



## Debt & Derivative Advisors

### Leaders in Healthcare Finance

# Market Update: Healthcare

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

March 10th, 2008

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

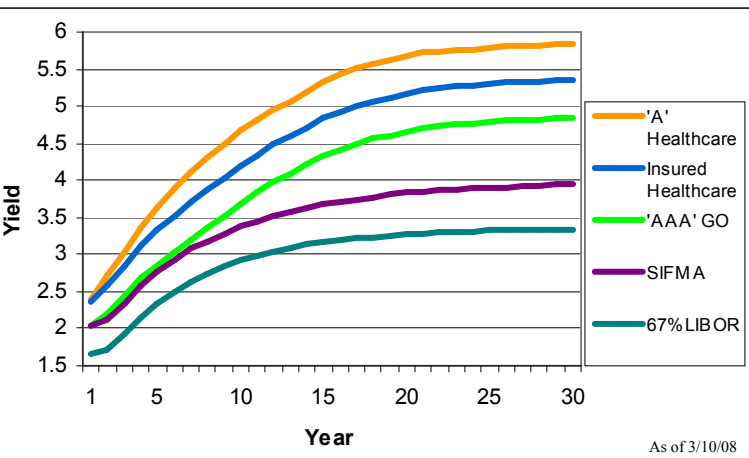
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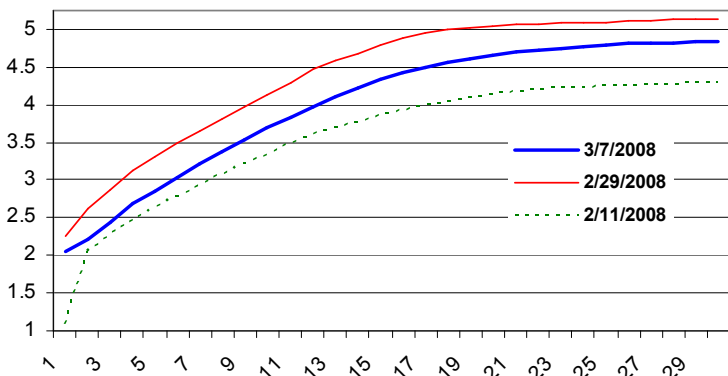
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#### General High Grade and Healthcare Yield Curves

	AAA GO	Insured Healthcare	A Healthcare	SWAPS	
				SIFMA	67% of LIBOR
2 Yr	2.21	2.57	2.72	2.11	1.72
5 Yr	2.86	3.32	3.63	2.76	2.33
10 Yr	3.69	4.19	4.67	3.38	2.92
20 Yr	4.66	5.17	5.67	3.84	3.28
30 Yr	4.83	5.34	5.83	3.96	3.34



#### Volatility in Fixed-Rate AAA GO Munis



#### Healthcare Market News

The Dow dropped 3% for the week last week, while the S&P 500 fell 2.8% in the midst of more dismal economic data. The **indexes are down 10.3% and 10.6% in 2008, respectively**. The ADP Employment month over month indicator fell 23,000, well below economists' forecasts and **its sharpest decline in more than 5 years**, adding to recessionary fears. Inflationary concerns are also rocking the market as oil closed at a record \$105.47 last Thursday. TIPS, or Treasury Inflation Protected Securities, in which the yield to investors is tied to an inflationary index, are trading at negative yields, meaning investors are seriously concerned about the Fed's ability to keep inflation down. This is the **first time TIPS have traded in negative yields since their creation in 1997**.

In municipal space, **fixed rate bonds have seen heavy volatility** in the last couple of weeks. Two weeks ago, AAA GO muni yields jumped 25-35 basis points on the short end, and 34-35 basis points on the long end. The increase was due to continued uncertainty in the auction rate and variable rate markets, and wide-spread selling of tender option bond programs. Last week that trend was reversed, with yields dropping 20-44 basis points on the short end and 27-28 basis points on the long end, as additional investors entering the market realized the value of municipals, with **yields well over 100% of Treasuries in some instances**.

On the healthcare new-issuance calendar, **there is a heavy \$1Bn scheduled**. Highlights include 1) \$650MM St. Joseph's Hospital, CA, 2) \$269MM University of California Irvine Medical Center, and 3) \$165MM Washington Healthcare Facilities.

In the general municipal calendar, there is a **moderate-to-heavy \$8Bn in new issuance scheduled**. Highlights include 1) \$1Bn State of California Department of Water Resources, 2) \$573MM Maryland Transportation Authority, and 3) \$385MM Harris County Texas, Houston Independent School District.

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MuniMarket Pulse podcast - Rob Haines of CreditSights Says the Fundamentals of the Bond Insurers Are "Horrible".  
Go to <http://podcast.derivactiv.com>.

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## New Issue Summary

### Recent Healthcare Transactions

Issues over \$20MM

Week of sale	\$MM	Issuing Authority	Borrower	ST	Type	Rating (M/SP/F)	Due (20XX)	Manager	Comp /Neg
3-Mar	490.8	Allegheny County Hospital	Univ Pittsburgh Medical Ctr	PA	Rev	Aa3/AA-/AA-	08-18	Mellon Financial	N
3-Mar	27.0	East Alabama Health Care		AL	Rev	---/A/---	08-18,36	Merrill Lynch	N
18-Feb	33.0	Carroll City-County Hosp Auth	Tanner Medical Center	GA	Rev	Aaa/AAA/---	11-23,28,38	Citigroup	N

#### Highlighted Enhanced Healthcare Issue Details & Spread Analysis

	Maturity	Yield	+/- "AAA" MMD
<b>Carroll City-County Hospital Authority, GA</b>	2011	3.00	0.61
Aaa/AAA/---	2012	3.15	0.55
(A1/A+/---)	2013	3.30	0.55
Assured Guaranty	2014	3.45	0.55
Pricing Date: 2/18/08	2015	3.55	0.50
\$33.0MM Negotiated	2016	3.65	0.45
	2017	3.80	0.45
	2018	4.00	0.49
	2019	4.13	0.46
	2020	4.25	0.44
	2021	4.38	0.47
	2022	4.45	0.44
	2023	4.50	0.40
	2028	4.82	0.41
	2033	4.92	0.35
	2038	5.05	0.44

#### Highlighted Unenhanced Healthcare Issue Details & Spread Analysis

	Maturity	Yield	+/- "AAA" MMD
<b>East Alabama Health Care Authority</b>			
---/A/---	2009	4.00	1.75
Pricing Date: 3/3/08	2010	4.13	1.50
\$27.0MM Negotiated	2011	4.25	1.37
	2012	4.38	1.26
	2013	4.50	1.20
	2014	4.75	1.27
	2015	4.88	1.23
	2016	5.00	1.19
	2017	5.07	1.10
	2018	5.13	1.02
	2036	5.38	1.10

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

### Upcoming Healthcare Transactions

Issues over \$20MM

Week of sale	\$MM	Issuing Authority	Borrower	ST	Type	Rating (M/SP/F)	Due (20XX)	Manager	Comp /Neg
10-Mar	269.3	California State Public Works Board	UC Irvine Medical Center	CA	Rev	Aa2/AA-/AA-	09-28	Bear Stearns	N
10-Mar	26.3	California State Public Works Board	UCSF Moffitt/Long Hospital	CA	Rev	Aa2/AA-/AA-	09-28	Bear Stearns	N
10-Mar	121.0	California Statewide Community Dev	Good Samaritan Hospital	CA	Rev	---/---/---		Shattuck Hammond	N
10-Mar	52.8	California Statewide Community Dev	Los Angeles Orthopaedic Hos	CA	Rev	---/---/---	08-30	JP Morgan	N
10-Mar	26.4	Washington Healthcare Facilities		WA	Rev	---/---/---	33	Merrill Lynch	N
10-Mar	69.3	Washington Healthcare Facilities		WA	Rev	---/---/---	33	Merrill Lynch	N
10-Mar	69.4	Washington Healthcare Facilities		WA	Rev	---/---/---	33	Merrill Lynch	N
13-Mar	650.0	California Statewide Community Dev	St. Joseph's Hospital	CA	Rev	---/---/---		Morgan Stanley	N

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