with its debt covenants through the end of 2009.

Baldor’s \$1.33 billion of total debt at Sept. 27 included \$550 million of senior notes and \$783 million on its term loan and revolving credit facility.

If the company meets its projected debt repayment goals, the term loan balance is expected to be between \$568 million and \$623 million at the end of 2009.

Baldor is a Fort Smith, Ark.-based maker of electric motors, drives and generators.

Alliance Imaging projects net debt reduction of \$52 million to \$67 million in 2009, eyes acquisitions

By Jennifer Lanning Drey

Portland, Ore., Dec. 18 – **Alliance Imaging, Inc.** expects a decrease in long-term debt of \$52 million to \$67 million, net of the change in cash and cash equivalents, in 2009, Howard Aihara, chief financial officer of Alliance, said Thursday during a company conference call.

Alliance generated free cash flow of \$53 million for the first nine months of 2008 and expects to generate free cash flow of \$52 million to \$67 million for 2009.

The company had more than \$120 million of cash at the end of the third quarter and access to \$50 million under its revolving credit facility, he said.

Alliance believes it has sufficient liquidity and operating cash flow to execute on strategic and operational plans, including acquisitions, without accessing the capital markets, Paul Viviano, chief executive officer of Alliance, said during the call.

“We are mindful of the challenging economic climate that

exists today. Given this backdrop, the Alliance team will continue its highly disciplined approach to acquisitions, maintaining a focus on growth businesses, which provide an opportunity for attractive financial returns and meet our strategic criteria,” Viviano said.

The company believes the current credit market turmoil will result in additional opportunities for it to partner with hospitals facing capital constraints.

“Alliance is fortunate to be able to pursue these opportunities and will do so in a manner consistent with our strict financial discipline,” Viviano said.

Alliance expects full-year 2009 revenue to range from \$536 million to \$551 million and adjusted EBITDA to range from \$187 million to \$202 million.

Based in Anaheim, Calif., Alliance Imaging is a provider of diagnostic imaging services.

AAR retires \$56.6 million of convertibles in second quarter

By Jennifer Lanning Drey

Portland, Ore., Dec. 17 – **AAR Corp.** retired \$56.6 million of its convertible notes for \$33.3 million in cash during the second quarter of fiscal 2009, David Storch, the company's chief executive officer, reported Wednesday during its second-quarter earnings call.

The company generated \$18.6 million of cash from operations in the second quarter and ended the period with \$121.8 million of cash and cash equivalents.

At the Nov. 30 close of the period, AAR's cash and borrowing ability was \$281 million.

"We are very focused on maintaining a strong balance sheet and liquidity position," Storch said during the call.

AAR reported second-quarter income from operations of \$21.4 million. Sales increased 14% over the prior year due to the impact of acquisitions.

"As we end our first half of the fiscal year, I am encouraged by our company's positions in its markets, investments we have made, increase in backlog and the general pace of activity," Storch said.

AAR is a Wood Dale, Ill.-based aerospace and defense contractor.

Sirius XM working with JPMorgan, Evercore to address 2009 maturities by March

By Jennifer Lanning Drey

Portland, Ore., Dec. 18 – **Sirius XM Radio Inc.** is working with JPMorgan and Evercore Partners on an overall financing plan for the company, which has \$995 million of debt maturing in 2009, according to slides presented by Mel Karmazin, chief executive officer of Sirius XM, at the company's 2008 annual stockholders meeting held Thursday.

The plan's three areas of activity include existing debt holder discussions, new investor discussions and operational improvements.

Sirius XM is looking to complete the capital structure initiative by March 1, according to the slides, which were filed Thursday with the Securities and Exchange Commission.

The company's debt maturities in 2009 include \$209 million of Sirius' 2.5% convertible notes in February, \$2 million of its 8.75% convertible notes in September, \$400 million of XM's 10% convertible notes in December and \$33 million of XM's 10% secured convertible notes also in December.

Additionally, XM's \$250 million revolving credit facility and

\$100 million UBS term loan both mature in May 2009.

Management's current priorities include resolving the 2009 liquidity issues, maximizing synergies and EBITDA, maintaining growth and enhancing shareholder value, according to the slides.

Sirius XM expects to post positive adjusted EBITDA of \$300 million in 2009, compared with adjusted EBITDA of negative \$200 million in 2008. The improvement will be driven by revenue growth, cost cuts and synergies, which will be offset by royalty and revenue share increases.

The company projects it will achieve synergies of \$425 million in 2009, and that number is expected to grow in 2010. Sales and marketing will generate the highest level of synergies.

Sirius expects 2009 revenues to be driven by its position among the fastest growing U.S. media businesses, penetration gains among the major automakers and continued subscriber growth.

Sirius XM Radio, formerly Sirius Satellite Radio Inc., is a satellite radio provider based in New York.

Hovnanian says additional debt exchanges possible, various debt-reduction initiatives being considered

By Jennifer Lanning Drey

Portland, Ore., Dec. 17 – **Hovnanian Enterprises, Inc.** may carry out additional debt exchanges similar to the one it completed in the fourth quarter, Larry Sorsby, chief financial officer of Hovnanian, said Wednesday during the company's fourth-quarter earnings conference call.

Hovnanian launched an exchange offer in late October in which \$71 million of existing unsecured notes were exchanged for \$29 million of new secured notes maturing in 2017.

The transaction closed in early December and resulted in debt reduction of \$42.1 million for the company.

"We look at this as a first step. We believe there are other initiatives that we can take to reduce our debt in the future, and we intend to look at a number of options that are available to us including additional exchanges," Sorsby said.

Sorsby also noted that the company did not undertake the debt exchange as a distressed proposition.

"We're pleased to have reduced our total debt and recognize the corresponding increase to our equity," he said.

Hovnanian posted fourth-quarter revenues of \$721.4 million, representing a 48% decrease from last year's fourth-quarter revenues.

Cash generation more difficult

With conditions deteriorating in the fourth quarter, Hovnanian's goal continues to be maximizing cash flow even at the expense of its margins, Ara Hovnanian, the company's chief executive officer, said during the call.

Homebuilding gross margin, before interest expense included in cost of sales, was 4.7% for the fourth quarter, compared with 10.9% in the same period of last year.

At the same time, Hovnanian said the company realizes generating cash flow is likely to be more challenging going forward given business conditions.

The company is reducing land and decreasing selling, general and administrative expense to help improve cash flow.

During the fourth quarter, Hovnanian generated \$175.1 million

"WE LOOK AT THIS AS A FIRST STEP. WE BELIEVE THERE ARE OTHER INITIATIVES THAT WE CAN TAKE TO REDUCE OUR DEBT IN THE FUTURE, AND WE INTEND TO LOOK AT A NUMBER OF OPTIONS THAT ARE AVAILABLE TO US INCLUDING ADDITIONAL EXCHANGES." -

- Larry Sorsby, chief financial officer, Hovnanian Enterprises, Inc.



of cash. The company ended fiscal 2008 on Oct. 31 with \$838 million of cash, which was slightly above its Sept. 3 guidance of \$800 million.

"Increasing and preserving our cash position is very much a focus with every decision we make today," Hovnanian said.

The company expects to receive a \$145 million federal tax refund in February.

Still seeking JVs

Although not ready to purchase any land, Hovnanian is working to set up joint venture structures to take advantage of land prices when they become more attractive, Hovnanian said.

"While we are currently focused on reducing our consolidated land supply, we're cognizant that at some point the market will hit bottom and banks will have more non-performing real estate assets and will mark the assets down to levels that will allow them to move off their books," he said.

The company is in discussions with potential joint-venture partners, some of whom have changed from the private equity and hedge funds the company was talking to about joint ventures in the past, he said.

Hovnanian is a homebuilder based in Red Bank, N.J.

Rite Aid trims same-store sales guidance, ups expected net loss in response to sales, economy

By Jennifer Lanning Drey

Portland, Ore., Dec. 18 – **Rite Aid Corp.** lowered its full-year fiscal 2009 guidance for same-store sales and increased the projected net loss based on factors including current sales trends, the weaker economy and increased impairment charges.

“The business environment is likely to be even more challenging going forward than it is today,” Mary Sammons, Rite Aid’s chief executive officer, said Thursday during the company’s earnings call for the third quarter of fiscal 2009.

Rite Aid’s fiscal year draws to a close on Feb. 28.

Same-store sales for fiscal 2009 are now expected to improve 0.5% to 1.5% versus prior guidance of a 1.5% to 3.0% increase. The net loss for fiscal 2009 is expected to be between \$593 million and \$773 million, up from an expected loss of \$445 million to \$535 million.

Rite Aid’s third-quarter same-store sales increased 1.4% over the prior-year period. Adjusted EBITDA increased 8.5% due to a higher gross margin rate and improved cost control.

“We expect to continue improving our operating results as we did in the third quarter,” Sammons said.

Planned improvements

Going forward, the company plans to reduce capital expenditures and decrease working capital while focusing on cost reductions and sales growth.

“When you stir all of that together we think we’re going to be able to generate some free cash flow and get some debt down next year. That’s our goal,” Frank Vitrano, chief financial officer of Rite Aid, said during the call.

“THE BUSINESS ENVIRONMENT IS LIKELY TO BE EVEN MORE CHALLENGING GOING FORWARD THAN IT IS TODAY.”

- Mary Sammons, chief executive officer, Rite Aid



Net cash provided by operating activities for the third quarter was \$44.3 million compared to \$276.7 million used by operating activities in the fiscal 2008 third quarter.

At Nov. 29, Rite Aid had \$1.146 billion drawn on its \$1.75 billion senior secured credit facility and had \$174 million of outstanding letters of credit. Availability on the facility was \$430 million.

By the time of the call, availability had increased to \$495 million, reflecting accounts receivable collection and seasonal adjusted inventory sell through.

The company expects to continue to improve availability through the rest of the fourth quarter, Vitrano said.

The company is in discussions with its banks to extend its commercial paper vehicle facility and expects to be able to do so, although at a higher rate, he said.

Rite Aid is a Camp Hill, Pa.-based drug store chain.

Stewart Enterprises says debt and stock repurchases, acquisitions possible in 2009

By Jennifer Lanning Drey

Portland, Ore., Dec. 19 – **Stewart Enterprises, Inc.**'s potential uses of free cash flow in 2009 include improving the company's capital structure through debt repurchases, paying dividends and repurchasing its stock, Thomas J. Crawford, the company's chief executive officer, said Friday during Stewart's fourth-quarter earnings call.

Additionally, the company plans to more aggressively evaluate candidates for acquisitions after essentially putting its acquisition program on hold, he said.

"We will continue to evaluate our options for free cash flow as opportunities arise," Crawford said.

Stewart generated \$84.5 million of operating cash flow during fiscal 2008 and ended the year with \$72.6 million of cash on hand at Oct. 31. The company expects to generate solid cash flow in 2009, although it will likely be less than the amount generated in 2008, during which the company received a \$21.8 million tax refund.

"The company's balance sheet remains strong, and we expect to generate consistent cash flow over time," Crawford said.

Stewart ended fiscal 2008 with a zero balance on its \$125 million revolving credit facility, which expires in November 2009.

The company expects to renew or replace the facility prior to that time.

"Based on recent discussions with our bank group, we are confident that we will be able to obtain an acceptable credit facility

reflecting current market conditions," Thomas M. Kitchen, chief financial officer of Stewart, said during the call.

If the facility is not renewed, Stewart would need to use cash on hand to cover \$12 million in letters of credit and a \$30.8 million bond that may be required.

The company plans to conserve cash until negotiations regarding the new facility are finalized.

Stewart expects to remain in compliance with all of its debt covenants going forward, Kitchen said.

\$35.6 million Q4 net loss

Stewart posted a fourth-quarter net loss from continuing operations of \$35.6 million, compared to net earnings from continuing operations of \$5.3 million for the fourth quarter of 2007.

The results were affected by unusual items, including a \$26.0 million goodwill impairment charge, a \$13.3 million estimated probability funding obligation on cemetery perpetual care trusts and a \$7.4 million tax valuation charge.

The company is looking to improve both profits and cash flow through a "best-in-class" initiative used to evaluate internal processes and eliminate waste and inefficiencies, Crawford said.

Stewart Enterprises is a Jefferson, La.-based provider of funeral and cemetery products and services for the death care industry.

Priced	Issuer	Bookrunner	Amount	Coupon	Price	Yield	Spread	Maturity	Ratings
12/18/2008	Toyota Motor Credit Corp.	Banc of America	\$30	L+100	99.99996	-	-	12/23/2009	Aaa/AAA
12/18/2008	Altria Group, Inc.	Barclays, Citigroup, Deutsche Bank, Goldman	\$775	7.125%	100	7.125%	-	6/22/2010	Baa1/BBB/BBB+
12/18/2008	JPMorgan Chase & Co.	JPMorgan	\$3000	2.125%	99.95	2.140%	121.7	6/22/2012	Aaa/AAA/AAA
12/18/2008	JPMorgan Chase & Co.	JPMorgan	\$3000	L+38	100	L+38	-	6/22/2012	Aaa/AAA/AAA
12/18/2008	JPMorgan Chase & Co.	JPMorgan	\$1750	2.625%	101.776	1.690%	101.8	12/2/2010	Aaa/AAA/AAA
12/18/2008	Energy Transfer Partners, LP	Morgan Stanley, Credit Suisse, JPMorgan,	\$600	9.700%	99.928	-	878	3/15/2019	Baa3/BBB-/BBB-
12/17/2008	Toyota Motor Credit Corp.	Banc of America, Citigroup	\$110	L+100	100	L+100	-	12/23/2009	Aaa/AAA
12/17/2008	Enbridge Energy Partners, LP	Deutsche Bank, JPMorgan, Greenwich	\$500	9.875%	99.94	-	-	3/1/2019	Baa2/BBB/BBB
12/17/2008	Walt Disney Co.	Citigroup, Deutsche Bank, JPMorgan	\$1000	4.500%	99.026	4.722%	337.5	12/15/2013	A2/A
12/17/2008	PNC Funding Corp.	Citigroup, JPMorgan	\$2000	2.300%	99.883	2.335%	133.2	6/22/2012	Aaa/AAA/AAA
12/17/2008	PNC Funding Corp.	Citigroup, JPMorgan	\$500	1.875%	99.82	1.949%	119.6	6/22/2011	Aaa/AAA/AAA
12/17/2008	PNC Funding Corp.	Citigroup, JPMorgan	\$400	L+28	100	L+28	-	6/22/2011	Aaa/AAA/AAA
12/17/2008	Morgan Stanley	Morgan Stanley	\$2000	2.000%	99.911	-	107.9	9/22/2011	Aaa/AAA/AAA
12/17/2008	Safeway Inc.	Goldman Sachs, JPMorgan, Morgan Stanley	\$500	6.250%	99.538	6.358%	512.5	3/15/2014	Baa2/BBB/BBB
12/16/2008	KeyCorp	Barclays	\$250	1mL+60	100	1mL+60	-	12/19/2011	Aaa/AAA/AAA
12/16/2008	Regions Bank	-	\$250	3.250%	100	3.250%	-	12/9/2011	Aaa/AAA/AAA
12/16/2008	John Deere Capital Corp.	Banc of America, Credit Suisse, RBC	\$2000	2.875%	99.769	2.945%	184.9	6/19/2012	Aaa/AAA/AAA
12/16/2008	Kraft Foods Inc.	BNP Paribas, Citigroup, Deutsche Bank, Greenwich	\$500	6.750%	99.896	6.777%	525	2/19/2014	Baa2/BBB+/BBB
12/16/2008	Kinder Morgan Energy Partners LP	Barclays, Deutsche Bank, Greenwich	\$500	9.000%	99.973	-	-	2/1/2019	Baa2/BBB/BBB
12/16/2008	HSBC USA Inc.	HSBC	\$97.11057692	6mL+10	100	6mL+10	-	3/20/2013	Aa3/AA-/AA
12/15/2008	Bank of America Corp.	Banc of America	\$1500	3.125%	102.039	-	150	6/15/2012	Aaa/AAA/AAA
12/15/2008	United Technologies Corp.	Citigroup, HSBC, JPMorgan, Banc of	\$1250	6.125%	99.838	6.145%	360	2/1/2019	A2/A/A+
12/15/2008	Procter & Gamble Co.	Citigroup, Goldman Sachs, Morgan Stanley	\$2000	4.600%	99.978	4.604%	310	1/15/2014	Aa3/AA-
12/12/2008	Goldman Sachs Group Inc.	Goldman Sachs	\$250	1mL+80	100.0812	1mL+80	-	12/5/2011	Aaa/AAA/AAA
12/12/2008	General Electric Capital Corp.	Citigroup, Morgan Stanley	\$600	3.000%	111.738	2.740%	165	12/9/2011	Aaa/AAA/AAA

New Issue:

Bank of America reopens FDIC-backed notes due 2012 to add \$1.5 billion

By Andrea Heisinger

New York, Dec. 15 – **Bank of America Corp.** reopened its notes due June 15, 2012 that are backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program Monday to add \$1.5 billion, a market source said.

The 3.125% notes (Aaa/AAA/AAA) priced to yield Treasuries

plus 150 basis points. They are non-callable.

Total issuance is \$8.25 billion, including \$6.75 billion priced on Dec. 1 at Treasuries plus 201 bps.

Banc of America Securities LLC was the bookrunner.

The financial services company is based in Charlotte, N.C.

New Issue:

Caterpillar Financial sells \$105.01 million of PowerNotes in three tranches

By Susanna Moon

Chicago, Dec. 15 – **Caterpillar Financial Services Corp.** priced \$105.01 million of senior unsecured PowerNotes (A2/A/) in three tranches, according to a 424B3 filing with the Securities and Exchange Commission.

The \$64.38 million notes due Dec. 15, 2010 priced at par to yield 5.8%. They are non-callable.

The \$27.33 million notes due Dec. 15, 2012 priced at par to yield 6%. They are non-callable.

The \$13.3 million notes due Dec. 15, 2015 priced at par to yield

6.8%. They are callable at par beginning 2010.

Joint lead managers and agents are Incapital LLC and Banc of America Securities LLC.

Agents are Charles Schwab & Co., Inc., Citi, Edward D. Jones & Co., LP, Fidelity Capital Markets, a division of National Financial Services LLC, Merrill Lynch & Co., Morgan Stanley, UBS Investment Bank and Wachovia Securities.

The financing arm of the equipment company is based in Nashville.

New Issue:

GE Capital reopens FDIC-backed notes due 2011 to add \$800 million

By Andrea Heisinger

New York, Dec. 15 – **General Electric Capital Corp.** reopened its senior notes due 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$800 million, according to an FWP filing with the Securities and Exchange Commission.

The 3% notes (Aaa/AAA/AAA) priced at 100.648 to yield

2.772%, or Treasuries plus 165 basis points. The notes are non-callable.

Total issuance is \$4.3 billion, including \$3.5 billion issued on Dec. 4.

Bookrunners were Banc of America Securities LLC and Goldman Sachs & Co.

The funding arm of General Electric is based in Fairfield, Conn.

New Issue:

GE Capital reopens FDIC-backed floaters due 2011 to add \$1 billion

By Andrea Heisinger

New York, Dec. 15 – **General Electric Capital Corp.** reopened its floating-rate notes due Dec. 9, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$1 billion, according to an FWP filing with the Securities and Exchange Commission.

The notes (Aaa/AAA/AAA) priced at 100.1435 with a coupon

of three-month Libor plus 93 basis points, payable quarterly. The notes are non-callable.

Total issuance is \$2.25 billion, including \$1 billion issued on Dec. 4 and \$250 million issued on Dec. 9.

HSBC Securities (USA) Inc. was the bookrunner.

The funding arm of General Electric is based in Fairfield, Conn.

New Issue:

GE Capital sells \$1 billion reopened three-year FDIC-backed notes at Libor plus 93 bps

By Angela McDaniels

Tacoma, Wash., Dec. 15 – **General Electric Capital Corp.** priced a reopened \$1 billion of three-year series G floating-rate senior notes backed by the Federal Deposit Insurance Corp., according to a 424B3 filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/) priced at 100.1435 with a coupon of three-month Libor plus 93 basis points.

The company initially sold \$1 billion of the notes at par on Dec. 4 and \$250 million of notes at 100.009 on Dec. 9. The total amount

of notes sold is now \$2.25 billion.

The underwriter for the latest tranche was HSBC Securities (USA) Inc.

The underwriters for the notes priced on Dec. 4 and Dec. 9 were Banc of America Securities LLC, Barclays Capital Inc., Citigroup Global Markets Inc., Goldman, Sachs & Co. and Morgan Stanley & Co. Inc.

Fairfield, Conn.-based General Electric Capital is the financing arm of General Electric Co., a technology, media and financial services company.

New Issue:

Goldman Sachs reopens 3.25% FDIC-guaranteed notes due 2012 to add \$500 million

By Angela McDaniels

Tacoma, Wash., Dec. 15 – **Goldman Sachs Group, Inc.** priced an additional \$500 million of 3.25% senior unsecured notes due June 15, 2012 guaranteed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to a 424B2 filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/) priced at 101.514 and bring the total issue size to \$5.5 billion.

As previously reported, the company priced \$5 billion of the notes on Nov. 25 to yield Treasuries plus 200 basis points. The notes sold for 99.612 to yield 3.367%.

The original issue was reportedly increased from \$2 billion, with price talk of 220 bps.

Goldman, Sachs & Co. is the bookrunner.

Goldman Sachs is a bank holding company based in New York.

New Issue:

JPMorgan Chase reopens FDIC-backed floaters due 2011 to add \$250 million

By Andrea Heisinger

New York, Dec. 15 – **JPMorgan Chase & Co.** reopened its floating-rate notes due Dec. 2, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$250 million, according to a 424B2 filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced at 100.062 with

a coupon of one-month Libor plus 76 basis points.

Total issuance is \$2.55 billion, including \$500 million priced on Nov. 26, \$300 million priced on Dec. 4 and \$1.5 billion to settle on Dec. 16.

J.P. Morgan Securities Inc. was the bookrunner.

The financial services company is based in New York City.

New Issue:

Morgan Stanley reopens FDIC-backed notes due 2011 to add \$200 million

By Andrea Heisinger

New York, Dec. 15 – **Morgan Stanley** reopened its notes due June 15, 2011 that are backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$200 million, according to an FWP filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced at 100.077 with a coupon of one-month Libor plus 74 basis points.

Total issuance is \$700 million, including \$500 million issued on Dec. 2.

Morgan Stanley & Co. Inc. was the bookrunner.

The bank holding company is based in New York City.

New Issue:

Procter & Gamble sells \$2 billion 4.6% five-year notes at Treasuries plus 310 bps

By Andrea Heisinger

New York, Dec. 15 – **Procter & Gamble Co.** priced \$2 billion of 4.6% five-year notes Monday to yield Treasuries plus 310 basis points, market sources said.

The notes (Aa3/AA-) priced at 99.978 to yield 4.604%. They have a make-whole call of Treasuries plus 50 bps.

The notes priced at the tight end of talk, which was in the 312.5 bps area, a source close to the deal said.

Bookrunners were Citigroup Global Markets Inc., Goldman

Sachs & Co. and Morgan Stanley & Co. Inc.

Senior co-managers were Deutsche Bank Securities, RBS Greenwich Capital, HSBC Securities (USA) Inc., J.P. Morgan Securities Inc. and Merrill Lynch, Pierce, Fenner & Smith Inc.

Co-managers were Banc of America Securities LLC, Credit Suisse Securities, Barclays Capital, Mitsubishi UFJ Securities and Williams Capital Group.

Proceeds will be used for general corporate purposes.

The consumer products company is based in Cincinnati.

New Issue:

United Technologies sells \$1.25 billion 6.125% 10-year notes at Treasuries plus 360 bps

By Andrea Heisinger

New York, Dec. 15 – **United Technologies Corp.** priced \$1.25 billion of 6.125% 10-year notes Monday to yield Treasuries plus 360 basis points, market sources said.

The notes (A2/A/A+) priced at 99.838 to yield 6.145%. The notes have a make-whole call of Treasuries plus 50 bps.

Price talk was in the 360 bps area, a source close to the deal said.

Bookrunners were Citigroup Global Markets Inc., HSBC Securities (USA) Inc. and J.P. Morgan Securities Inc.

Joint lead managers were Banc of America Securities LLC and Deutsche Bank Securities.

Proceeds will be used to repay commercial paper borrowings and part of a multi-currency revolving credit agreement loan facility.

The aerospace and building systems company is based in Hartford, Conn.

New Issue:

Bank of America gives terms for FDIC-backed notes due 2012 reopened to add \$1.5 billion

By Andrea Heisinger

New York, Dec. 16 – **Bank of America Corp.** released terms Tuesday for its reopening of senior notes due 2012 that are backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to an FWP filing with the Securities and Exchange Commission.

The issue was reopened Monday to add \$1.5 billion 3.125% notes (Aaa/AAA/AAA) priced at 102.039 to yield Treasuries plus

150 basis points. The notes are non-callable.

Total issuance is \$8.25 billion, including \$6.75 billion priced on Dec. 1 at Treasuries plus 201 bps.

Bookrunner was Banc of America Securities LLC with joint lead manager HSBC Securities (USA) Inc. Co-managers were Loop Capital Markets LLC and Cabrera Capital Markets LLC.

The financial services company is based in Charlotte, N.C.

New Issue:

GE Capital reopens FDIC-backed 3% notes due 2011 to add \$600 million

By Andrea Heisinger

New York, Dec. 16 – **General Electric Capital Corp.** reopened its senior notes due Dec. 9, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$600 million, according to a 424B3 filing with the Securities and Exchange Commission.

The 3% notes (Aaa/AAA/AAA) priced at 100.738 to yield 2.74%, or Treasuries plus 165 basis points. The notes are non-

callable.

Total issuance is \$5 billion, including \$3.5 billion that settled on Dec. 4, \$100 million issued on Dec. 10 and \$800 million that settled on Dec. 11.

Bookrunners were Citigroup Global Markets Inc. and Morgan Stanley & Co. Inc.

The financing arm of General Electric is based in Fairfield, Conn.

New Issue:

General Electric Capital reopens FDIC-backed floaters due 2011 to add \$500 million

By Andrea Heisinger

New York, Dec. 16 – **General Electric Capital Corp.** reopened its floating-rate notes due Dec. 9, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program to add \$500 million, according to a 424B3 filing with the

Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced at 100.160 with a coupon of three-month Libor plus 93 basis points. Interest is payable quarterly.

Total issuance is \$2.75 billion, including \$1 billion priced on Dec. 11, \$1 billion

issued Dec. 4 and \$250 million issued Dec. 9.

Goldman Sachs & Co. was the bookrunner.

The funding arm of General Electric is based in Fairfield, Conn.

New Issue:

Goldman Sachs sells \$250 million reopened three-year FDIC-backed floaters

By Angela McDaniels

Tacoma, Wash., Dec. 16 – **Goldman Sachs Group, Inc.** priced a reopened \$250 million of floating-rate notes due Dec. 5, 2011 guaranteed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to a 424B2

filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced at 100.0812 with a coupon of one-month Libor plus 80 basis points.

The company initially priced \$500 million of the notes at par on Dec. 2. The

total amount of notes priced is now \$750 million.

Goldman, Sachs & Co. was the bookrunner.

Goldman Sachs is a bank holding company based in New York.

New Issue:

John Deere Capital sells \$2 billion 2.875% FDIC-backed notes due 2012 at Treasuries plus 184.9 bps

By Andrea Heisinger

New York, Dec. 16 – **John Deere Capital Corp.** priced \$2 billion of 2.875% senior notes due June 19, 2012 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program Tuesday to yield Treasuries plus 184.9 basis points, market sources said.

The non-callable notes (Aaa/AAA/AAA) priced at 99.769 to yield 2.945%.

Bookrunners were Banc of America Securities LLC, Credit Suisse Securities and RBC Capital Markets Corp.

The funding arm of heavy machinery manufacturer John Deere is based in Reno, Nev.

New Issue:

Kinder Morgan Energy Partners sells \$500 million 9% 10-year notes at 99.973

By Andrea Heisinger

New York, Dec. 16 – **Kinder Morgan Energy Partners LP** priced \$500 million 9% 10-year senior unsecured notes Tuesday, according to an FWP filing with the Securities and Exchange Commission.

The notes (Baa2/BBB/BBB) priced at 99.973 to yield 9%. They were priced at a coupon, with no spread, a source close to the deal said.

Price talk was in the low 9% range, he said.

The issue has a make-whole call of Treasuries plus 50 bps.

The notes are puttable at par on Feb. 1, 2012.

Bookrunners were Barclays Capital Inc., Deutsche Bank Securities Inc. and RBS Greenwich Capital.

Co-managers were Goldman Sachs & Co., J.P. Morgan Securities Inc., Mitsubishi UFJ Securities, SunTrust Robinson Humphrey, DnB NOR Markets Inc. and RBC Capital Markets Corp.

Proceeds will be used to repay borrowings under a revolving bank credit facility and for general corporate purposes.

The petroleum pipeline company is based in Houston.

New Issue:

Kraft Foods prices \$500 million 6.75% five-year notes at Treasuries plus 525 bps

By Andrea Heisinger

New York, Dec. 16 – **Kraft Foods Inc.** priced \$500 million of 6.75% five-year notes Tuesday to yield Treasuries plus 525 basis points, according to an FWP filing with the Securities and Exchange Commission.

The notes (Baa2/BBB+/BBB) priced at 99.896 to yield 6.777%.

The issue priced at the tight end of talk,

which was in the mid-500 bps area, a source close to the deal said.

The notes feature a change-of-control put of 101%.

Bookrunners were BNP Paribas Securities Corp., Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and RBS Greenwich Capital.

Senior co-managers were Mizuho

Securities USA Inc., Banca IMI SpA and BBVA Securities Inc. Co-manager was Loop Capital Markets LLC.

Proceeds will be used for general corporate purposes, including repayment of outstanding commercial paper.

The food company is based in Northfield, Ill.

New Issue:

Regions Bank reopens 3.25% FDIC-backed three-year bank notes to add \$250 million

By Andrea Heisinger

New York, Dec. 16 – **Regions Bank** reopened its 3.25% bank notes due Dec. 9, 2011 to add \$250 million, according to an 8-K filing with the Securities and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) were issued Tuesday.

Total issuance is \$2 billion, including \$1.75 billion issued on Dec. 11.

The subsidiary of Regions Financial Corp. is based in Birmingham, Ala.

New Issue:

Enbridge Energy Partners prices \$500 million 9.875% 10-year notes at 99.94

By Andrea Heisinger

New York, Dec. 17 – **Enbridge Energy Partners LP** priced \$500 million 9.875% 10-year senior unsecured notes Wednesday, according to a press release from the company.

The notes (Baa2/BBB/BBB) priced at 99.94 to yield 9.875%. The notes are callable on March 1, 2012 at par plus interest.

Bookrunners were Deutsche Bank Securities Inc., J.P. Morgan Securities Inc. and RBS Greenwich Capital.

Proceeds will be used to repay a portion of outstanding credit facility borrowings used to finance a capital expansion project and to repay outstanding senior notes due 2009.

The crude oil and petroleum company is based in Houston.

New Issue:

KeyCorp sells \$250 million FDIC-backed notes due 2011 to yield one-month Libor plus 60 bps

By Andrea Heisinger

New York, Dec. 17 – **KeyCorp** priced \$250 million of floating-rate notes due Dec. 19, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to a market source and a 424B5 filing with the Securities

and Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced on Tuesday at par to yield one-month Libor plus 60 basis points.

Barclays Capital Inc. was the bookrunner. The co-manager was KeyBanc Capital Markets.

The company had previously issued

\$1.25 billion FDIC-backed notes in two tranches on Dec. 10.

The holding company for KeyBank NA is based in Cleveland.

New Issue:

Morgan Stanley prices \$2 billion FDIC-backed notes due 2011 at Treasuries plus 107.9 bps

By Andrea Heisinger

New York, Dec. 17 – **Morgan Stanley** priced \$2 billion of notes due 2011 Wednesday backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, a market source said.

The non-callable notes (Aaa/AAA/AAA) priced to yield Treasuries plus 107.9 basis points.

Morgan Stanley & Co. Inc. was the bookrunner.

The bank holding company is based in New York City.

New Issue:

PNC Funding prices \$2.9 billion FDIC-backed notes in three tranches

By Andrea Heisinger

New York, Dec. 17 – **PNC Funding Corp.** on Wednesday priced \$2.9 billion of fixed- and floating-rate senior notes backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, an informed source said.

The notes (Aaa/AAA/AAA) were in three tranches that are non-callable and guaranteed until maturity.

The issue included \$2 billion of 2.3% fixed-rate notes due 2012 priced to yield Treasuries plus 133.2 basis points.

The second tranche was \$500 million of 1.875% notes due 2011 priced to yield Treasuries plus 119.6 bps.

The final tranche was \$400 million of floating-rate notes due 2011 that priced at par to yield three-month Libor plus 28 bps. Interest for the tranche is payable quarterly.

Citigroup Global Markets Inc., PNC Capital Markets and J.P. Morgan Securities Inc. are the bookrunners.

Proceeds will be used for general corporate purposes. The bank holding company is based in Pittsburgh.

New Issue:

Energy Transfer Partners sells \$600 million 9.7% 10-year notes at Treasuries plus 878 bps

By Andrea Heisinger

New York, Dec. 18 – **Energy Transfer Partners LP** priced \$600 million of 9.7% 10-year senior notes Thursday to yield Treasuries plus 878 basis points, according to market sources and an FWP filing with the Securities and Exchange Commission.

The notes (Baa3/BBB-/BBB-) priced

at 99.928 to yield 9.7%. They have a make-whole call of Treasuries plus 50 bps.

The notes are also putable at par plus accrued interest on March 15, 2012.

Bookrunners were Morgan Stanley & Co., Inc., Credit Suisse Securities (USA) LLC, J.P. Morgan Securities Inc. and Wachovia Capital Markets LLC.

Co-managers were Banc of America Securities LLC and SunTrust Robinson Humphrey Inc.

Proceeds will be used to repay debt outstanding under a revolving credit facility and for general corporate purposes.

The energy company is based in Dallas.

New Issue:

Altria Group prices \$775 million 7.125% 18-month notes at par

By Andrea Heisinger

New York, Dec. 18 – **Altria Group, Inc.** priced \$775 million 7.125% 18-month senior unsecured notes late Thursday at par, an informed source said.

The non-callable notes (Baa1/BBB/BBB+) feature a change-of-

control put of 101% and are guaranteed by Philip Morris USA Inc.

Bookrunner was Barclays Capital Inc.

Proceeds will be used to fund a portion of consideration in connection with the acquisition of tobacco company UST Inc.

The tobacco holding company is based in Richmond, Va.

New Issue:

Walt Disney prices \$1 billion 4.5% five-year notes at Treasuries plus 337.5 bps

By Andrea Heisinger

New York, Dec. 17 – **The Walt Disney Co.** priced \$1 billion of 4.5% five-year notes Wednesday to yield Treasuries plus 337.5 basis points, an informed source said.

The notes priced at 99.026 to yield 4.722%.

Bookrunners were Citigroup Global Markets Inc., Deutsche Bank Securities Inc. and J.P. Morgan Securities Inc.

The media and entertainment company is based in Burbank, Calif.

New Issue:

Safeway prices \$500 million 6.25% five-year notes at Treasuries plus 512.5 bps

By Andrea Heisinger

New York, Dec. 17 – **Safeway Inc.** priced \$500 million 6.25% five-year senior unsecured notes Wednesday to yield Treasuries plus 512.5 basis points, according

to a market source and an FWP filing with the Securities and Exchange Commission.

The notes (Baa2/BBB/BBB) priced at 99.538 to yield 6.358% with a make-whole call of Treasuries plus 50 bps.

The notes feature a change-of-control put of 101%.

Bookrunners were Goldman Sachs & Co., J.P. Morgan Securities Inc. and Morgan Stanley & Co., Inc.

New Issue:

JPMorgan Chase prices \$7.75 billion FDIC-backed fixed-, floating notes

By Andrea Heisinger

New York, Dec. 18 – **JPMorgan Chase & Co.** priced \$7.75 billion of fixed- and floating-rate notes backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program Thursday, according to market sources and a 424B2 filing with the Securities and Exchange Commission.

The \$3 billion tranche of 2.125% notes due June 22, 2012 priced at 99.95 to yield 2.14%, or Treasuries plus 121.7 basis points.

The \$3 billion of floating-rate notes due June 22, 2012 priced at par to yield three-month Libor plus 38 bps.

The third tranche was a \$1.75 billion reopening of 2.625% notes due Dec. 1, 2010 and priced at 101.776 to yield 1.69%, or Treasuries plus 101.8 bps. Total issuance of the 2.625% notes is \$3 billion, including \$1.25 billion from the original deal.

The notes are all non-callable.

J.P. Morgan Securities Inc. was the bookrunner. Co-managers were BNP Paribas Securities Corp., Loop Capital Markets LLC and CastleOak Securities LP.

The financial services company is based in New York City.

New Issue:

Morgan Stanley releases terms for \$2 billion FDIC-backed 2% notes due 2011

By Andrea Heisinger

New York, Dec. 18 – **Morgan Stanley** released terms Thursday for its \$2 billion of 2% notes due Sept. 22, 2011 backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to an FWP filing with the Securities and

Exchange Commission.

The non-callable notes (Aaa/AAA/AAA) priced at 99.911 to yield Treasuries plus 107.9 basis points.

Morgan Stanley & Co. Inc. was the bookrunner.

The bank holding company is based in New York City.

New Issue:

PNC Funding releases terms for \$2.9 billion FDIC-backed notes in three tranches

By Andrea Heisinger

New York, Dec. 18 – **PNC Funding Corp.** released terms Thursday for its \$2.9 billion of fixed- and floating-rate notes backed by the Federal Deposit Insurance Corp. Temporary Liquidity Guarantee Program, according to an FWP filing with the Securities and Exchange Commission.

The notes (Aaa/AAA/AAA) were in three tranches that are non-callable and guaranteed until maturity.

The \$2 billion of 2.3% notes due June 22, 2012 priced at 99.883 to yield 2.335%, or Treasuries plus 133.2 basis points.

The second tranche was \$500 million of 1.875% notes due June 22, 2011 priced at 99.82 to yield 1.949%, or Treasuries plus 119.6 bps.

The final tranche was \$400 million of floating-rate notes due 2011 that priced at par to yield three-month Libor plus 28 bps. The notes pay interest quarterly.

Citigroup Global Markets Inc. and J.P. Morgan Securities Inc. are bookrunners. Co-manager was PNC Capital Markets.

The bank holding company is based in Pittsburgh.

New Issue:

Toyota Motor Credit sells \$110 million one-year floaters to yield Libor plus 100 bps

By Andrea Heisinger

New York, Dec. 18 – **Toyota Motor Credit Corp.** priced \$110 million one-year floating-rate medium-term notes at par to yield three-month Libor plus 100 basis points, according to a 424B3 filing with the Securities and Exchange Commission.

The notes are non-callable and have interest payable quarterly.

Agents were Banc of America Securities LLC and Citigroup Global Markets Inc.

The U.S. financing arm of Toyota is based in Torrance, Calif.

New Issue:

Kansas City Southern prices \$190 million 13% five-year notes at 88.405 to yield 16½%

By Paul A. Harris

St. Louis, Dec. 16 – **Kansas City Southern Railway Co.** priced a \$190 million issue of 13% five-year senior unsecured notes (B2/BB-) at 88.405 to yield 16½% on Monday, according to an informed source.

The deal was oversubscribed, according to Ginger Adamiak, general director of investor relations for Kansas City Southern.

Although the face amount of the issue was upsized from \$175 million, the amount of proceeds, approximately \$164.17 million, was in line with the \$150 million to \$175 million range that the

company intended to raise, Adamiak added.

The yield came at the tight end of the 16½% to 16¾% yield talk, while the coupon came on top of talk.

Morgan Stanley & Co. Inc. was left bookrunner for the notes, which are registered with the Securities and Exchange Commission. Banc of America Securities LLC was the joint bookrunner.

Proceeds along with other borrowings will be used to repay the company's 7½% senior notes due 2009.

The issuer is a Kansas City, Mo.-based rail freight company.

Priced	Issuer	Bookrunner	Amount	Coupon	Price	Yield	Spread	Maturity	Ratings
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12/15/2008	Kansas City Southern Railway Co.	Morgan Stanley, Banc of America	\$190	13.000%	88.405	16.500%	1501	12/15/2013	B2/BB-
12/9/2008	El Paso Corp.	Morgan Stanley, Citigroup, Goldman Sachs, JPMorgan	\$500	12.000%	88.909	15.250%	1362	12/12/2013	Ba3/BB-

New Issue:

Michigan sells \$500 million G.O. notes with 1.65% initial yield

By Sheri Kasprzak

New York, Dec. 15 – The state of **Michigan** priced \$500 million in series 2009B full faith and credit general obligation notes on Friday, according to an official statement released Monday.

The notes (MIG1/SP-1+/F1+) were sold on a negotiated basis with Goldman, Sachs & Co. as the lead manager. The co-managers are Banc of America Securities LLC, Citigroup Global

Markets, Merrill Lynch & Co., Edward D. Jones & Co., J.P. Morgan Securities Inc., Morgan Stanley & Co. Inc., Ramirez & Co., Siebert Brandford Shank & Co. and Stifel Nicolaus.

The notes, which are due Sept. 30, 2009, have an initial coupon of 3% to yield 1.65%.

Proceeds will be used for general expenses in fiscal year 2009.

New Issue:

Nassau County, N.Y., prices \$132 million TANs to yield 0.82%-0.867%

By Sheri Kasprzak

New York, Dec. 15 – **Nassau County** in New York sold \$132 million in series 2008 general obligation tax anticipation notes Monday, said Jeffrey Nogid with the county treasurer's office.

The sale included \$85 million in series 2008A bonds, which are due Sept. 30, 2009, and \$47 million in series 2008B bonds are due Oct. 30, 2009.

Citigroup Global Markets was the winning bidder for \$15 million of the 2008A bonds, which priced with a 2% coupon to yield

0.82%, and J.P. Morgan Securities Inc. was the winning bidder for \$70 million of the 2008A bonds, which priced with a 2.5% coupon to yield 0.867%.

Barclays Capital Inc. won the competitive bid for \$15 million of the series 2008B bonds, which priced with a 2.5% coupon to yield 0.86%. JPMorgan won \$32 million of the 2008B bonds, which priced with a 2.25% coupon to yield 0.867%.

Proceeds will be used for general expenses ahead of the collection of certain taxes by the county.

New Issue:

Nassau County, N.Y., sells \$125 million BANs to yield 1.25%

By Sheri Kasprzak

New York, Dec. 15 – **Nassau County** in New York priced \$125 million in series 2008 bond anticipation notes, according to an official statement released Monday.

The notes (MIG1/SP-1+/F1+) were sold through lead manager Merrill Lynch & Co. on Friday. The co-managers were Citigroup

Global Markets, Loop Capital Markets, Depfa First Albany Securities, Rice Financial Products and Roosevelt & Cross.

The notes are due Oct. 15, 2009 and have a 2.5% coupon to yield 1.25%.

Proceeds will be used for general county expenses ahead of a bond sale planned for 2009.

New Issue:

Southern California Public Power sells \$125.01 million bonds to yield 5.97%-6.24%

By Sheri Kasprzak

New York, Dec. 15 – The **Southern California Public Power Authority** priced \$125.005 million in series 2008B subordinate transmission project revenue bonds, according to an official statement.

The bonds (Aa3/A+) were sold on Tuesday through lead manager Morgan Stanley & Co. Inc. The co-managers were Banc of America Securities LLC, Citigroup Global Markets, E.J. De La Rosa & Co., J.P. Morgan Securities Inc. and Siebert Brandford Shank &

Co.

The bonds are due 2024 with term bonds due 2025 and 2027. The 2024 bonds have a 5.75% coupon to yield 5.97%. The 2025 bonds have a 6% coupon to yield 6.06%, and the 2027 bonds have a 6% coupon to yield 6.24%.

Proceeds will be used to finance improvements to the Intermountain Power Project Southern Transmission System and to fund capitalized interest on the bonds.

New Issue:

University of Chicago prices \$421.25 million in revenue bonds with 3.28%-6% yields

By Sheri Kasprzak

New York, Dec. 15 – The **Illinois Finance Authority** priced \$421.25 million in series 2008B revenue bonds for the **University of Chicago**, according to an official statement released Monday.

The bonds (Aa1/AA/AA+) were sold on a negotiated basis Friday with J.P. Morgan Securities Inc. and Banc of America Securities LLC as the lead managers. The co-managers were Cabrera Capital Markets; Goldman, Sachs & Co.; Jackson Securities; Loop

Capital Markets LLC; Morgan Stanley & Co. Inc.; and William Blair & Co. LLC.

The serial bonds are due 2013 to 2038 with coupons from 3.5% to 6.25% and yields from 3.28% to 6%.

Proceeds will be used to finance, refinance or reimburse the university for the construction, acquisition, renovation or improvement of educational facilities on campus.

New Issue:

Harvard University, Mass., sells upsized \$1 billion revenue bonds with 4%-5.5% coupons

By Sheri Kasprzak

New York, Dec. 16 – The **Massachusetts Health and Educational Facilities Authority** priced \$1 billion of series 2009A revenue bonds for **Harvard University**, according to an official statement released Tuesday. The deal was upsized from its originally planned \$600 million.

The bonds (Aaa/AAA/) were sold Wednesday on a negotiated basis with J.P. Morgan Securities Inc. as the lead manager. The co-managers were Morgan Stanley & Co. Inc.; Goldman, Sachs &

Co.; Loop Capital Markets; Barclays Capital; and Citigroup Global Markets.

The bonds are due 2014 to 2023 with a term bond due 2036. The coupons on the serials range from 4% to 5.25%, and the 2036 bonds have a 5.5% coupon priced at 95.871.

Proceeds will be used to repay the university's outstanding commercial paper notes and to pay for other corporate expenses, including the termination of an interest rate swap agreement.

New Issue:

Philadelphia prices upsized \$165 million series 2008B GO bonds at 3.5% to 7.2%

By Aaron Hochman-Zimmerman

New York, Dec. 16 – **Philadelphia** priced \$165 million series 2008B general obligation bonds (Baa1/BBB/BBB+) on Monday, according to Rebecca Rhyhart, the city's treasurer.

The issue was upsized from \$100 million.

Morgan Stanley & Co. Inc. acted as the lead underwriter for the issue.

Merrill Lynch & Co., Siebert Brandford Shank & Co., Loop Capital Markets, Janney Montgomery Scott, PNC Capital Markets and RBC Capital Markets acted as co-managers.

The bonds priced with maturities between 2009 and 2018 and yields between 3.5% and 7.2%.

There is an optional call on July 15, 2016 at par.

Proceeds of the sale will be used to pay for capital projects.

New Issue:

Suffolk County, N.Y., prices \$310 million TANs with 0.82% NIC

By Sheri Kasprzak

New York, Dec. 18 – **Suffolk County** in New York priced \$310 million in series 2008 tax anticipation notes Thursday, said Maureen Kowalski, spokeswoman for the county comptroller's office.

Citigroup Global Markets Inc., Banc of America Securities LLC and J.P. Morgan Securities Inc. all won portions of the competitive

bid. The net interest cost came out to 0.82%.

The notes are due August 2009. The full details of the sale were not immediately available Thursday evening.

Proceeds will be used for capital expenditures ahead of the collection of property taxes by the county.

New Issue:

Full details emerge in Cascade Healthcare, Ore., \$103.46 million bond sale

By Sheri Kasprzak

New York, Dec. 19 – Yields were revealed Friday for the serial bonds sold in the **Hospital Facility Authority of Deschutes County, Ore.**, sale of \$103.46 million in series 2008 hospital revenue refunding bonds for **Cascade Healthcare Community**.

The bonds (A3) priced Thursday and are due 2013 to 2018 with term bonds due 2023, 2028 and 2038. The coupons on the serials range from 5.5% to 7.25% with yields from 5% to 6.75%. The 2023

bonds have a 7.375% coupon to yield 7.5%, and the 2028 bonds have an 8% coupon to yield 8.25%. The 2038 bonds have an 8.25% coupon to yield 8.5%.

Morgan Stanley & Co. Inc. was the lead manager for the negotiated deal.

Proceeds will be used to refund, redeem or defease Cascade Healthcare's series 2005A hospital revenue bonds and pay fees associated with an interest rate swap termination.

New Issue:

Illinois prices \$1.4 billion G.O. certificates with 3.5%-4% yields

By Sheri Kasprzak

New York, Dec. 19 – **Illinois** released terms on Friday of its \$1.4 billion sale of series 2008 general obligation certificates, which priced with yields ranging from 3.5% to 4%.

The certificates (MIG2/SP-1+/) are due April 24, 2009; May 25, 2009; and June 24, 2009. The April certificates priced with a 4.5% coupon to yield 3.5%. The May certificates priced with a 4.5% coupon to yield 3.75%, and the June certificates priced with a 4.5%

coupon to yield 4%.

The pricing of the deal was pushed back to Dec. 16 from Dec. 11.

J.P. Morgan Securities Inc. was the winner of the competitive bid.

Proceeds will be used to meet variations between the disbursement of and receipt of budgeted funds during 2009.

New Issue:

Mexico prices \$2 billion 10-year bonds at Treasuries plus 390 bps

By Aaron Hochman-Zimmerman

New York, Dec. 18 – The **United States of Mexico** quickly priced \$2 billion of 10-year bonds at a spread of 390 basis points over U.S. Treasuries, according to a source close to the deal.

The deal came with a 5.95% coupon at 99.784 to yield 5.98%

on Thursday.

Goldman Sachs and Morgan Stanley acted as bookrunners for the off-the-shelf deal.

The notes come from an \$80 billion medium-term note program.

Recent Emerging Markets Deals

Priced	Issuer	Bookrunner	Amount	Coupon	Price	Yield	Spread	Maturity	Ratings
12/19/2008	AEON Thana Sinsap (Thailand) PCL	-	6M Japanese yen	Japanese yen Tibor	6M Japanese yen Tibor	-	-	12/19/2011	-/-
12/18/2008	Mexico	Goldman Sachs, Morgan Stanley	\$2000	5.950%	99.784	5.980%	390	3/19/2019	Baa1/BBB+/BBB+
11/27/2008	Korea Electric Power Corp. (Kepeco)	Merrill Lynch	Y20000	4.190%	100	4.190%	-	11/27/2018	A2/A-

Recent Convertibles Deals

Priced	Issuer	Bookrunner	Amount	Coupon	Price	Yield	Premium	Maturity
12/2/2008	Daylight Resources Trust	Scotia, CIBC	C\$75	10.000%	100	10.000%	25.01%	12/31/2013
11/24/2008	Keyera Facilities Income Fund	RBC	C\$80	8.250%	100	8.250%	-	12/31/2013

Convertibles

- 12/15/2008 Avatar may repurchase up to \$30 million of its 4.5% convertibles
- 12/15/2008 Merrill Lynch to hold change-of-control tender offer for LYONs; conversion rate to be adjusted
- 12/15/2008 Prudential Financial gets puts for most convertibles due 2036, buys back some convertibles due 2037
- 12/15/2008 Scientific Games to repurchase \$50 million 0.75% convertibles
- 12/16/2008 AAR retires \$56.6 million convertibles in second quarter
- 12/16/2008 Cimarex gets puts for 85% of Magnum Hunter's convertible floaters
- 12/16/2008 CIT to retire \$477.6 million equity units in exchange offer
- 12/16/2008 Fleetwood completes second exchange offer for 5% convertibles
- 12/16/2008 Level 3 extends tender offers for 2.875%, 6% convertibles, reduces minimum tender condition
- 12/16/2008 Vardhman Textiles may repurchase foreign-currency convertibles
- 12/17/2008 Cell Genesys gets tenders for \$47.8 million 3.125% convertibles
- 12/17/2008 SBA Communications buys back \$25.8 million more 0.375% convertibles
- 12/18/2008 Freeport-McMoRan to induce conversion of \$268 million 5.5% convertible preferreds
- 12/18/2008 Greatbatch buys back \$21.8 million 2.25% convertibles
- 12/18/2008 Man Industries may repurchase foreign currency convertibles
- 12/19/2008 Aurobindo may repurchase some of its foreign currency convertibles
- 12/19/2008 Cypress Semiconductor holders put back \$28.7 million 1% convertibles
- 12/19/2008 NEC Tokin plans redemption of its 0% convertibles at par
- 12/19/2008 PharmaNet looks for ways to retire convertibles after majority rejects exchange offer

Emerging Markets

- 12/16/2008 Sabic Capital I gets tenders for most Sabic Europe 4½% bonds, calls remainder
- 12/17/2008 Weston makes offer for up to \$100 million Cap Cana 9 5/8% notes; company plans exchange offer
- 12/18/2008 Icici Bank buys back \$27 million notes
- 12/18/2008 Telebras gets holder OK to not call debentures if acquired by Telemar Norte Leste
- 12/19/2008 Cap Cana solicits consents for 9 5/8% notes following Weston offer
- 12/19/2008 TGS repurchases \$15 million of its 7 7/8% notes

High Yield

- 12/15/2008 American Media again extends tender for 10¼% notes, 8 7/8% notes
- 12/15/2008 GMAC amends, extends exchange and tender offers after reaching initial agreement with some noteholders
- 12/15/2008 Hexion cancels tender for eight series of Hexion, Huntsman notes
- 12/15/2008 Kansas City Southern to buy back \$200 million 7½% notes
- 12/15/2008 MXenergy begins tender offer for floaters due 2011
- 12/15/2008 Station Casinos cancels exchange offer for five series of notes
- 12/16/2008 Interface extends consent date in exchange offer for 10 3/8% notes
- 12/16/2008 Neff issues term loans in exchange for \$196 million of 10% notes; second-lien lenders file complaint
- 12/17/2008 GMAC further extends early deadline in exchange, tender offers after participation picks up
- 12/17/2008 Norske Skog repurchases \$54.4 million more 7 5/8% bond loan, NOK 10 million of bond due 2009
- 12/17/2008 Targa repurchases \$40.9 million of its 8¼% senior notes due 2016
- 12/17/2008 Triad accepts tenders for \$89.1 million of 11 1/8% notes
- 12/17/2008 Weston makes offer for up to \$100 million Cap Cana 9 5/8% notes; company plans exchange offer
- 12/18/2008 First Data announces early results of tender for \$115.2 million of six series of notes
- 12/18/2008 FKI calls 6 5/8% bonds early; redemption set for Dec. 23
- 12/18/2008 GMAC gets tenders for \$16.9 billion GMAC notes, \$3.5 billion ResCap notes in offers so far
- 12/18/2008 Realogy scraps offer to issue term loans in exchange for notes due to lawsuit
- 12/19/2008 Cap Cana solicits consents for 9 5/8% notes following Weston offer
- 12/19/2008 FKI to pay 103.1 in early redemption of 6 5/8% bonds
- 12/19/2008 GMAC intends to exchange ResCap bonds acquired in offers for equity interests in IB Finance
- 12/19/2008 TGS repurchases \$15 million of its 7 7/8% notes

Investment Grade

- 12/16/2008 CIT holders tender \$2.37 billion notes in exchange offer for 12% notes; deadline extended
 - 12/16/2008 StatoilHydro to pay consent fees in solicitation for five series of notes
 - 12/17/2008 CIT announces end of withdrawal period for exchange offers
 - 12/17/2008 Sealed Air tenders for any and all 6.95% notes
 - 12/18/2008 Icici Bank buys back \$27 million notes
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Municipals

- 12/16/2008 Forsyth, Mont., calls \$66.7 million revenue refunding bonds issued for Avista
- 12/17/2008 Southwest Gas buys back nearly \$75 million revenue bonds issued through Nevada's Clark County

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