

Deal Spotlight: Higher Education

Pacific Lutheran University Washington Higher Education Facilities Authority

\$62,160,000

Rating: AA (S&P)

Underlying Rating: BBB (S&P)

UW: Citigroup Global Markets Inc.

FA: Springsted Incorporated

Dated Date: 12/20/06

Pacific Lutheran University (the “University”) issued \$62 million of fixed rate bonds through the Washington Higher Education Facilities Authority. The University was founded in 1890 as a high school level academy by Scandinavian Lutherans. It became a four-year college in 1940 and achieved university status in 1960. The University is located on 140-acres in Tacoma, WA.

The University offers bachelors degrees in 41 majors and five graduate programs. Its liberal arts programs are anchored by a college of arts and sciences through the divisions of Humanities, Natural Sciences, and Social Sciences, and eight interdisciplinary programs. The undergraduate professional programs include Nursing, Education, Communications and Theatre, and Business. Graduate programs are offered in Nursing, Education, and Business.

The University increased its full-time equivalent (“FTE”) enrollments from 3,147 FTE students to 3,410 over the five most recent academic years. The University’s selectivity ratio for the 2006-2007 Academic Year is at 70.4% vs. the Moody’s “Baa” median of 72% and the S&P “BBB” median of 76.3%. Its yield of 44.7% is stronger than the Moody’s and S&P medians of 31% and 34.8%, respectively.

The University has a solid academic reputation and has consistently been within the top 15 Western region universities in the “Best Colleges” survey of U.S. News & World Report. Furthermore, 71 graduates have received Fulbright Scholarships since 1975. Global studies are a point of comparative strength, as more than 40% of students spend time studying abroad, across over 30 countries.

The bond proceeds will refinance almost \$34 million of outstanding debt, of which nearly \$13 million is Radian-insured. A new money component will be issued principally to finance construction, renovation, and furnishing of nine residence halls and a University Center. The bonds are a general obligation of the University backed by a security interest in unrestricted revenues. The entire campus is subject to a negative pledge.

The University, which has a BBB underlying rating from Standard & Poor’s, accessed the market at lower interest rates based on Radian’s AA rating. Attached are sample maturities with their spread to the Municipal Market Data Line (MMDL) AAA GO Index.

Maturity	2031*	2036
Coupon	5.00%	4.50%
Yield	4.17%	4.55%
Spread to MMDL High Grade (bps)	+30	+65
Spread to 4.50% Coupon MMDL High Grade (bps)	N/A	+33

* Priced to the 10-year call.

Key Contacts:

Peter Van Oort Keers, VP, Director of Education • 212 984.9208 • peter.keers@radian.biz

John DeLuca, SVP, Director of Marketing • 212 984.9222 • john.deluca@radian.biz

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