



Leaders in Healthcare Finance

Debt & Derivative Advisors

Market Update: Healthcare

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General High Grade and Healthcare Yield Curves

	AAA GO	Insured Healthcare	A Healthcare	SWAPS	
				SIFMA	67% of LIBOR
2 Yr	3.32	3.48	3.68	3.07	2.98
5 Yr	3.42	3.66	3.97	3.31	3.16
10 Yr	3.76	4.04	4.44	3.64	3.37
20 Yr	4.17	4.44	4.84	3.95	3.52
30 Yr	4.31	4.56	5.01	4.04	3.54

Healthcare Market News

The focus of the week will be the Federal Open Market Committee's announcement of the Target Federal Funds rate on Wednesday. On September 18th, they announced a greater than expected 50-bp cut in the Fed Funds rate, from 5.25% to 4.75%. The market is showing an over 90% chance of another 25-bp cut to 4.50%. With a 25bp cut largely priced into the market, a 50-bp or no cut would not only be a surprise but would also set off a new round of volatility.

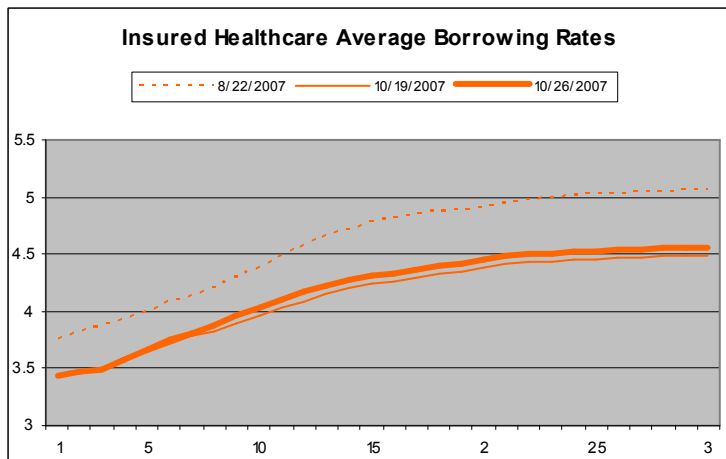
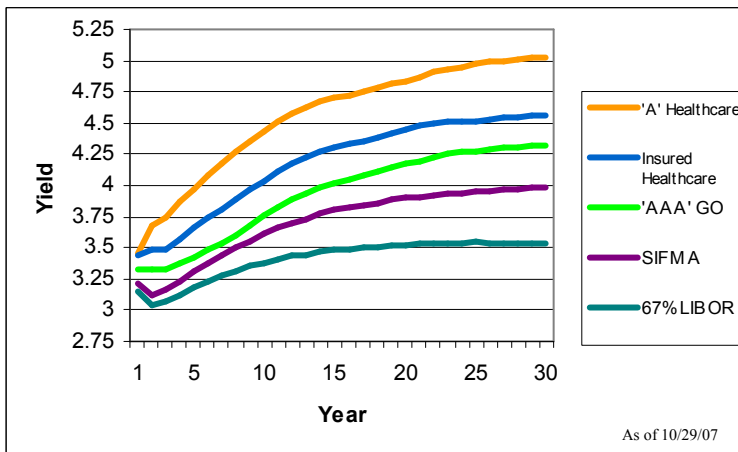
Munis have remained resilient despite headlines on the market's primary bond insurers, AMBAC and MBIA, which have both posted significant unrealized losses due to credit derivative contracts. The resiliency of the muni market is due to the strength of the underlying municipal credits. Therefore, credit spread cheapening is barely observable in the muni market. Higher AAA rates occurred mainly inside the 10-year part of the curve, while the long-end AAA rates proved to be inelastic.

In the general market, there was over \$15Bn of issuance last week, including the largest muni deal of the year: \$7Bn California revenue anticipation notes. Also, the largest tobacco deal ever priced last Monday: \$5.5Bn Ohio Buckeye Tobacco Settlement Financing Authority rated Baa3/BBB.

This week, there is a relatively light \$2.2Bn on the municipal general market calendar, including \$300MM City of Phoenix Civic Improvement Corp rated Aa3/AA-, and \$271MM Kentucky State Property and Buildings Commission Revenue bonds. Keeping everything else equal, the lack of new bonds should keep munis from cheapening.

In healthcare, there was \$650MM of issuance last week. Highlighting the calendar was Maryland's \$155MM Mercy Medical Center, rated Baa2/BBB.

This week's calendar for healthcare is lighter, with \$450 of new issuance scheduled, including 1) \$119.1MM Hillsborough County Independent Living, Florida rated A3/A-, 2) \$94MM Valley Baptist Medical, TX, and 3) \$61.8MM Nacogdoches Health Facilities, Timber Springs, TX.



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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
22-Oct	30.5	Colorado Health Facilities - Refund	Parkview Medical Center	CO	Rev	A3/---/---	09-18, 2	A.G. Edwards	N
22-Oct	38.4	Colorado Health Facilities Authority	Parkview Medical Center	CO	Rev	A3/---/---	37	A.G. Edwards	N
22-Oct	69.8	Louisiana Public Facilities Authority	Lake Charles Memorial Hospital	LA	Rev	---/---/---	19,34	Morgan Keegan	N
22-Oct	155.0	Maryland Health & Higher Ed	Mercy Medical Center	MD	Rev	Baa2/BBB/---	08-42	Merrill Lynch	N
22-Oct	26.7	Meeker County Hospital Fac	Meeker County Memorial Hospital	MN	Rev	---/---/---	10-17,22,37	Piper Jaffray	N
17-Oct	36.7	New Hampshire Ed Fac Auth	Covenant Health System	NH	Rev	---/A/A	08-25,28,31	Merrill Lynch	C
15-Oct	64.7	Ulster County Ind Dev Agency	Civic Facilities	NY	Rev	---/---/---	13,16,27,42	B.C. Ziegler	N
15-Oct	72.2	California Statewide Community	Ridgecrest Regional Hosp	CA	Rev	AAA/AAA/---	11-22,27,37	Banc of Amer	N
15-Oct	32.9	Massachusetts Dev Fin Health Auth	Adventcare Project	MA	Rev	---/---/---	15	Ziegler Cap	N

Highlighted AAA Healthcare Issue Details & Spread Analysis

California Statewide Community Ridgecrest Regional Hospital	Maturity	Yield	+/- "AAA" MMD
AAA/AAA/---	2011	3.51	+0.07
(---/---/---)	2012	3.56	+0.08
MBIA Insured	2013	3.63	+0.10
Pricing Date: 10/18/07	2014	3.71	+0.13
\$72.215MM Negotiated	2015	3.79	+0.16
	2016	3.88	+0.18
	2017	4.01	+0.24
	2018	4.12	+0.29
	2019	4.23	+0.34
	2020	4.30	+0.36
	2021	4.37	+0.38
	2022	4.43	+0.40
	2027	4.59	+0.40
	2032	4.70	+0.40
	2037	4.74	+0.40

*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
29-Oct	94.0	Brownsville Health Fac Auth	Valley Baptist Medical	TX	Rev	---/---/---		Merrill Lynch	N
29-Oct	62.5	North Carolina Medical Care		NC	Rev	---/---/---		Ziegler Cap	N
29-Oct	50.0	Cass Country Hospital		MO	Rev	---/BBB/---	11-17,22,28		N
29-Oct	119.1	Hillsborough County Indl		FL	Rev	A3/A/---	10-17,22,37	UBS	N
29-Oct	37.8	Louisiana Public Facilities Authority	Ochner County Hospital	LA	Rev	A3/A/---	15	Citigroup	N
29-Oct	25.9	Nacogdoches Health Facilities	Timber Springs	TX	Rev	---/---/---	14	Oppenheimer	N
29-Oct	35.9	Nacogdoches Health Facilities	Timber Springs	TX	Rev	---/---/---	15-17,24,42	Oppenheimer	N
6-Nov	49.7	Lehigh County	Good Shepherd Group	PA	Rev	---/AAA/AAA	09-27,30-37		C
12-Nov	27.3	Palm County Health Facilities Auth	Waterford Project	FL	Rev	---/BBB/---	15	Ziegler Cap	N

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