

Accessing Capital in Today's Markets

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Citi Private Bank



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Advantages of High Yield Bonds

- Diversification of funding sources beyond traditional bank market
- Long tenor, non-amortizing debt enables all cash flow to be re-invested in business and not used to repay amortizing debt
 - Preserves cash flow for growth
 - Cash flow cushion in downturn
- Can permit higher leverage and more aggressive use of proceeds than banks will allow
- Unsecured debt may be viewed as quasi equity by senior lenders
 - Cheaper than equity – with no dilution
- Investor base is lower maintenance (i.e. requires less management time) than bank lenders
- More flexible than bank debt (very few covenants)
 - Incurrence not maintenance covenant tests
 - Usually significantly lower threshold tests than bank covenants
- After first issue, when institutional following established, new financing can be raised very quickly and easily
 - One day execution possible

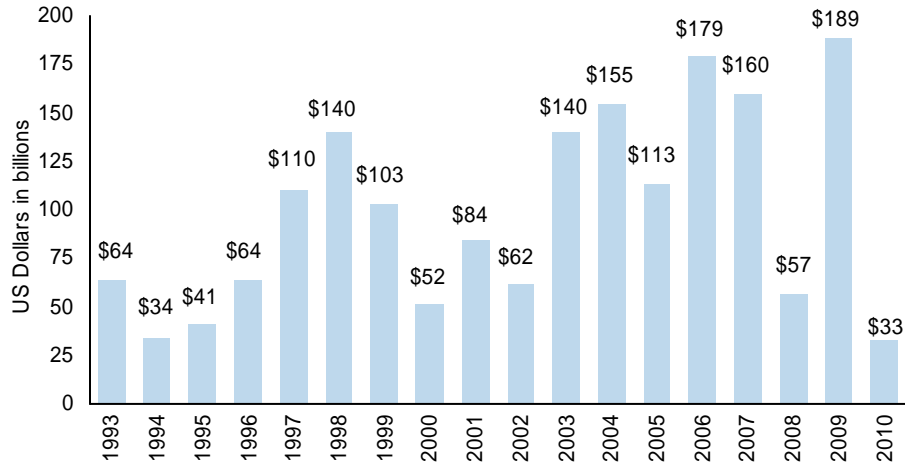
Issues to Consider with High Yield Bonds

While high yield bonds generally have looser restrictions than bank debt, certain requirements should be considered.

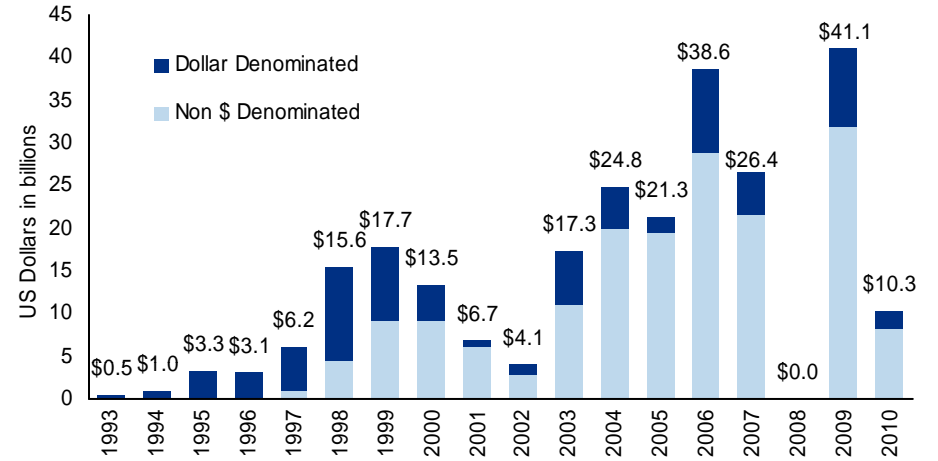
- Call protection
 - Issuer pays significant penalty in the form of a “make whole” payment if bonds repaid prior to first call date
 - At first call date, issuer will generally pay ½ coupon as penalty, with penalty decreasing each year until repayment allowed at par
- Change of Control
 - Investors have option to demand repayment at 101% upon a Change of Control
 - Can be structured to only trigger with ratings downgrade
 - Will generally be no more restrictive than bank debt
- Higher coupon
 - Although the difference between bank loan margins and high yield bond margins has narrowed over recent months, the cost of interest is generally higher for a high yield bond
- Management time
 - Preparation of marketing materials (OM and road show presentation)
 - Ratings agency process

High Yield New Issue Volume

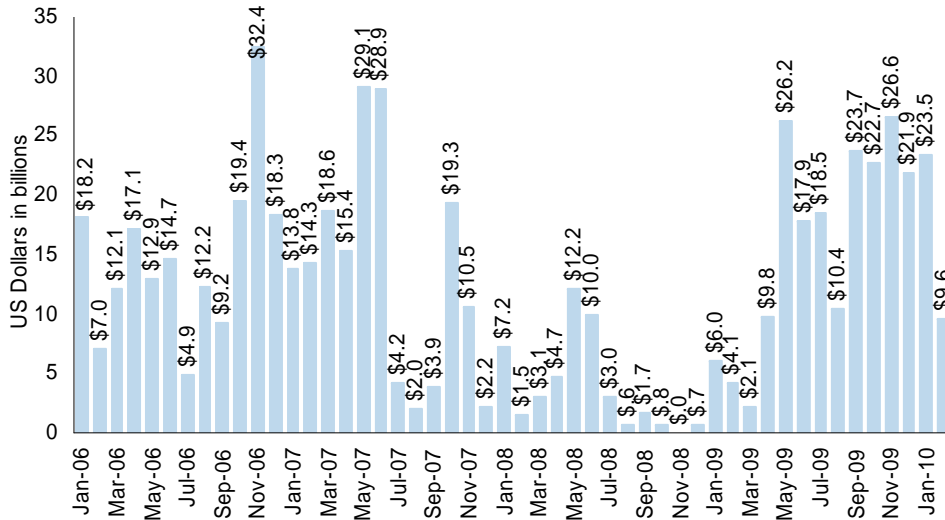
Global New Issuance



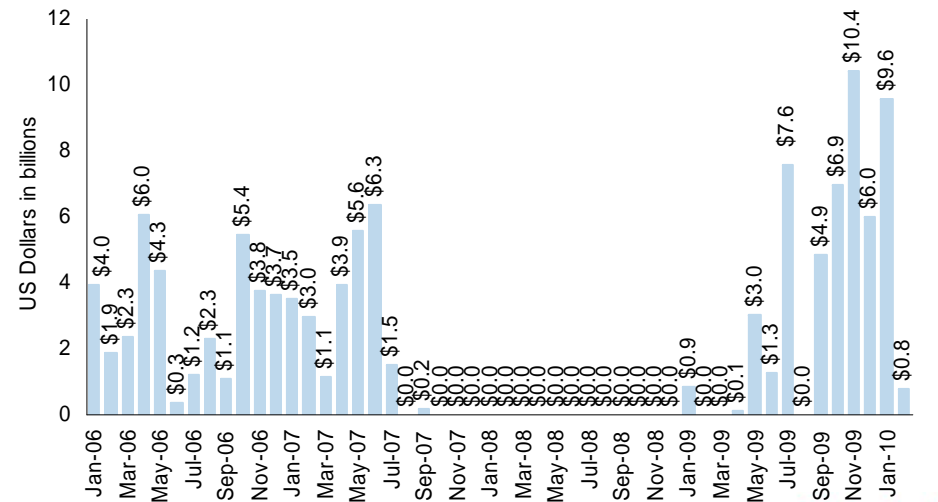
European New Issuance



Global Monthly Issuance



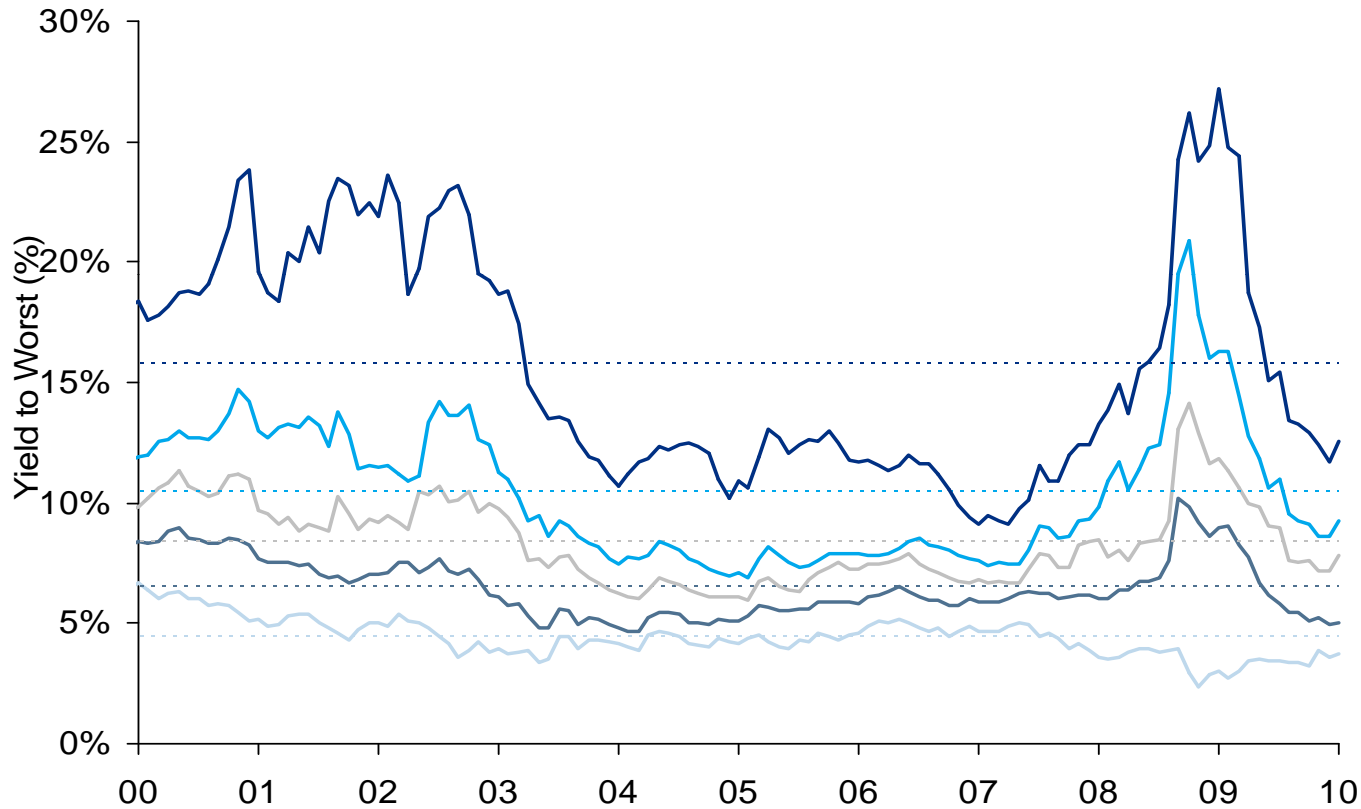
European Monthly Issuance



Source: LCD, Newsrun & Citi.

High Yield Index Performance by Rating Category

Current yields are well below their 10-year averages.



CCC Index
10-Yr. Avg.: 15.77%
Current: 12.54%

B Index
10-Yr. Avg.: 10.47%
Current: 9.27%

BB Index
10-Yr. Avg.: 8.42%
Current: 7.81%

BBB Index
10-Yr. Avg.: 6.52%
Current: 5.03%

US 10-Yr Treasury
10-Yr. Avg.: 4.43%
Current: 3.70%

"Past performance is no indication of future results. Real results may vary. Historic price performance may be presented in a currency other than the currency of the country in which you reside. Your actual return on this product may increase or decrease with fluctuations between currencies"

Source: Citi Yield Book.

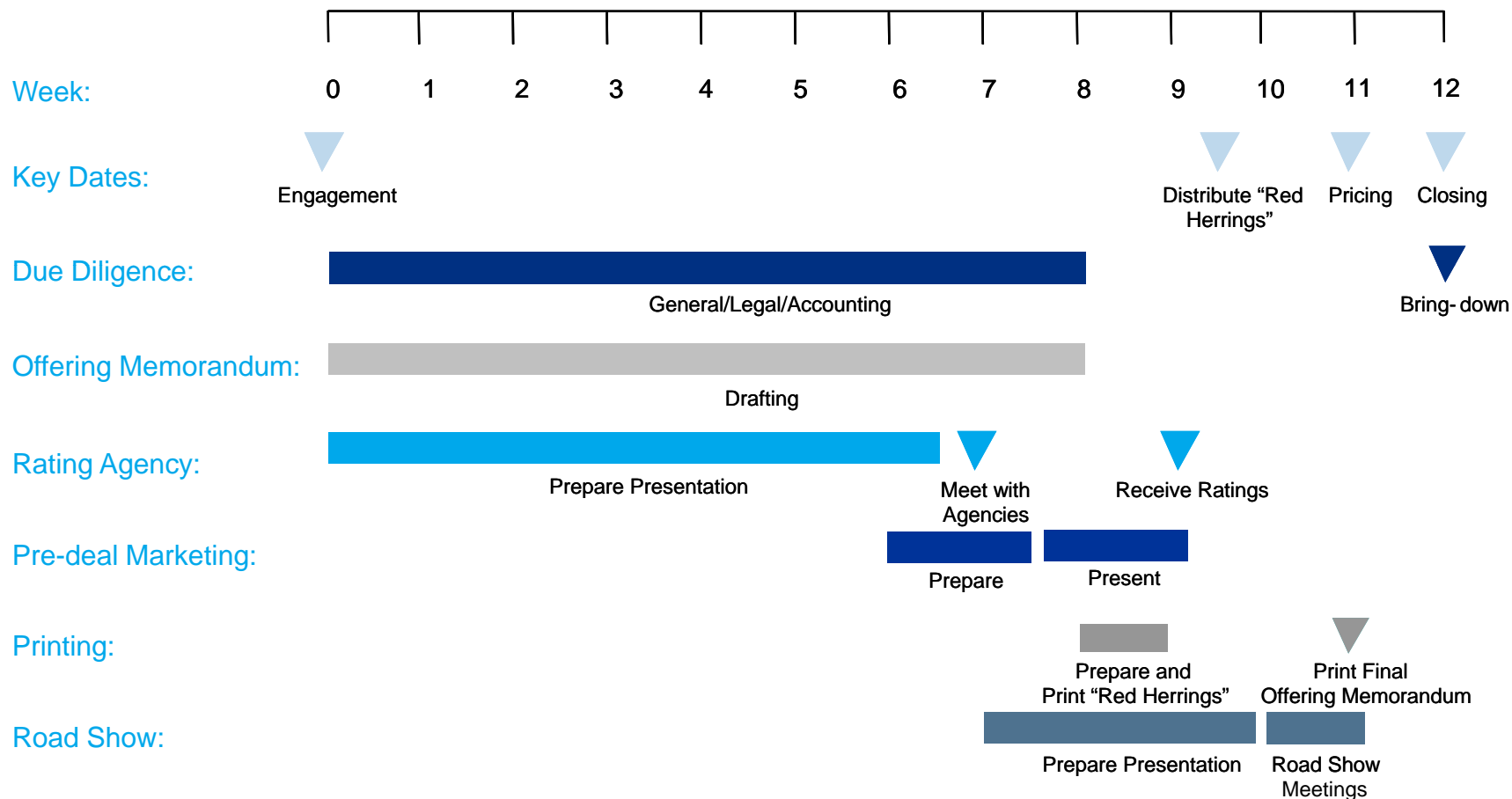
Summary Indicative Terms

Issuer:	Issuing entity to be determined			
Structure:	Senior Secured Notes / Senior Notes / Senior Subordinated Notes			
Amount:	Typical minimum size of \$200 million			
Currency:	USD			
Tenor:	7 years		10 years	
Call Protection:	After Year	Call Premium	After Year	Call Premium
	4	1/2 x Coupon	5	1/2 x Coupon
	5	1/4 x Coupon	6	1/3 x Coupon
	6	Par	7	1/6 x Coupon
			8	Par
Interest:	Cash pay, semi-annually in arrears			
Repayment:	Bullet			
Security & Guarantees:	To be determined			
Covenants:	Standard high yield covenants. Note that covenants are debt <u>incurrence</u> covenants and that there are no financial maintenance tests			
Equity Claw	Up to 35% of the principal amount may be called in the first three years with the proceeds of an equity offering at a price equal to par plus the coupon			
Ratings:	Required from S&P and Moody's			
Form:	144A / Reg S			
Governing Law:	New York			

*Product details are for information purposes only. Investments mentioned in this document may not be suitable for all investors. Each investor should carefully view the risks associated with the investment and make a determination based upon the investor's own particular circumstances, that the investment is consistent with the investor's investment objectives."

Typical Process and Offering Timeline

The typical process for a first time issuer takes normally from 10 to 12 weeks, though a more accelerated timetable is possible.



Typical Roadshow Locations

The US investor base is diversely located and roadshow schedules are therefore tailored specifically for each issuer. New York, Boston and the West Coast are usually key locations, with other stops scheduled as appropriate.

- A US roadshow for a US\$ issue typically takes 4-6 days
 - Will cover a number of locations as buyer base is diversely located
 - Key locations
 - New York
 - Three states: New York, New Jersey, Connecticut
 - Boston
 - West Coast: LA and San Francisco
 - Selected other locations as required e.g. Chicago, Minneapolis
- Management personnel
 - Generally CEO, CFO and Treasurer
- Roadshow formats are usually either
 - 1-on-1s – across the table with flip books
 - Group meeting – presenting form slides on screen



citi is a Leader in High Yield Transactions

2010 European High Yield Issuances

Bookrunner	Volume (\$bn)	Share(%)	Issues
1 citi	\$1.1	11.7	8
2 Bank of America Merrill Lynch	\$1.1	11.4	8
3 Barclays Capital	\$1.0	10.7	6
4 RBS	\$0.9	9.8	9
5 Deutsche Bank	\$0.9	9.3	8
6 Credit Suisse	\$0.6	6.1	6
7 JPMorgan	\$0.5	5.3	5
8 BNP Paribas	\$0.5	5.0	5
9 Goldman Sachs	\$0.3	3.6	4
10 HSBC	\$0.3	3.3	4

2010 Global High Yield Issuances

Bookrunner	Volume (\$bn)	Share(%)	Issues
1 Bank of America Merrill Lynch	\$4.8	12.2	34
2 JPMorgan	\$4.6	11.7	28
3 citi	\$3.1	8.0	22
4 Barclays Capital	\$2.9	7.5	21
5 Goldman Sachs	\$2.8	7.2	18
6 Credit Suisse	\$2.8	7.1	22
7 Deutsche Bank	\$2.3	5.9	20
8 Morgan Stanley	\$2.0	5.2	14
9 UBS	\$1.3	3.2	10
10 RBS	\$1.2	3.2	12

2007-2010 European High Yield Issuances

Bookrunner	Volume (\$bn)	Share(%)	Issues
1 Deutsche Bank	\$16.4	10.3	91
2 Credit Suisse	\$12.9	8.0	55
3 citi	\$9.7	6.1	54
4 JPMorgan	\$7.1	4.4	49
5 RBS	\$6.7	4.2	43
6 BNP Paribas	\$6.2	3.9	65
7 UBS	\$6.1	3.8	37
8 VTB Capital	\$5.4	3.4	39
9 Credit Agricole CIB	\$5.3	3.3	32
10 Barclays Capital	\$5.0	3.1	22

2007-2010 Global High Yield Issuances

Bookrunner	Volume (\$bn)	Share(%)	Issues
1 Bank of America Merrill Lynch	\$72.2	10.7	422
2 JPMorgan	\$72.2	10.7	398
3 citi	\$53.9	8.0	386
4 Credit Suisse	\$52.9	7.8	264
5 Deutsche Bank	\$46.9	6.9	296
6 Goldman Sachs	\$33.6	5.0	207
7 Barclays Capital	\$31.3	4.6	205
8 Morgan Stanley	\$28.9	4.3	157
9 UBS	\$19.2	2.8	124
10 Wells Fargo Securities	\$17.4	2.6	140

Source: Dealogic.

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Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation