



## Debt & Derivative Advisors

Leaders in Higher Education Finance

# Market Update: Higher Education

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

January 21, 2008

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

Johan Rosenberg (952) 746-6030  
John Trefethen (952) 746-6040

Farah Lotia (952) 746-6171  
Cynthia Heneage (952) 746-6045

Steve Johnson (952) 746-6035  
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	2.50	2.56	3.02	2.32	2.03
5 Yr	2.78	2.82	3.45	2.67	2.36
10 Yr	3.31	3.38	4.12	3.23	2.85
20 Yr	3.99	4.33	4.70	3.67	3.17
30 Yr	4.14	4.42	5.02	3.76	3.20

### Higher Education Market News

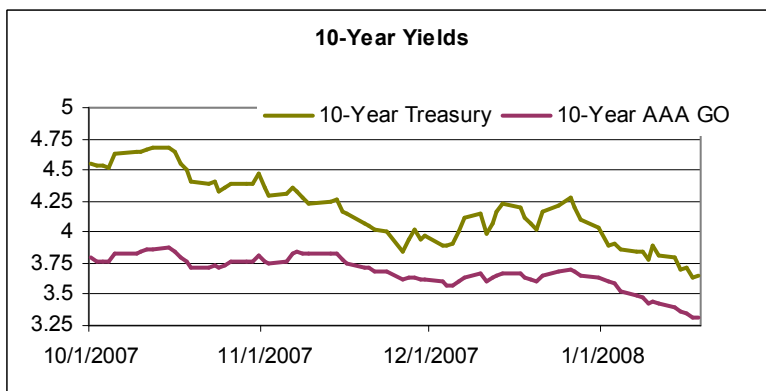
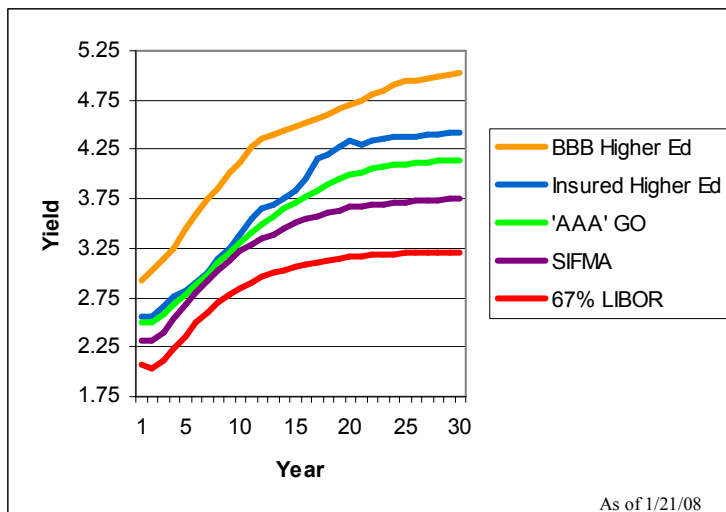
The Dow closed Friday at 12099, a 5.3% decline on the week, and an 8.8% decline from the beginning of the year. Tuesday through Thursday resulted in the **largest three-day decline in the Dow since 2002**. Declines came as Wall Street realized there is a growing possibility that the US economy is headed for a recession. While the Fed does not expect a recession, some analysts are giving it a 50-50 chance. Friday, President Bush announced a temporary tax relief plan to help stimulate the economy that would mean tax rebates for individuals and tax cuts for corporations. The news left stocks mixed on the day.

A flight to quality because of stock volatility and a poor economic outlook led the yield on the benchmark 10-year Treasury to decline 16 basis points on the week from 3.81% to 3.65%. During intra-day trading on Thursday it **touching 3.60%, the lowest since July 2003**.

Negative news continued in the bond insurance sector, as **Fitch Ratings downgraded Ambac's insurer financial strength to AA from AAA**. A decision from S&P and Moody's on the bond insurer is expected within the week. Fitch affirmed MBIA's AAA rating with a stable outlook after the company successfully raised enough capital through selling \$1Bn in subordinated debt to meet Fitch's threshold. Stock in MBIA was down 48% on the week, and **Ambac was down 71% on the week**.

On the Higher Education new issue calendar, there is a light week with \$406MM scheduled. Highlights this week include, 1) \$180MM Indiana University and 2) \$88MM University of Akron.

On the overall municipal new issue calendar, there is a light to moderate calendar for the four-day week with \$3.8Bn in visible supply. Highlights include, 1) \$1.1Bn State of Texas Department of Transportation, 2) \$240MM Camino Real Texas Transportation, and 3) \$160.5MM County of Mecklenburg, NC.



Advertisement

**MuniMarket Pulse podcast** - Listen to reaction of Ambac's downgrade from Sherman Swanson of Siebert Brandford Shank on DerivActiv MuniMarket Pulse. Go to <http://podcast.derivactiv.com>

 DerivActiv

## 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-Jan	43.1	Arizona Board of Regents		AZ	Rev	Aa3/AA/---	08-27,30,40	JP Morgan	N
7-Jan	63.6	Ball State University		IN	Rev	Aaa/AAA/---	08-27	Piper Jaffray	N
7-Jan	96.0	Monterey Peninsula College		CA	GO ULT	Aaa/AAA/---	08,15-21,34	UBS Sec	N
7-Jan	208.0	Regents of the University of CA		CA	Rev	Aa1/AA/---	11-28,33,40	Lehman Bros	N
7-Jan	36.8	Regents of the University of CA		CA	Rev	Aa1/AA/---	09-23	Lehman Bros	N

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

Ball State University, Indiana	Maturity	Yield	+/- "AAA"
Aaa/AAA/---	2008	2.91	0.11
(A1/A+/---	2009	2.96	0.12
Enhanced: FSA (2011-2027)	2010	3.01	0.11
Pricing Date: 1/7/08	2011F	2.99	0.01
\$63.6; Negotiated	2012F	3.07	0.01
	2013F	3.15	0.02
	2014F	3.23	0.02
	2015F	3.32	0.02
	2016F	3.41	0.01
	2017F	3.51	0.02
	2018F	3.61	0.04
	2019F	3.71	0.08
	2020F	3.78	0.09
	2021F	3.84	0.09
	2022F	3.91	0.10
	2023F	3.97	0.10
	2024F	4.03	0.10
	2025F	4.09	0.11
* = Discount Bond	2026F	4.15	0.12
(F) = Enhanced Maturities	2027F*	4.39	0.32

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-Jan	47.0	New Hampshire Health & Educ	(Taxable)	NH	Rev	---/---/---	28	Lehman Bros	N
21-Jan	35.2	Grayson County Junior College		TX	GO LT	---/---/---	09-29	RBC Capital	N
21-Jan	180.0	Trustees of Indiana University		IN	Rev	Aa1/AA/---		Lehman Bros	N
21-Jan	88.4	University of Akron		OH	Rev	---/---/---		Morgan Stanley	N
28-Jan	55.0	Lycoming County Authority College	Penn College of Technology	PA	Rev	---/---/---	16-22,27,37	NatCity	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.