

## 1H-2008 Convertible Issuance Review

- Convertible capital raising in 1H-2008 was at a near-record pace.
- **1H-2008 Global New Issuance Activity: \$88.0 billion** was raised via **318 transactions** in 1H-2008, a 15.3% year-over-year decrease in convertible capital raised when compared with the \$103.9 billion raised via 484 transactions in 1H-2007.
- **1H-2008 U.S. New Issuance Activity: \$52.7 billion** was raised via **77 transactions**, a 6.1% decline in capital raised when compared with the \$56.1 billion raised via 125 transactions in 1H-2007.
- **Largest Public U.S. Deal – Bank of America Corp.’s \$6.9 Billion Offering:** \$185.3 billion market capitalization at offering; 7.250% coupon, 25.00% premium; convertible preferred shares with perpetual maturity; non-callable for 5 years.
- **Smallest Public U.S. Deals – Radisys Corp.’s \$55 Million Offering:** \$236 million market capitalization at offering; 2.750% coupon, 27.00% premium; convertible senior notes with 5-year maturity; non-callable for life; **Raser Technologies, Inc.’s \$55 Million Offering:** \$429 million market capitalization at offering; 8.000% coupon, 20.00% premium; convertible senior notes with a 5-year maturity; non-callable for life.
- **Many Private Deals Between \$15 and \$40 Million; Sample Deal – Teton Energy Corp.’s \$40 Million Offering:** \$105 million market capitalization at offering; 10.750% coupon, \$6.50 fixed conversion price (effective 18.82% premium over market price); secured convertible debentures with a 5-year maturity; non-callable for 2 years.
- **Small- and Mid-Caps Dominate Issuance:** 33% of issuers had market capitalizations under \$1 billion; 53% were under \$2 billion; 79% were under \$5 billion; 21% had market capitalizations greater than \$5 billion.
- **New Issuance by Industry:** Industry breakdown (as measured by number of transactions) was as follows: Financial Services (31.1%); Technology (14.3%); Healthcare (11.7%); Diversified (10.4%); Energy (10.4%); Real Estate / REITs (9.1%); Consumer (3.9%); Mining & Metals (3.9%); Telecom Services (2.6%); and Communications, Media & Entertainment (2.6%).
- **Convertible Perpetual Preferred and Five- to Seven-Year Bonds are Structures of Choice:** Mandatory Convertible Bonds accounted for 8% of convertible structures in 1H-2008, up from 2% in the same period last year. Convertible Preferred Bonds accounted for 22% of convertible structures in 1H-2008, up from only 6% during the same period last year. We attribute this increase to the large number of financial institutions that have needed preferreds for regulatory capital purposes. Convertible Bonds accounted for 70% of all new issuances in 1H-2008, down from 93% in 1H-2007; the overwhelming majority had effective maturities of 5 or 7 years.
- **56% of Issuers Non-Investment Grade or Unrated:** The majority of convertible issuers in 1H-2008 did not have an investment-grade rating.
- **Median Convertible Terms:** The median coupon during the first half of the year was 5.125% and the median conversion premium above current market price was 27.00%.
- **Replacement of debt most prominent use of proceed**
- **A summary of 1H-2008 U.S. public convertible offerings is on the following pages.**

## 1H-2008 U.S. Public Convertible Offerings

Issuer	Sector	Pricing Date	Mkt Cap	Deal Size	Coupon	Premium	Maturity	Non Call Period	Put Schedule	Capital
EVERGREEN SOLAR INC.	Technology	27-Jun-08	\$1,150	\$374	4.000%	27.50%	5 Yrs	Life	None	SENIOR
MF GLOBAL LTD.	Financial	19-Jun-08	\$791	\$150	9.750%	22.22%	Perpetual	NC-10	None	PREFERRED
MF GLOBAL LTD.	Financial	19-Jun-08	\$791	\$150	9.000%	22.20%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR UNSECURED
LEAP WIRELESS	Technology	19-Jun-08	\$3,468	\$250	4.500%	77.50%	6 Yrs	Life	None	SENIOR UNSECURED
FIFTH THIRD BANCORP	Financial	18-Jun-08	\$5,454	\$1,108	8.500%	25.00%	Perpetual	NC-5	None	PREFERRED
ENERGY CONVERSION DEVICES	Technology	18-Jun-08	\$3,244	\$316	3.000%	27.50%	5 Yrs	Life	None	SENIOR
KEYCORP	Financial	12-Jun-08	\$5,729	\$658	7.750%	20.00%	Perpetual	NC-5	None	PREFERRED
BRISTOW GROUP, INC.	Diversified	11-Jun-08	\$1,382	\$115	3.000%	65.01%	30 Yrs	NC-7	7, 12, 17, 22, 27	SENIOR
SOTHEBY'S	Diversified	11-Jun-08	\$1,791	\$200	3.125%	32.50%	5 Yrs	Life	None	SENIOR UNSECURED
POWER-ONE INC.	Technology	11-Jun-08	\$201	\$75	8.000%	19.00%	5 Yrs	NC-2	3	SENIOR SECURED
INSULET CORPORATION	Healthcare	10-Jun-08	\$418	\$85	5.375%	34.00%	5 Yrs	Life	None	SENIOR
LEHMAN BROTHERS HOLDINGS INC.	Financial	9-Jun-08	\$15,814	\$2,000	8.750%	18.00%	3 Yrs	Life	None	MANDATORY PREFERRED
CITIZENS REPUBLIC BANCORP	Financial	5-Jun-08	\$345	\$120	0.000%	0.00%	Perpetual	Life	None	PREFERRED
WEBSTER FINANCIAL CORPORATION	Financial	5-Jun-08	\$1,101	\$225	8.500%	22.50%	Perpetual	NC-5	None	PREFERRED
UCBH HOLDINGS, INC.	Financial	5-Jun-08	\$398	\$135	8.000%	10.10%	Perpetual	NC-5	None	PREFERRED
NETAPP, INC.	Technology	4-Jun-08	\$8,248	\$1,265	1.750%	35.00%	5 Yrs	Life	None	SENIOR UNSECURED
JETBLUE AIRWAYS CORP	Diversified	30-May-08	\$852	\$101	5.500%	22.50%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR SECURED
JETBLUE AIRWAYS CORP	Diversified	30-May-08	\$852	\$101	5.500%	20.00%	30 Yrs	NC-7	7, 12, 17, 22, 27	SENIOR SECURED
ARCHER DANIELS MIDLAND CO.	Diversified	28-May-08	\$25,580	\$1,750	6.250%	20.00%	3 Yrs	Life	None	MANDATORY
HERCULES OFFSHORE, INC.	Energy	28-May-08	\$3,000	\$250	3.375%	47.50%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR
RITE AID CORPORATION	Consumer	22-May-08	\$1,760	\$158	8.500%	27.50%	7 Yrs	Life	None	SENIOR
NORTHSTAR REALTY FINANCE CORP.	Real Estate	22-May-08	\$591	\$80	11.500%	20.00%	5 Yrs	NC-3	None	EXCHANGEABLE NOTES
PATRIOT COAL CORP.	Energy	21-May-08	\$2,620	\$200	3.250%	40.00%	5 Yrs	NC-3	None	SENIOR
CARRIZO OIL & GAS INC.	Energy	21-May-08	\$2,078	\$374	4.375%	47.50%	20 Yrs	NC-5	5, 10, 15	SENIOR
ENERSYS	Technology	21-May-08	\$1,420	\$173	3.375%	40.00%	30 Yrs	NC-7	7, 10, 15, 25	SENIOR
CHESAPEAKE ENERGY CORPORATION	Energy	20-May-08	\$30,650	\$1,380	2.250%	50.00%	30 Yrs	NC-10	10, 15, 20, 25	SENIOR
HEALTH MANAGEMENT ASSOCIATES INC.	Healthcare	15-May-08	\$1,830	\$250	3.750%	60.00%	20 Yrs	NC-6	6, 10, 15	SENIOR SUBORDINATED
AMERICAN INTERNATIONAL GROUP INC.	Financial	13-May-08	\$98,240	\$5,880	8.500%	20.00%	3 Yrs	Life	None	MANDATORY
SBA COMMUNICATIONS CORP.	Technology	13-May-08	\$3,850	\$550	1.875%	20.00%	5 Yrs	Life	None	SENIOR
TTM TECHNOLOGIES	Technology	9-May-08	\$549	\$175	3.250%	27.50%	7 Yrs	Life	None	SENIOR
FANNIE MAE	Financial	8-May-08	\$26,770	\$2,588	8.750%	18.00%	3 Yrs	Life	None	MANDATORY
LEGG MASON INC	Financial	6-May-08	\$7,290	\$1,150	7.000%	20.00%	3 Yrs	Life	None	MANDATORY
SYNNEX CORP.	Technology	6-May-08	\$670	\$144	4.000%	35.00%	10 Yrs	NC-5	5	SENIOR
PROLOGIS	Real Estate	1-May-08	\$16,670	\$550	2.625%	21.25%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR
AIRTRAN HOLDINGS INC.	Diversified	24-Apr-08	\$294	\$75	5.500%	20.00%	7 Yrs	Life	None	SENIOR UNSECURED
EAST WEST BANCORP INC.	Financial	24-Apr-08	\$903	\$200	8.000%	22.50%	Perpetual	NC-5	None	PREFERRED
CIT GROUP INC.	Financial	22-Apr-08	\$2,700	\$500	8.750%	15.00%	Perpetual	NC-7	None	PREFERRED
HUNTINGTON BANCSHARES INC.	Financial	16-Apr-08	\$3,640	\$569	8.500%	20.00%	Perpetual	NC-5	None	PREFERRED
KINETIC CONCEPTS INC.	Healthcare	15-Apr-08	\$2,900	\$690	3.250%	27.50%	7 Yrs	Life	None	SENIOR
WACHOVIA CORP.	Financial	14-Apr-08	\$50,330	\$4,025	7.500%	30.00%	Perpetual	NC-5	None	PREFERRED
VIRGIN MEDIA INC	CME	10-Apr-08	\$4,592	\$1,000	6.500%	55.38%	8 Yrs	Life	None	SENIOR
ENDO PHARMACEUTICALS	Healthcare	10-Apr-08	\$3,490	\$380	1.750%	17.50%	7 Yrs	Life	None	SENIOR SUBORDINATED
GLOBALSTAR INC.	Telecom Services	10-Apr-08	\$347	\$150	5.750%	45.00%	20 Yrs	NC-5	5, 10, 15	SENIOR UNSECURED
ALASKA COMMUNICATIONS SYSTEMS GROUP	Telecom Services	3-Apr-08	\$503	\$125	5.750%	10.00%	5 Yrs	Life	None	SENIOR UNSECURED
SVB FINANCIAL GROUP	Financial	1-Apr-08	\$1,410	\$250	3.875%	23.50%	3 Yrs	Life	None	SENIOR
LEHMAN BROTHERS HOLDINGS INC.	Financial	1-Apr-08	\$24,510	\$4,000	7.250%	32.50%	Perpetual	NC-5	None	PREFERRED
ALPHA NATURAL RESOURCES INC.	Mining	1-Apr-08	\$2,760	\$288	2.375%	32.50%	7 Yrs	Life	None	SENIOR UNSECURED
PHH CORPORATION	Financial	28-Mar-08	\$923	\$250	4.000%	20.59%	4 Yrs	Life	None	SENIOR UNSECURED
ENTERTAINMENT PROPERTIES TRUST	Real Estate	27-Mar-08	\$1,462	\$86	9.000%	15.00%	Perpetual	NC-5	None	PREFERRED
MGIC INVESTMENT CORP	Financial	24-Mar-08	\$919	\$390	9.000%	20.00%	55 Yrs	NC-5	None	JUNIOR SUBORDINATED
MEDICAL PROPERTIES TRUST, INC	Healthcare	20-Mar-08	\$583	\$82	9.250%	15.00%	5 Yrs	Life	None	SENIOR UNSECURED
ALEXANDRIA REAL ESTATE EQUITIES INC	Real Estate	19-Mar-08	\$2,810	\$250	7.000%	15.00%	Perpetual	NC-5	None	PREFERRED
RASER TECHNOLOGIES INC	Technology	19-Mar-08	\$429	\$55	8.000%	20.00%	5 Yrs	Life	None	SENIOR
COEUR D'ALENE MINES CORPORATION	Mining	12-Mar-08	\$2,520	\$230	3.250%	30.00%	20 Yrs	NC-7	5, 7, 10, 15	SENIOR UNSECURED
AMBAC FINANCIAL GROUP INC	Financial	6-Mar-08	\$743	\$250	9.500%	18.00%	3 Yrs	Life	None	MANDATORY
STILLWATER MINING CO	Mining	6-Mar-08	\$1,570	\$182	1.875%	28.00%	20 Yrs	NC-5	5, 10, 15	SENIOR
REGAL ENTERTAINMENT GROUP	CME	5-Mar-08	\$2,993	\$200	6.250%	18.00%	3 Yrs	Life	None	SENIOR
BILL BARRETT CORP	Energy	4-Mar-08	\$1,981	\$173	5.000%	50.00%	20 Yrs	NC-4	4, 7, 10, 15	SENIOR UNSECURED
CENTRAL EUROPEAN DISTRIBUTION CORP	Consumer	3-Mar-08	\$2,128	\$310	3.000%	30.00%	5 Yrs	Life	None	SENIOR UNSECURED
NUVASIVE INC	Healthcare	3-Mar-08	\$976	\$230	2.250%	27.50%	5 Yrs	Life	None	SENIOR
NATIONAL RETAIL PROPERTIES	REIT	27-Feb-08	\$1,670	\$234	5.125%	16.00%	20 Yrs	NC-5	5, 10, 15	SENIOR UNSECURED
NASDAQ STOCK MARKET INC	Financial	20-Feb-08	\$4,660	\$475	2.500%	41.00%	6 Yrs	Life	None	SENIOR
VERTEX PHARMACEUTICALS INC	Healthcare	13-Feb-08	\$2,461	\$288	4.750%	35.00%	5 Yrs	NC-2	None	SENIOR SUBORDINATED
FLOTEK INDUSTRIES, INC.	Energy	11-Feb-08	\$381	\$115	5.250%	30.00%	20 Yrs	NC-5	5, 10, 15	SENIOR
GMX RESOURCES INC	Energy	11-Feb-08	\$435	\$125	5.000%	30.00%	5 Yrs	Life	None	SENIOR UNSECURED
CHQUIITA BRANDS INTL	Consumer	6-Feb-08	\$721	\$200	4.250%	32.50%	8 Yrs	NC-6	None	SENIOR UNSECURED
RADISYS CORP.	Technology	6-Feb-08	\$236	\$55	2.750%	27.00%	5 Yrs	Life	None	SENIOR
AAR CORP.	Diversified	5-Feb-08	\$1,024	\$113	2.250%	27.50%	8 Yrs	Life	None	SENIOR
AAR CORP.	Diversified	5-Feb-08	\$1,024	\$138	1.625%	27.50%	6 Yrs	Life	None	SENIOR
DIGITAL REALTY TRUST INC.	REIT	31-Jan-08	\$2,406	\$345	5.500%	17.50%	Perpetual	NC-5	None	PREFERRED
BANK OF AMERICA	Financial	24-Jan-08	\$185,286	\$6,900	7.250%	25.00%	Perpetual	NC-5	None	PREFERRED
NATIONAL CITY CORP.	Financial	23-Jan-08	\$10,834	\$1,438	4.000%	22.50%	3 Yrs	NC-4	None	SENIOR
CITIGROUP	Financial	17-Jan-08	\$130,259	\$3,169	6.500%	35.00%	Perpetual	NC-5	None	PREFERRED
THE RAVANCE, INC.	Healthcare	16-Jan-08	\$1,255	\$173	3.000%	30.00%	7 Yrs	NC-4	None	SUBORDINATED
PIONEER NATURAL RESOURCES COMPANY	Energy	15-Jan-08	\$5,257	\$500	2.875%	65.00%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR
THORNBURG MORTGAGE, INC.	REIT	14-Jan-08	\$1,183	\$179	10.000%	3.00%	Perpetual	NC-5	None	PREFERRED
OSI PHARMACEUTICALS, INC.	Healthcare	4-Jan-08	\$2,578	\$200	3.000%	65.00%	30 Yrs	NC-5	5, 10, 15, 20, 25	SENIOR SUBORDINATED
<b>Mean</b>			<b>\$9,676</b>	<b>\$684</b>	<b>5.381%</b>	<b>28.61%</b>				
<b>Median</b>			<b>\$1,791</b>	<b>\$234</b>	<b>5.125%</b>	<b>27.00%</b>				

***For more information on raising capital through convertible securities,  
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