



Leaders in Higher Education Finance

Debt & Derivative Advisors

Market Update: Higher Education

www.soundcapital.com

October 30th, 2007

Talk to one of our Debt and Derivative Advisors:

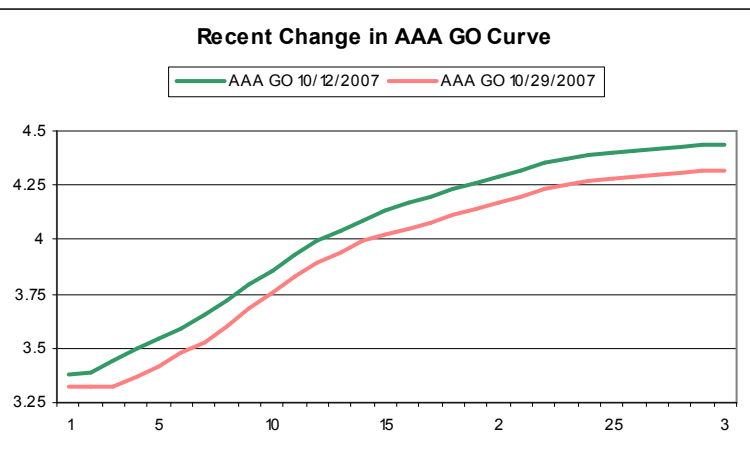
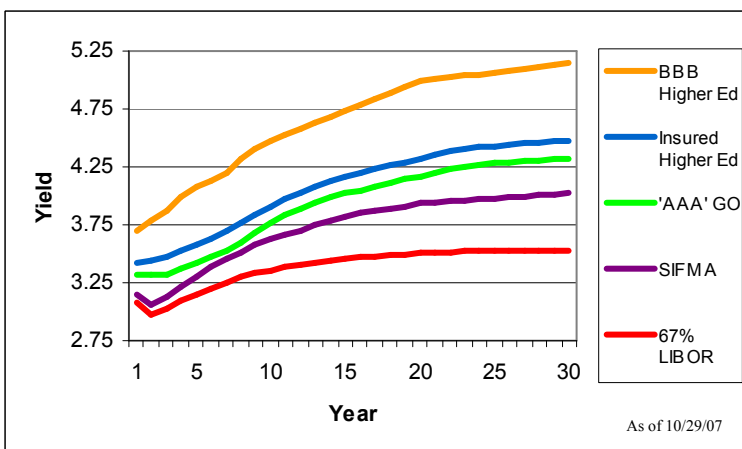
Johan Rosenberg (952) 746-6030
John Trefethen (952) 746-6040

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	3.32	3.44	4.15	3.07	2.98
5 Yr	3.42	3.58	4.35	3.31	3.15
10 Yr	3.75	3.91	4.73	3.62	3.36
20 Yr	4.17	4.32	5.10	3.94	3.51
30 Yr	4.31	4.47	5.23	4.02	3.53



Higher Education Market News

The focus of the week will be the Federal Open Market Committee's announcement of the Target Federal Funds rate on Wednesday. On September 18th, they announced a greater than expected 50-bp cut in the Fed Funds rate, from 5.25% to 4.75%. The market is showing an over 90% chance of another 25-bp cut to 4.50%. With a 25bp cut largely priced into the market, a 50-bp or no cut would not only be a surprise but would also set off a new round of volatility.

Munis have remained resilient despite headlines on the market's primary bond insurers, AMBAC and MBIA, which have both posted significant unrealized losses due to credit derivative contracts. The resiliency of the muni market is due to the strength of the underlying municipal credits. Therefore, credit spread cheapening is barely observable in the muni market. Higher AAA rates occurred mainly inside the 10-year part of the curve, while the long-end AAA rates proved to be inelastic.

In the general market, there was over \$15Bn of issuance last week, including the largest muni deal of the year: \$7Bn California revenue anticipation notes. Also, the largest tobacco deal ever priced last Monday: \$5.5Bn Ohio Buckeye Tobacco Settlement Financing Authority rated Baa3/BBB.

This week, there is a relatively light \$2.2Bn on the municipal general market calendar, including \$300MM City of Phoenix Civic Improvement Corp rated Aa3/AA-, and \$271MM Kentucky State Property and Buildings Commission revenue bonds. Keeping everything else equal, the lack of new bonds should keep munis from cheapening.

Last week in higher education, we saw a light calendar with just over **\$155MM in visible supply, including** \$38.1MM Valparaiso University and \$32.8MM Goucher College, rated A- by S&P.

This week is a moderate calendar with **\$221.6MM in visible supply** including 1) \$75M Lebanese American University rated A3/A-, 2) \$77.8MM University of Kentucky, and 3) \$36MM Loma Linda University, CA.

Advertisement



Derivative management services.
Call: 952-942-6094 or email: info@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
25-Oct	11.9	Passaic County College		NJ	GO ULT	AAA/---/---	08-19	Wachovia	C
22-Oct	71.0	Long Beach Community College	Los Angeles County	CA	GO ULT	AAA/AAA/---	26-28,32	RBC Cap	N
22-Oct	31.1	Indiana Finance Authority	Valparaiso University	IN	Rev	A2/---/---	08-17,22,33	PNC	N
16-Oct	37.0	Wayne State University		MI	Rev	---/AAA/AAA	08-37	Goldman	N
15-Oct	73.8	Cook County College District #524		IL	GO ULT	AAA/---/---	08-25	LaSalle	N
15-Oct	70.5	Maine Health & Higher Ed Fac Auth		ME	Rev	AAA/---/AAA	08-22,27	Cain Bros.	N
15-Oct	20.1	Shepherd University Board of Gov	(Wellness Center Project)	WV	Rev	AAA/---/---	08-17,22,37	Ferris Baker	N
15-Oct	34.2	University of Idaho		ID	Rev	AAA/AAA/---	41	Baum & Co.	N
15-Oct	59.5	University of Idaho		ID	Rev	AAA/AAA/---	11,41	Baum & Co.	N

Highlighted AAA Higher Education Issue Details & Spread Analysis

Wayne State University /AAA/AAA	Maturity	Yield	+/- "AAA"
MBIA Insured	2008	3.45	+0.07
(/AA-/AA-)	2009	3.48	+0.09
Pricing Date: 10/16/07	2010	3.54	+0.10
\$35.74; Negotiated	2011	3.61	+0.12
	2012	3.68	+0.14
	2013	3.74	+0.15
	2014	3.81	+0.17
	2015	3.89	+0.18
	2016	3.97	+0.19
	2017	4.04	+0.19
	2018	4.14	+0.23*
	2019	4.22	+0.25*
	2020	4.31	+0.29*
	2021	4.38	+0.31*
	2022	4.30	+0.19
	2024	4.37	+0.19
	2027	4.46	+0.19
	2034	4.70	+0.30*
	2037	4.59	+0.17

* These yields are priced to call

* 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
29-Oct	32.8	Maryland Health & Education Fac Auth	Goucher College	MD	Rev	---/A/---	19,21,24,37	Bank of America	N
29-Oct	75.0	Lebanese American University		NY	Rev	A3/A/---	17	Morgan Stanley	N
29-Oct	77.8	Kentucky Asset / Liability	University of Kentucky	KY	Rev	---/---/---	10-27	Morgan Stanley	N
29-Oct	36.0	California Municipal Finance Auth	Loma Linda University	CA	Rev	---/---/---	08-37	Wachovia	N
31-Oct	13.4	Iowa State Board of Regents	IA State Univ of Sci & Tech	IA	Rev	A1/A/---	09-28		C
7-Nov	176.1	Virginia State		VA	Rev	---/---/---	08-37		C

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.