

Friday October 31, 2008

Investment Grade Deal Volume

Current Year

U.S. MARKET, DOLLAR-DENOMINATED DEALS, ALL ISSUERS

Year to Date:

\$655.823 billion in 858 deals

Quarter to Date:

\$27.633 billion in 32 deals

Month to Date:

\$27.633 billion in 32 deals

Week to Date:

\$5.803 billion in 6 deals

U.S. MARKET, DOLLAR-DENOMINATED DEALS, INDUSTRIALIZED COUNTRIES

Year to Date:

\$632.748 billion in 826 deals

Quarter to Date:

\$27.633 billion in 32 deals

Month to Date:

\$27.633 billion in 32 deals

Week to Date:

\$5.803 billion in 6 deals

What to Watch for Today

October 31

- 8:30 a.m. ET: Employment cost index, September (Bureau of Labor Statistics)
- 8:30 a.m. ET: Personal income and outlays, September (Bureau of Economic Analysis)
- 2:30 a.m. ET: NYSE Euronext Q3 earnings, conference call 8 a.m. ET
- Before market open: Aon Corp. Q3 earnings, conference call 8:30 a.m. ET
- Republic Services, Inc. Q3 earnings,

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Prospect News

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Verizon, Kimberly-Clark, Estee Lauder price as investors flock to bonds; new deals head higher

By Andrea Heisinger and Paul Deckelman

New York, Oct. 30 – The investment-grade primary came to life Thursday with new issues from **Verizon Communications Inc.**, **Kimberly-Clark Corp.**, and **Estee Lauder Companies Inc.**

This came a day after a large, but delayed issue from Coca-Cola Enterprises Inc., and a Federal Reserve rate cut of 50 basis points.

Neither of these factors hurt the new deals market, but it also likely wasn't the deciding factor in coming to the market Thursday, a source said.

"There were some companies that have been waiting, and the market wasn't terrible Thursday, so they went for it," a source said.

In the investment-grade secondary market Thursday, advancing issues led decliners, though by a margin of less-than seven-to-six. Overall market activity, reflected in dollar volumes, was down 5% from Wednesday's pace.

Spreads in general were seen tighter, in line with higher Treasury yields; for instance, the yield on the benchmark 10-year issue widened out by 11 basis points to 3.96%.

Still more new deals that came to market on Thursday began moving upward

right out of the box, such as Estee Lauder, Kimberly Clark and Verizon.

At the same time, other recent new issues also seen continuing to move up included **3M Co.** and **Coca-Cola Enterprises Inc.**

Verizon deal upsized

The issue from Verizon Communications was whispered at \$1 billion and up for each of the two tranches, and landed at the final \$3.25 billion of 10 and 30-year senior notes, a source close to the deal said.

The \$2 billion of 8.75% 10-year notes priced at 99.438 with a spread of Treasuries plus 487.5 bps.

The \$1.25 billion of 8.95% 30-year notes priced at 97.483 with a spread of Treasuries plus 487.5 bps.

Citigroup Global Markets Inc., Morgan Stanley, and UBS Investment Bank were lead bookrunners.

The issue went very well, the source said. "We were pretty ecstatic with the amount of interest we had."

The issue was just over 3.5 times oversubscribed, he said.

Kimberly-Clark prices issue

Consumer products company

Continued on page 3

Portland General Electric may sell \$300 million of bonds

By Susanna Moon

Chicago, Oct. 30 – **Portland General Electric Co.** said it plans to issue \$300 million of long-term debt in late 2008 or

in 2009, subject to market conditions and availability of capital.

The electric utility is based in Portland, Ore.

What to Watch: Week Ahead

Continued from page 1

- conference call 8:30 a.m. ET
- 8:30 a.m. ET: Selective Insurance Group, Inc. conference call
- American Electric Power earnings, conference call 9 a.m. ET
- OGE Energy Corp. Q3 earnings, conference call 9 a.m. ET
- Before market open: Alliant Energy Corp. Q3 earnings, conference call 10 a.m. ET
- 3 a.m. ET: British Sky Broadcasting Group plc Q1 earnings, conference call 10 a.m. ET
- 10 a.m. ET: Dun & Bradstreet Corp. conference call
- 10 a.m. ET: Enbridge Energy Partners, LP conference call
- Hanover Insurance Group, Inc. Q3 earnings, conference call 10 a.m. ET
- Before market open: MDC Holdings, Inc. Q3 earnings, conference call 10 a.m. ET
- Progress Energy Inc. Q3 earnings, conference call 10 a.m. ET
- 10 a.m. ET: Usinas Siderurgicas de Minas Gerais SA conference call
- Before market open: Weyerhaeuser Co. Q3 earnings, conference call 10 a.m. ET
- 11 a.m. ET: Camden Property Trust conference call
- 11 a.m. ET: Equity Residential conference call
- Weingarten Realty Q3 earnings, conference call 11 a.m. ET
- MDU Resources Group, Inc. Q3 earnings, conference call 1 p.m. ET
- 1 p.m. ET: PS Business Parks, Inc. conference call
- Clorox Co. Q1 earnings, conference call 1:30 p.m. ET
- 2 p.m. ET: Vectren Corp. conference call

November 3

- 10 a.m. ET: Construction spending, September (Census Bureau)
- 10 a.m. ET: Institute for Supply Management manufacturing report
- Treasury to auction \$27 billion three-month bill and \$27 billion six-month bill
- 6 a.m. ET: Humana Inc. Q3 earnings, conference call 9 a.m. ET
- 9:20 a.m. ET: Cigna Corp. at Oppenheimer healthcare conference
- Sysco Corp. Q1 earnings, conference call 10 a.m. ET
- Before market open: Simon Property Group, Inc. Q3 earnings, conference call 11 a.m. ET
- Before market open: PMI Group, Inc. Q3 earnings, conference call 12 p.m. ET
- Mercury General Corp. Q3 earnings, conference call 1 p.m. ET
- Before market open: Magellan Midstream Partners, LP Q3 earnings, conference call 1:30 p.m. ET
- 8:30 a.m. ET: Belo Corp. Q3 earnings, conference call 2 p.m. ET
- 4 p.m. ET: Principal Financial Group, Inc. Q3 earnings
- Viacom Inc. Q3 earnings, conference call 4:30 p.m. ET
- After market close: Anadarko Petroleum Corp. Q3 earnings
- After market close: Harleysville Group Inc. Q3 earnings
- After market close: Health Care REIT, Inc. Q3 earnings
- After market close: Post Properties, Inc. Q3 earnings
- After market close: Protective Life Corp. Q3 earnings
- After market close: UDR, Inc. Q3 earnings
- Mohawk Industries, Inc. Q3 earnings

November 4

- 10 a.m. ET: Factory orders, September (Census Bureau)
- 5:45 a.m. ET: Mosaic Co. at Fongsfinans fertilizer conference
- 8 a.m. ET: Harleysville Group Inc. conference call
- 8:40 a.m. ET: Hill-Rom Holdings, Inc. at Oppenheimer healthcare conference
- Before market open: Archer Daniels Midland Co. Q1 earnings, conference call 9 a.m. ET
- EOG Resources, Inc. Q3 earnings, conference call 9 a.m. ET
- Before market open: NiSource Inc. Q3 earnings, conference call 9 a.m.

ET

- Before market open: PPL Corp. Q3 earnings, conference call 9 a.m. ET
- 9 a.m. ET: Protective Life Corp. conference call
- Ameren Corp. Q3 earnings, conference call 10 a.m. ET
- 10 a.m. ET: Anadarko Petroleum Corp. conference call
- 10 a.m. ET: Health Care REIT, Inc. conference call
- 10 a.m. ET: Post Properties, Inc. conference call
- 10 a.m. ET: Principal Financial Group, Inc. conference call
- 7:05 a.m. ET: Avista Corp. Q3 earnings, conference call 10:30 a.m. ET
- 11 a.m. ET: Mohawk Industries, Inc. conference call
- Before market open: HCP Inc. Q3 earnings, conference call 12 p.m. ET
- 12:40 p.m. ET: Biogen Idec Inc. at Oppenheimer healthcare conference
- FirstEnergy Corp. Q3 earnings, conference call 1 p.m. ET
- Before market open: Talisman Energy Inc. Q3 earnings, conference call 1 p.m. ET
- 1 p.m. ET: UDR, Inc. conference call
- 1:15 p.m. ET: Intuit Inc. at Goldman Sachs technology symposium
- 1:20 p.m. ET: Beckman Coulter, Inc. at Oppenheimer healthcare conference
- 2 p.m. ET: WellPoint, Inc. at Oppenheimer healthcare conference
- Before market open: Emerson Electric Co. Q4 earnings, conference call 3 p.m. ET
- After market close: BRE Properties, Inc. Q3 earnings
- After market close: Equity One, Inc. Q3 earnings
- After market close: HRPT Properties Trust Q3 earnings
- After market close: Nationwide Health Properties, Inc. Q3 earnings
- Anadarko Petroleum Corp. Q3 earnings, conference call
- Beckman Coulter, Inc. at Oppenheimer healthcare conference

November 5

- 10 a.m. ET: Institute for Supply Management non-manufacturing report
- 8 a.m. ET: Danaher Corp. at Goldman Sachs industrials conference
- 6 a.m. ET: Ambac Financial Group, Inc. Q3 earnings, conference call 8:30 a.m. ET
- 8:30 a.m. ET: Boardwalk Pipeline Partners, LP at Lowes investor meeting
- 8:30 a.m. ET: Loews Corp. investor meeting
- Before market open: Marsh & McLennan Cos., Inc. Q3 earnings, conference call 8:30 a.m. ET
- Before market open: Medco Health Solutions, Inc. Q3 earnings, conference call 8:30 a.m. ET
- Before market open: Time Warner Cable Inc. Q3 earnings, conference call 8:30 a.m. ET
- 8:45 a.m. ET: United Technologies Corp. at Goldman Sachs industrials conference
- Enbridge Inc. Q3 earnings, conference call 9 a.m. ET
- 9 a.m. ET: Equity One, Inc. conference call
- 9 a.m. ET: SaraLee Corp. analyst meeting
- Becton, Dickinson and Co. Q4 earnings, conference call 10 a.m. ET
- 7 a.m. ET: Duke Energy Q3 earnings, conference call 10 a.m. ET
- 10 a.m. ET: HRPT Properties Trust conference call
- Before market open: Kimco Realty Corp. Q3 earnings, conference call 10 a.m. ET
- Before market open: R.R. Donnelley & Sons Co. Q3 earnings, conference call 10 a.m. ET
- Transocean Inc. Q3 earnings, conference call 10 a.m. ET
- 10:30 a.m. ET: Markel Corp. conference call
- Before market open: Time Warner Inc. Q3 earnings, conference call 10:30 a.m. ET
- 11 a.m. ET: BRE Properties, Inc. conference call
- Devon Energy Corp. Q3 earnings, conference call 11 a.m. ET

Verizon, Kimberly-Clark, Estee Lauder price as investors flock to bonds; new deals head higher*Continued from page 1*

Kimberly-Clark priced a \$500 million deal of 7.5% 10-year notes at 99.634 to yield 7.553% with a spread of Treasuries plus 362.5 bps.

Goldman Sachs & Co. and Morgan Stanley were bookrunners.

The issue came after the company released third-quarter results on Oct. 22, which showed net sales were up 8.2%, but operating profit had decreased from the same time last year.

The bond deal was a success, pricing within price guidance of 5 bps on either side of the 362.5 bps level.

The books were "well oversubscribed" a source said, giving the estimate at close to 10 times over.

"It went very quickly," he said. "It was priced by early afternoon."

Estee Lauder does small deal

Estee Lauder Companies priced \$300 million of 7.75% five-year senior notes at 99.932 to yield 7.767% with a spread of Treasuries plus 500 bps.

J.P. Morgan Securities Inc. and Banc of America Securities LLC ran the books.

Optimism back in primary

The primary market seemed somewhat immune from the recent round of negative economic news that came out Thursday, namely the third-quarter gross domestic product numbers releases that showed a 0.3% annual slowdown.

"I think a lot of issuers had already decided yesterday that if the market didn't tank they were pricing today," a source said. "Stuff like that comes out every day."

The ease at which at least the day's two small issues were done added to the optimism that at least temporarily returned to the market.

"It's a good sign for the new issue markets," a source said, referring to the high level the Kimberly-Clark issue was oversubscribed.

He noted that the issues were also performing well in the secondary market, and that it was "encouraging to investors."

The day's issues were part of the backlog that has been building for months as market conditions declined.

"It's hard to say how long these have been out there," a source said. "All of the issues we're seeing right now are backlogged. There are a lot more."

The success of Thursday's issues could lead to more on Friday, although as has been the trend in the past couple of months, no one was willing to guess how many or which companies.

"It's still day to day," a source said. "This is good, though."

Verizon moves up

When the new Verizon Communications bonds were freed for secondary activity, a trader saw the paper firming from the levels at which it priced.

He saw the \$2 billion of new 8.75% notes due 2018, which had priced earlier in the session at a spread of 487.5 bps over comparable Treasuries, as having tightened to 470 bps bid, 460 bps offered.

At the same time, the New York-based telecommunications giant's \$1.25 billion of new 8.95% bonds due 2039, which had also priced at 487.5 bps over, had come in to 460 bps bid, 470 bps offered.

He said it was just the latest in a string of such deals which came to market too cheaply priced and then proceeded to move up sharply in the secondary.

New Estee, Kimberly deals tighten

The same movement was observed in the day's other two new deals.

Estee Lauder's \$300 million of 7.75% notes due 2013, which priced at 500 bps over, quickly tightened to 465 bps when it began aftermarket trading.

And Kimberly-Clark's \$500 million of 7.50% notes due 2018, which had priced at 362.5 bps over Treasuries, had moved up to 335 bps bid, 350 bps offered in secondary.

Coca-Cola Enterprises continues tightening

The trader saw Coca-Cola Enterprises 7.375% notes due 2014 at 425 bps bid, 420 bps offered. That was in from trading levels around 432 bps bid, 427 bps offered which the bonds had reached in their initial secondary dealings Wednesday, and was in even further from the 468 bps spread at which the company had priced \$1 billion of the bonds earlier Wednesday.

3M steady at tighter levels

He also saw 3M's 4.50% notes due 2011 around the same tighter levels to which they had moved after pricing. The Minnesota-based industrial conglomerate's \$800 million of bonds had priced at 275 bps over on Monday, and had then come in over the next two sessions to levels around 240 bps bid, 225 bps offered. Those were the same levels at which they were seen on Thursday.

"They priced them cheap," he said of the underwriters for all of the new deals, "and then they come screaming back in."

Existing Verizon bonds seen mixed

A market source said that several of Verizon's existing issues were seen having improved, even as it shopped its new deal to

Continued on page 4

Boeing Capital files \$5 billion debt securities shelf registration

By Devika Patel

Knoxville, Tenn., Oct. 30 – **Boeing Capital Corp.** filed a \$5 billion debt securities shelf registration in an S-3 filing with the Securities and Exchange Commission.

Proceeds will be used to purchase equipment for leases, to

make loans and to fund other investments, to fund the acquisition of businesses and parts of businesses and for other general corporate purposes such as reducing debt.

Boeing Capital is an indirect subsidiary of Boeing Co., based in Renton, Wash.

Peoples Gas attempting to privately place \$50 million notes

By Paul A. Harris

St. Louis, Oct. 30 – **Peoples Gas** has undertaken to make a \$50 million private placement of first mortgage notes, according to a market source.

Guidance is Treasuries plus 450 basis points.

Citigroup is the placement agent for the notes, which are expected to receive an A equivalent rating of NAIC 1.

Peoples Gas, a subsidiary of Integrys Energy Group, Inc., is a Chicago-based regulated utility.

Exelon's plan for NRG merger includes \$4 billion refinancing, \$4.7 billion left in place

By Angela McDaniels

Tacoma, Wash., Oct. 30 – **Exelon Corp.** said the financing plan for its \$6.2 billion unsolicited offer for **NRG Energy, Inc.** would require only \$4 billion or so of refinancing and that the needed financing commitments are “well underway.”

That tidbit was one of several revealed in a presentation the company is using to sell the merits of the proposed merger to investors. Exelon began meeting with fixed-income debtholders Thursday, and slides being used in the meetings were included in a 425 filing with the Securities and Exchange Commission.

Exelon said the deal could be structured in such a way that \$4.7 billion of NRG bonds would remain in place with no change in terms but with “substantially improved” credit metrics for these bondholders.

The presentation noted that Exelon has existing relationships

with many banks holding about \$4 billion of other NRG debt, and the company feels this should facilitate refinancing in connection with a negotiated deal with NRG.

The NRG direct lien program for power marketing could be left in place, Exelon added.

Exelon is targeting a BBB/Baa1 credit rating by 2011 for the combined company.

Exelon and NRG are currently rated BBB- and B+ for senior unsecured debt, respectively.

Exelon, a Chicago-based electric company, offered to acquire NRG on Oct. 19. Each NRG share would be exchanged for 0.485 Exelon shares for a value of about \$26.43 per share.

NRG, a Princeton, N.J.-based power company, said its board of directors would review Exelon's proposal and make a determination “in due course.”

Verizon, Kimberly-Clark, Estee Lauder price as investors flock to bonds; new deals head higher

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investors.

Verizon's 7.25% notes due 2010 were being quoted at around the 600 bps level, some 90 bps tighter on the session.

And its 6.90% bonds due 2038 were quoted as tight as 425 bps during the session.

However, its 6.10% notes due 2018 pushed out about 30 bps, to the 460 bps level.

Bank of America better

Among the financial names, Bank of America's 5.25% notes due 2015 were seen having tightened by some 70 bps on the day to 459 bps.

In the credit-default swaps market, a trader said that debt-protection costs for bonds issued by major banks like B of A were unchanged to 5 bps tighter, while brokerage-house CDS costs were unchanged.

IntercontinentalExchange, Clearing will combine to form CDS clearing solution

By Angela McDaniels

Tacoma, Wash., Oct. 30 –

IntercontinentalExchange, Inc. agreed to acquire **Clearing Corp.** to form ICE US Trust with the support of Bank of America, Citi, Credit Suisse, Deutsche Bank, Goldman Sachs, JPMorgan, Merrill Lynch, Morgan Stanley and UBS.

As previously reported, IntercontinentalExchange and Clearing are working with regulators, other market participants and industry groups to develop a comprehensive central counterparty clearing solution for the credit default swaps market.

This solution is undergoing final

testing in preparation for launch, and the companies expect to begin clearing CDS transactions through ICE US Trust in the fourth quarter, according to a joint IntercontinentalExchange/Clearing news release.

The boards of directors of IntercontinentalExchange and Clearing have approved memorandums of understanding to develop the joint clearing solution and to effect the acquisition, which are subject to the receipt of government approvals.

ICE US Trust will operate as a New York limited-purpose trust company and function as a global clearinghouse and central counterparty for CDS transactions,

and it plans to become a member of the Federal Reserve System, according to a prior news release.

Following the transaction, Clearing will continue to support its existing clearing customers.

Atlanta-based IntercontinentalExchange operates regulated futures exchanges and over-the-counter markets for agricultural, energy, equity index and currency contracts as well as credit derivatives.

Clearing is a Chicago-based independent derivatives clearinghouse.

New Issue:

Verizon Communications sells \$3.25 billion of 10-, 30-year notes

By Andrea Heisinger

New York, Oct. 30 – **Verizon Communications Inc.** priced a combined \$3.25 billion of senior notes (A3/A) in two tranches Thursday, an informed source said.

The size was whispered at \$1 billion or larger per tranche, the source said, and was increased from there.

The \$2 billion of 8.75% 10-year notes priced at 99.438 to yield Treasuries plus 487.5 basis points.

The \$1.25 billion of 8.95% 30-year notes priced at 97.483 to

yield Treasuries plus 487.5 bps.

Joint bookrunners were Citigroup Global Markets Inc., Morgan Stanley & Co. Inc. and UBS Investment Bank.

Co-managers were with Banc of America Securities LLC, Credit Suisse Securities and RBS Greenwich Capital.

Proceeds will be used to repay commercial paper and for general corporate purposes.

The telecommunications company is based in New York City.

Issuer:	Verizon Communications Inc.	10-year notes	
Issue:	Senior notes	Amount:	\$2 billion
Amount:	\$3.25 billion	Maturity:	Nov. 1, 2018
Bookrunners:	Citigroup Global Markets Inc., Morgan Stanley & Co. Inc., UBS Investment Bank	Coupon:	8.75%
		Price:	99.438
		Spread:	Treasuries plus 487.5 bps
Co-managers:	Banc of America Securities LLC, Credit Suisse Securities, RBS Greenwich Capital	30-year notes	
		Amount:	\$1.25 billion
Trade date:	Oct. 30	Maturity:	March 1, 2039
Settlement date:	Nov. 4	Coupon:	8.95%
Ratings:	Moody's: A3	Price:	97.483
	Standard & Poor's: A	Spread:	Treasuries plus 487.5 bps

New Issue:

Estee Lauder sells \$300 million 7.75% five-year notes at Treasuries plus 500 bps

By Andrea Heisinger

New York, Oct. 30 – **Estee Lauder Cos. Inc.** priced \$300 million 7.75% five-year senior notes Thursday to yield Treasuries plus 500 basis points, an informed source said.

The notes (A2/A/) priced at 99.932 to yield 7.767%.

There is a make-whole redemption option of Treasuries plus 50 bps.

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

Bookrunners were J.P. Morgan Securities Inc. and Banc of

America Securities LLC.

Proceeds will be used to repay outstanding commercial paper as it matures and for general corporate purposes. These may include repayment of debt, acquisitions, working capital, capital expenditures and repurchases of common stock. The company also may invest in short-term securities.

The cosmetic and beauty products company is based in New York City.

Issuer:	The Estee Lauder Cos. Inc.	Yield:	7.767%
Issue:	Senior notes	Spread:	Treasuries plus 500 bps
Amount:	\$300 million	Call:	Make-whole at Treasuries plus 50 bps
Maturity:	Nov. 1, 2013	Change-of-control put:	101%
Bookrunners:	J.P. Morgan Securities Inc., Banc of America Securities LLC	Trade date:	Oct. 30
Coupon:	7.75%	Settlement date:	Nov. 4
Price:	99.932	Ratings:	Moody's: A2 Standard & Poor's: A

New Issue:

Kimberly-Clark prices \$500 million 7.5% 10-year notes at Treasuries plus 362.5 bps

By Andrea Heisinger

New York, Oct. 30 – **Kimberly-Clark Corp.** priced \$500 million of 7.5% 10-year notes Thursday to yield Treasuries plus 362.5 basis points, a market source said.

The notes (A2/A/A) priced at 99.634 to yield 7.553% with a make-whole redemption option of Treasuries plus 50 bps.

The issue priced in line with guidance, a source said, which was 5 bps on either side of the 362.5 bps level.

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

Bookrunners were Goldman Sachs & Co. and Morgan Stanley & Co. Inc.

Co-managers were Banc of America

Securities LLC, Barclays Capital, Citigroup Global Markets Inc., HSBC Securities and UBS Investment Bank

Proceeds will be used to reduce borrowings under a commercial paper program.

The consumer products manufacturing company is based in Dallas.

Issuer:	Kimberly-Clark Corp.	Price:	99.634
Issue:	Notes	Yield:	7.553%
Amount:	\$500 million	Spread:	Treasuries plus 362.5 bps
Maturity:	Nov. 1, 2018	Call:	Make-whole at Treasuries plus 50 bps
Bookrunners:	Goldman Sachs & Co., Morgan Stanley & Co. Inc.	Change-of-control put:	101%
Co-managers:	Banc of America Securities LLC, Barclays Capital, Citigroup Global Markets Inc., HSBC Securities, UBS Investment Bank	Trade date:	Oct. 30
Coupon:	7.5%	Settlement date:	Nov. 4
		Ratings:	Moody's: A2 Standard & Poor's: A Fitch: A
		Price talk:	362.5 bps area, plus or minus 5 bps

Investment Grade Ratings

Fitch drops HeidelbergCement to junk

Fitch Ratings said it downgraded **HeidelbergCement AG's** long-term issuer default and senior unsecured ratings to BB+ from BBB-. The short-term issuer default rating was downgraded to B from F3.

The outlook on the long-term rating remains negative.

Fitch downgraded subsidiary **Hanson plc's** senior unsecured rating to BB+ from BBB-.

The downgrade reflects tight credit markets, difficult trading conditions in the U.S. construction market and a slowdown or decline in some European markets, which will undermine credit metrics over the next two years, according to the agency.

Ratings reflect strong operating profile and leading market positions in cement and aggregates, as well as geographical diversification, the agency noted.

The downgrade reflects forecasts showing net leverage rising above 3x by fiscal year-end 2008, Fitch said.

Moody's cuts Nelnet to junk

Moody's Investors Service said it downgraded the senior unsecured rating to Ba1 from Baa2 of **Nelnet, Inc.**, and placed the ratings on review for possible further downgrade.

The downgrade reflects the belief that Nelnet's financial flexibility has become constrained, Moody's said.

The sharp deterioration of the capital markets has resulted in a dramatic widening of credit spreads for virtually every form of securitized product, including the government guaranteed FFELP student loans financed in Nelnet's core warehouse facility, the agency said.

Moody's said it is concerned that, given the distressed state of the capital markets and the elevated balance of the company's unsecured revolving credit facility, the company may not be able to generate sufficient cash flow to repay unsecured debt.

Moody's upgrades OneAmerica

Moody's Investors Service said it upgraded the senior debt rating of **OneAmerica Financial Partners, Inc.** to

Baa1 from Baa2.

The outlook is stable.

Moody's noted OneAmerica has made substantial improvements in its financial profile in recent years, raising its GAAP and statutory operating profitability.

"OneAmerica's solid performance during the current credit crisis is driven by its conservative investment portfolio, its excellent and stable capital adequacy, and very good financial flexibility and liquidity," Moody's vice president Arthur Fliegelman said in a written statement.

"Our expectations are that its earnings capacity, which has been improving over the past few years, despite being depressed by declining 401(k) revenues as a result of equity market declines and modest investment losses, should enable it to maintain its capital strength," Fliegelman said.

S&P rates Verizon notes A

Standard & Poor's said it assigned an A rating to **Verizon Communications Inc.'s** proposed \$3 billion in notes, with maturities between 2018 and 2039. The A corporate credit rating was affirmed.

The outlook is negative.

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

Ratings reflect the company's wireless segment's rapid growth and strong business position and cash generation, sizable local exchange operations capable of producing substantial free cash flow and modest financial risk profile, the agency said.

Adjusted pro forma leverage at the close of the acquisition rises to mid-2x from about 2x at Sept. 30, the agency said.

Fitch rates Verizon notes A+

Fitch Ratings said it assigned an A+ rating to **Verizon Communications, Inc.'s** proposed offering of \$2 billion to \$3 billion of senior unsecured notes.

Verizon's long-term issuer default rating remains on Rating Watch negative due to the pending acquisition of Alltel Corp. by Verizon Wireless.

Proceeds will be used to repay commercial paper and for general corporate purposes.

Ratings are supported by the continued strong growth, the agency said.

S&P rates Estee Lauder notes A

Standard & Poor's said it assigned an A rating to **Estee Lauder Cos. Inc.'s** (A/stable/A-1) \$300 million of notes due 2013.

The outlook is stable.

Ratings reflect the company's leading position in the prestige segment of the cosmetics industry, its geographic diversity and modest financial risk profile, the agency said.

Fitch Affirms YUM!

Fitch Ratings said it affirmed **YUM! Brands, Inc.'s** long-term issuer default rating of BBB-, senior unsecured notes at BBB- and bank credit facilities at BBB-.

The outlook is stable.

Ratings reflect the company's strong cash flow generation, its geographic diversity and the leading U.S. market share positions, the agency said.

Ratings also consider revenue and operating profit declines for YUM's Kentucky Fried Chicken business in the United States and growing pressure on U.S. consumer discretionary spending, the agency said.

These factors are balanced by strong sales and double-digit profit growth for YUM Restaurants International and China, the agency noted.

For the 12 months ended Sept. 6, adjusted total debt-to-EBITDAR ratio was 3.2x.

Fitch affirms WTB Financial

Fitch Ratings said it affirmed **WTB Financial Corp.** and its subsidiary **Washington Trust Bank's** long- and short-term issuer default ratings at BBB+ and F2, respectively.

The outlook is stable.

Ratings reflect the company's strong commercial banking franchise in the Pacific Northwest, conservative management and good asset quality, the agency said.

The region has experienced some of the national economic slowdown, and there has been some deterioration in asset quality, the agency noted.

High Yield Review

MGM Mirage brings deal; GMAC gyrates on bank, debt plans, Rite Aid up on sales; funds lose \$74 million

By Paul Deckelman and Paul A. Harris

New York, Oct. 30 – **MGM Mirage** priced a large issue of new five-year secured notes on Thursday – but had to do so at a steep discount to par to boost its yield to an attractive enough level to get the deal done. The new bonds were seen by traders having moved down when they began changing hands in the aftermarket.

The deal, the first offering of high-yield notes issue since late September, came as a restructured \$750 million issue of 13% five-year senior secured notes (Ba1/BB) priced at 93.132 to yield 15%.

Also on the new-deal scene, **Brocade Communications Systems Inc.** and Foundry Networks Inc. announced revised terms on Brocade's pending acquisition of Foundry, and a source said Brocade will not go through with the \$400 million bond offering, part of the Foundry funding, which it has been shopping around to potential investors.

In the secondary arena, **GMAC LLC's** bonds were bouncing around as the problem-plagued automotive and residential lender said that it plans an exchange offer that would take out "a significant amount" of its outstanding debt in return for a reduced principal amount of new debt, and meanwhile confirmed that it is seeking status as a bank holding company so as to participate in federal programs that could boost its liquidity.

Elsewhere, **Rite Aid Corp.'s** bonds were seen solidly higher as the Camp Hill, Pa.-based drugstore chain operator reported a nearly 3% gain in sales from a year ago at stores that have been open at least a year, one of the retailing industry's key performance measures.

Idearc Inc.'s bonds slid after the telephone directory publisher posted sharply lower third-quarter earnings from a year ago and said that it had hired Merrill Lynch to review alternatives for its capital structure. But good earnings boosted the bonds of **Community Health Systems Inc.** and **Owens Illinois Inc.**

Back on the downside, **Elan Corp.**

plc's bonds fell as the Irish pharmaceutical company disclosed a new problem with its Tysabri multiple sclerosis drug.

Funds fall by \$74 million on week

As trading was winding down for the session, market participants familiar with the high yield mutual fund flow statistics generated by AMG Data Services of Arcata, Calif., said that in the week ended Wednesday \$74 million more left the weekly reporting funds than came into them, almost precisely reversing the \$72.3 million inflow reported last week for the seven-day period ended Oct. 22.

The latest outflow was the sixth over the last seven weeks; before last week's lone inflow, there had been five consecutive outflows through the week ended Oct. 15 that totaled \$1.706 billion, according to a Prospect News analysis of the AMG figures. That run of mostly outflows stood in stark contrast to the trend which had been seen in the eight weeks before that, from July 23 through Sept. 10. Inflows had been seen in seven of those eight weeks, according to the Prospect News analysis, totaling \$632.366 million.

MGM Mirage prices \$750 million

In the primary, Las Vegas gaming and resort properties developer and operator **MGM Mirage** priced a restructured \$750 million issue of 13% five-year senior secured notes (Ba1/BB) at 93.132 to yield 15%.

The coupon came higher than the 11¾% to 12% price talk, however the yield came within – but at the wide end of – the 14½% to 15% yield talk.

A market source spotted the new notes in the secondary market wrapped around the issue price on Thursday evening at 93 bid, 93¼ offered.

Banc of America Securities LLC, BNP Paribas, UBS Investment Bank,

RBS Greenwich Capital, Deutsche Bank Securities, Morgan Stanley and Scotia Capital were joint bookrunners for the quick-to-market issue.

Call protection was extended to the life of the bond. The initial offering gave 2.5 years of call protection. Also the equity clawback was withdrawn.

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Emerging markets higher; new liquidity in market; Turkey bonds rise

By Aaron Hochman-Zimmerman

New York, Oct. 30 – Emerging markets continued advancing as liquidity noticeably returned to the market.

Throughout the week, investors cautiously noticed improving bid-offer spreads, but on Thursday “it’s actually gotten better,” said Enrique Alvarez, a Latin America debt strategist at think tank IDEAglobal.

Spreads were seen closer to 1.5 points to 2 points, which is not perfect, “but that’s much better,” he said.

In trading, emerging Europe performed well on Thursday as usually battered **Turkey** posted a 7-point gain for its benchmark bonds due 2030.

Despite the short-term success, many investors remained bearish in the long term. “We expect it to carry on to year’s end,” a trader said of the illiquidity and extreme volatility.

Still, during the session volatility dropped by 7.06 to 62.90, according to the VIX index. The index is a common measure of market volatility.

Emerging markets continued to build steam toward recovery as spreads narrowed by 77 basis points to a spread of 655 bps, according to JPMorgan’s EMBI+ index. The EMBI+ estimates the amount of extra yield investors will demand to hold assets in emerging market debt.

Texas Permanent University Fund brings \$400.91 million in bonds

By Cristal Cody and Sheri Kasprzak

New York, Oct. 30 – Thursday marked another heavy day for pricing action as issuers who had put offerings on the back burner finally felt confident enough to price.

Among the offerings was a variable-rate sale from **Texas Permanent University Fund**. The offering is one of a few variable-rate bonds offered over the past few weeks as some sellside sources have said this market is starting to make a comeback.

“We have seen some variable-rate things here and there,” said one sellside source Thursday when asked about the

prevalence of variable-rate offerings. “The ones I have seen have done pretty well.”

Looking to that Texas Permanent University Fund sale, the \$400.905 million in series 2008A variable-rate permanent university fund bonds, which priced through the **University of Texas System**, were sold through lead manager Morgan Stanley.

The bonds (/AAA/A-1+/F1+) are due 2037 and 2038 and have an initial rate of 1.1%. The rate resets weekly, said Terry Hull, assistant vice chancellor of finance for the university system.

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Recent Investment Grade Bond Deals

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Priced	Issuer	Bookrunner	Amount	Coupon	Price	Yield	Spread	Maturity	Ratings
10/30/2008	Estee Lauder Cos. Inc.	JPMorgan, Banc of America	\$300	7.750%	99.932	7.767%	500	11/1/2013	A2/A
10/30/2008	Kimberly-Clark Corp.	Goldman Sachs, Morgan Stanley	\$500	7.500%	99.634	7.553%	362.5	11/1/2018	A2/A/A
10/30/2008	Verizon Communications Inc.	Citigroup, Morgan Stanley, UBS	\$2000	8.750%	99.438	-	487.5	11/1/2018	A3/A
10/30/2008	Verizon Communications Inc.	Citigroup, Morgan Stanley, UBS	\$1250	8.950%	97.483	-	487.5	3/1/2039	A3/A
10/29/2008	Coca-Cola Enterprises Inc.	Banc of America, Citigroup, Credit Suisse, Deutsche	\$1000	7.375%	99.897	7.402%	468	3/3/2014	A3/A/A
10/27/2008	3M Co.	JPMorgan	\$800	4.500%	99.83	4.561%	275	11/1/2011	Aa1/Aa
10/23/2008	National Rural Utilities Cooperative Finance Corp.	Deutsche Bank, JPMorgan, Merrill Lynch, Greenwich	\$1000	10.375%	99.237	10.500%	608.1	11/1/2018	A1/A+/A+
10/23/2008	Baker Hughes Inc.	-	\$500	6.500%	99.762	6.555%	-	11/15/2013	A2/A/A
10/23/2008	Baker Hughes Inc.	-	\$750	7.500%	99.444	7.579%	-	11/15/2018	A2/A/A
10/21/2008	Bottling Group, LLC	Morgan Stanley, Merrill Lynch, Deutsche Bank,	\$1300	6.950%	99.793	6.999%	435	3/15/2014	A2/A+
10/21/2008	PepsiCo, Inc.	Merrill Lynch, Morgan Stanley, UBS, Williams	\$2000	7.900%	99.758	7.935%	420	11/1/2018	Aa2/A+
10/21/2008	CSX Transportation Inc.	Citigroup, Credit Suisse, JPMorgan	\$350.538	8.375%	100	8.375%	575.2	10/15/2014	A2/A-
10/20/2008	Illinois Power Co.	-	\$400	9.750%	100	9.750%	-	11/15/2018	Baa3/BBB-/BBB
10/17/2008	Inter-American Development Bank	Citigroup, Morgan Stanley, UBS	\$1000	3.250%	99.952	-	-	11/15/2011	Aaa/AAA/AAA
10/16/2008	Inter-American Development Bank	Citigroup, Morgan Stanley, UBS	\$250	3.250%	100.439	-	-	11/15/2011	Aaa/AAA/AAA
10/16/2008	Pacific Gas & Electric Co.	Banc of America, Citigroup, Deutsche Bank	\$600	8.250%	98.343	8.500%	455.7	10/15/2018	A3/BBB+
10/16/2008	Occidental Petroleum Corp.	Banc of America, JPMorgan	\$1000	7.000%	99.136	7.207%	437.5	11/1/2013	A2/A/A
10/16/2008	Diageo Capital plc	Banc of America, Credit Suisse, Goldman Sachs,	\$1000	7.375%	99.618	7.454%	462.5	1/15/2014	A3/A-/A
10/15/2008	Ohio Edison Co.	Barclays, Credit Suisse, JPMorgan, Morgan	\$275	8.250%	97.303	8.500%	427.3	10/15/2038	Baa1/BBB+
10/15/2008	PPL Electric Utilities Corp.	Barclays, BNP Paribas, Lazard, Scotia	\$25	7.125%	100.088	7.100%	412.5	11/30/2013	A3/A-/A-
10/14/2008	PPL Electric Utilities Corp.	Barclays, BNP Paribas, Lazard, Scotia	\$375	7.125%	99.91	7.142%	412.5	11/30/2013	A3/A-/A-
10/9/2008	International Business Machines Corp.	Banc of America, Barclays, Credit Suisse, Deutsche	\$1400	6.500%	99.647	6.584%	387.5	10/15/2013	A1/A+/A+
10/9/2008	International Business Machines Corp.	Banc of America, Barclays, Credit Suisse, Deutsche	\$1600	7.625%	99.628	7.679%	387.5	10/15/2018	A1/A+/A+
10/9/2008	International Business Machines Corp.	Banc of America, Barclays, Credit Suisse, Deutsche	\$1000	8.000%	98.891	8.099%	400	10/15/2038	A1/A+/A+
10/8/2008	Inter-American Development Bank	HSBC	\$100	2.110%	100	2.110%	-	10/15/2009	Aaa/AAA/AAA

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