



Medium Term Notes (MTN) **World Markets**

Few innovations in the capital markets have been as successful as the MTN. The ever-increasing number of borrowers and investors evidences this success. An MTN's flexibility to meet the needs of both issuer and investor, the diversity of the notes' available terms to maturity, special features that protect the investor and increases in the amount of notes outstanding have all contributed to significant growth in this sector of the fixed income marketplace.

"Filling the Custom-Fit Niche"

In the past decade, the continuously offered MTN has been one of the fastest growing segments of the debt markets. From \$800 million in 1981, worldwide MTN program volume exploded to over \$350 billion in 1996. The Canadian MTN market has experienced a similar growth pattern, growing from \$200 million to over \$18 billion in the same period.

What are Medium Term Notes?

MTNs are debt instruments that are issued in the same *form* but through a different mechanism than other types of corporate, financial institution or government obligations. The feature that primarily distinguishes traditional debt issues from MTNs is that MTNs are offered continuously through agents or dealers on a best efforts basis, rather than on a firm commitment (underwritten) basis.

Since its establishment in the early 80's as a bridge over the funding gap between short-term commercial paper and long-term borrowings in the bond market, the MTN market has evolved to such an extent that the term "medium" is becoming a misnomer. While the vast majority of MTNs are issued in the short end of the maturity curve (2 - 5 years), MTN maturities in the 10 to 30 year range are becoming more commonplace.

INVESTMENT BENEFITS

"Flexibility" best describes the primary benefit of an MTN.

DIVERSIFICATION

The MTN market provides the investor with a broad range of investment grade credits across all industry sectors, including banks, corporations, finance companies, utilities, federal and provincial governments and their crown corporations. This feature offers the investor the opportunity to diversify risk.

CUSTOMIZE TRANSACTION

By the very nature of the continuous-offering, investors have an infinite number of choices with respect to the type of notes purchased, maturity dates and dollar amounts. This provides the investor with the ability to fill portfolio gaps that traditional bonds may not meet.

LIQUIDITY

The rapid growth of the MTN market has attracted the attention of a growing number of investment dealers, resulting in increased liquidity. In fact, the MTN market is as liquid as the traditional corporate bond market, thus providing investors with the ability to transact at very competitive spreads.

AVAILABILITY

Because of the continuous-offering process, the MTN market gives the investor immediate access to an almost unlimited array of fixed income securities in widely varying maturities issued by a broad spectrum of issuers.

Special Features of the MTN

LEGAL

MTNs are offered by way of a *Shelf Prospectus* that has been filed with the various securities regulators. This filing is for a two-year term and permits the issuer to access the market at any time in response to particular investor requirements or market timing, structuring or term opportunities.

TRUST INDENTURE

In the beginning, Canadian MTNs were issued as an extension of commercial paper programs. In other words, they were stand alone "Promises to Pay". As the MTN market continued to grow, however, issuers wishing to attract a larger investor base began adding the protective provision of a formal Trust Indenture. These Trust Indentures have enhanced investors' security by providing the same protection as traditional bonds

BOOK ENTRY SYSTEM

In an attempt to deliver a cost effective product to investors, the MTN market utilizes the Canadian Depository for Securities (CDS) system. The CDS uses a computer-based system that provides an efficient method for delivery, payment of interest and principal and change of ownership. This permits the issuance of smaller sized offerings that would otherwise be cost prohibitive.

STRUCTURED NOTES

The MTN may be viewed as a *platform* that permits the issuance of a wide and varied range of securities -- the most popular being the *Structured Note* (see *Multi-Callable Notes* and *Equity Linked Notes* brochures). The rapid growth of Structured Notes has been in part a result of the development of the MTN market.

Frequently Asked Questions

WHAT TYPES OF INTEREST PAYMENTS ARE AVAILABLE?

MTNs are issued with a variety of interest payment schedules that range from traditional semi-annual payments to custom-tailored frequencies such as monthly, annual or compounded at maturity. These coupon payments would be credited to your Wood Gundy PCI account.

WHAT MATURITIES ARE AVAILABLE?

Due to the flexible nature of the MTN program, Wood Gundy PCI may be able to custom tailor any maturity profile in response to investor demand.

WHAT ARE THE TAX IMPLICATIONS OF INVESTING IN MTN'S?

As with all fixed income securities, investors are responsible for declaring all interest payments received from an investment in MTN's.

CAN I OBTAIN PHYSICAL CERTIFICATES FOR MY MTN INVESTMENT?

No. Since all MTN's are available **book based only** on the CDS system, physical delivery is not available

IS THERE A MINIMUM SIZE FOR AN MTN INVESTMENT?

Although the typical transaction size for MTN's is \$100,000, Wood Gundy PCI makes special offerings available with a minimum face value of \$5,000 and multiples of \$1,000 thereafter

**Call a Wood Gundy Private Client Investments Financial
Consultant today! He or she
will be pleased to demonstrate how
Medium Term Notes can improve your
fixed income returns.**

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