



## Debt & Derivative Advisors

Leaders in Higher Education Finance

# Market Update: Higher Education

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

July 21st, 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	Josh Dooley (952) 746-6056
John Trefethen (952) 746-6040	Cynthia Heneage (952) 746-6045	Erik Kelly (952) 746-6055	

### General High Grade and Higher Education Yield Curves

	AAA GO	Insured Higher Ed	BBB Higher Ed	Swaps	
				SIFMA	67% of LIBOR
2 Yr	2.15	2.55	3.63	2.60	2.48
5 Yr	3.00	3.18	4.49	3.19	2.98
10 Yr	3.70	3.90	5.14	3.60	3.26
20 Yr	4.50	4.80	5.81	3.94	3.43
30 Yr	4.74	4.94	6.18	4.03	3.45

### Higher Education Market News

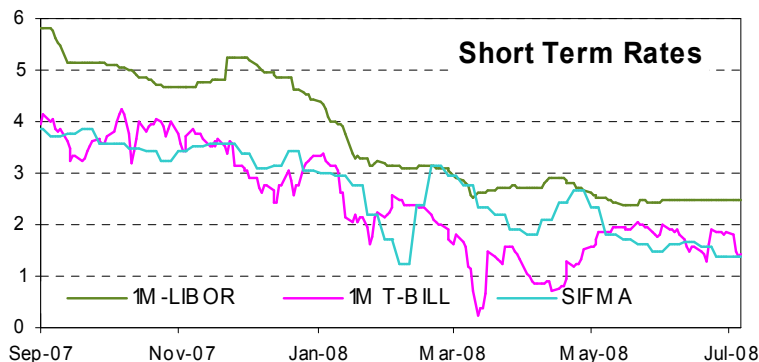
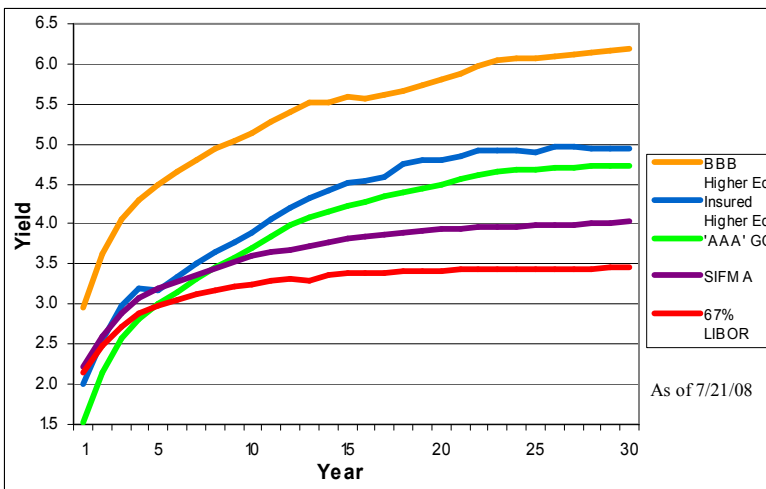
The **Dow ended the week up 3.6%**, closing at 11497 on Friday after six consecutive weekly declines. Good news came as Citigroup, JPMorgan, and Wells Fargo all posted better-than-expected earnings results, alleviating concern of a continued financial sector slump. Investors were also encouraged by a \$16.10 drop (11.1%) in the price of a barrel of oil on the week, closing at \$128.60.

The beginning of last week brought a rescue plan for Fannie Mae and Freddie Mac proposed by Treasury Secretary Henry Paulson. Legislation is currently being discussed and a bill could be on the President's desk as early as this week.

In fixed income space, treasury yields gained across the curve. The 2-year treasury was up 2 basis points to 2.62%, the 10-year gained 14 basis points to 4.08%, and the 30-year gained 15 basis points to close at 4.66% on Friday. **The AAA GO municipal yield curve steepened considerably.** The 2-year AAA GO dropped 14 basis points to 2.15%, while the 10-year gained 5 basis points to 3.70%, and the 30-year gained 18 basis points to close at 4.74% on Friday.

On the new issuance calendar for higher education, there is a moderate \$494MM scheduled this week. Highlights include 1) \$335MM for Massachusetts Institute of Technology, and 2) \$133MM for Johns Hopkins University.

On the general municipal calendar, there is a **moderate \$7.5Bn.** Highlights include 1) \$905MM Los Angeles International Airport, 2) \$625MM Florida Hurricane Catastrophe Fund, and 3) \$500MM Port Authority of NY & NJ.



Advertisement

**MuniMarket Pulse podcast** — Guy LeBas of JMS Says Fannie, Freddie "Technically Solvent," but "Can't Be Allowed to Fail"  
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
	14-Jul	96.7	Northampton Co Gen Auth	Lafayette College	PA	Rev	Aa3/AA/-	09-18, 27, 34	Merrill Lynch	N
	14-Jul	31.2	Oregon St Brd Higher Ed	Oregon State Univ	OR	GO	Aa2/AA/AA	09-28, 33, 38	Merrill Lynch	N
	14-Jul	32.0	Palo Verde CCD		CA	COP	Aa3/AA/-	13-24, 37	Nollenberger	N
	9-Jul	140.8	Penn Higher Ed Fac Auth		PA	Rev	Aa3/-/AA-	09-28, 30, 33, 38	Wachovia	C
	8-Jul	86.1	Univ of Louisville		KY	Rev	Aa3/AA/-	09-28	BB&T	C
	7-Jul	26.0	Mt. San Antonio Comm College		CA	GO	Aa3/AA/-	19-24, 28, 33	RBC Capital Mkts	N
	7-Jul	115.0	New York State Dorm Auth	Fordham Univ	NY	Rev	Aaa/-/---	09-28, 33, 38	Citigroup	N
	7-Jul	12.0	Southern Utah Univ		UT	Rev	-/AA/-	10-21, 24, 26, 28, 33	Wells Fargo	N

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

Penn Higher Ed Fac Auth	Maturity	Yield	+/- "AAA"
<b>Aa3/-/AA-</b>	2011*	2.88	0.17
Pricing Date: 7/9/08	2012	3.11	0.17
\$140.8; Competitive	2013	3.24	0.16
	2014	3.36	0.16
	2015	3.48	0.16
	2016	3.59	0.15
	2017	3.70	0.14
	2018	3.81	0.14
	2019	3.95	0.16
	2023*	4.25	0.15
	2024	4.45	0.29
	2025	4.36	0.15
	2026	4.41	0.15
	2027	4.46	0.15
	2028	4.59	0.23
	2030	4.67	0.22
	2033	4.65	0.14
	2038	4.77	0.21

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

New York State Dorm Auth	Maturity	Yield	+/- "AAA"
<b>Fordham University</b>	2009	NA	NA
<b>Aaa/-/---</b>	2010	2.57	0.07
<b>(A2/-/---</b>	2011	2.95	0.10
<b>Enhanced: Assured Gty</b>	2012	3.19	0.13
Pricing Date: 7/7/08	2013	3.34	0.16
\$115.0; Negotiated	2014	3.48	0.18
	2015	3.60	0.19
	2016	3.71	0.19
	2017	3.83	0.20
	2018	3.94	0.20
	2019	4.05	0.20
	2020	4.15	0.20
	2021	4.23	0.20
	2022	4.31	0.22
	2023	4.37	0.22
	2024	4.44	0.23
	2025	4.48	0.22
	2026	4.53	0.22
	2027	4.55	0.19
	2028	4.58	0.17
	2033	4.74	0.16
	2038	4.78	0.15

\* Information not available for 2009-10 and 2020-2022 maturities.

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
	21-Jul	132.6	Maryland Hlth & Higher Ed	Johns Hopkins Univ	MD	Rev	Aa2/AA/A+	13, 18, 38	Morgan Stanley	N
	21-Jul	335.0	Mass Health & Ed Fac Auth	MIT	MA	Rev	Aaa/AAA/-		Lehman	N
	21-Jul	26.2	Carrollton Dev	Univ of W Georgia	GA	Rev	Aaa/-/---	10-24, 29, 34, 39	Merchant Capital	N

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 considered or stated. Past performance is not necessarily indicative of future results. Price and availability are subject to change without notice.