



## Debt & Derivative Advisors

Leaders in Higher Education Finance

# Market Update: Higher Education

[www.soundcapital.com](http://www.soundcapital.com)

November 25th, 2008

### Talk to one of our Debt and Derivative Advisors:

|                                |                                |                              |                              |
|--------------------------------|--------------------------------|------------------------------|------------------------------|
| Johan Rosenberg (952) 746-6030 | Farah Lotia (952) 746-6171     | Steve Johnson (952) 746-6035 | Andrew Deming (952) 746-6036 |
| John Trefethen (952) 746-6040  | Cynthia Heneage (952) 746-6045 | Erik Kelly (952) 746-6055    | Josh Dooley (952) 746-6056   |

### General High Grade and Higher Education Yield Curves

|       | AAA GO | Insured Higher Ed | BBB Higher Ed | Swaps |              |
|-------|--------|-------------------|---------------|-------|--------------|
|       |        |                   |               | SIFMA | 67% of LIBOR |
| 2 Yr  | 2.05   | 2.79              | N/A           | 1.94  | 1.41         |
| 5 Yr  | 2.83   | 3.56              | N/A           | 2.77  | 1.92         |
| 10 Yr | 3.85   | 4.52              | N/A           | 3.21  | 2.14         |
| 20 Yr | 4.96   | 5.52              | N/A           | 3.34  | 2.14         |
| 30 Yr | 5.25   | 5.88              | N/A           | 3.42  | 2.13         |

### Higher Education Market News

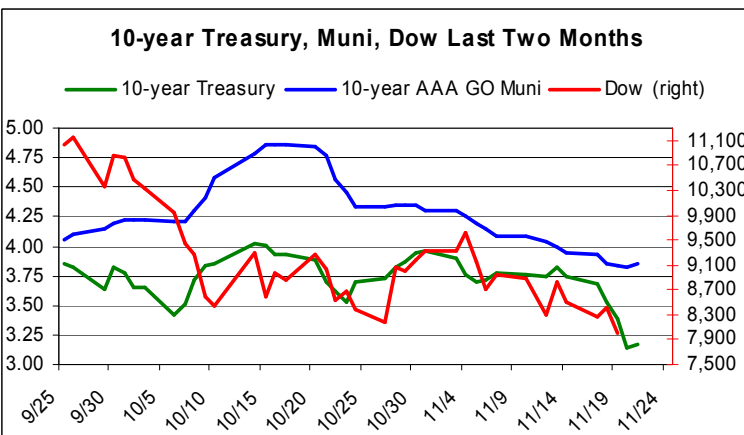
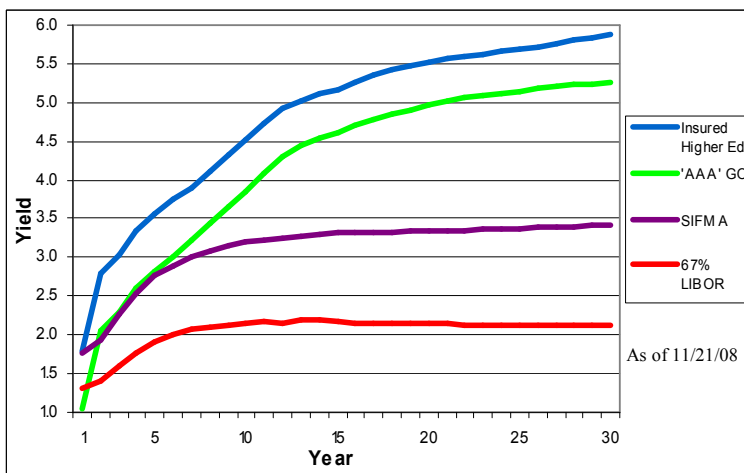
After another very volatile week, the Dow dropped 450.89 or 5.3% last week to close at 8,046.42. The S&P 500 dropped 73.26 or 8.4% to close at 800.03. In fixed income, Treasury yields fell dramatically in a flattening move, plunging 17 to 58 basis points across the curve. The AAA GO municipal yield curve steepened significantly, falling 13 to 15 basis points on the short end, and gaining 1 to 4 basis points on the long end.

On November 14, Assured Guaranty announced plans to buy FSA, excluding its financial products business. Last week, both companies' ratings were downgraded by Moody's to Aa2 and Aa3, respectively, after being placed on review for a downgrade on July 21. This leaves only Berkshire Hathaway with a AAA rating.

Also, over the weekend, the federal government announced an additional \$20Bn rescue plan for Citigroup in an attempt to keep the banking giant afloat. In addition, the FDIC will guarantee \$306Bn of the bank's riskiest loans.

The municipal bond market finally gained some traction over the past several weeks, although the calendar is lighter again this week heading into the Thanksgiving holiday. On the new issuance calendar for higher education, there is a light \$108MM scheduled this week, excluding issues on the day-to-day calendar. Highlights include \$230MM Ohio State University and \$108MM Santa Clara University, CA.

On the general municipal calendar, there is a light \$1.3Bn scheduled this week. Highlights include: 1) \$395MM Dormitory Authority of the State of New York Mental Health Services Bonds, 2) \$170MM City of Arlington, TX, and 3) \$166MM Public Gas Partners, Inc., GA.



Advertisement

MuniMarket Pulse podcast — John Mousseau of Cumberland Advisors Says Municipal Bonds “Still Represent an Incredible Value”  
Go to <http://podcast.derivactiv.com>.



## New Issue Summary

### Recent Higher Education Transactions – Issues over \$10MM

| Week of Sale | \$MM  | Issuing Authority            | Borrower                   | ST | Type | Rating (M/SP/F) | Due (20XX)            | Manager        | Comp /Neg |
|--------------|-------|------------------------------|----------------------------|----|------|-----------------|-----------------------|----------------|-----------|
| 17-Nov       | 99.9  | Georgia Higher Ed Fac Auth   | University System          | GA | Rev  | Aaa/---/---     | 11-26, 28, 34, 38, 40 | Wachovia Bank  | N         |
| 17-Nov       | 19.7  | Minnesota Higher Ed Fac Auth | Carleton College           | MN | Rev  | Aa2/---/---     | 10-18, 23, 28         | Morgan Stanley | N         |
| 17-Nov       | 54.1  | New York State Dorm Auth     | Upstate Comm College       | NY | Rev  | ---/AA-/A+      | 31                    | Goldman Sachs  | N         |
| 17-Nov       | 34.1  | Rhode Island Hlth & Ed       | University of Rhode Island | RI | Rev  | A2/A+/---       | 28, 34                | Merrill Lynch  | N         |
| 10-Nov       | 41.7  | Maine Hlth & Ed Fac Auth     | various                    | ME | Rev  | Aa3/---/AA      | 09-18, 23, 28, 38     | Morgan Stanley | N         |
| 10-Nov       | 656.1 | New York State Dorm Auth     | various                    | NY | Rev  | ---/AAA/AA-     | 10-26, 28, 36, 38     | Morgan Stanley | N         |

#### Highlighted Unenhanced Higher Education Issue Details & Spread Analysis

| Minnesota Higher Ed Fac Auth | Maturity | Yield | +/- "AAA" |
|------------------------------|----------|-------|-----------|
| Carleton College             | 2010     | 2.30  | 0.12      |
| Aa2/---/---                  | 2011     | 2.64  | 0.22      |
| Pricing Date: 11/17/08       | 2012     | 3.00  | 0.25      |
| \$19.7MM; Negotiated         | 2013     | 3.21  | 0.26      |
|                              | 2014     | 3.39  | 0.27      |
|                              | 2015     | 3.57  | 0.27      |
|                              | 2016     | 3.78  | 0.27      |
|                              | 2017     | 4.00  | 0.27      |
|                              | 2018     | 4.20  | 0.27      |
|                              | 2023     | 4.93  | 0.30      |
|                              | 2028     | 5.22  | 0.30      |

#### Highlighted Enhanced Higher Education Issue Details & Spread Analysis

| Georgia Higher Ed Fac Auth   | Maturity | Yield | +/- "AAA" |
|------------------------------|----------|-------|-----------|
| University System of Georgia | 2011     | 3.16  | 0.74      |
| Aaa/---/---                  | 2012     | 3.49  | 0.74      |
| Pricing Date: 11/17/08       | 2013     | 3.68  | 0.73      |
| \$99.9MM; Negotiated         | 2014     | 3.84  | 0.72      |
|                              | 2015     | 3.97  | 0.67      |
|                              | 2016     | 4.18  | 0.67      |
|                              | 2017     | 4.40  | 0.67      |
|                              | 2018     | 4.60  | 0.67      |
|                              | 2019     | 4.82  | 0.66      |
|                              | 2020     | 4.99  | 0.63      |
|                              | 2021     | 5.06  | 0.58      |
|                              | 2022     | 5.13  | 0.57      |
|                              | 2023     | 5.18  | 0.55      |
|                              | 2024     | 5.27  | 0.57      |
|                              | 2025     | 5.34  | 0.57      |
|                              | 2026     | 5.40  | 0.57      |
|                              | 2028*    | 6.05  | 1.13      |
|                              | 2034*    | 6.30  | 1.13      |
|                              | 2038     | 5.87  | 0.63      |
|                              | 2040*    | 6.50  | 1.24      |

\* These maturities not insured.

Issuers and borrowers may request SCM to perform a spread analysis on any issue. Call 952-996-0180.

### Upcoming Higher Education Transactions – Issues over \$10MM

| Week of Sale | \$MM  | Issuing Authority            | Borrower                 | ST | Type | Rating (M/SP/F) | Due (20XX)    | Manager         | Comp /Neg |
|--------------|-------|------------------------------|--------------------------|----|------|-----------------|---------------|-----------------|-----------|
| 24-Nov       | 108.1 | California Ed Fac Auth       | Santa Clara Univ         | CA | Rev  | Aa3/---/---     |               | Banc of America | N         |
| 24-Nov       | 230.1 | Ohio State University        |                          | OH | Rev  | ---/---/---     | 09-18, 23, 28 | Morgan Stanley  | N         |
| 1-Dec        | 500.0 | Illinois Fin Auth            | University of Chicago    | IL | Rev  | ---/---/---     |               | JP Morgan       | N         |
| 1-Dec        | 18.2  | Minnesota Higher Ed Fac Auth | University of St. Thomas | MN | Rev  | A2/---/---      | 09-23, 28, 33 | Dougherty & Co  | N         |
| 1-Dec        | 24.0  | New Jersey Ed Fac Auth       | Seton Hall University    | NJ | Rev  | A3/A/---        |               | Citigroup       | N         |
| 1-Dec        | 10.2  | Texas Const Approp           | Stephen F. Austin Univ   | TX | Rev  | ---/---/---     | 09-18         |                 | C         |

The foregoing information and opinions are for general information use only and readers should not rely solely on this information, but should undertake their own inquiries and seek third-party advice before making any decisions. Sound Capital does not guarantee their accuracy or completeness, nor does Sound Capital assume any liability for any loss which may result from the reliance by any person upon such information or opinions. The information herein is not an offer or a solicitation to buy or sell any instrument or to participate in any particular trading strategy. No representation is made that any returns indicated will be achieved or that all relevant factors have been