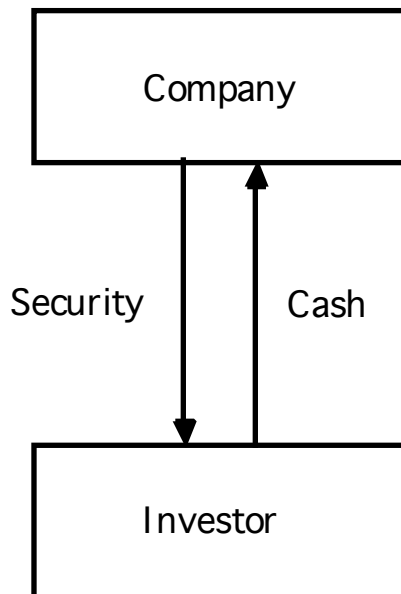


Primary Market

Topics to be Discussed

Primary Investment Market
Issuing New Securities
Investment Bankers
Mechanics of Underwriting
Disclosure Requirements
Tombstone



Primary Investment Market

Primary market for corporate issues is one in which new issues (bonds, preferred stock, common stock) are sold by companies to acquire new cash.

Issuing New Securities

Options for marketing new securities

- ☛ ask current creditors to purchase new securities
- ☛ advertise the securities
- ☛ peddle the securities door to door
- ☛ employ the services of investment banker

Investment Bankers

Middleperson to channel money from investors to firm that needs capital

- ☛ investment bankers have many customers; thus able to avoid costly search for potential buyers
- ☛ expense of employing investment banker could be less than expense of selling securities without investment banker

Additional services provided by investment bankers

- ☛ counseling companies in the management of their money
- ☛ advising companies about merger and acquisition opportunities
- ☛ examining and analyzing corporate documents and financial statements with a view toward modernization of outdated practices
- ☛ providing marketability for corporate securities after public distribution
- ☛ public relations work

Alternative services regarding new issues

- ☛ underwriting - refers to the guarantee by the investment banker that the issuer of the new securities will receive a certain minimum amount
 - underwriter will buy securities from issuer at less than expected selling price
 - potential loss for underwriter
- ☛ best efforts agreement - investment banker agrees to devote its best effort in making the offering a success
 - will not guarantee the corporation payment for unsold portion of the issue
- ☛ all-or-none agreement - entire offering is canceled if all of the securities are not sold by the investment banker
- ☛ private placement - investment banker finds one or more buyers for a new issue and the investors
 - buyer certifies to issuer that purchase is for investment purposes, without intention to re-offer the securities publicly
 - advantages of private placement
 - ⇒ reduction of cost of selling
 - ⇒ ready availability of large amounts of cash
 - ⇒ firms does not have to meet the disclosure requirement necessary to sell securities to general public
 - ⇒ terms of securities may be tailored to meet needs of both parties

Mechanics of Underwriting

This announcement is neither an offer to sell nor a solicitation of an offer to buy these securities. The offer is made only by the Prospectus Supplement and the related Prospectus

New Issue/August 15, 2011

\$300,000,000

McMenimen Computer

9 3/8% Debentures Due 2041

Price 99.33% and accrued interest from August 15, 2011

Copies of the Prospectus Supplement and the related Prospectus may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

Salomon Brothers Inc. ←

RBC Dominion Securities Corporation

Goldman, Sachs & Co.

The First Boston Corporation

Wood Gundy Corp.

Lehman Brothers Merrill Lynch & Co. Morgan Stanley & Co.

Richardson Greenshields Securities Inc. ScotiaMcLeod (USA) Inc.

Burns Fry Hoare Govett Inc. J.P. Morgan Securities Inc.

Nesbitt Thomson Securities, Inc. Prudential-Bache Capital Funding

Originator - manages the security issuance

Syndicate - a group of investment bankers who purchase securities from issuer and re-offer them to the public

- ☛ Advantages of forming an underwriting syndicate
 - purchase cost is spread over many; one investment banker not faced with enormous cash drain
 - lessens the risk of loss; several firms, rather than one firm, bear loss in case of failure
 - syndicate has access to many more potential buyers than one investment banker
 - the number of securities each brokerage firm must sell is reduced
 - the number of securities each brokerage firm must sell is reduced

Disclosure Requirements

purpose is to protect the public against issuance and distribution of fraudulent securities

requires filing of registration statement disclosing relevant information pertaining to specific offering

- ☛ two parts to registration statement
 - preliminary prospectus (red herring) - red lettering informs prospective buyer that securities are being registered with SEC and may subsequently be offered for sale
 - final prospectus - no final sales until registration becomes effective; final prospectus indicates "offer" price
- ☛ second part deals with more technical matters
 - marketing arrangements
 - expense of the distribution
 - historical financial information not required in the prospectus

after filing, 20-day waiting period before new issue may be offered for sale

SEC does not take position regarding the investment merits of an offering

Tombstone

Public offering is advertised in one or more newspapers/periodicals

Lack-luster nature of advertisement inspired designation “tombstone”

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