

## U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07

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Swap activity in the U.S. public finance sector slowed during the last year due to the flat, to slightly inverted yield curve that made fixed payer swaps and variable rate bonds less competitive than traditional fixed rate debt. However, the U.S. is finally moving towards a more conventional yield curve following four consecutive quarters of an inversion, in which the 10-year Treasury note yield was higher than the three-month Treasury bill, after the slope turned negative in mid-2006.

Standard & Poor's Ratings Services expects the yield curve to return to a more normal configuration in 2008. This more typical interest rate environment, combined with underlying factors supporting growth, such as strong issuer credit quality, innovation and price competition, and legislative initiatives, should contribute to increased swap activity in the latter half of 2007 through 2008.

### ***The Municipal Swap Market Is Poised For Growth***

Heading into the fifth year of strong debt derivative growth in public finance, five factors continue to support expansion in the municipal swap market.

- **Strong Credit:** Credit quality among municipal issuers remains relatively high compared to corporate issuers, even for municipal issuers that we have downgraded, or are rated at the low end of the investment-grade scale. This has allowed issuers that use swaps to hedge existing and new risks under (relatively) favorable terms.

- **Investment:** Investment banks continue to market municipal derivatives, fostering innovation and price competition. This has created many new products tailored to suit the specific needs of vastly different issuers, expanding the application of existing and new products.
- **Education:** Issuers have become more informed about derivatives. Industry groups, dealers, and rating agencies have undertaken education initiatives, greatly increasing issuers' awareness of the risks and benefits of debt derivatives. Many issuers are finding that once a governing body vets and promulgates a hedging plan, issuers can quantify and manage risks, allowing the derivative transaction to proceed.
- **Legislation:** Various state legislatures across the country have passed, or are considering legislation to allow state and local governments to use derivatives for hedging purposes. States that have enabling legislation include Texas, which recently passed a bill, Pennsylvania, Connecticut, and North Carolina.
- **Credit Enhancement:** Bond insurers continue to be very active in insuring municipal swaps, mitigating to a large degree, collateral posting and termination risks, particularly for lower rated health care and higher education credits, which are the largest users of swaps in the tax-exempt bond market.

### ***Credit Maturity Swaps Are A Mainstay***

Various tax-exempt bond issuers in all U.S. public finance sectors use swaps as a core component of risk management strategies, resulting in relatively few transactions that are likely to impair credit over the near- to intermediate-term. The majority of the swap activity during the last year was constant maturity swaps (CMS), which are floating-to-floating swaps that take advantage of a flat yield curve with the expectation of the curve returning to a normal shape. These swaps have been used to restructure existing fixed-payer swaps, or as an overlay to fixed-rate debt to achieve debt service savings.

### ***Explaining The Debt Derivative Profile***

The DDP incorporates information on municipal swaps and synthesizes those criteria into a numerical score. There are four components of the DDP overall score, but the score principally indicates an issuer's potential financial loss from debt derivatives due to collateralization of a transaction, or worse, early termination resulting from credit deterioration or economic reasons. The termination component, based on the likelihood that an issuer will have to involuntarily terminate its swap or post collateral is weighted at 35% of the overall score. Other factors we assess include specific swap management policies, also weighted at 35% of the overall score; counterparty credit risk, at 15% of the overall score, and economic viability of the structure over stressful economic cycles, at 15% of the overall score.

### ***Debt Derivative Profile status***

Our DDP scores indicate a average score of '2' on a '1' to '4' scale, with '1' indicating the lowest risk and '4' indicating the highest risks. The health care sector has the riskiest profile, with the highest number scores in the '2.5' and '3' range among all tax-exempt bond issuers at 39% of total health care DDPs. Since its inception in September 2004 through June 2007, we have completed DDPs for roughly 750 issuers, or 3.6% of Standard & Poor's-rated issuers. Most of the DDPs range between '1.5' and

'2.5', with 33% of scores at '1.5' and 44% at '2', equating to 'very low risk' and 'low risk' respectively on the credit profile.

Chart 1

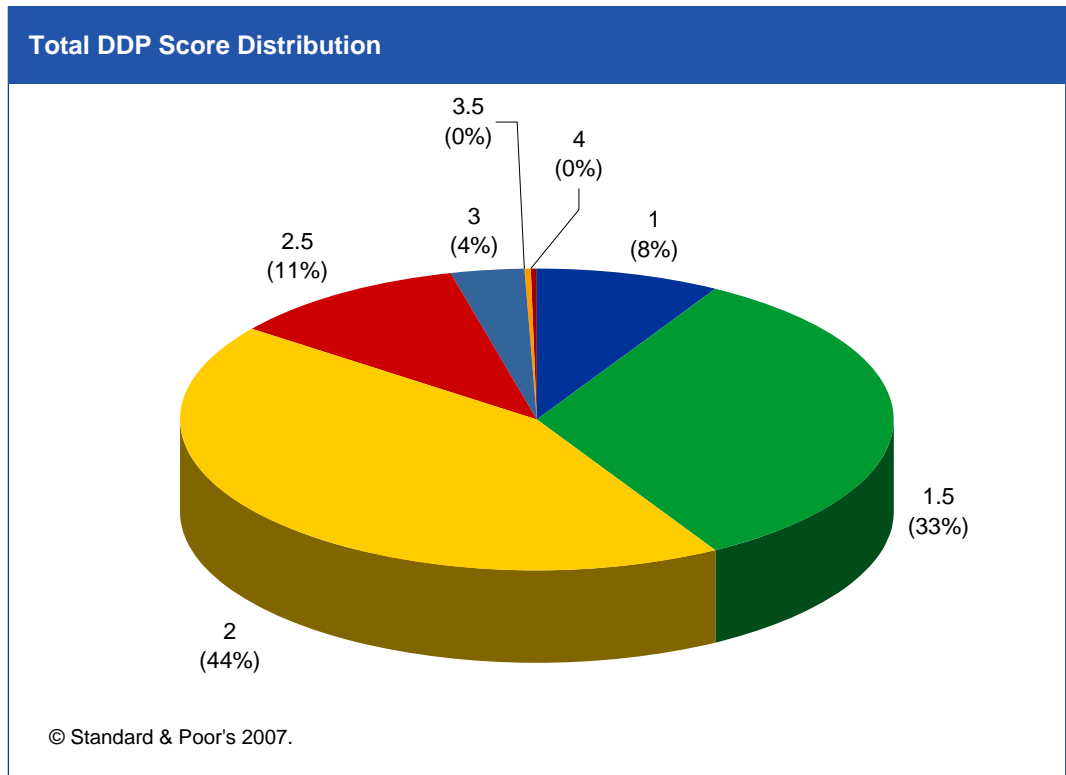
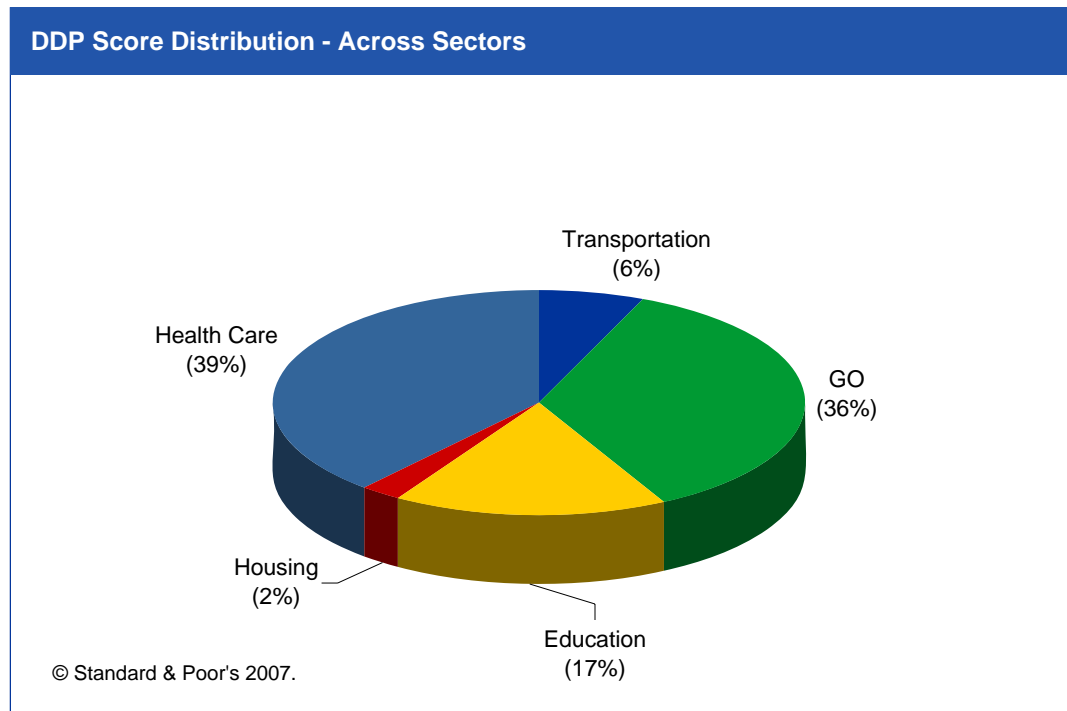


Chart 2



***Applying the DDP to public finance sectors***

Because many sectors within U.S. public finance use the DDP, Standard & Poor's has categorized credits into five major sectors: state and local government, health care, higher education and nonprofit organizations, housing, and transportation. Below are descriptions of DDP scores and trends for each sector. DDPs are not completed for swap dependent transactions, such as many housing and structured finance issues, because the rating presupposes the presence of a swap for debt service payments, and therefore inherently incorporates all swap risks.

***State And Local Government***

The state and local government sector includes municipal government entities such as states, counties, cities, and school districts. Also included are municipal utilities, such as water and sewer and public power entities. To date, Standard & Poor's has scored approximately 255 state and local government (SLG) credits, which represent 1.3% of Standard & Poor's SLG-rated universe. This statistic indicates that an overwhelming number of governmental issuers are not involved in interest rate hedging activities. This philosophy is consistent with the highly conservative and risk averse nature of state and local governments. However, the SLG sector is the second largest sector scored within the DDP universe, at 36% of all scores.

***DDP status***

The average score for DDPs in the SLG sector is a '2', with 75% of the credits scored either '1.5' or '2', translating to 'very low risk' and 'low risk' on the credit profile. Furthermore, the average number of swaps per issuer in the sector is one swap compared to an average of three in other sectors. These

statistics underscore the fact that state and local governments with hedging programs are very conservative in their approach.

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Chart 3

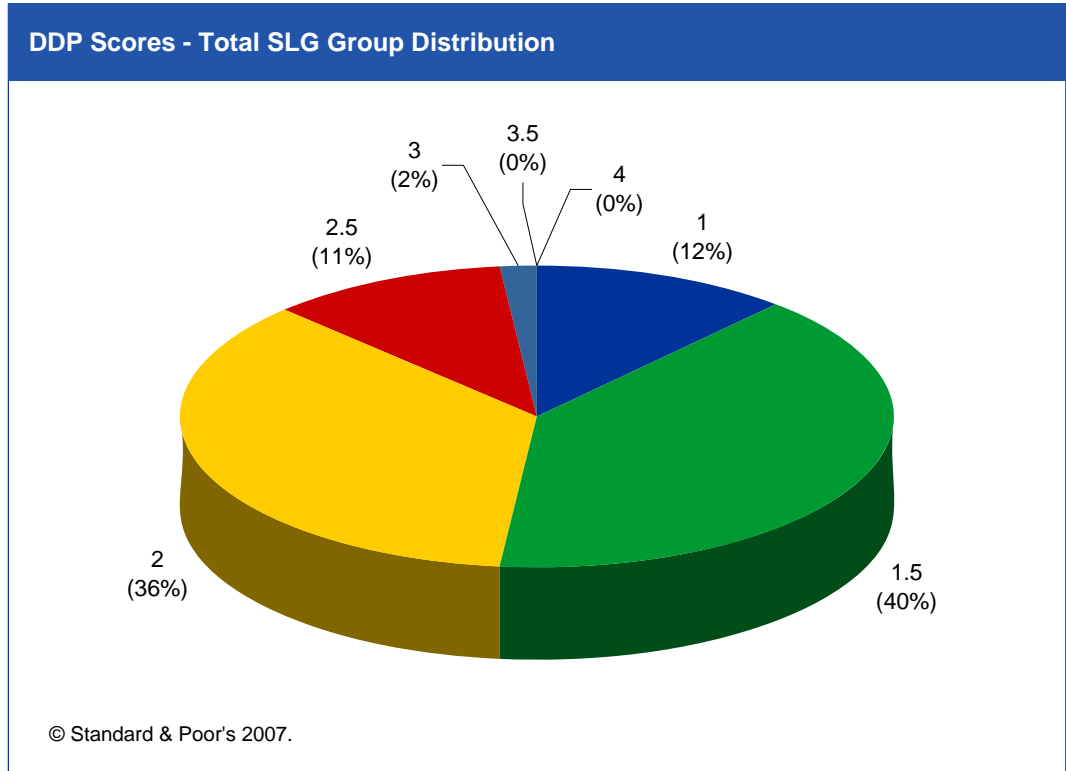


Chart 4

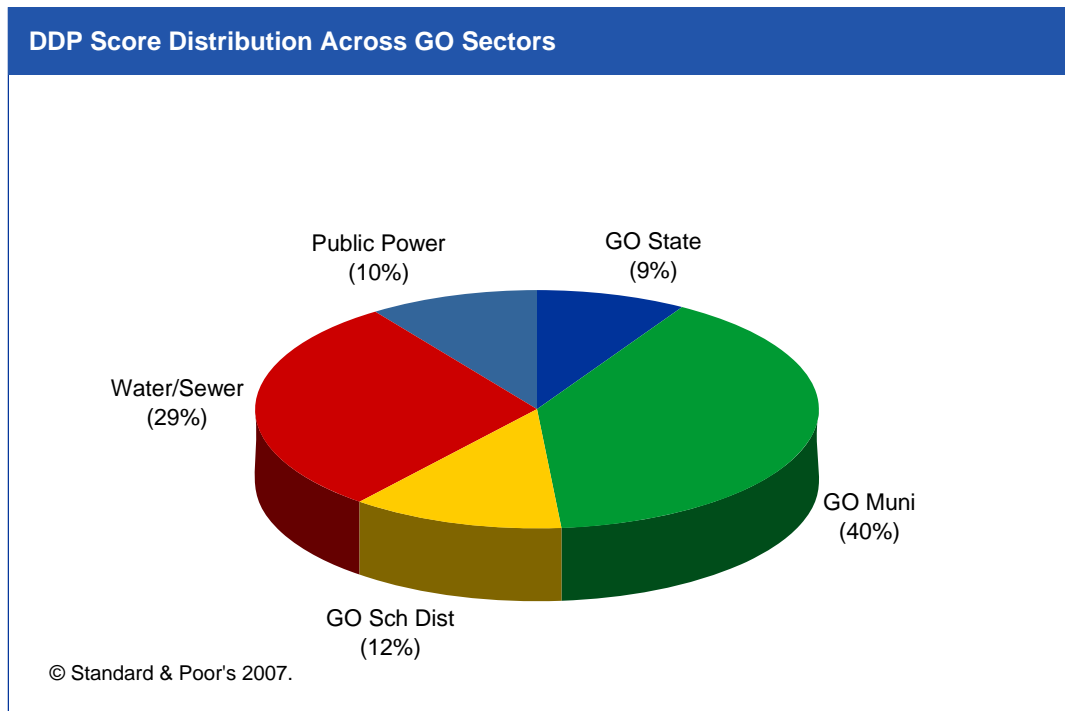


Table 1

<b>State &amp; Local Government DDP Scores</b>				
<i>Obligor</i>	<i>State</i>	<i>Sector</i>	<i>Senior Rating</i>	<i>DDP Score</i>
Alabama	AL	GO State	AA	1.5
Alabama Public School & College Authority	AL	GO Sch Dist	AA	1.5
Jefferson County	AL	GO Muni	AA	1.5
Jefferson County Sewer & Water	AL	Water/Sewer	A	3.0
Mobile County Board of School Commissioners	AL	GO Sch Dist	A	2.0
Shelby County Board of Education	AL	GO Sch Dist	A+	2.0
Phoenix	AZ	Water/Sewer	AA	2.0
Alameda County Power & Telecom	CA	Public Power	AA-	2.0
Calexico Unified School District	CA	GO Sch Dist	BBB+	2.0
California Department of Water Resources	CA	Water/Sewer	BBB+	2.0
Castaic Lake Water Agency	CA	Water/Sewer	A+	1.0
Contra Costa Transportation Authority	CA	GO Muni	AA+	1.0
East Bay Municipal Utility District	CA	Water/Sewer	AA	2.0
Eastern Municipal Water District	CA	Water/Sewer	AA-	2.0
Hemet Unified School District	CA	GO Sch Dist	A	2.0
Hillsborough	CA	Water/Sewer	AA	1.5
Huntington Park	CA	GO Muni	A-	3.0
Inland Empire Utilities Agency	CA	Water/Sewer	AA-	2.0
Irvine Ranch Water District	CA	Water/Sewer	AA	1.5
Lodi Electric	CA	Public Power	BBB+	2.5

**U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07**

Table 1

<b>State &amp; Local Government DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Los Angeles	CA	GO Muni	AA	1.5
Los Angeles	CA	Water/Sewer	AA-	2.0
Los Angeles County Metropolitan Transportation Authority	CA	GO Muni	AA	1.5
Los Medanos	CA	GO Muni	A-	2.0
Manteca Redevelopment Agency	CA	GO Muni	A-	2.0
Menlo Park Community Development Agency	CA	GO Muni	BBB+	2.0
Modesto	CA	GO Muni	A	1.5
Modesto	CA	Water/Sewer	A+	1.5
Oakland California	CA	GO Muni	A+	2.0
Oakland Joint Powers Financing Authority	CA	Public Power	A+	
Orange County Sanitation District	CA	Water/Sewer	AA	1.0
Orange County Water District	CA	Water/Sewer	AA+	2.5
Oxnard Financing Authority	CA	GO Muni	A+	1.5
Pacifica	CA	GO Muni	A	2.0
Pasadena	CA	GO Muni	AA+	2.0
Pasadena Light & Power Dept.	CA	Public Power	A+	2.0
Peralta Community College District	CA	GO Sch Dist	AA-	2.0
Pittsburg Public Financing Authority	CA	Water/Sewer	A-	2.0
Pittsburg Redevelopment Agency	CA	GO Muni	A	2.0
Rancho California Water District Financing Authority	CA	Water/Sewer	AA-	1.5
Richmond	CA	GO Muni	BBB	1.5
Richmond	CA	Water/Sewer	BBB	2.0
Riverside	CA	GO Muni	AA	2.0
Riverside	CA	Public Power	A+	1.5
Riverside	CA	Water/Sewer	AA	2.0
Riverside County	CA	GO Muni	AA-	1.5
Roseville	CA	Public Power	A+	1.5
Sacramento City Financing Authority	CA	GO Muni	AA-	2.0
Sacramento County	CA	GO Muni	AA	2.0
Sacramento County Sanitation District Financing Authority	CA	Water/Sewer	AA	1.5
Sacramento County Water Financing Authority	CA	Water/Sewer	A+	1.0
Sacramento Regional County Sanitation District	CA	Water/Sewer	AA	1.5
Sacramento Suburban Water District	CA	Water/Sewer	A	2.0
Sacramento Transportation Authority	CA	GO Muni	AA+	1.5
San Bernardino County	CA	GO Muni	A	2.0
San Diego County	CA	GO Muni	AA	1.5
San Diego County Regional Transportation Commission	CA	GO Muni	AA	2.0
San Dieguito Public Facilities Authority	CA	GO Muni	A	2.5
San Pablo Redevelopment Agency	CA	GO Muni	A-	1.5
Santa Clara County Financing Authority	CA	GO Muni	AA+	2.0
Santa Clara Valley Transportation Authority	CA	GO Muni	AA	2.0

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<b>State &amp; Local Government DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
South Placer Wastewater Authority	CA	Water/Sewer	A-	2.5
Southern California Metropolitan Water District	CA	Water/Sewer	AA	1.5
Southern California Public Power Authority	CA	Public Power	A+	1.5
Val Verde Unified School District	CA	GO Sch Dist	BBB+	1.5
Vernon	CA	Public Power	BBB+	2.0
West Basin Municipal Water District	CA	Water/Sewer	AA-	2.5
Aurora	CO	GO Muni	AA	1.5
Colorado Springs	CO	Water/Sewer	AA	1.5
Denver City & County School District No. 1	CO	GO Sch Dist	A+	2.0
El Paso County School District No. 11 Colorado Springs	CO	GO Sch Dist	AA-	2.0
Platte River Power Authority Colorado Utility Wholesale Electric	CO	Public Power	AA-	1.5
Platte River Power Authority Colorado Utility Wholesale Electric JAA	CO	Public Power	AA	1.0
Regional Transportation District	CO	GO Muni	A	2.0
Southern UTE Indian Tribe	CO	GO Muni	AAA	2.0
Connecticut	CT	GO State	AA	1.5
Connecticut Clean Water Fund	CT	Water/Sewer	AAA	2.0
Connecticut Gas	CT	GO State	AA	1.5
Granby	CT	GO Muni	AA	1.0
New Britain	CT	GO Muni	A	1.0
District of Columbia	DC	GO Muni	A	1.0
Delaware Valley Regional Authority	DE	GO Muni	AA-	2.0
Charlotte County Utility	FL	Water/Sewer	A-	2.0
Fort Myers	FL	Water/Sewer	A	2.5
Gainesville Regional Utilities	FL	Water/Sewer	AA	1.5
Hillsborough County School District	FL	GO Sch Dist	AA-	1.5
Jacksonville Electric Authority	FL	Public Power	AA-	2.0
Jacksonville Electric Authority Water/Sewer	FL	Water/Sewer	AA-	1.0
Lakeland Electric	FL	Public Power	AA-	2.0
Miami	FL	GO Muni	A+	1.5
Miami-Dade County	FL	Water/Sewer	A+	1.5
Orange County School Board	FL	GO Sch Dist	AA	1.0
Orlando Utilities Commission	FL	Public Power	AA	1.0
Palm Beach County School Board	FL	GO Sch Dist	AA	1.5
Tampa Bay	FL	Water/Sewer	A+	1.0
Tohopekaliga Water Authority	FL	Water/Sewer	A+	1.5
Volusia County School District	FL	GO Sch Dist	A+	2.0
West Palm Beach	FL	Water/Sewer	AA-	1.5
Augusta	GA	Water/Sewer	A+	2.5
Cherokee County Water & Sewer Authority	GA	Water/Sewer	AA-	1.5
Columbia County	GA	GO Muni	AA	2.5
Columbia County Sewer	GA	Water/Sewer	AA-	2.5

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<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Columbia County Water	GA	Water/Sewer	AA-	2.0
Gwinnett County	GA	GO Muni	AAA	1.5
Chicago	IL	GO Muni	AA-	1.5
Chicago Board of Education	IL	GO Sch Dist	A+	2.0
Chicago Sales Tax	IL	GO Muni	AAA	1.5
Chicago Sewer	IL	Water/Sewer	A	2.0
Chicago Water	IL	Water/Sewer	A+	1.5
Cook County	IL	GO Muni	AA	1.5
Illinois	IL	GO State	AA	1.5
Illinois Regional Transportation Authority	IL	GO Muni	AA+	1.0
Lake County Forest Preserve District	IL	GO Muni	AAA	1.5
Lake County Township High Sch Dist #121	IL	GO Sch Dist	A-	2.0
Metropolitan Water Reclamation District of Greater Chicago	IL	Water/Sewer	AA+	1.5
Rosemont	IL	GO Muni	A-	2.5
St. Clair County	IL	GO Muni	A+	1.5
Indiana Finance Authority	IN	GO Muni	A+	1.5
Indianapolis	IN	GO Muni	AAA	2.0
Indianapolis Local Public Improvement Bond Bank	IN	GO Muni	AA	1.5
Indianapolis Water Company	IN	Water/Sewer	AA+	2.0
Marion County Convention & Recreation Facilities Authority	IN	GO Muni	A+	1.5
Kansas Department of Transportation	KS	GO Muni	AA+	1.5
Kentucky	KY	GO State	AA-	1.5
Louisville & Jefferson County Metropolitan Sewer District	KY	Water/Sewer	A	2.0
East Baton Rouge Parish	LA	GO Muni	AA	1.5
East Baton Rouge Sewerage Commission	LA	Water/Sewer	A+	1.5
Louisiana	LA	GO State	A	1.5
Shreveport Louisiana	LA	GO Muni	A+	2.5
Massachusetts	MA	GO State	AA	1.5
Massachusetts Bay Transportation Authority	MA	GO Muni	AAA	2.0
Massachusetts Gas	MA	GO State	AA+	1.5
Massachusetts Water Resources Authority	MA	Water/Sewer	AA	2.0
Baltimore	MD	GO Muni	A+	1.5
Baltimore WasteWater	MD	Water/Sewer	A+	2.0
Baltimore Water/Sewer	MD	Water/Sewer	A+	2.5
Maryland (Stadium Authority)	MD	GO State	AA+	2.0
Portland	ME	GO Muni	AA	2.5
Detroit Retirement Systems Funding Trust	MI	GO Muni	BBB-	1.5
Detroit Sewer	MI	Water/Sewer	A	1.5
Detroit Water	MI	Water/Sewer	A	1.5
Grand Rapids	MI	Water/Sewer	AA-	2.0
Holt Public Schools	MI	GO Sch Dist	A	1.5

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<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Lakeview School District	MI	GO Sch Dist	A	2.0
Southern Minnesota Municipal Power Agency	MN	Public Power	A+	2.0
St. Paul Minnesota	MN	GO Muni	A+	1.0
Bi-State Development Agency	MO	GO Muni	AA-	1.5
Kansas City	MO	Water/Sewer	AA-	1.5
Kansas City	MO	GO Muni	AA	1.5
Kansas City Municipal Assistance Corporation	MO	GO Muni	AA-	3.0
Missouri Highway & Transportation Commission	MO	GO Muni	AA+	1.5
Mississippi	MS	GO State	AA	1.0
Mississippi Development Bank Dept. of Corrections	MS	GO Muni	A	2.0
Mississippi Development Bank DeSoto County	MS	GO Muni	A	2.5
Buncombe County Metropolitan Sewerage District	NC	Water/Sewer	AA	1.5
Charlotte	NC	GO Muni	AAA	1.5
Charlotte Water & Sewer	NC	Water/Sewer	AAA	1.0
Concord Utility	NC	Public Power	A+	2.5
Dare County	NC	GO Muni	A+	2.0
Durham	NC	GO Muni	AAA	1.5
Greensboro	NC	GO Muni	AAA	1.5
Greensboro	NC	Water/Sewer	AA+	1.5
Guilford County	NC	GO Muni	AAA	2.0
Iredell County	NC	GO Muni	AA-	2.5
Mecklenburg County	NC	GO Muni	AAA	1.5
North Carolina	NC	GO State	AAA	1.0
North Carolina Eastern Municipal Power Agency	NC	Public Power	BBB+	1.5
Raleigh	NC	GO Muni	AAA	1.5
Raleigh Water/Sewer	NC	Water/Sewer	AAA	1.0
Union County	NC	GO Muni	AA	1.0
Union County Water/Sewer	NC	Water/Sewer	A	1.5
Wake County	NC	GO Muni	AAA	1.0
Wilmington	NC	GO Muni	AA	1.0
Winston-Salem	NC	Water/Sewer	AAA	1.5
Omaha	NE	GO Muni	AA	2.0
New Jersey	NJ	GO State	AA-	1.5
New Mexico	NM	GO State	AA-	2.0
New Mexico Finance Authority	NM	GO Muni	AAA	2.0
Reno	NV	GO Muni	A-	2.5
Buffalo Municipal Water Finance Authority	NY	Water/Sewer	BBB+	2.0
Erie County Water Authority Water/Sewer	NY	Water/Sewer	BBB+	2.0
Long Island Power Authority	NY	Public Power	A-	1.5
Nassau County	NY	GO Muni	A	1.5
Nassau County Interim Finance Authority	NY	GO Muni	AA	2.0

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New York City	NY	GO Muni	A	1.5
New York City Municipal Water Finance Authority	NY	Water/Sewer	AA+	1.0
New York State	NY	GO State	AA-	1.5
New York State	NY	GO State	AA-	1.5
New York State	NY	GO State	AA	1.5
New York State Power Authority	NY	Public Power	AA-	2.5
New York State Urban Development Corporation	NY	GO State	AA-	1.5
Cleveland	OH	GO Muni	A	2.5
Cleveland Public Power	OH	Public Power	A-	2.0
Cleveland Water Sewer	OH	Water/Sewer	AA-	2.5
Ohio	OH	GO State	AA+	1.0
Ohio Water Development Authority	OH	Water/Sewer	AAA	1.0
Eugene Water & Electric Board	OR	Water/Sewer	AA-	1.5
Allegheny County	PA	GO Muni	A	2.0
Bucks County	PA	GO Muni	AA	2.5
Bucks County Water & Sewer Authority (Neshaminy)	PA	Water/Sewer	A+	1.0
Bucks County Water & Sewer Authority (System)	PA	Water/Sewer	A	1.0
Dauphin County	PA	GO Muni	AA	2.0
Governor Mifflin School District	PA	GO Sch Dist	A+	2.0
Loyalsock Township School District	PA	GO Sch Dist	A	2.0
Montgomery Township Municipal Sewer Authority	PA	Water/Sewer	AA	3.0
North Allegheny School District	PA	GO Sch Dist	AA-	2.5
North Hills School District	PA	GO Sch Dist	AA-	2.0
North Wales Water Authority	PA	Water/Sewer	AA-	
Pennsylvania Convention Center Authority	PA	GO State	BBB	2.0
Pennsylvania Intergovernmental Cooperation Authority	PA	GO State	A+	1.5
Philadelphia	PA	GO Muni	BBB	2.0
Philadelphia Gas	PA	GO Muni	BBB-	2.0
Philadelphia Water & Sewer	PA	Water/Sewer	AA-	1.5
Pittsburgh Water & Sewer Authority	PA	Water/Sewer		1.5
Shaler Area School District	PA	GO Sch Dist	A	2.0
Spring Grove Area School District	PA	GO Sch Dist	A	2.0
Wallingford-Swarthmore School District	PA	GO Sch Dist	AA-	2.5
Washington County	PA	GO Muni	A	2.0
West Jefferson Hills School District	PA	GO Sch Dist	A	2.0
Westmoreland County	PA	GO Muni	A+	2.0
York County	PA	GO Muni	AA-	1.5
Commonwealth of Puerto Rico	PR	GO State	BBB	2.0
Berkeley County Water/Sewer	SC	Water/Sewer	A+	1.5
Charleston	SC	Water/Sewer	AA	1.5
Easley Combined Utility	SC	Water/Sewer	A-	2.5

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<b>State &amp; Local Government DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Grand Strand Water & Sewer Authority	SC	Water/Sewer	A+	2.0
North Charleston	SC	GO Muni	AA-	1.5
Chattanooga	TN	GO Muni	AA	2.0
Jackson Energy Authority	TN	Public Power	A	1.5
Knox County	TN	GO Muni	AA	2.0
Knoxville	TN	GO Muni	AA	1.5
Sevierville Public Building Authority	TN	GO Muni	A	2.0
Shelby County	TN	GO Muni	AA+	1.5
Arlington	TX	GO Muni	A	1.0
Austin	TX	GO Muni	BBB+	2.0
Brownsville	TX	Public Power	A	1.5
Dallas County Utility & Reclamation District	TX	Water/Sewer	BBB	2.5
Denton Independent School District	TX	GO Sch Dist	AA	1.5
Garland	TX	GO Muni	AA	2.0
Houston	TX	GO Muni	AA-	1.0
Katy Independent School District	TX	GO Sch Dist	AA-	2.0
Lubbock Independent School District	TX	GO Sch Dist	AA	1.5
Mesquite Independent School District	TX	GO Sch Dist	AA	1.5
Rockwall Independent School District	TX	GO Sch Dist	A+	1.5
San Antonio	TX	Water/Sewer	AA-	1.5
Texas Transportation Commission	TX	GO Muni	AA	1.0
Intermountain Power Agency	UT	Public Power	A+	2.0
Jordan Valley Water Conservancy District	UT	Water/Sewer	AA-	2.5
Newport News Moral Obligation	VA	GO Muni	AA	1.0
Norfolk	VA	GO Muni	AA	2.5
Chelan County Public Utility District No. 1	WA	Public Power	AA	1.5
Clark County Public Utility District No. 1	WA	Public Power	A	2.0
Snohomish County Public Utility District No. 1	WA	Public Power	AA-	2.0
Spokane Public Facilities District	WA	GO Muni	A+	2.5
Milwaukee Public Schools	WI	GO Sch Dist	A+	2.0
Wisconsin Appropriation	WI	GO State	A+	1.5
Wisconsin Public Power Inc.	WI	Public Power	A	1.5

### **Health Care**

The U.S. not-for-profit health care sector has seen an increase in capital spending in response to changes in technology and patient care delivery during the past several years. It has also experienced competitive pressures shaped by the increasing consumer choices of perceptive patients. These factors have led to an increased use of derivatives to minimize risk.

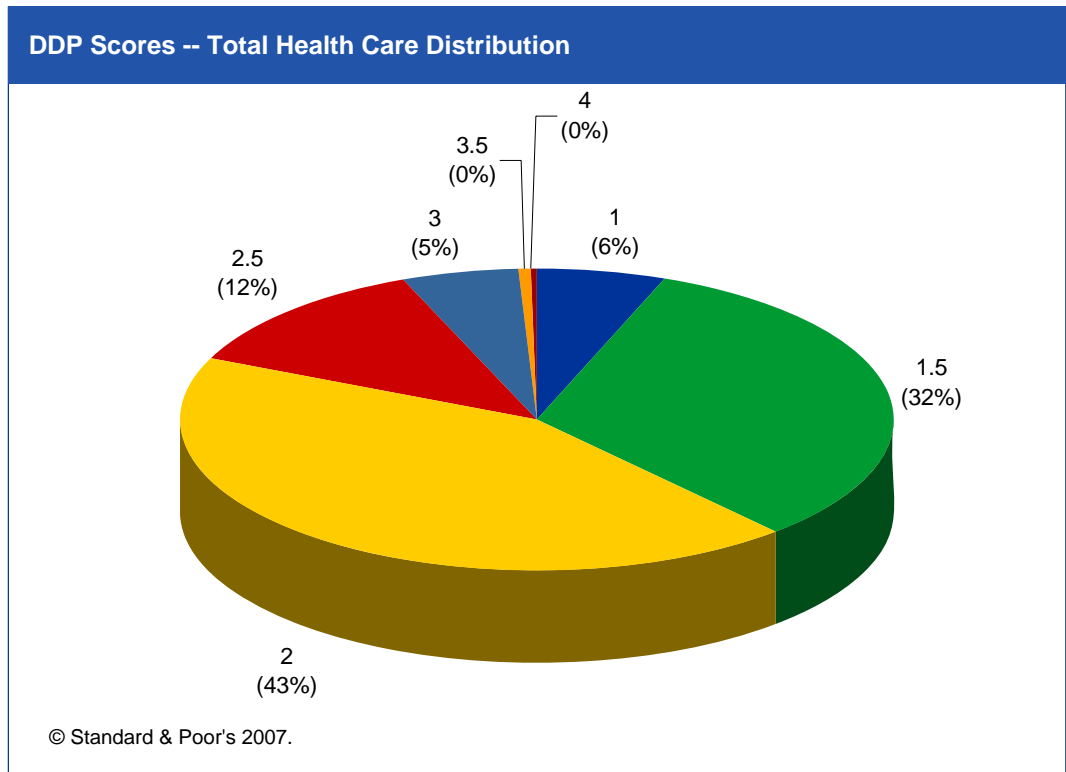
**DDP status**

Since the DDP's inception in September 2004, we have completed debt derivative profiles for 275 not-for-profit health care providers, or 14% of Standard & Poor's-rated health care issuers. Health care DDPs represent the highest proportion of rated credits, with 39% of all DDPs completed within public finance, yet health care ratings represent only 10% of public finance ratings, indicating health care credits' frequent use of derivatives as a risk management tool. Most of the DDP's in the health care sector range between '1.5' and '2.5', with 32% of scores a '1.5' and 43% a '2', equating to 'very low risk' and 'low risk' on the credit profile, compared to 33% of the scores a '1.5' and 44% a '2' across public finance.

Typically, Standard & Poor's attributes the higher scores in health care to higher likelihood of collateralization and termination due to the volatility of ratings within the sector because health care credits are more likely to be downgraded based on credit and economic factors. However, the average overall score for health care credits is a '2', which is consistent with other sectors in public finance. Health care's consistency in DDP overall scores is directly related to the effective risk mitigation tools of swap insurance, formal swap management policies, and third-party advisory services, all of which health care issuers use frequently. Without these tools, overall DDP scores for health care providers would be higher than those in other sectors.

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Chart 5



**U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07**

Table 2

<b>Health Care — DDP Scores</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Greater Fairbanks Community Hospital Foundation	AK	Acute Care	A	1.0
Children's Hospital of Alabama	AL	Acute Care	A	2.5
DCH Health Care Authority	AL	Acute Care	A+	3.0
East Alabama Medical Center; Health Care, Hospital	AL	Acute Care	A	2.0
Health Care Authority for Baptist Health	AL	Acute Care	BBB+	2.0
Baptist Health	AR	Acute Care	A+	2.5
Banner Health System	AZ	Acute Care	AA-	1.5
Scottsdale Healthcare	AZ	Acute Care	BBB+	1.0
Yuma Regional Medical Center	AZ	Acute Care	A	2.5
Adventist Health System West California	CA	Acute Care	A	2.0
Air Force Village West Inc.	CA	Life Care	BBB-	2.0
American Baptist Homes of the West	CA	Life Care	BBB-	1.5
Antelope Valley Healthcare District	CA	Acute Care	BBB-	
Catholic Healthcare West	CA	Acute Care	A	1.5
Children's Hospital & Research Center Oakland	CA	Acute Care	A	1.5
Children's Hospital of Los Angeles	CA	Acute Care	BBB+	2.5
City Of Hope National Medical Center	CA	Acute Care	A-	1.5
Community Hospital of the Monterey Peninsula	CA	Acute Care	A	2.0
Emanuel Medical Center	CA	Acute Care	BBB+	2.0
Episcopal Homes Foundation	CA	Life Care	BBB+	2.0
Eskaton Properties Inc.	CA	Life Care	BBB	1.0
Fremont Rideout Health Group	CA	Acute Care	A+	2.0
Front Porch	CA	Life Care	BBB	2.5
Hoag Memorial Hospital Presbyterian	CA	Acute Care	AA	1.5
Lucile Salter Packard Children's Hospital	CA	Acute Care	AA	2.0
Memorial Health Services	CA	Acute Care	A+	1.0
Presbyterian Intercommunity Hospital	CA	Acute Care	A+	1.0
Redlands Community Hospital	CA	Acute Care	BBB	1.5
Scripps Health	CA	Acute Care	A+	1.5
Sharp Healthcare	CA	Acute Care	BBB+	1.5
Southern California Presbyterian Homes	CA	Life Care	BBB+	2.5
St. Joseph Health System	CA	Acute Care	AA-	2.0
Stanford Hospital & Clinics	CA	Acute Care	A	2.0
Sutter Health System	CA	Acute Care	AA-	1.0
Boulder Community Hospital	CO	Acute Care	A	1.5
Catholic Health Initiatives	CO	Acute Care	AA	1.5
Denver Health and Hospital Authority	CO	Acute Care	BBB	N/A
Memorial Hospital Of Colorado Springs	CO	Acute Care	A-	2.0
North Colorado Medical Center	CO	Acute Care	A+	1.5
Poudre Valley Health System	CO	Acute Care	BBB+	1.5
Eastern Connecticut Health Network Obligated Group	CT	Acute Care	BBB	2.5

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Eastern Connecticut Health Network, Inc.	CT	Acute Care	BBB+	2.0
William W. Backus Hospital	CT	Acute Care	A+	1.5
Adventist Health System Sunbelt Obligated Group	FL	Acute Care	A+	1.5
Baptist Health System Inc. of Jacksonville	FL	Acute Care	A+	1.5
Boca Rotan Community Hosp Corp Obligated Group	FL	Acute Care	A	2.5
Flagler Hospital	FL	Acute Care	A-	2.5
Leesburg Regional Medical Center	FL	Acute Care	BBB+	3.0
Mid-Florida Medical Services	FL	Acute Care	BBB	3.0
North Broward Hospital District	FL	Acute Care	A-	2.0
Orlando Regional Healthcare System	FL	Acute Care	A	2.0
Parrish Medical Center	FL	Acute Care	A	2.5
University Community Hospital Inc.	FL	Acute Care	BBB	2.0
Children's Healthcare of Atlanta	GA	Acute Care	AA	2.0
Medical Center of Central Georgia	GA	Acute Care	AA	2.0
Memorial Health University Medical Center Inc.	GA	Acute Care	BBB+	2.0
Northeast Georgia Health System	GA	Acute Care	A-	1.5
Phoebe Putney Memorial Hospital	GA	Acute Care	AA-	1.5
Piedmont Hospital	GA	Acute Care	AA	2.0
Southeast Georgia Health System	GA	Acute Care	A	1.5
University Health Inc.	GA	Acute Care	A+	2.0
WellStar Health System	GA	Acute Care	AA-	1.5
Hawaii Pacific Health	HI	Acute Care	BBB+	3.0
Queen's Health System	HI	Acute Care	A+	2.0
Advocate Health Care Network	IL	Acute Care	AA	1.5
Carle Foundation	IL	Acute Care	AA-	2.0
Centegra Health System	IL	Acute Care	A-	2.0
Central DuPage Health	IL	Acute Care	AA	2.0
Covenant Retirement Communities Inc.	IL	Life Care	N/A	N/A
Delnor Community Hospital	IL	Acute Care	A	2.0
Edward Hospital and Health Services Corp.	IL	Acute Care	A+	2.0
Kishwaukee Health System	IL	Acute Care	A-	2.0
Morris Hospital	IL	Acute Care	BBB+	2.0
Northwest Community Hospital	IL	Acute Care	AA	1.5
Provena Health System	IL	Acute Care	A-	2.0
Riverside Health System & Obligated Affiliates	IL	Acute Care	A	2.0
Rush University Medical Center Obligated Group	IL	Acute Care	A-	1.5
Sherman Hospital	IL	Acute Care	A+	2.0
Silver Cross Hospital	IL	Acute Care	A-	2.5
Swedish Covenant Hospital	IL	Acute Care	BBB+	2.5
Bloomington Hospital	IN	Acute Care	A	1.5
Clarian Health Partners	IN	Acute Care	A+	2.0

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Deaconess Hospital Obligated Group	IN	Acute Care	A+	1.5
Floyd Memorial Hospital & Health Services	IN	Acute Care	A	1.5
Memorial Health System	IN	Acute Care	AA-	1.5
Parkview Health System Obligated Group	IN	Acute Care	A+	N/A
Reid Hospital and Health Care Services	IN	Acute Care	AA-	1.5
Catholic Care Center Inc.	KS	Acute Care	A	2.0
Olathe Medical Center Inc.	KS	Acute Care	A+	2.0
Riverside Village Inc.	KS	Acute Care	A	N/A
Sisters of Charity of Leavenworth Health System	KS	Acute Care	AA	1.5
Via Christi Health System	KS	Acute Care	A+	1.5
Christian Care Communities	KY	Life Care	BBB	2.0
King's Daughters Medical Center	KY	Acute Care	A+	2.5
Norton Healthcare	KY	Acute Care	A-	2.0
St. Elizabeth Medical Center	KY	Acute Care	A+	2.5
Franciscan Missionaries of Our Lady Health System Inc.	LA	Acute Care	A+	2.0
Glen Retirement System	LA	Life Care	BBB	2.5
Glenwood Regional Medical Center	LA	Acute Care	BBB	3.0
Baystate Health System Inc.	MA	Acute Care	A+	1.5
Berkshire Health Systems	MA	Acute Care	BBB+	1.5
Cape Cod Healthcare Obligated Group	MA	Acute Care	BBB	2.5
CareGroup Obligated Group	MA	Acute Care	BBB	1.0
Carleton Willard Village	MA	Life Care	A-	2.0
Children's Hospital of Boston	MA	Acute Care	AA	1.5
DanA-Farber Cancer Institute	MA	Acute Care	A	2.0
Jordan Hospital	MA	Acute Care	BB+	4.0
Northern Berkshire Healthcare Inc.	MA	Acute Care	BB-	2.0
Partners HealthCare System Inc.	MA	Acute Care	AA	1.5
Anne Arundel Health System	MD	Acute Care	A	N/A
Asbury Methodist Village Inc. & Asbury-Solomons Inc.	MD	Acute Care	BB	N/A
Bon Secours Health System Inc.	MD	Acute Care	A-	N/A
Greater Baltimore Medical Center	MD	Acute Care	A+	2.0
MedStar Health Inc.	MD	Acute Care	BBB+	2.0
Mercy Medical Center	MD	Acute Care	A-	2.0
Oak Crest Village Inc.	MD	Life Care	BBB+	2.0
Peninsula Regional Medical Center	MD	Acute Care	A	2.0
Pickersgill Inc.	MD	Life Care	A-	2.0
Sheppard Pratt Health System	MD	Acute Care	A-	1.5
Suburban Hospital	MD	Acute Care	A	3.0
University of Maryland Medical System	MD	Acute Care	A	2.0
Crittenton Hospital Medical Center	MI	Acute Care	A+	2.0
Henry Ford Health System	MI	Acute Care	A	1.5

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Oaklawn Hospital	MI	Acute Care	BBB-	2.0
Porter Hills Presbyterian Village	MI	Life Care	BBB+	2.0
Spectrum Health	MI	Acute Care	AA	1.5
Trinity Health	MI	Acute Care	AA-	1.0
University of Michigan Hospitals	MI	Acute Care	AA+	2.0
William Beaumont Hospital	MI	Acute Care	AA-	1.5
Benedictine Health System-St. Mary's Duluth Clinic Health System	MN	Acute Care	A-	2.0
Children's Hospitals & Clinics of Minnesota	MN	Acute Care	A+	2.0
Fairview Health Services	MN	Acute Care		N/A
Park Nicollet Health Services	MN	Acute Care	A	2.0
Ascension Health	MO	Acute Care	AA	1.5
BJC HealthCare	MO	Acute Care	AA	1.5
Children's Mercy Hospital	MO	Acute Care	A+	2.0
Sisters of Mercy Health System Inc.	MO	Acute Care	AA	1.5
SSM Health Care	MO	Acute Care	AA-	1.5
St. Anthony's Medical Center	MO	Acute Care	A+	1.5
Mississippi Baptist Health Systems Inc.	MS	Acute Care	N/A	N/A
North Mississippi Health Services	MS	Acute Care	AA	2.0
Cape Fear Valley Health System	NC	Acute Care	A-	2.0
Carol Woods Retirement Community	NC	Life Care	A	2.5
Charlotte Mecklenburg Hospital Authority	NC	Acute Care	AA	1.0
Duke University Health System	NC	Acute Care	AA	1.0
FirstHealth of the Carolinas	NC	Acute Care	AA	1.5
Moses H. Cone Memorial Hospital	NC	Acute Care	AA	1.5
New Hanover Regional Medical Center	NC	Acute Care	A+	2.0
North Carolina Baptist Hospital	NC	Acute Care	AA-	2.0
NorthEast Medical Center	NC	Acute Care	AA	N/A
University Health Systems of Eastern Carolina Inc.	NC	Acute Care	A+	2.0
University of North Carolina Hospitals at Chapel Hill	NC	Acute Care	AA-	2.0
Trinity Health	ND	Acute Care	BBB+	2.5
Regional West Medical Center	NE	Acute Care	A-	3.0
Catholic Medical Center	NH	Acute Care	BBB+	3.0
Dartmouth-Hitchcock Obligated Group	NH	Acute Care	A+	2.0
Exeter Hospital	NH	Acute Care	A+	2.5
Monadnock Community Hospital	NH	Acute Care	BBB-	1.5
Southern New Hampshire Medical Center	NH	Acute Care	A-	2.5
Atlantic Health System	NJ	Acute Care	A+	1.5
AtlantiCare Regional Medical Center	NJ	Acute Care	A	1.5
Fellowship Village Inc.	NJ	Life Care	BBB-	2.0
Hunterdon Medical Center	NJ	Acute Care	A-	2.0
Presbyterian Homes & Services New Jersey	NJ	Life Care	BBB	2.0

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Rahway Hospital	NJ	Acute Care	BB	2.0
Solaris Health System	NJ	Acute Care	BBB	2.0
St. Barnabas Health Care System	NJ	Acute Care	BBB	1.5
St. Peter's University Hospital	NJ	Acute Care	BBB	1.5
Trinitas Hospital Obligated Group	NJ	Acute Care	BBB-	2.0
Presbyterian Healthcare Services	NM	Acute Care	AA-	1.5
Renown Regional Medical Center	NV	Acute Care	A-	2.0
St. Mary's Regional Medical Center	NV	Acute Care	A-	3.0
Washoe Medical Center	NV	Acute Care	A-	2.0
Catholic Health Services of Long Island	NY	Acute Care	BBB	2.5
Jewish Board of Family and Children's Services; Human Service Providers	NY	Life Care	BBB	3.0
Kendal at Ithaca Inc.	NY	Life Care	BBB	2.0
NYSARC Inc.	NY	Acute Care	A	2.0
NYU Health Obligated Group	NY	Acute Care	BB	1.5
Orange Regional Medical Center	NY	Acute Care	BBB+	1.5
Riverside Health Care System	NY	Acute Care	AA	2.5
Adena Health System	OH	Acute Care	A	2.0
Akron General Health System	OH	Acute Care	A-	2.0
Alliance Community Hospital	OH	Acute Care	BBB	2.5
Catholic Healthcare Partners	OH	Acute Care	AA-	2.0
Cleveland Clinic Health System	OH	Acute Care	AA-	1.5
East Liverpool City Hospital	OH	Acute Care	A-	2.0
Firelands Regional Medical Center	OH	Acute Care	A	1.5
Franciscan Services Corp. Obligated Group	OH	Life Care	A-	1.5
Health Alliance of Greater Cincinnati	OH	Acute Care	A+	2.0
Kettering Medical Center Network Obligated Group	OH	Acute Care	A	2.0
Life Enriching Communities	OH	Life Care	BBB	1.5
Mary Rutan Hospital	OH	Acute Care	BBB+	3.0
Memorial Hospital of Sandusky County	OH	Acute Care	BBB-	2.0
MetroHealth System	OH	Acute Care	A-	3.0
Ohio Presbyterian Retirement Services	OH	Life Care	BBB	2.0
OhioHealth	OH	Acute Care	AA-	1.5
Otterbein Homes	OH	Acute Care	A-	2.0
Parma General Hospital	OH	Acute Care	A-	1.5
Twin Towers Inc.	OH	Life Care	BBB	1.5
United Church Homes	OH	Life Care	BBB-	2.0
University Hospitals Health System Inc.	OH	Acute Care	A	N/A
Upper Valley Medical Center	OH	Acute Care	A-	2.0
Integris Baptist Medical Center Obligated Group	OK	Acute Care	AA-	2.0
St. Francis Health System	OK	Acute Care	AA	2.0
St. John Health System	OK	Acute Care	AA-	2.0

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Legacy Health System	OR	Acute Care	AA-	1.0
Oregon Health & Science University	OR	Acute Care	BBB+	1.5
Salem Hospital	OR	Acute Care	A+	2.0
Abington Memorial Hospital	PA	Acute Care	A	2.0
Catholic Health East	PA	Acute Care	A	1.5
Children's Hospital of Philadelphia	PA	Acute Care	AA	1.0
Clarion Healthcare System	PA	Acute Care	BBB-	3.5
Clarion Hospital	PA	Acute Care	BBB-	2.5
Elwyn Inc.	PA	Life Care	BBB	2.0
Garden Spot Village	PA	Life Care	AA	1.0
Geisinger Health System	PA	Acute Care	AA-	1.5
Grand View Hospital	PA	Acute Care	A-	2.0
Holy Redeemer Health System	PA	Acute Care	BBB	1.5
Jefferson Health System	PA	Acute Care	AA-	2.0
Lancaster General Hospital	PA	Acute Care	AA-	1.5
Lehigh Valley Health	PA	Acute Care	A+	1.5
Masonic Homes of Pennsylvania	PA	Life Care	A+	2.0
Northwestern Human Services Inc.	PA	Acute Care	BB+	3.0
Pennswood Village	PA	Life Care	BBB+	2.5
Pinnacle Health System	PA	Acute Care	A-	2.0
Pocono Health System	PA	Acute Care	BBB+	2.5
Reading Hospital and Medical Center	PA	Acute Care	AA	2.0
Riddle Memorial Hospital	PA	Acute Care	BBB	2.0
St. Luke's Health Network Inc.	PA	Acute Care	BBB	2.0
Temple University Hospital Obligated Group	PA	Acute Care	BBB	1.5
United Church of Christ Homes Inc.	PA	Life Care	A-	2.5
University of Pennsylvania Health Services	PA	Acute Care	A+	1.0
University of Pittsburgh Medical Center	PA	Acute Care	AA-	1.5
Willow Valley Retirement Communities	PA	Life Care	A-	2.0
AnMed Health	SC	Acute Care	AA-	1.5
CareAlliance Health Services	SC	Acute Care	A-	2.0
Greenville Hospital System	SC	Acute Care	AA-	1.5
Palmetto Health Alliance	SC	Acute Care	BBB+	2.0
Avera Health	SD	Acute Care	A+	2.0
Evangelical Lutheran Good Samaritan Society	SD	Acute Care	A-	2.0
Sanford Health	SD	Acute Care	AA-	1.5
Cookeville Regional Medical Center	TN	Acute Care	A-	3.0
Covenant Health	TN	Acute Care	A-	2.0
Methodist Healthcare & Affiliates	TN	Acute Care	A	2.0
Mountain States Health Alliance	TN	Acute Care	BBB+	2.0
Wellmont Health System	TN	Acute Care	BBB+	2.0

Table 2

<b>Health Care — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
West Tennessee Healthcare	TN	Acute Care	A+	1.5
Baylor Health Care System	TX	Acute Care	AA-	1.5
Christian Care Centers Inc.	TX	Acute Care	BBB-	2.0
CHRISTUS Health	TX	Acute Care	AA-	1.0
Citizens Medical Center	TX	Acute Care	BBB+	2.0
Cook Children's Medical Center Inc.	TX	Acute Care	AA-	1.5
Good Shepherd Medical Center	TX	Acute Care	BBB	1.5
Knapp Medical Center	TX	Acute Care	BBB+	3.0
Memorial Health System of East Texas	TX	Acute Care	BBB+	2.0
Memorial Hermann Health Care System	TX	Acute Care	A+	1.5
Richardson Regional Medical Center	TX	Acute Care	BBB	2.0
Scott and White Memorial Hospital and Scott, Sherwood and Brindley Foundation	TX	Acute Care	AA-	1.5
St. Lukes Episcopal Hospital	TX	Acute Care	AA-	2.0
Texoma Medical Center	TX	Acute Care	BBB-	N/A
Intermountain Health Care Inc.	UT	Acute Care	AA+	1.5
Carilion Health System	VA	Acute Care	AA-	1.0
Centra Health Inc.	VA	Acute Care	A	2.0
Greenspring Village Inc.	VA	Life Care	BBB	1.5
Inova Health System Foundation	VA	Acute Care	AA+	1.5
Riverside Healthcare Association Inc.	VA	Acute Care	AA	2.5
Valley Health System Obligated Group	VA	Acute Care	AA-	1.5
Winchester Medical Center	VA	Acute Care	AA-	2.0
Fletcher Allen Health Care	VT	Acute Care	BBB	1.5
MultiCare Health System	WA	Acute Care	A+	1.5
Overlake Hospital Medical Center	WA	Acute Care	BBB	2.5
PeaceHealth	WA	Acute Care	AA-	1.5
Virginia Mason Medical Center	WA	Acute Care	BBB	2.0
Agnesian HealthCare Inc.	WI	Acute Care	A-	2.5
Aspirus Wausau Hospital Inc.	WI	Acute Care	A	2.5
Aurora Health Care Inc.	WI	Acute Care	BBB+	
Bellin Health	WI	Acute Care	A-	1.5
Children's Hospital of Wisconsin	WI	Acute Care	A+	2.0
Froedtert & Community Health	WI	Acute Care	AA-	2.0
Gundersen Lutheran	WI	Acute Care	A+	2.0
Meriter Hospital	WI	Acute Care	A	1.5
Ministry Health Care	WI	Acute Care	AA-	2.0
Prohealth Care Inc.	WI	Acute Care	A+	2.5
University of Wisconsin Hospital & Clinics	WI	Acute Care	N/A	N/A
Wheaton Franciscan Services Inc.	WI	Acute Care	A-	1.5
Cabell Huntington Hospital	WV	Acute Care	A-	2.0
Monongalia Health System	WV	Acute Care	A-	1.5

Table 2

<b><i>Health Care — DDP Scores (cont. 'd)</i></b>				
<b><i>Obligor</i></b>	<b><i>State</i></b>	<b><i>Sector</i></b>	<b><i>Senior Rating</i></b>	<b><i>DDP Score</i></b>
West Virginia United Health System	WV	Acute Care	A+	1.5
Wyoming Medical Center	WY	Acute Care	A-	2.5

N/A - Not applicable

### ***Higher Education And Nonprofit Organizations***

The U.S. higher education sector has seen an increase in borrowing due to capital needs including campus improvements, and competition with peer institutions for applicants. To lower borrowing costs, colleges and universities have engaged in swap activity. Most prominent swap activity includes issuing variable rate debt and swapping to a synthetic fixed rate. By issuing synthetic fixed rate debt, institutions are able to lock-in a lower fixed rate over the life to the bonds.

To take advantage of low interest rates, many institutions in the sector engage in forward rate-locking synthetic fixed rate swaps. In the past year, the sector has seen an increase in basis swaps and CMS. However, most swap activity was related to underlying bond issuance. The greatest variation in DDP scores for the sector result from issuers' differing swap management policies. To help manage the hedging strategies, an increasing number of issuers have implemented swap management policies and procedures, as well as means for tracking the market value of existing swaps.

#### ***DDP status***

Since the DDP's inception in September 2004 through June 2007, we have completed debt derivative profiles for 118 issuers, or 6.3% of Standard & Poor's-rated higher education and nonprofit issuers. The majority of the DDPs range between '1.5' and '2.5', with 15% of scores a '1.5' and 64% a '2', equating to 'very low risk' and 'low risk' on the credit profile.

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Chart 6

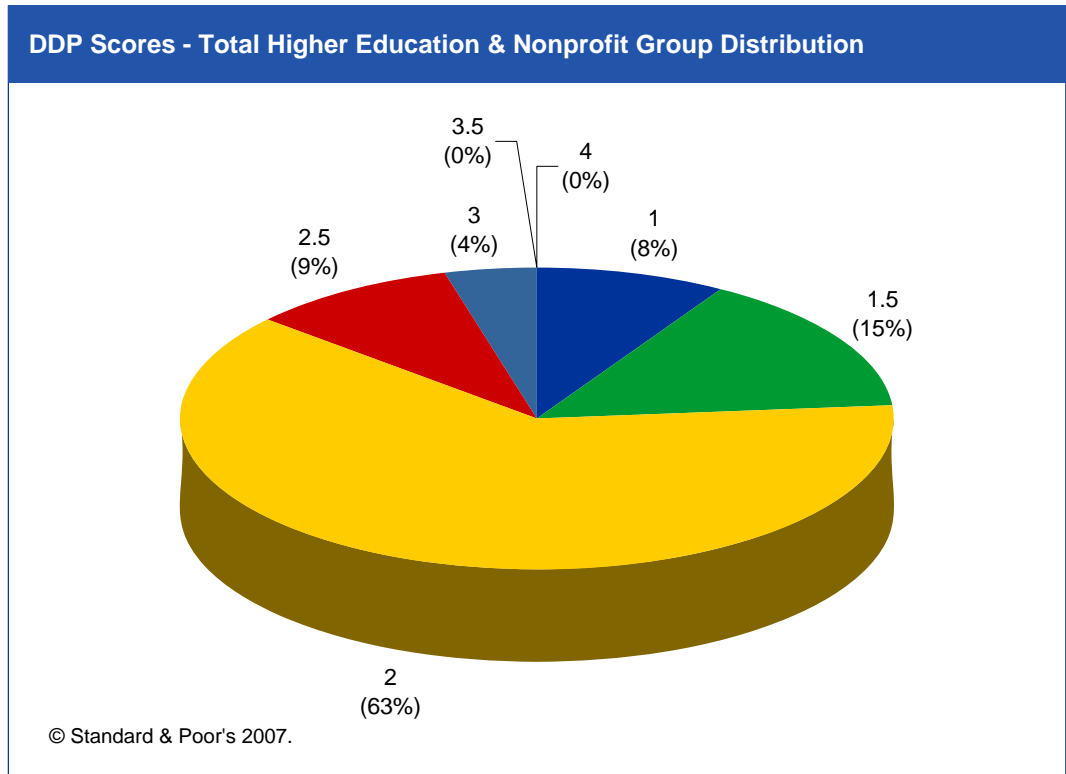
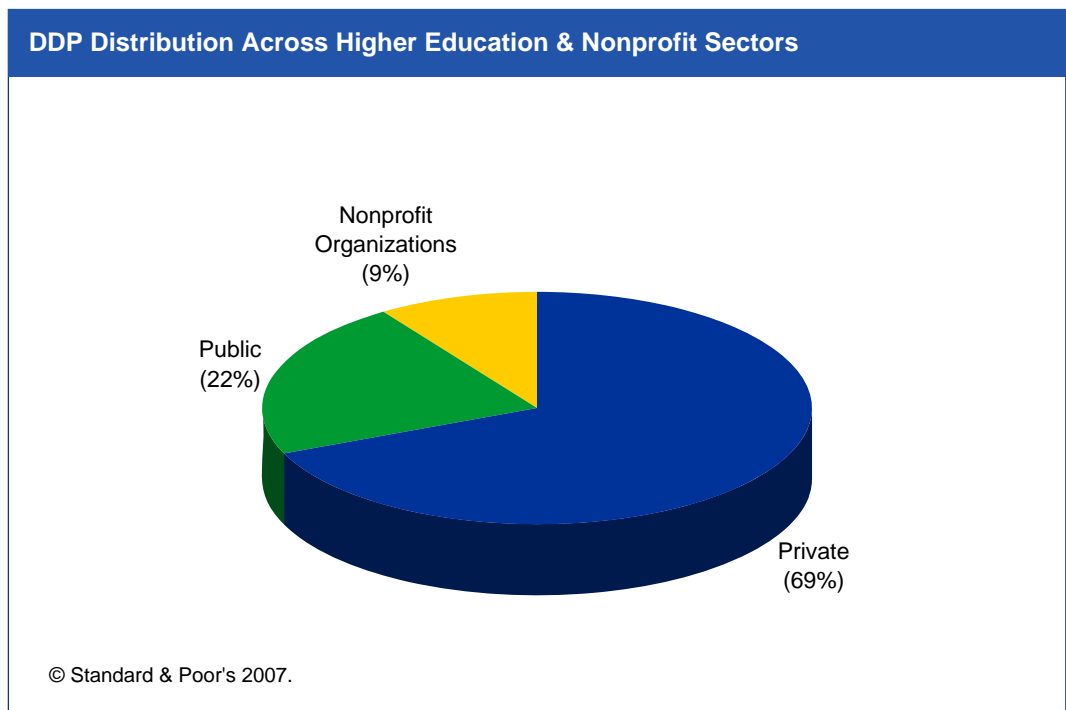


Chart 7



**U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07**

Table 3

<b>Higher Education &amp; Nonprofit Organizations — DDP Scores</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Abilene Christian University	TX	Private	BBB	2.0
Aerospace Corporation	CA	Nonprofit Org	BBB+	1.5
Alabama State University	AL	Public	A-	2.5
Albany College of Pharmacy	NY	Private	BBB-	3.0
Allegheny College	PA	Private	A-	2.0
American University	DC	Private	A	2.0
Amherst College	MA	Private	AAA	2.0
Azusa Pacific University	CA	Private	BBB+	2.0
Babson College	MA	Private	A-	2.0
Belmont Hill School	MA	Private	A	2.0
Berwick Academy	ME	Private	BBB	2.0
Boston University	MA	Private	BBB+	2.0
Bradley University	IL	Private	A-	2.0
Brown University	RI	Private	AA+	1.5
Bryant University	RI	Private	A	2.0
California Institute of Technology	CA	Private	AAA	2.0
Carnegie Mellon University	PA	Private	AA-	2.0
Central Michigan University	MI	Public	A+	2.0
City University of New York	NY	Public	AA-	2.0
Clark University	MA	Private	A	2.0
Cold Spring Harbor Laboratory	NY	Nonprofit Org	A+	2.5
College of New Jersey	NJ	Public	A-	2.5
Dartmouth	NH	Private	AAA	1.5
Drexel University	PA	Private	A+	2.0
Eastern Michigan University	MI	Public	A	2.0
Elizabethtown College	PA	Private	BBB+	1.5
Emory University	GA	Private	AA	2.0
Ewing Marion Kauffman Foundation	MO	Nonprofit Org	AAA	2.0
Fairfield University	CT	Private	A-	2.0
Field Museum of Natural History	IL	Nonprofit Org	A	2.0
Georgetown University	DC	Private	BBB+	2.0
Grand Valley State University	MI	Public	A+	2.0
Green Acres School	MD	Independent School	BBB-	2.0
Harvard University	MA	Private	AAA	1.0
Holy Cross	MA	Private	AA-	2.0
Houghton College	NY	Private	BBB	3.0
Howard Hughes	MD	Nonprofit Org	AAA	2.0
Howard University	DC	Private	A+	1.5
Illinois Wesleyan University	IL	Private	A-	2.0
Indiana University	IN	Public	AA	2.0
Institute For Advanced Study	NJ	Nonprofit Org	AAA	1.5

**U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07**

Table 3

<b>Higher Education &amp; Nonprofit Organizations — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
Institute for Defense Analyses	NJ	Nonprofit Org	A+	1.5
Johns Hopkins University	MD	Private	AA	1.5
Kent State University	OH	Public	A	2.5
Kenyon College	OH	Private	A+	2.0
Kern Community College District	CA	Public	A-	2.0
Lafayette College	PA	Private	AA-	2.0
Lehigh University	PA	Private	AA-	2.0
Long Island University	NY	Private	BBB-	2.5
Loyola College	MD	Private	A	2.0
Lynchburg College	VA	Private	BBB	2.0
Marywood University	PA	Private	BBB	2.5
Massachusetts College Of Pharmacy & Allied Health Services	MA	Private	AA	1.5
Massachusetts Institute of Technology	MA	Private	AAA	2.0
Medical College of Wisconsin	WI	Private	A+	2.0
Metropolitan Higher Education Authority Inc.	TX	Nonprofit Org	A+	2.0
Metropolitan Museum of Art	NY	Nonprofit Org	AAA	2.0
Michigan State University	MI	Public	AA	1.5
Middlebury College	VT	Private	AA	1.5
Midwestern University	IL	Private	A-	1.5
Montana State University	MT	Public	A+	1.0
Mount Holyoke College	MA	Private	AA-	2.0
Muhlenberg College	PA	Private	A+	2.0
Museum of Modern Art	NY	Nonprofit Org	AA-	1.0
Northern Michigan University	MI	Public	A	2.0
Ohio University	OH	Public	A+	2.0
Old Dominion University	VA	Public	A	2.5
Pace University	NY	Private	BB+	3.0
Phillips Andover Academy	MA	Independent School	AAA	1.0
Quinnipiac University	CT	Private	A-	2.0
Reed College	OR	Private	AA-	2.0
Rensselaer Polytechnic Institute	NY	Private	A+	2.0
Rice University	TX	Private	AAA	2.0
Rockefeller University	NY	Private	AAA	2.0
Rockhurst University	MO	Private	BBB	2.0
Rutgers University	NJ	Public	AA	1.5
Seton Hall University	NJ	Private	A-	2.0
Simmons College	MA	Private	A-	2.0
Smith College	MA	Private	AA	2.0
Southern Methodist University	TX	Private	AA-	2.0
St. Ambrose University	IA	Private	BBB+	2.0
St. Edwards University	TX	Private	BBB+	2.5

**U.S. Public Finance Swap Activity Is Primed For Growth In Second-Half '07**

Table 3

<b>Higher Education &amp; Nonprofit Organizations — DDP Scores (cont. 'd)</b>				
<b>Obligor</b>	<b>State</b>	<b>Sector</b>	<b>Senior Rating</b>	<b>DDP Score</b>
St. Louis University	MO	Private	AA-	2.0
Stanford University	CA	Private	AAA	1.0
Suffolk University	MA	Private	BBB	2.0
Syracuse University	NY	Private	A+	2.5
Thacher School	CA	Independent School	AA-	2.0
Thayer Academy	MA	Independent School	A-	3.0
Tuffs University	MA	Private	AA-	2.0
University of Chicago	IL	Private	AA	2.0
University of Dallas	TX	Private	BBB	2.0
University of Dayton	OH	Private	A	2.0
University of Delaware	DE	Private	AAA	2.0
University of Illinois	IL	Public	AA-	1.5
University of Indianapolis	IN	Private	A-	2.5
University of Massachusetts	MA	Public		
University of Minnesota	MN	Public	AA	2.0
University of Mississippi	MS	Public	A+	
University of Missouri	MO	Public	AA	1.0
University of North Carolina at Chapel Hill	NC	Public	AA+	1.5
University of Pittsburgh	PA	Private	AA	2.0
University of Puget Sound	WA	Private	A+	2.0
University of Richmond	VA	Private	AA	
University of Rochester	NY	Private	A+	2.0
University of Southern California	CA	Private	AA+	2.0
University of Texas	TX	Public	AAA	1.0
University of the South	TN	Private	A+	1.5
University of Toledo	OH	Public	A	2.0
University of Washington	WA	Public	AA+	2.5
University System of New Hampshire	NH	Public	A	1.5
Vanderbilt University	TN	Private	AA	1.5
Vermont State Colleges	VT	Public	A	2.0
Virginia Commonwealth University	VA	Public	AA-	
Washington University	MO	Private	AAA	1.0
Wayne State University	MI	Public	AA-	2.0
Wesleyan University	CT	Private	AA	2.0
Western Michigan University	MI	Public	A+	2.0
Westminster School	CT	Private	A	2.0
Williams College	MA	Private	AA+	2.0
Worcester Polytechnic Institute	MA	Private	A+	3.0
World Wildlife Fund, Inc.	DC	Nonprofit Org	A+	1.0
Yale University	CT	Private	AAA	1.0

### ***Housing***

Many affordable housing issuers, particularly state housing finance agencies (HFAs), continue to use variable rate debt and derivative hedges to lower borrowing costs and reduce interest rate risk, albeit at a slower pace than in previous years. To a certain extent, a rising interest rate market has allowed HFAs to offer competitive mortgage loan rates without having to issue variable rate debt and use derivatives to hedge such debt. Simultaneously, attractive HFA loan rates have increased demand resulting in historic levels of bond issuance. This has led to some HFAs capping out on bond allocations. To keep up with demand, HFAs have turned to increased issuance of taxable variable rate debt. The ability to use variable rate debt hedged with a derivative has allowed HFAs to sustain their level of bond issuance and loan origination while minimizing borrowing costs.

### ***DDP status***

Since the DDP's inception in September 2004 through June 2007, we have completed debt derivative profiles for 17 issuers, or 1.5% of Standard & Poor's-rated issuers. The majority of the DDP's range between '1.5' and '2.5', with 24% of scores a '1.5' and 64% a '2', equating to 'very low risk' and 'low risk' on the credit profile.

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Chart 8

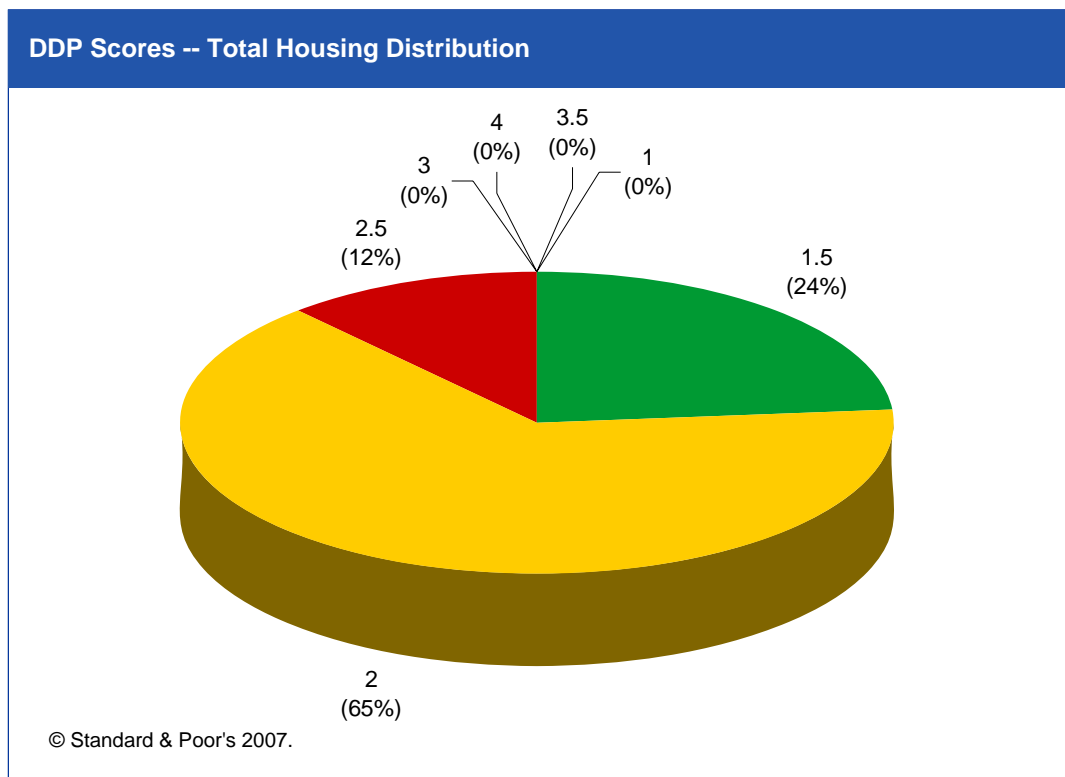


Table 4

<b>Housing — DDP Scores</b>			
<i>Obligor</i>	<i>State</i>	<i>Senior Rating</i>	<i>DDP Score</i>
Alaska Housing Finance Corporation	AK	AA	1.5
Arkansas Development Finance Authority	AR	A+	1.5
California Housing Finance Agency	CA	AA-	1.5
Colorado Housing & Finance Authority	CO	A+	1.5
Illinois Housing Development Authority	IL	A+	2.0
Iowa Finance Authority	IA	AA-	2.0
Kentucky Housing Corporation	KY	AA	2.0
Massachusetts Housing Finance Agency	MA	A	2.0
Michigan State Housing Development Authority	MI	AA	2.0
Minnesota Housing Finance Agency	MN	AA+	2.0
Nebraska Investment Finance Authority	NE	AA-	2.0
Nevada Housing Division	NV	AA-	2.0
New Jersey Housing & Mortgage Finance Agency	NJ	AA	2.0
Pennsylvania Housing Finance Agency	PA	AA	2.5
Utah Housing Corporation	UT	AA-	2.0
Wisconsin Housing & Economic Development Authority	WI	AA-	2.5
Wyoming Community Development Authority	WY	AA	2.0

### ***Transportation***

The DDP scores assigned to the transportation sector span five sub-sectors, including airports, toll roads/bridges, ports, parking, and transit, with the majority of scores assigned to the airport or toll roads/bridges sectors. More specifically, the airport sector represents 50% of assigned DDP scores, and the toll roads/bridges sector accounts for 33%. Chart 2 illustrates the transportation sector's DDP scores distribution.

#### ***DDP status***

We have assigned 45 DDP scores to the sector, representing 6.0% of the transportation-rated universe, of which 89% are '2' or better. An overall score of '1.5' (very low risk) is the most frequently assigned score within transportation, followed by an overall score of '2' (low risk).

Approximately 95% of the DDP scores assigned in the airport sector were '2' or better.

Approximately 87% of the DDP scores assigned in the toll roads/bridges were '2' or better.

Five DDP scores have been assigned in the ports/port authority sector. This transportation sub-sector contains the highest overall DDP score of '3.5' (moderate-to-high risk) of all DDP scores assigned in the sector. Only two DDP scores have been assigned in the parking sector, both of which are '1.5' (very low risk). We assigned one DDP score, '1' (minimal risk), in the transit sector.

Joesph Pezzimenti (212) 438-2038.

Chart 9

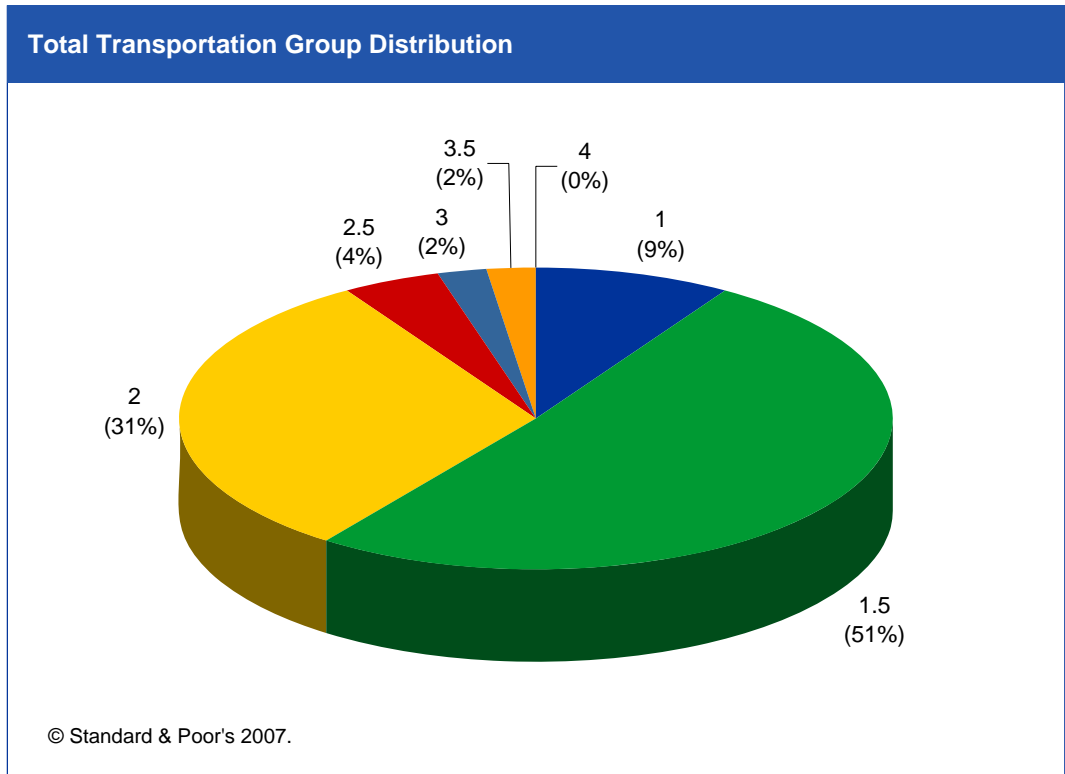


Chart 10

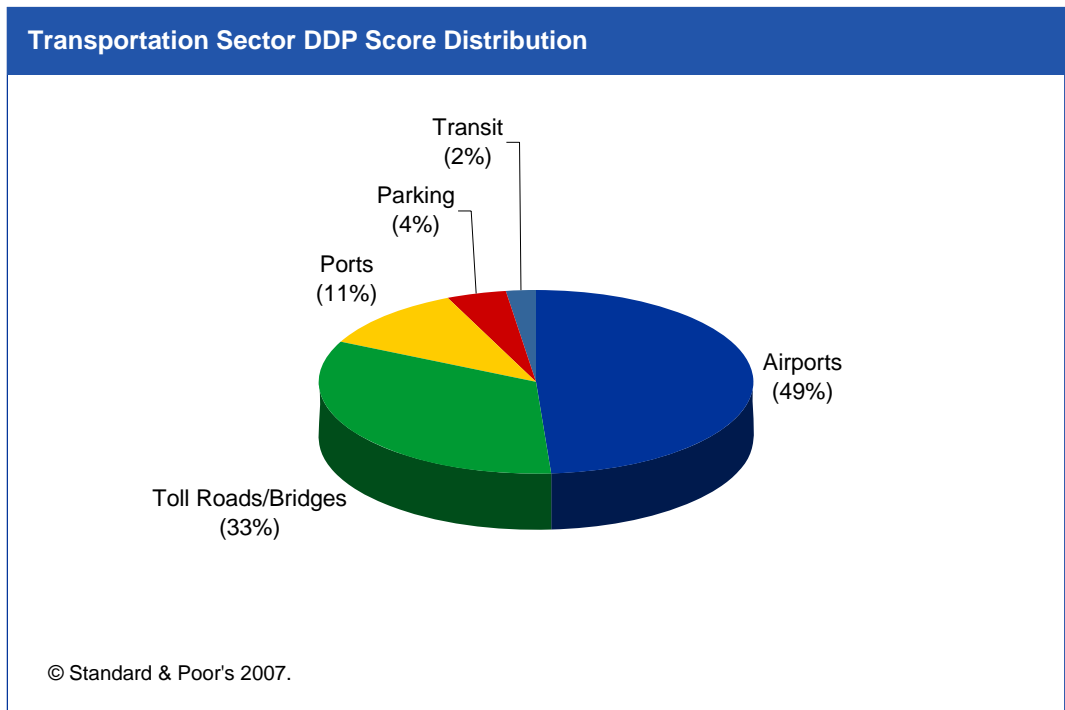


Chart 11

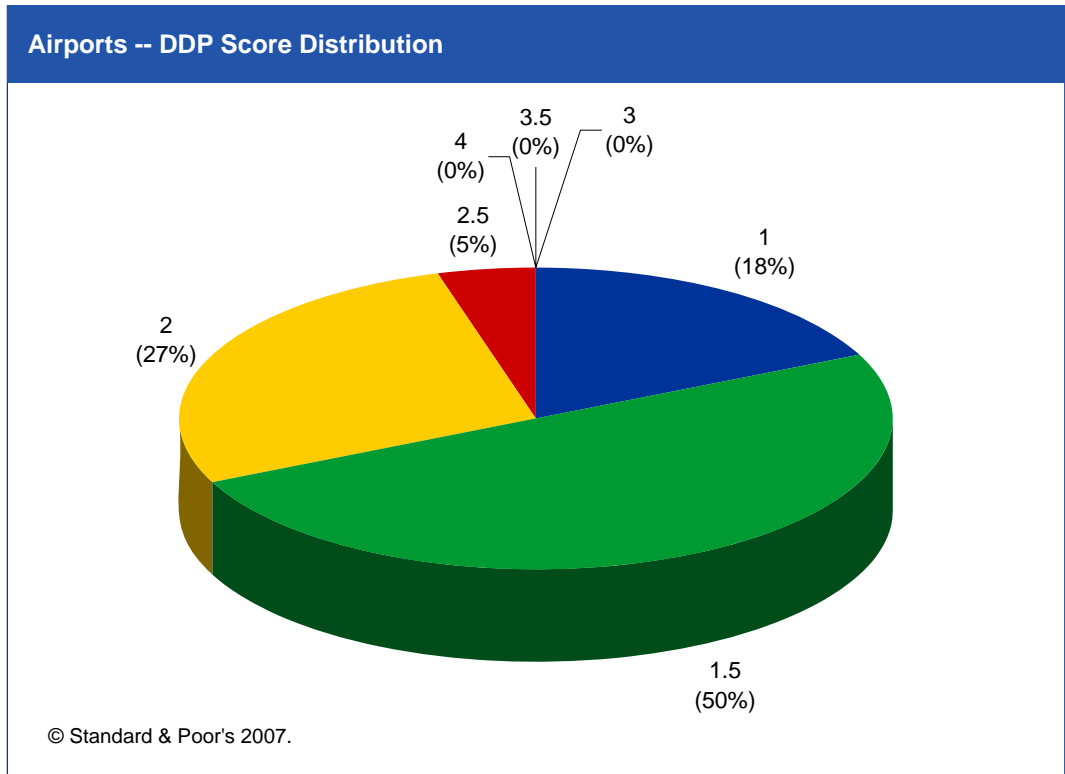


Chart 12

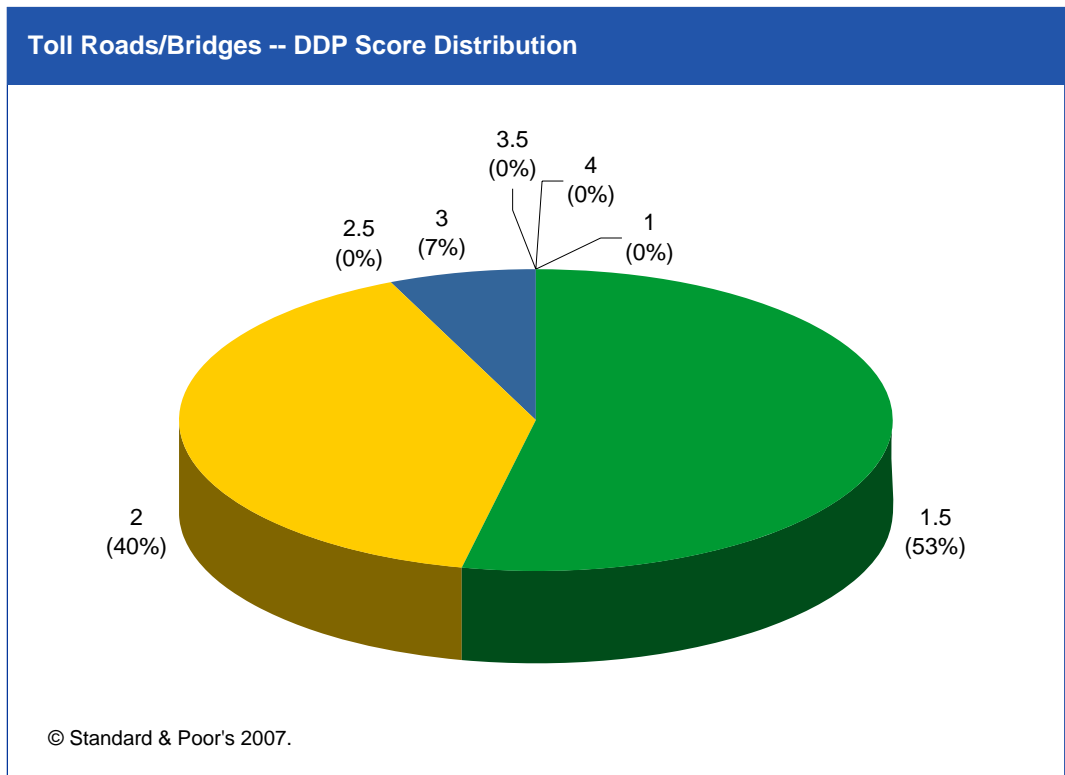


Table 5

<b>Transportation — DDP Score Distribution</b>				
<i>Obligor</i>	<i>State</i>	<i>Sector</i>	<i>Senior Rating</i>	<i>DDP Score</i>
Aero JFK LLC	NY	Airports	BBB-	1.5
Alabama State Port Authority	AL	Ports/Ports Authorities	A-	2.0
Albany County Airport Authority	NY	Airports	BBB+	1.5
Austin-Bergstrom International Airport	TX	Airports	A-	1.5
Baltimore Parking Authority	MD	Parking	A	1.5
Bay Area Toll Authority	CA	Toll Roads Bridges	AA	2.0
Charlotte/Douglas International Airport	NC	Airports	A	1.5
Chesapeake Bay Bridge and Tunnel District	VA	Toll Roads Bridges	BBB+	2.0
Chicago Midway International Airport	IL	Airports	A-	2.0
Cleveland Hopkins International Airport	OH	Airports	A-	2.0
Delaware River Port Authority	NJ	Ports/Ports Authorities	A-	3.5
Denver International Airport	CO	Airports	A	1.5
Detroit Metro Wayne County Airport	MI	Airports	A	1.5
Greater Orlando Aviation Authority	FL	Airports	A+	1.5
Harris County Toll Road Authority	TX	Toll Roads Bridges	AA-	1.5
Illinois State Toll Highway Authority	IL	Toll Roads Bridges	AA-	2.0
Indianapolis Airport Authority	IN	Airports	A	2.5
Jacksonville Aviation Authority	FL	Airports	A-	2.0
Las Vegas McCarran International Airport	NV	Airports	AA-	1.0
Manchester Airport	NH	Airports	A-	1.5
Massachusetts Port Authority	MA	Ports/Ports Authorities	AA-	1.5
Memphis-Shelby County Airport Authority	TN	Airports	A-	1.0
Metropolitan Transportation Authority	NY	Transit	A	2.0
Metropolitan Washington Airports Authority	DC	Airports	A+	1.0
Miami-Dade County Expressway Authority	FL	Toll Roads Bridges	A	1.5
Nashville International Airport	TN	Airports	BBB+	1.5
New Jersey Turnpike Authority	NJ	Toll Roads Bridges	A	2.0
New Orleans Aviation Board	LA	Airports	BB	2.0
North Texas Tollway Authority	TX	Toll Roads Bridges	A+	1.5
Oklahoma Turnpike Authority	OK	Toll Roads Bridges	AA-	1.5
Orlando-Orange County Expressway Authority	FL	Toll Roads Bridges	A	1.5
Pennsylvania Turnpike Commission	PA	Toll Roads Bridges	A+	1.5
Philadelphia International Airport	PA	Airports	A	1.0
Pittsburgh International Airport	PA	Airports	BBB	2.0
Port Authority of New York and New Jersey	NY	Ports/Ports Authorities	AA-	1.5
Portland International Airport	OR	Airports	AA-	1.5
Port of Tampa	FL	Ports/Ports Authorities	A	2.5
Puerto Rico Highway & Transportation Authority	PR	Toll Roads Bridges	BBB+	2.0
Sacramento International Airport	CA	Airports	A+	1.5
San Francisco International Airport	CA	Airports	A	2.0
South Jersey Transportation Authority	NJ	Toll Roads Bridges	BBB+	1.5

Table 5

<b>Transportation — DDP Score Distribution (cont.'d)</b>				
<b><i>Obligor</i></b>	<b><i>State</i></b>	<b><i>Sector</i></b>	<b><i>Senior Rating</i></b>	<b><i>DDP Score</i></b>
Texas Medical Center	TX	Parking	A	1.5
Triborough Bridge and Tunnel Authority	NY	Toll Roads Bridges	AA-	1.5
Ventura County Transportation Commission Project	CA	Toll Roads Bridges	A	2.0
West Virginia Turnpike	WV	Toll Roads Bridges	AA-	3.0

