



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	2.46	3.69	1.83	1.47
5 Yr	2.86	3.12	4.35	2.54	2.12
10 Yr	3.72	3.97	5.16	3.15	2.71
20 Yr	4.72	4.99	6.03	3.61	3.07
30 Yr	4.92	5.17	6.36	3.73	3.13

Higher Education Market News

Amidst continued volatility, the **Dow ended the week up 0.5%** to close at 11,951 on Friday. The week included a 416+ point gain on Tuesday with a Fed \$200 billion swap announcement, and then a 194 point decline on Friday on news that Bear Stearns was running out of money and required an emergency loan from JP Morgan and the Fed.

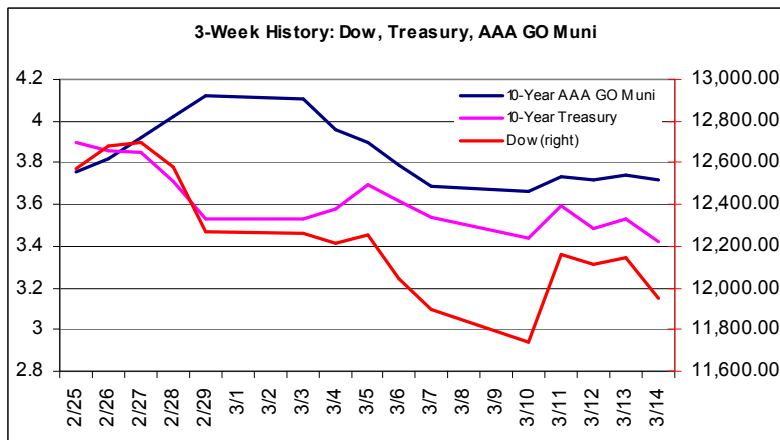
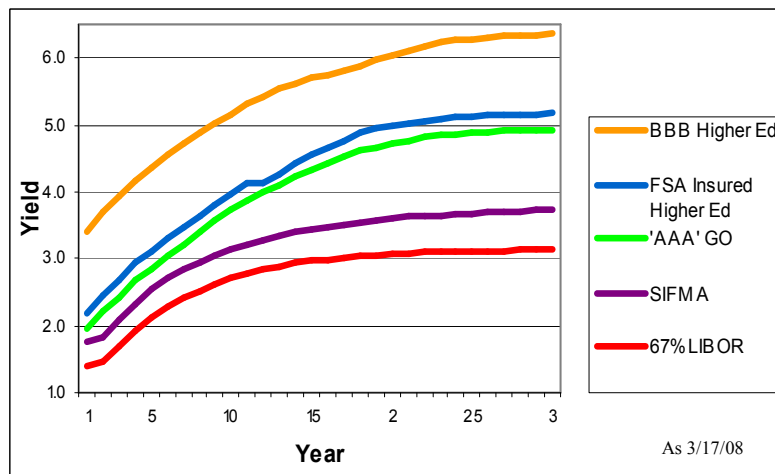
On Sunday night (3/16/08) **JP Morgan announced it would buy out Bear Stearns for \$236 million**, or just \$2 a share, a deep discount compared to the \$30 closing price on Friday. When JP Morgan refused to buy Bear's troubled \$30 billion portfolio, which consists primarily of subprime related investments, **the Fed approved a special financing bailout package and agreed to take on the risk.** Eyes will be on Wall Street firms as Goldman Sachs, Lehman Brothers, and Morgan Stanley **announce their quarterly earnings reports this week.**

A Fed Funds rate decision is expected on Tuesday, and Fed Futures are **showing a 100% chance that the Fed will cut the rate at least a full percentage point, from 3.0% to 2.0%.** Inflation concerns also continue to mount as oil hit an all time high on Thursday at \$110.33 a barrel and gold hit an all time high early today (3/17/08) at \$1030.80 an ounce. The dollar also hit all time lows against the Euro at \$1.5903 and a 12-year low against the Japanese Yen last week.

Last Wednesday, a congressional hearing convened to discuss solutions for tax-exempt borrowers facing high variable-rate borrowing costs. A move to endorse corporate-equivalent ratings for municipal bonds received the greatest amount of support from both regulators and panelists. On Friday, the SEC released a letter **saying they would allow issuers and borrowers to bid on their own auction-rate securities**, but only after certain requirements and disclosures had taken place.

On the Higher Education new-issuance calendar, there is a heavy \$718MM scheduled. Highlights include 1) \$408MM California State University, 2) \$103.7MM Grand Valley State University, and 3) \$39.5MM Saginaw Valley State University.

On the general municipal calendar, there is a light \$4Bn scheduled for the holiday-shortened week. Highlights include 1) \$573MM San Francisco Airport Commission, 2) \$441MM State of New York Tobacco Settlement, and 3) \$245MM Children's Hospital, DC.



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MuniMarket Pulse podcast - John Kautz of Ziegler Describes The "Unprecedented Volatility" In Muni Swap Spreads.

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
13-Mar	101.3	Pennsylvania Higher Ed Facility Authority		PA	Rev	Aa3/---/AA-	08-24	Robert Baird	C
12-Mar	20.0	Kansas Development Finance Auth		KS	Rev	Aa2/AA/---	09-16	Stern Brothers	C
11-Mar	12.0	Iowa State Board of Regents	University of Northern Iowa	IA	Rev	A2/A/---	11-17,19,35	UBS	C
11-Mar	10.5	Iowa State Board of Regents	Iowa St Univ of Science & Tech	IA	Rev	A1/A/---	09-19	UBS	C
11-Mar	180.7	Wayne State University		MI	Rev	Aaa/AAA/---	08-19,24,35	Goldman Sachs	N
10-Mar	14.8	California State Public Works	Natural Sciences Unit	CA	Rev	Aa2/AA-/AA-	09-23	Bear Stearns	N
10-Mar	100.0	Connecticut Health & Education	Yale University	CT	Rev	Aaa/AAA/---	42	Lehman Brothers	N
10-Mar	100.0	Connecticut Health & Education	Yale University	CT	Rev	Aaa/AAA/---	42	Lehman Brothers	N
10-Mar	25.5	Del Mar College District		TX	Rev	Aaa/AAA/AAA	09-28	Southwest Sec	N
10-Mar	39.9	North Carolina Capital Facs Fin Auth	Meredith College	NC	Rev	---/BBB/---	09-21,31,35	Wachovia	N
10-Mar	100.9	Northern Michigan University		MI	Rev	Aaa/AAA/---	08-31,35,38	Piper Jaffray	N
10-Mar	83.0	University of North Carolina		NC	Rev	Aaa/---/---	09-24,33	Wachovia	N
10-Mar	45.0	Western Carolina University		NC	COPS	---/AAA/---	11-24,27,39	Wachovia	N
3-Mar	94.4	California Municipal Finance Auth	Biola University	CA	Rev	Baa1/---/---	18,23,28,34	Lehman Brothers	N
3-Mar	18.6	Eastern Illinois University		IL	Rev	Aaa/AAA/---	08-15	Lehman Brothers	N
3-Mar	14.7	Kansas Independent College Assoc	Ottawa University	KS	Rev	---/---/---	09-23,28,33	Edward Jones	N

Highlighted Enhanced Higher Education Issue Details & Spread Analysis

Wayne State University, MI	Maturity	Yield	+/- "AAA"
Aaa/AAA/---	2009	2.30	0.25
(Aa3/AA-/---	2010	2.44	0.22
Enhanced: FSA	2011	2.67	0.22
Pricing Date: 3/11/08	2012	2.92	0.21
\$180.7; Negotiated	2013	3.09	0.20
	2014	3.25	0.18
	2015	3.42	0.18
	2016	3.58	0.18
	2017	3.75	0.18
	2018	3.91	0.18
	2019	4.06	0.18
	2024	4.45	0.00
	2025	4.71	0.17
	2028	4.86	0.13
	2029	4.96	0.18
	2030	4.99	0.17
	2035	5.07	0.15

Highlighted Unenhanced Higher Education Issue Details & Spread Analysis

North Carolina Capital Facilities Finance Agency	Maturity	Yield	+/- "AAA"
Meredith College	2009	3.50	1.45
---/BBB/---	2010	3.67	1.48
Pricing Date: 3/10/08	2011	3.90	1.49
\$39.9; Negotiated	2012	4.14	1.48
	2013	4.32	1.49
	2014	4.50	1.50
	2015	4.67	1.50
	2016	4.83	1.50
	2017	5.00	1.50
	2018	5.10	1.44
	2019	5.25	1.44
	2020	5.37	1.42
	2021	5.49	1.42
	2031	6.17	1.40
	2035	6.25	1.41

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
17-Mar	17.9	Arizona Board of Regents	University of Arizona	AZ	Rev	---/---/---	09-18	Wachovia	N
17-Mar	34.0	California Community College		CA	COPS	---/---/---		RBC	N
17-Mar	408.0	California State University		CA	Rev	Aa3/A+/---		Lehman Brothers	N
17-Mar	103.7	Grand Valley State University		MI	Rev	---/---/---		NatCity	N
17-Mar	40.0	Massachusetts Dev Fin Agency		MA	Rev	Aa3/AA-/---		Morgan Stanley	N
17-Mar	59.8	Mass Health & Education Facilities Auth	Tufts University	MA	Rev	---/---/---	28	Lehman Brothers	N
17-Mar	39.5	Saginaw Valley State University		MI	Rev	Aaa/AAA/---		Lehman Brothers	N
19-Mar	15.0	Charles Mott Community College		MI	GO ULT	---/---/---	11-23		C

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