



## Debt & Derivative Advisors

Leaders in Higher Education Finance

# Market Update: Higher Education

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

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

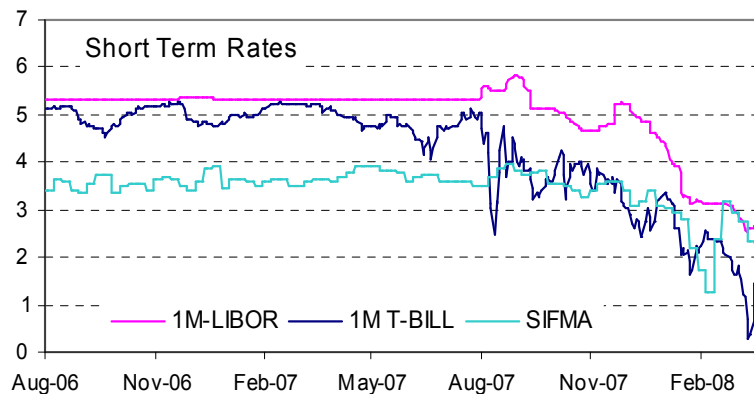
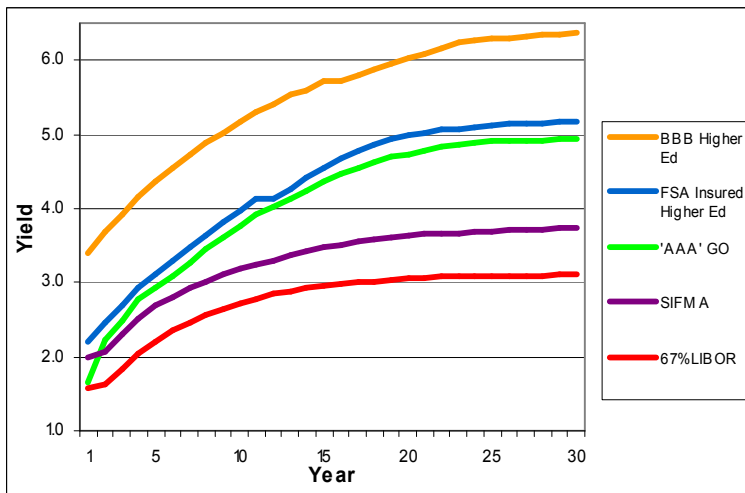
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### General High Grade and Higher Education Yield Curves

	AAA GO	Insured Higher Ed	BBB Higher Ed	SWAPs	
				SIFMA	67% of LIBOR
2 Yr	2.22	2.46	3.69	2.07	1.63
5 Yr	2.92	3.12	4.35	2.68	2.21
10 Yr	3.75	3.97	5.16	3.18	2.72
20 Yr	4.74	4.99	6.03	3.64	3.05
30 Yr	4.93	5.17	6.36	3.74	3.10



### Higher Education Market News

The Dow fell 1.2% last week to close at 12,216 on Friday. The index is down 7.9% on the year. The Consumer Confidence indicator came in at 64.5 on Tuesday, sharply missing expectations of 73.5. The yield on the benchmark 10-year Treasury was up 14 basis points to close at 3.47% last Friday. The Muni to Treasury ratio continues to stay at historically high levels as the 10-year pure AAA GO muni is at 110%, and the **2-year was at 152% of the Treasury**. These high levels are due to a flight to liquidity and quality in the Treasuries.

The municipal auction rate market continued to see about **70% of all auctions fail in the past couple of weeks**. On March 14<sup>th</sup>, the Security and Exchange Commission issued a statement saying that auction rate issuers could bid on their own securities but only after meeting certain requirements. Several issuers are taking advantage of the opportunity to lower their interest rate resets and have disclosed that they intend to bid on their own ARS.

The bond insurer situation continues to deteriorate as **S&P downgraded FGIC to BB from A on Friday**. Earlier in the week, Fitch announced two downgrades: FGIC to BBB from AA and XLCA to BB from A. See the additional attachment for the full bond insurer summary.

On the new issuance calendar for higher education, there is a heavy \$1.2Bn scheduled this week. Highlights include 1) \$343MM Vanderbilt University, 2) \$347MM University of Miami FL, and 3) \$115MM Baylor University.

On the general municipal new issue calendar, there is a light-to-moderate \$5.8Bn scheduled this week. Highlights include 1) \$616.97MM New Jersey Economic Development Authority, 2) \$576.9MM City of Portland Sewer System, 3) \$553.69MM City of Chicago Water.

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**MuniMarket Pulse podcast - Treasurer Bill Lockyer Pressures Ratings Agencies for Municipal Bond Ratings Reform**  
Go to <http://podcast.derivactiv.com>.

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## 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
24-Mar	35.2	New Jersey Education Facilities	Rowan University	NJ	Rev	---/---/---	14-27	RBC	N
24-Mar	26.8	Saginaw Valley State University		MI	Rev	Aaa/AAA/---	16-23,28,31	Lehman Brothers	N
19-Mar	15.0	Charles Mott Community College		MI	GO ULT	Aaa/AAA/---	11-23	Harris N.A.	C
17-Mar	375.2	California State University		CA	Rev	Aa3/A+/---	08-28,30,39	Lehman Brothers	N
17-Mar	102.2	Grand Valley State University		MI	Rev	---/AAA/---	08-23,28,33	NatCity	N
17-Mar	39.8	Massachusetts Dev Fin Agency	Mount Holyoke College	MA	Rev	Aa3/AA-/---	09-23,28,36	Morgan Stanley	N
17-Mar	42.9	University of Nebraska		NE	Rev	Aa2/AA-/---	11-23,28,38	Ameritas	N

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

Mass Development Finance Agency	Maturity	Yield	+/- "AAA"
<b>Mount Holyoke College</b>	2009	2.00	0.10
<b>Aa3/AA-/---</b>	2010	2.30	0.10
Pricing Date: 3/17/08	2011	2.59	0.17
\$39.8; Negotiated	2012	2.86	0.19
	2013	3.05	0.20
	2014	3.25	0.21
	2015	3.41	0.20
	2016	3.58	0.20
	2017	3.75	0.20
	2018	3.91	0.20
	2019	4.04	0.18
	2020	4.18	0.20
	2021	4.30	0.20
	2022	4.43	0.22
	2023	4.54	0.22
	2028	4.92	0.22
	2036	5.11	0.22

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

Saginaw Valley State University, MI	Maturity	Yield	+/- "AAA"
<b>Aaa/AAA/---</b>	2016	3.67	0.28
<b>(A2/A/---</b>	2017	3.85	0.28
<b>Enhanced: FSA</b>	2018	4.00	0.27
Pricing Date: 3/24/08	2019	4.19	0.30
\$26.8; Negotiated	2020	4.32	0.31
	2021	4.45	0.32
	2022	4.57	0.32
	2023	4.68	0.32
	2028	5.03	0.28
	2031	5.08	0.21

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
31-Mar	17.9	Arizona Board of Regents	University of Arizona	AZ	Rev	---/---/---	09-18	Wachovia	N
31-Mar	34.0	California Community College		CA	COPS	---/---/---		RBC	N
31-Mar	59.8	Mass Health & Educ Facilities Auth	Tufts University	MA	Rev	---/---/---	28	Lehman Brothers	N
31-Mar	343.0	Met Gov of Nash & Dvdsn Hlth & Ed.	Vanderbilt University	TN	Rev	Aa2/AA/AA		Merrill Lynch	N
31-Mar	307.0	Miami-Dade County Educ Fac Auth	University of Miami	FL	Rev	A2/A-/---		Morgan Stanley	N
31-Mar	40.0	Miami-Dade County Educ Fac Auth	University of Miami (Taxable)	FL	Rev	A2/A-/---		Morgan Stanley	N
31-Mar	82.0	Pennsylvania State University		PA	Rev	Aa2/AA/---		Lehman Brothers	N
31-Mar	115.0	Waco Education Finance Corp	Baylor University	TX	Rev	---/AA-/AA-		Lehman Brothers	N

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