

In spite of recent credit concerns and market volatility, the Dow returned to record highs and the new issuance market proved even stronger after the positive reaction to the larger-than-anticipated interest rate cut at the FOMC September 18th meeting. If all deals currently in the backlog (i.e. deals filed and expected to offer shares on the U.S. markets) were to price, 2007 would exceed 2006 in total proceeds raised by almost \$11B, outpacing the new issuance market we have experienced in the past few years.

Industry Themes and Trends – Pricing and Expectations

- Financials have consistently dominated the market share over the past three years for priced deals, capturing an annual average of 28.5% of raised proceeds. The same is the case for filed deals, as the sector has been a clear leader, significantly ahead of the pack. However, the credit crisis and subprime mortgage woes in the second half of this year have changed the backlog rankings. Financials have fallen to the 2nd place in the backlog, being challenged by the Energy and Healthcare sectors. Despite their place in the backlog, Financials are clearly projected to be in 1st place and have benefited from the average deal size increasing to \$303MM from \$225MM in 2006.

- As many startup Technology firms have benefited from stronger valuations in 2007, we have seen a strong increase in IPOs, fueling most of the new issuance proceeds for the sector. There have been 36 IPOs amounting to \$6.4B this year, compared to 21 deals worth \$4.0B in the year-ago period. This year's Technology IPO market has already surpassed full year 2006 in total proceeds and the number of filed IPOs remain strong. As a result, Technology has moved up to 2nd place on the projected ranking table.

- Consumer Cyclical continues to maintain its position as one of the most active sectors in the new issuance market and is a prominent leader in the projected 2007 league table. National CineMedia's \$882MM priced IPO is the largest deal in this sector, in conjunction with AMC Entertainment Holding's \$500MM filed IPO enable this sector to reach the 3rd spot in the forecasted industry league table.

- While currently behind its 2006 pace for proceeds raised, the Energy sector's 70% surge in current filed proceeds from the year ago period, places it slightly above the Financials sector in the backlog. Increasing oil prices at record highs has been one of the catalysts for this sectors current IPO popularity. Looking back to Q1 and Q2, we saw the sector was influenced by alternative energy, however, with mega deals from oil and gas companies such as EXCO, traditional energy companies are gaining market interest.

- The Materials sector also had a strong year, currently with 5 deals ahead of last years, already more than doubling its total proceeds from 2006. There were two large foreign Follow-ons (FOs) this year that were offered in the U.S.: Africa's AngloGold Ashanti (\$2.9B in proceeds), and India's Sterlite Industries (\$2.0B in proceeds). Its backlog presence will bring the projected 2007 total proceeds for materials to over 150% greater than its 2006 volume.

Pricing Environment

- Amid market instability, new issuance deals have fared well within the pricing environment, remaining fairly consistent with 2006. In fact, 25% of this year's IPOs, which have been greater in size than in years past, have priced above their filing range. However, while this year FOs have priced slightly better their filing range compared to 2006, it still remains significantly below the 2004 and 2005 levels.

2007 Industry League Table* (based on Projected Proceeds)

Rank	Industry	Total Proceeds (\$MM)	Market Share(%)	# of Deals
1	Financials	43,082.6	27.2%	145
2	Technology	18,653.8	11.8%	108
3	Consumer Cyclicals	15,365.3	9.7%	56
4	Energy	14,846.8	9.4%	66
5	Materials	14,616.6	9.2%	33
6	Healthcare	14,594.6	9.2%	132
7	Industrials	13,340.0	8.4%	62
8	Transportation	6,949.6	4.4%	35
9	Utilities	6,649.1	4.2%	20
10	Telecommunications Services	6,577.8	4.2%	25
11	Consumer Non-Cyclical	3,613.6	2.3%	17
	Total	158,289.8	100.0%	699

* Target U.S. Equity Offerings

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IPOs

Mo	Total		Pricing Range			% Change	
	Proceeds (\$MM)	# of Deals	Above	Within	Below	Offer / 1 Day	Offer / 1 Mo
2004	51,132.4	248	16%	65%	19%	9.2	12.7
2005	40,391.6	221	19%	62%	19%	12.1	12.2
2006	56,633.2	249	19%	27%	24%	10.9	12.1
2007 YTD	46,134.8	180	26%	53%	21%	13.5	11.6

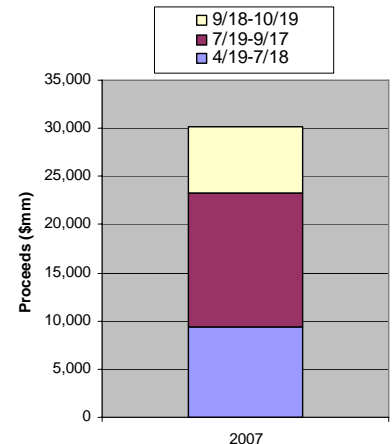
Fully Marketed Follow-Ons

Mo	Total		Pricing Range		% Change		
	Proceeds (\$MM)	# of Deals	At/Above	Below	Last / Offer	File / Offer	Offer / 1 Mo
2004	90,972.2	368	34%	66%	(2.1)	(3.2)	3.6
2005	99,957.6	477	32%	68%	(1.4)	(3.6)	4.3
2006	101,702.1	494	18%	82%	(3.0)	(4.4)	4.5
2007 YTD	87,019.3	368	21%	79%	1.5	(4.3)	2.8

Pipeline Outlook

- When looking at initial and amended filings in the past 6 months and dividing the backlog into 3 separate periods to reflect the pre-market volatility, the heart of the market volatility and the post FOMC September 18th meeting, we can clearly observe the influence of the above mentioned events on the number of deals filed. Interestingly, most of the filing activity is concentrated in the period during the volatility, which indicates that some were anticipating the volatility to be short-lived. Of the remaining filed proceeds, 31.2% filed pre-market volatile (April to mid-July) followed by 22.9% post Fed cut.
- Of the 42 deals in the pipeline that have filed amendments to their offering terms, almost all were amended after the FOMC September 18th meeting, alluding to the notion that companies were anticipating on moving from the pipeline to the expected calendar amid what is perceived to be improving market conditions. 14 of the 42 amendments came from the Healthcare sector, while Financials and Technology followed behind with 7 and 6, respectively.

Effects of the Market Volatility on the Backlog



Factors That Can Influence The New Issuance Pipeline:

- **Dollar:** Continuing decline of the U.S. dollar → stock denominated in foreign currencies are more valuable
- **Fed Action:** The FOMC's Sept. 18th interest rate cut was seen as a solution to stabilize anxiety amongst investors → investors are looking for another cut at next week's meeting
- **Oil:** Oil prices continue to climb → recently passed \$90 a barrel
- **Housing:** Housing bubble burst → sales and prices decline

Top 10 Equity Deals in the Pipeline*

Issue Name	Amt Filed (\$MM)	Bookrunner(s)
American Water Works Company, Inc.	1,500.0	GS, CITI, ML
EXCO Partners, LP	1,500.0	GS, CITI, UBS, JPM, ML, MS
KKR & Co. L.P.	1,250.0	MS, CITI
Och-Ziff Capital Management Group LLC	1,134.0	GS, LEH
Talecris Biotherapeutics Holdings Corp.	1,000.0	MS, GS, JPM
Melco PBL Entertainment (Macau) Ltd.	800.0	UBS, DB, CITI
Symetra Financial Corp.	750.0	ML, GS, JPM, LEH
Giant Interactive Group Inc.	743.6	ML, UBS
SandRidge Energy, Inc.	690.0	LEH, GS, BOA
AMC Entertainment Holdings, Inc.	500.0	Bookrunner Not Listed
EI Paso Pipeline Partners, L.P.	525.0	LEH, CITI, GS, UBS

2007 Bookrunner League Table* (based on Projected Proceeds)

Rank	Bookrunner	Total Proceeds (\$MM)	Market Share(%)	# of Deals
1	Merrill Lynch & Co., Inc.	20,726.4	13.2%	113
2	The Goldman Sachs Group, Inc.	20,044.2	12.7%	93
3	Morgan Stanley	17,783.4	11.3%	108
4	J.P. Morgan Chase & Co	15,819.8	10.1%	95
5	Citi	13,818.5	8.8%	82
6	Lehman Brothers Inc.	13,602.0	8.6%	96
7	UBS AG	13,054.3	8.3%	97
8	Credit Suisse	11,574.2	7.4%	26
9	Deutsche Bank	5,277.6	3.4%	41
10	Bank of America Corporation	4,338.7	2.8%	49
	Total	157,387.6	100.0%	695

Bookrunner Outlook

- The 2007 projected bookrunner league table on the left shows no shifts in rankings from the current leader board, but does suggest a much tighter race for the top spot. Goldman Sachs' strong backlog presence brings its projected total proceeds to \$20B on 93 deals, narrowing the gap between 1st and 2nd to less than \$700MM. Goldman Sachs is listed as one of the bookrunners for four of the top 5 largest deals in the pipeline. Additionally, Citi, Lehman Brothers and UBS are in a tight race for the 5th spot.

* Target U.S. Equity Offerings

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All deal data provided by Ipreo's Equity Deals Database, a comprehensive new issuance database and powerful query tool providing timely and accurate deal information.

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