



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	2.86	2.92	3.38	2.52	2.38
5 Yr	3.09	3.13	3.76	2.80	2.63
10 Yr	3.52	3.59	4.33	3.28	3.02
20 Yr	4.08	4.42	4.79	3.68	3.26
30 Yr	4.20	4.48	5.08	3.78	3.30

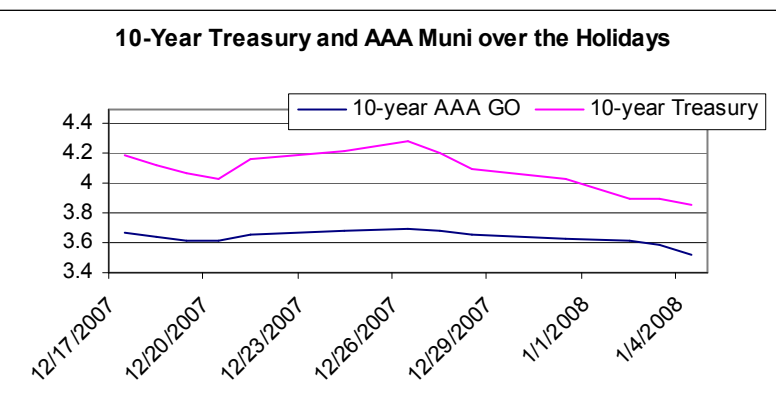
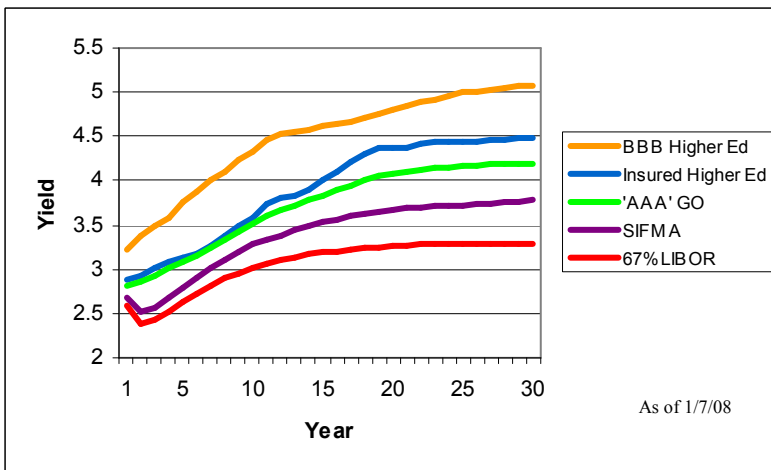
Higher Education Market News

The Dow dropped 3.5% in the first three days of trading of the new year to close at 12,800 last Friday. Weaker economic data helped trigger the drop, as Friday the unemployment rate showed a 0.3% gain over last month's number to 5%. Treasuries saw a large drop in yields on the week, as the 2-year fell 40 basis points to 2.72%, and the 10-year fell 24 basis points to 3.86%.

Muni yields also decreased last week. The 2-year AAA muni dropped 9 basis points to yield 2.86%, and the 10-year AAA muni dropped 13 basis points to yield a 3.52%. As credit problems surround many of the bond insurance companies, credit spreads on auction rate paper have increased dramatically. Many borrowers are switching out of auction rate paper and into VRDBs or fixed rate bonds as a result.

This week's new issue calendar for higher education is moderate, with \$450MM scheduled. Highlights include 1) \$308MM University of California Regents which will be issued in three separate series, 2) \$55MM Pennsylvania College of Technology, and 3) \$43.3MM Ball State University.

In the general market calendar, after several weeks of light supply, this week brings \$3Bn in new issuance. Highlights include 1) \$921MM State of Washington, 2) \$550 Empire State Development Corp, NY, and 3) \$261MM Maryland Health and Higher Educational Facilities Authority.



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MuniMarket Pulse Podcast: Listen to Mike McDaniel of Ziegler Capital Markets talk about a 'Divergence in the Marketplace,' and Insurer Effects on Auction Rate Securities. 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
10-Dec	223.6	Desert Community College District		CA	GO ULT	Aaa/AAA/---	32,37	UBS Securities	N
10-Dec	50.0	Gavilan Jt Community College District		CA	GO ULT	Aaa/AAA/---	08-32	UBS Securities	N
10-Dec	48.2	Jacksonville State Univ		MS	Rev	Aaa/AAA/AAA	34	Morgan Stanley	N
10-Dec	18.2	Kansas Dev Fin Auth	University of Kansas Law	KS	Rev	Aaa/AAA/---	09-27	Wachovia	N

Highlighted AAA Higher Education Issue Details & Spread Analysis

Gavilan CA Joint Community College District	Maturity	Yield	+/- "AAA"
Aaa/AAA/---	2008	3.03	0.06
(Aa3/AA-/---	2009	3.11	0.06
Enhanced: FSA (2012-2032)	2010	3.17	0.08
Pricing Date: 12/10/07	2011	3.22	0.08
\$50.0; Negotiated	2012	3.25	0.04
	2013	3.32	0.02
	2014	3.40	0.02
	2015	3.52	0.05
	2016	3.62	0.05
	2017	3.73	0.07
	2018	3.90	0.15
	2019	4.10	0.26
	2020	4.03	0.11
	2021	4.10	0.11
	2022	4.16	0.11
	2023	4.22	0.11
	2024	4.51	0.34
	2025	4.51	0.30
	2026	4.57	0.32
	2027	4.62	0.34
	2028	4.58	0.27
	2029	4.61	0.28
	2030	4.64	0.29
	2031	4.65	0.28
	2032	4.66	0.28

* 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
7-Jan	43.3	Ball State Univ Board of Trustees		IN	Rev	Aaa/AAA/---	08-27	Piper Jaffray	N
7-Jan	55.0	Lycoming County Authority College	Penn College of Technology	PA	Rev	---/---/---	16-22,27,37		N
7-Jan	213.0	Regents of the University of CA		CA	Rev	---/---/---	15	Lehman Bros	N
7-Jan	60.0	Regents of the University of CA		CA	Rev	---/---/---	15	Lehman Bros	N
7-Jan	35.6	Regents of the University of CA		CA	Rev	---/---/---	15	Lehman Bros	N
14-Jan	47.0	New Hampshire Health & Educ	(Taxable)	NH	Rev	---/---/---	28	Lehman Bros	N

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