



Debt & Derivative Advisors

Leaders in Higher Education Finance

Market Update: Higher Education

www.soundcapital.com

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General High Grade and Higher Education Yield Curves

	AAA GO	Insured Higher Ed	BBB Higher Ed	Swaps	
				SIFMA	67% of LIBOR
2 Yr	2.21	2.69	3.69	2.52	2.38
5 Yr	2.98	3.28	4.47	3.09	2.89
10 Yr	3.66	3.89	5.10	3.47	3.19
20 Yr	4.33	4.75	5.64	3.85	3.40
30 Yr	4.50	4.71	5.94	3.94	3.44

Higher Education Market News

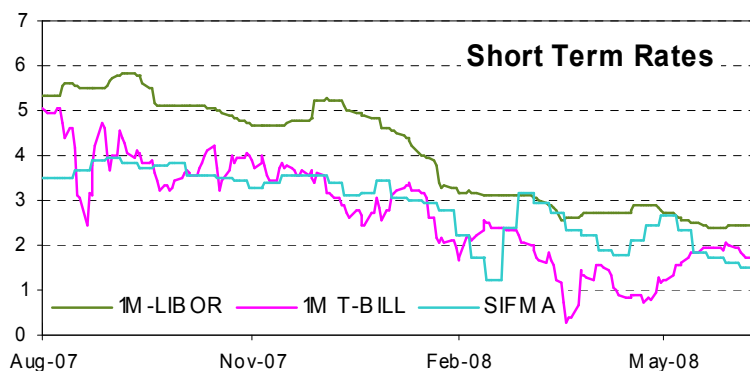
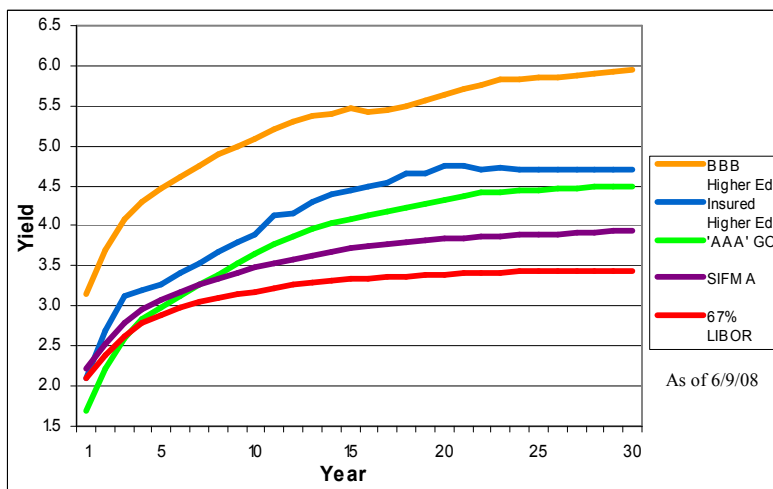
Friday was an eventful day in the capital markets, as the Dow plunged 395 points, or 3.1%, mostly because the **unemployment rate jumped 0.5% to 5.5% (the biggest one-month jump in 22 years)**. The dollar fell 1.2% against the Euro, and **oil reached an all-time high closing at \$137.73 a barrel on Friday**. On the week, the Dow and S&P 500 fell 3.4% and 2.8%, respectively.

In another volatile week for Treasuries, the yield on the benchmark 10-year note fell 11 basis points to close at 3.94%. May 28th was the first time the 10-year note rose above 4.00% since the end of 2007. In tax-exempt space, AAA GO muni yields dropped 1 to 7 basis points on the front end of the curve, and 2 to 3 basis points on the long end.

After a quiet couple of months, bond insurer ratings made headlines again last week. On Wednesday, Moody's **put both MBIA and Ambac on Watchlist** for possible downgrade, and **on Thursday, S&P downgraded both insurers to AA**. S&P also downgraded XLCA and CIFG on Friday. See the attached bond insurer update for a complete list of current insurer ratings.

On the new issuance calendar for **higher education, there is a moderate-to-heavy \$651MM scheduled this week**. Highlights include 1) \$220MM Emory University, 2) \$143MM University of Maryland, and 3) \$133MM Stockton College, NJ.

On the general municipal calendar, there is a **moderate \$6.6Bn in new issuance** scheduled this week. Highlights include 1) \$740MM Dallas Area Rapid Transit Authority, 2) \$700MM New York City's Transitional Finance Authority, and 3) \$662MM Colorado Energy.



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MuniMarket Pulse podcast— TJ Marta of RBC Says Bond Insurer Downgrades Will Put "Extraordinary Stress" on Banks
Go to <http://podcast.derivactiv.com>.



New Issue Summary

Recent Higher Education Transactions – Issues over \$10MM

Week of						Rating			Comp
Sale	\$MM	Issuing Authority	Borrower	ST	Type	(M/SP/F)	Due (20XX)	Manager	/Neg
2-Jun	46.9	Illinois Finance Authority	DePaul University	IL	Rev	A3/A-/A-	09-28	Lehman Brothers	N
2-Jun	208.9	Mass Health & Ed	Harvard University	MA	Rev	Aaa/AAA/---	38	JPMorgan	N
2-Jun	125.2	Mass Health & Ed	Harvard University	MA	Rev	Aaa/AAA/---	18	JPMorgan	N
27-May	19.5	Northern Kentucky University		KY	Rev	Aa3/A+/---	09-18	JJB Hilliard	C

Highlighted Unenhanced Higher Education Issue Details & Spread Analysis

Illinois Finance Authority	Maturity	Yield	+/- "AAA"
DePaul University	2009	2.40	0.63
A3/A-/A-	2010	2.96	0.70
Pricing Date: 6/02/08	2011	3.32	0.70
\$46.9; Negotiated	2012	3.56	0.71
	2013	3.69	0.71
	2014	3.83	0.71
	2015	3.97	0.71
	2016	4.10	0.71
	2017	4.23	0.71
	2018	4.35	0.71
	2019	4.47	0.71
	2020	4.57	0.71
	2021	4.65	0.71
	2022	4.72	0.71
	2023	4.80	0.73
	2024	4.83	0.71
	2025	4.83	0.66
	2026	4.89	0.67
	2027	4.93	0.66
	2028	4.99	0.67

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						Rating			Comp
Sale	\$MM	Issuing Authority	Borrower	ST	Type	(M/SP/F)	Due (20XX)	Manager	/Neg
9-Jun	27.4	Univ of South Carolina		SC	Rev	Aa3/---/---	14-38	Lehman Brothers	N
9-Jun	16.6	Montana State Bd of Regents	Montana State Univ	MT	Rev	Aaa/AAA/---	12-16	Wachovia	N
9-Jun	143.2	Maryland Health & Higher Ed	Univ of Maryland	MD	Rev	Aaa/AAA/AA	09-18, 28, 31	JPMorgan	N
9-Jun	30.0	Lancaster Higher Ed Auth	Franklin & Marshall College	PA	Rev	A1/A+/---	24-28, 33, 37	RBC Capital Mkts	N
9-Jun	81.7	Colorado St Bd of Gov	Colorado State Univ	CO	Rev	---/---/---	09-28	Citigroup	N
9-Jun	220.0	Georgia Private Colleges	Emory University	GA	Rev	Aa2/AA/---		Citigroup	N
9-Jun	133.8	New Jersey Educ Fac Auth	Stockton College	NJ	Rev	---/---/---		Morgan Stanley	N
16-Jun	10.0	Iowa Western Comm College		IA	GO	---/---/---	09-28		C
16-Jun	26.0	Mt. San Antonio Comm College		CA	GO	---/---/---		RBC Capital Mkts	N
17-Jun	40.3	MN State Coll & Univs	Winona State Univ	MN	Rev	Aa3/AA/---	09-28		C

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