

Wednesday January 23, 2008

What to Watch Today

January 23

- Treasury to auction \$15 billion 4-week bills

January 24

- 8:30 a.m. ET: Initial claims (Department of Labor)
- 10 a.m. ET: Existing home sales, December (National Association of Realtors)
- Treasury to auction \$8 billion 20-year TIPS

January 28

- 10 a.m. ET: New home sales, December (Census Bureau)
- Treasury to auction 13-week bills and 26-week bills
- Treasury to auction 2-year notes

January 29

- 8:30 a.m. ET: Durable goods, December (Census Bureau)
- 10 a.m. ET: Consumer confidence index (Conference Board)
- Treasury to auction 5-year notes
- Treasury to auction 4-week bills
- FOMC meeting begins

January 30

- 8:30 a.m. ET: GDP, Q4 advance (Bureau of Economic Analysis)
- FOMC meeting ends

American Municipal Power prices \$168.215 million BANs to yield 2.15%; large slate of pricings to come

By *Cristal Cody and Sheri Kasprzak*
New York, Jan. 22 – **American**

Municipal Power, Inc. out of Ohio led a light pricing day Tuesday as the municipal market got back down to the business following the Martin Luther King, Jr. holiday.

The utility priced \$168 million in 2008A commercial paper bond anticipation notes through dealer J.P. Morgan Securities.

A source close to the offering said the bonds priced at par to yield 2.15%.

The source said in an interview that the notes, due March 4, 2008, are only good for 270 days and may be rolled, up to \$350 million in size.

Another source connected to the bonds said: "We're very pleased. It was a great deal with the timing and the Fed cutting the rate. It was a great sale. We sold for 42 days with the rate at 2.15%."

In upcoming offerings, **Las Vegas Valley Water District** plans on pricing \$365.38 million in general obligation bonds

(Aa1) in a competitive offering, according to a preliminary official statement released Tuesday.

In a sale scheduled for Jan. 29, the district intends to price \$192.595 million in series 2008A improvement and refunding bonds and \$172.785 million in series 2008B refunding bonds.

The 2008A bonds will have a serial structure from 2009 through 2038 and the 2008B bonds also have a serial structure from 2009 through 2026.

Proceeds from the bonds will be used to refund an issue of 1998 bonds.

NSB Public Finance, Public Financial Management and Hobbs, Ong and Associates are the financial advisors.

Albany airport to offer \$83 million

In other upcoming deals, **Albany County Airport Authority** will price

Continued on page 2

Las Vegas Valley Water District plans \$365.38 million bond offering

By *Sheri Kasprzak*

New York, Jan. 22 – The **Las Vegas Valley Water District** is gearing up to price a \$365.38 million offering of general obligation bonds (Aa1) in a competitive deal, according to a preliminary offering statement released Tuesday.

The district will price \$192.595 million series 2008A improvement and refunding bonds and \$172.785 million series 2008B refunding bonds on Jan. 29, the statement

said.

The 2008A bonds have a serial structure from 2009 through 2038 and the series 2008B bonds have a serial structure from 2009 through 2026.

Proceeds from the bonds will be used to refund an issue of 1998 bonds.

NSB Public Finance, Public Financial Management and Hobbs, Ong and Associates are the financial advisors.

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American Municipal Power prices \$168.215 million BANs to yield 2.15%; large slate of pricings to come*Continued from page 1*

\$83.435 million airport revenue bonds on Monday, although the market is a bit shaky due to recession fears.

"It's a tough time now that the Fed dropped the rate this morning, which was a surprise," said J. Dwight Hadley, chief financial officer of the airport authority. "There's a rumor it may drop again next week. I haven't been able to digest all that."

The variable rate refunding series 2008A bonds, being sold through a competitive sale, will have a floating rate that resets weekly, he said.

"So people can throw the bonds back if they don't like the rate," Hadley said.

The bonds have serial maturities Dec. 15, 2008, through Dec. 15, 2023. The financial advisor is Depfa First Albany Securities LLC in New Albany, N.Y.

Proceeds will be used to help refund the authority's outstanding series 1997 bonds in February and fund a debt service reserve.

The plunge in European and Asian stock markets on fears the United States is headed into a recession could have an effect on bond issuances, Hadley said.

"To the extent of debt, it affects the Treasury rates, and bond rates tend to follow that same yield curve," he said.

Bon Secours splits by county

Bon Secours Health System of Virginia priced \$243.28 million bonds in five tranches to divide the debt across several counties, the healthcare network's chief financial officer said in an interview.

The deal was brought as five tranches for a couple of reasons, Katherine Arbuckle said Tuesday.

"First, issues needed to be divided among the various counties where the assets are located and being financed," she said. "Secondly, once split among the three geographic locations, some of the issues were still large, and we split them into two smaller sizes should we ever need to convert to some other mode."

Bon Secours is a nonprofit Catholic health care system, with operations that include 20 acute-care hospitals.

The bonds were made up of series 2008A bonds of \$69.925 million, series 2008B-1 bonds of \$40.345 million and series 2008B-2 bonds of \$40.35 million. The issue also included \$46.44 million in series 2008C-1 bonds and \$46.22 million in series 2008C-2 bonds.

The daily variable-rate bonds, which bear maturities 2031 through 2042, priced Jan. 15 with Citigroup Global Markets as the underwriter.

Proceeds will be used to reimburse the system for \$152 million in capital expenses in South Carolina and Virginia and refund \$81 million in series 2003 bonds used to construct St. Francis Hospital in Chesterfield, Va.

Harvard's \$387.21 million could price Wednesday

Harvard University's plans to issue \$387.21 million series 2008A corporate bonds on Wednesday are not definite, according to a source with underwriter Morgan Stanley.

The pricing date had been announced last week, according to Moody's Investors Service.

Additional information is expected to be available on Wednesday, the source reported.

The bonds will be issued as fixed-rate bullet securities, with \$144.55 million maturing in 2013 and \$242.655 million maturing in 2038.

Morgan Stanley is the book runner, with Lehman Brothers and Loop Capital Markets LLC as co-managers.

Moody's assigned an Aaa rating Friday to the university's taxable bonds.

The university plans to use the proceeds to refinance capital projects previously funded with commercial paper.

Florida utility's \$150 million bonds price Feb. 6

JEA Water & Sewer Enterprise is getting ready to price \$150 million in variable-rate water and sewer revenue bonds on Feb. 6.

The 2008 series A-1 and A-2 bonds, of \$75 million each, will have rates that change weekly, said Helen Kehrt, director of JEA's treasury services.

The bonds are convertible, in whole by series, to a daily rate mode, fixed-rate mode, term rate mode, flexible-rate mode or auction-rate mode.

Series A-1 will bear maturities 2009 to 2036, while series A-2 will mature 2010 to 2042, Kehrt said.

The underwriter is Morgan Stanley.

The Florida-based electric and water utility for Jacksonville, Fla., and surrounding counties plans to use the proceeds to finance extensions and improvements to the water and sewer system.

Texas Transportation \$1.1 billion to lead Wednesday

More immediately, Wednesday is gearing up to be a very active day for pricings, led by an enormous offering of general obligation mobility fund bonds from the **Texas Transportation Commission** (Aa1).

The commission plans to price \$1.1 billion in bonds with serial maturities from 2009 through 2033 and a \$351.795 million term bond due 2037.

The proceeds will be used for transportation projects, including

Continued on page 3

Harvard's scheduled Wednesday pricing for \$387.21 million bonds in doubt

By Cristal Cody

Springdale, Ark., Jan. 22 – **Harvard University's** plans to price \$387.21 million series 2008A bonds as a corporate issue on Wednesday are not definite, according to a source with underwriter Morgan Stanley.

The pricing date had been announced last week, according to Moody's Investors Service.

Additional information is expected to be available Wednesday, the

source reported.

The fixed-rate bullet securities bonds will include \$144.55 million maturing in 2013 and \$242.655 million maturing in 2038.

Morgan Stanley is the book runner, with Lehman Brothers and Loop Capital Markets LLC as co-managers.

Harvard University plans to use the proceeds to finance capital projects previously financed with outstanding commercial paper.

American Municipal Power prices \$168.215 million BANs to yield 2.15%; large slate of pricings to come

Continued from page 2

the expansion and construction of state highways.

UBS Investment Bank is the lead manager for the negotiated offering.

Clark County in Nevada will bring \$200 million in two bond offerings Wednesday.

The county plans to price \$100 million in sales and excise tax commercial paper notes series 2008A (P-1) and \$100 million in sales and excise tax commercial paper notes series 2008B.

The offering is negotiated with Citigroup Global Markets, Inc. as the lead manager for the 2008A bonds and UBS Securities LLC as the lead manager for the 2008B bonds.

Both series of bonds will be used for street and highway improvements.

Another deal comes out of **Wisconsin**, this one for \$135 million.

The state intends to price clean water bonds (Aa1) in two tranches with the proceeds to be used for loans to municipalities

for wastewater treatment facility improvements and the refunding of outstanding bonds.

Also coming up Wednesday are offerings from **Mecklenburg County**, North Carolina; **Portage Public Schools** in Michigan; **Rensselaer Polytechnic Institute** in Troy, N.Y.; the **Washington Drama Society** in the District of Columbia; and the **Washington Suburban Sanitary District** in Maryland.



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Albany County ready for pricing of \$83.435 mln airport revenue bonds

By *Cristal Cody*

Springdale, Ark., Jan. 22 – **Albany County Airport Authority** in New York will price its \$83.435 million airport revenue bonds on Monday, a source with the authority's bond's program told Prospect News.

The variable rate refunding series 2008A bonds have a floating rate that will reset weekly.

The term bonds, under sale as a competitive issue, have serial

maturities from Dec. 15, 2008, through 2023, J. Dwight Hadley, chief financial officer of the airport authority, said Tuesday.

The financial advisor is Depfa First Albany Securities LLC in New Albany, N.Y.

Proceeds will be used to help refund the authority's outstanding series 1997 bonds in February, as well as fund a debt service reserve.

Fitch lowers ratings on 137,000 Ambac-insured municipals

By *Laura Lutz*

Des Moines, Jan. 22 – Fitch Ratings said it downgraded about 137,000 municipal bonds that are insured by affiliates of **Ambac Financial Group Inc.**, according to a news release.

Fitch downgraded Ambac's insurer financial strength rating to AA from AAA on Friday, and the insurer remains on negative watch.

Ambac-insured bonds with underlying ratings equal to or higher than the insurer rating will be rated based on the level of the

underlying rating.

Under that policy, 261 bonds with underlying ratings of AAA remained at AAA, 757 bonds with underlying ratings of AA+ were downgraded to AA+ and 4,234 bonds with underlying ratings of AA were downgraded to AA.

About 132,000 Ambac-insured bonds were downgraded to AA because they either have underlying ratings lower than AA or do not carry underlying ratings from Fitch. Those bonds are on negative watch.

New Issue:

American Municipal Power's \$168.215 million commercial paper BANs yield 2.15%

By *Sheri Kasprzak*

New York, Jan. 22 – **American Municipal Power, Inc.** in Ohio priced \$168.215 million in commercial bond anticipation notes at par to yield 2.15% Tuesday, according to source familiar with the offering.

The notes are due March 4, 2008, and the coupon came at 2.15%, priced at par, the source said.

Issuer:	American Municipal Power, Inc.	Coupon:	2.15%
Issue:	Commercial paper bond anticipation notes	Price:	Par
Type:	Negotiated	Yield:	2.15%
Amount:	\$168.215 million	Dealer:	J.P. Morgan Securities, Inc.
Maturity:	March 4, 2008	Pricing date:	Jan. 22

Municipals Calendar

Municipals Calendar: Texas Transportation \$1.1 billion to price

JANUARY 21 WEEK

January 23

CLARK COUNTY, NEVADA: \$100 million sales and excise tax (streets and highway projects) commercial paper notes series 2008 A (P-1); negotiated; Citigroup Global Markets, Inc. (lead); funding for street and highway improvements; pricing Jan. 23.

CLARK COUNTY, NEVADA: \$100 million sales and excise tax (streets and highway projects) commercial paper notes series 2008B; negotiated; UBS Securities LLC (lead); funding for street and highway improvements; pricing Jan. 23.

HARVARD UNIVERSITY: \$387.21 million taxable bonds series 2008A (Aaa); negotiated; Morgan Stanley; sold as fixed-rate bullet securities with \$145 million due in five years and \$243 million due in 30 years; proceeds for capital projects; pricing Jan. 28.

MECKLENBURG COUNTY, North Carolina: \$160.5 million; set to price in two tranches: 2008A and 2008B; proceeds for park development, land acquisitions and law enforcement; pricing expected on Jan. 23;

- \$12 million in 2008A bonds due 2009 through 2028
- \$148.5 million in 2008B bonds due 2009 through 2028

PORTAGE PUBLIC SCHOOLS (MICHIGAN): \$119.555 million general obligation bonds series 2008; negotiated; Wachovia Securities (lead); bonds price in serial structure from 2009 through 2031; proceeds for renovation of two high schools and two elementary schools; pricing Jan. 23.

RENSSELAER POLYTECHNIC INSTITUTE/TROY (N.Y.) INDUSTRIAL DEVELOPMENT AUTHORITY: \$90 million civic facility revenue bonds 2008A and 2008B (Aaa); negotiated; Morgan Stanley & Co. (lead for 2008A), Banc of America Securities LLC (lead for 2008B);

TEXAS TRANSPORTATION COMMISSION: \$1.1 billion general obligation mobility fund bonds (Aa1); UBS Investment Bank (lead); negotiated; serial maturities from 2009 through 2033, \$351.795 million term bond due 2037; proceeds for transportation projects, including expansion and construction of state highways; pricing Jan. 23.

WASHINGTON DRAMA SOCIETY: \$120 million variable-rate demand revenue bonds (Aaa); negotiated; Shattuck Hammond Partners (lead); pricing set for Jan. 23.

WASHINGTON SUBURBAN SANITARY DISTRICT (MARYLAND): \$100 million bonds (\$70 million GOs, \$30 million

multi-modal BANs) (AAA/F1+); pricing Jan. 23.

WISCONSIN: \$135 million clean water bonds (Aa1); to be priced in two tranches; proceeds for loans to municipalities for improvements to wastewater treatment facilities and to refund outstanding bonds; pricing Jan. 23.

January 24

CAMINO REAL REGIONAL MOBILITY AUTHORITY: \$237 million pass-through toll transportation revenue bonds (A2/A); negotiated; Citigroup Global Markets (lead); serial structure from 2012 through 2022; proceeds will fund construction of 7.4 mile State Spur 601. Pricing Jan. 24.

JANUARY 28 WEEK

January 28

ALBANY COUNTY AIRPORT AUTHORITY (NEW YORK): \$83.435 million series 2008A variable-rate refunding airport revenue bonds; competitive; bonds due in serial structure from Dec. 15, 2008 through Dec. 15, 2023; Depfa First Albany Securities LLC is financial advisor; proceeds to refund series 1997 bonds and fund a debt service reserve; pricing Jan. 28.

January 29

ALASKA HOUSING FINANCE CORP.: \$80.88 million series 2008A home mortgage revenue bonds (Aa2/AA/AA+); negotiated; Citigroup Global Markets (lead); Bear, Stearns & Co. Inc., Goldman, Sachs & Co., JPMorgan, Merrill Lynch, Siebert Brandford Shank & Co., LLC and Wachovia Securities (co-managers); serials from Dec. 1, 2009 through Dec. 1, 2018 and term bonds due Dec. 1, 2023, Dec. 1, 2028, Dec. 1, 2033 and Dec. 1, 2038; proceeds for purchase of qualified mortgage loans for first-time homebuyers in Alaska.

LAS VEGAS VALLEY WATER DISTRICT: \$365.38 million general obligation bonds series 2008A improvement and refunding bonds and 2008B refunding bonds (Aa1); proceeds to refund 1998 issue of bonds; NSB Public Finance, Public Financial Management and Hobbs, Ong and Associates are financial advisors; pricing Jan. 29; structure is:

- \$192.595 million series 2008A improvement/refunding bonds, serial structure from 2009 to 2038
- \$172.785 million series 2008B refunding bonds, serial structure from 2009 to 2026

January 30

MARYLAND DEPARTMENT OF TRANSPORTATION: \$250 million consolidated transportation bonds; competitive; serials from 2011 through 2023; Public Financial Management Inc. is advisor;

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Municipals Calendar

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proceeds to fund a portion of capital projects for state highways and transit system, including buses and light rail; pricing Jan. 30.

January 31

NEW YORK STATE POWER AUTHORITY: \$775 million commercial paper notes, series 1, 2 and 3 (P-1); pricing Jan. 31.

JANUARY

FLORIDA DEPARTMENT OF TRANSPORTATION: \$342.1 million series 2008A bond issue (Aa2); competitive; serial maturities from July 1, 2008 through July 1, 2037; proceeds to be used for a portion of the turnpike's capital improvement program and to refund series 1997A turnpike revenue bonds; department gives 18-hour notice on competitive bond sales; pricing expected in January.

FEBRUARY 4 WEEK

February 6

JEA WATER & SEWER ENTERPRISE (FLORIDA) (Aa3): \$150 million variable-rate water and sewer revenue bonds series 2008A-1 and series 2008A-2; negotiated; Morgan Stanley; bonds due in serial structure from 2010 through 2042; proceeds for extensions and improvements to the water and sewer system; pricing Feb. 6.

FEBRUARY 11 WEEK

February 14

INDIANA UNIVERSITY: \$268 million student fee and consolidated revenue bonds (Aa1); negotiated; JPMorgan Chase & Co. (lead), Lehman Brothers (co-manager); proceeds to refund outstanding tax-exempt commercial paper and finance new projects, including a cyber-infrastructure building, a new science building and a new medical education center.

FEBRUARY 18 WEEK

February 20

TEXAS PUBLIC FINANCE AUTHORITY: \$228.64 million general obligation refunding bonds (Aa1/AA/AA+); negotiated; UBS Securities LLC (lead); serial maturities from 2009 to 2012 and a term bond due 2015.

February 21

HOWARD HUGHES MEDICAL INSTITUTE (THROUGH MARYLAND ECONOMIC DEVELOPMENT CORP.): \$85 million series 2008A (Aaa/VMIG1); negotiated; Citigroup Global Markets; proceeds to renovate and expand administrative headquar-

ters; Shattuck Hammond Partners is financial advisor; pricing Feb. 21.

MARCH 24 WEEK

March 25

ORANGE REGIONAL MEDICAL CENTER (DORMITORY AUTHORITY OF THE STATE OF NEW YORK), MIDDLETOWN, N.Y.: \$260 million series 2008 bonds (Ba1); negotiated; Merrill Lynch & Co. (lead), JPMorgan Chase & Co., Morgan Stanley; serial maturities of 30 years; proceeds for construction of 374-bed replacement hospital; pricing March 25.

FEBRUARY

SWEETWATER UNION HIGH SCHOOL DISTRICT, CHULA VISTA, CALIF.: \$180 million bond issue; pricing expected in mid-February.

PUERTO RICO AQUEDUCT & SEWER AUTHORITY: \$1.525 billion series A and B senior lien revenue bonds and series A and B revenue refunding bonds (BBB-); pricing mid-February; structure:

- \$1.227 billion in series A senior lien revenue bonds
- \$20.6 million in series B senior lien revenue bonds
- \$155.7 million in series A revenue refunding bonds
- \$121.2 million in series B revenue refunding bonds

MARCH

UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER: \$75 million in tax-exempt and taxable bonds; proceeds for new cancer research center; pricing expected in March or April.

APRIL

HOWARD HUGHES MEDICAL INSTITUTE: \$76.5 million series 2008B refunding bonds; negotiated; Lehman Brothers (lead); proceeds to refund existing debt on the headquarters from the institute's 1990 bonds; pricing expected in April.

ON THE HORIZON

UNIVERSITY OF OKLAHOMA HEALTH SCIENCES CENTER: \$100 million tax-exempt and taxable bonds; proceeds for new cancer research center; pricing expected in late spring or early summer.

SAN FRANCISCO CITY AND COUNTY AIRPORT COMMISSION: \$169.5 million 34A-C senior lien variable-rate revenue refunding bond, \$255 million 34D-E senior lien fixed-rate

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Municipals Ratings

Moody's ups Maricopa County, Ariz., school bonds to Aa3

Moody's Investors Service said it assigned an Aa3 rating to **Maricopa County School District No. 41 (Gilbert Unified), Ariz.**'s \$70 million of school improvement bonds, projects of 2005 and 2007, series 2008.

At the same time, Moody's upgraded the districts \$149.3 million of general obligation bonds to Aa3 from A1.

The bonds are secured by the district's unlimited property tax pledge.

Moody's gives Aa2/VMIG 1 rating to JEA electric bonds

Moody's Investors Service said it assigned an Aa2/VMIG 1 rating to \$100 million of senior lien variable-rate electric system revenue bonds, series three 2008 A, issued by **JEA**, a utility operator in the Jacksonville, Fla., area. The long-term outlook is stable.

Sale of the bonds is scheduled for February.

The short-term portion of the rating is based on the credit quality of KBC Bank NV, which provided a standby bond purchase agreement for the bonds. The long- and short-term ratings of KBC are Aa2 and P-1, respectively. The bank's outlook is stable.

Moody's also said it affirmed its Aa2 rating on JEA's \$1,408,075,000 of outstanding senior lien electric system revenue bonds and its Aa3 rating on JEA's \$1,167,142,000 of outstanding subordinate lien electric system revenue bonds.

Fitch rates Orange County, Fla., schools' certificates A+

Fitch Ratings said it assigned an A+ rating to about \$86.6 million of variable-rate certificates of participation (COPs), series 2008A, issued by the **School Board of Orange County, Fla.** (the board or the district). The outlook is stable.

At the same time, Fitch affirmed the A+ rating on the school board's about \$1.4 billion of outstanding COPs.

The certificates are secured by lease

payments made by the district to the trustee as assignee of the Orange County School Board Leasing Corp.

Moody's raises Villages Hospital, Fla., revenue bonds to Aa1/VMIG

Moody's Investors Service said it upgraded the **City of Leesburg, Fla.**'s \$75 million of hospital revenue bonds (**The Villages Regional Hospital Project**), series 2006, to Aa1/VMIG 1 from Aa3/VMIG 1.

The upgrade was issued in connection with a letter of credit from the Bank of Nova Scotia in support of the bonds.

The bonds are currently insured by Radian Asset Assurance, Inc. and supported by a standby bond purchase agreement from the Bank of Nova Scotia. The standby bond purchase agreement was set to be cancelled upon issuance of the letter of credit, which was scheduled for Tuesday.

The bank currently has a long-term rating of Aa1, a short-term rating of Prime-1 and a stable outlook.

Municipals Calendar

Continued from page 6

revenue refunding bonds, \$110 million 34F-G senior-lien variable-rate revenue refunding bonds (A); timing not set.

SOUTHERN CALIFORNIA PUBLIC POWER AUTHORITY:
\$140.11 million Natural Gas Project A 2008 taxable revenue bonds for Anaheim, Burbank and Colton; proceeds to refinance each city's share of natural gas project acquisition and development costs through redemption of authority's draw-down revenue bonds issued as a short-term financing for the project;

- \$80.36 million Natural Gas Project A 2008 taxable revenue bonds for City of Anaheim
- \$43.275 million Natural Gas Project A 2008 taxable revenue

bonds for City of Burbank

- \$16.475 million Natural Gas Project A 2008 taxable revenue bonds for City of Colton

INDUSTRIAL DEVELOPMENT AUTHORITY (PIMA COUNTY, ARIZONA): \$195 million lease revenue bonds series 2008 (Aa2); negotiated; Lehman Brothers (lead), Wells Fargo Brokerage Services (co-manager); sold in serial structure from 2010 through 2039; proceeds to acquire 1,038-bed, 139,000 square-foot detention center in Clark County, Nevada.

High Yield Review

Quebecor, Buffets nosedive after bankruptcy filings; junk tracks stocks lower despite Fed cut

By Paul Deckelman and Paul A. Harris

New York, Jan. 22 – The other shoe finally dropped on Tuesday for two troubled credits whose agonizing deterioration had been the stuff of high drama in the high yield market for weeks, if not months – **Quebecor World Inc.** and **Buffets Inc.**, both of which filed for Chapter 11 protection from their junk bond holders and other creditors, causing their bonds to plummet about 15 to 20 points on the day, down to the levels at which bondholders believe they will see returns.

Nothing quite so dramatic was happening in the rest of the junk market, back to work after the 3½-day Martin Luther King federal holiday weekend.

The Federal Reserve's surprise 75 basis point cut in its key rates, bringing the federal funds target down to 3.5% and the discount rate to 4%, put the brakes on what had promised to be a truly horrendous day on Wall Street, since overnight action in the foreign markets and stock futures were pointing to a several hundred-point loss in the bellwether Dow Jones Industrial Average. Even so, equities initially fell sharply on recession fears despite the rate cut, only cutting their losses later in the day on probable short-covering. The junk market pretty much went along for the downward ride, with many issues ending a point or two down on the day.

While stocks of major homebuilder names such as **Hovnanian Enterprises Inc.**, **KB Home** and **WCI Communities Inc.** were all higher, given a boost by the Fed rate cut and the prospect that lower mortgage rates which might result could help sagging new-home sales, bond investors were more wary, and the builder names, like most everything else, were lower. The same was true of mortgage names like **Countrywide Financial Corp.**, whose bonds continued to erode, well down from the levels to which they had jumped earlier in the month on first the rumor and later the real news that the Calabasas, Calif.-based lender would be acquired by Bank of America.

A sell-side source reckoned that high yield bonds ended the Tuesday session lower

by 1 to 1½ points after being down 1 to 4 points across the board, depending upon credit quality, when the session got underway.

The sell-sider chalked up the substantial rebound to a decision on the part of the Federal Reserve, to lower the Fed Funds rate by 75 basis points to 3½% from 4¼% – a notable move, the source added, because it came outside of the scheduled Federal Open Market Committee meetings – the customary occasion for the Fed's interest rate announcements.

"It certainly had an impact when they came out with the news," the sell-sider said.

"Some people were expecting it but the majority weren't.

"There is a sense that the Fed is behind the curve a little, and they are trying to play catch up."

Primary market activity – which hasn't even yet totaled \$1 billion in pricings so far in 2008 – remained muted, as would-be issuers, underwriters and buyers continued to hang back and figure out which way the wind was blowing.

Market gauges pointing southward

A trader said that the widely-followed CDX index of junk market performance lost ¾ point to 90 1/8 bid, 90 3/8 offered.

The market was "kind of quiet," the trader said, although he noted that the market "was quoted down pretty hard."

Another trader said that "it was kind of a muted day." Thanks to the Fed action, "it wasn't the bloodbath it kind of felt like when you first got here."

Quebecor, Buffets swoon on bankruptcy filings

That is, unless you were a holder of either Buffets' 12½% notes due 2014 or the several issues of Quebecor World bonds, all of which were quoted down anywhere from 15 to 20 points on the session following the companies' respective bankruptcy filings. Both names

were seen among the most actively traded bonds on the session.

Quebecor World's bonds were all being quoted around 47 bid, 49 offered, down from their mid-60s levels before the Montreal-based printing company's Chapter 11 filing.

A trader at another desk said that its 6 1/8% notes due 2013 had opened the day at 44 and had finished up near 50, "up 6 points on the day – but down 15 from Friday's levels."

Another market source saw those notes fall as low as 42 bid on the day before coming back up

Also forced into restructuring was Eagan, Minn.-based casual dining operator Buffets. Its bonds nosedived to 7 bid, 9 offered after the company's Chapter 11 filing from 18 bid, 22 offered previously, a trader said, while another trader pegged them at 8 bid, 10 offered, down 10 points on the session.

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Investment-grade bonds see rocky day despite Fed rate cut, new issues a possibility Wednesday

By Andrea Heisinger and Paul Deckelman

Omaha, Jan. 22 – It was what market sources called “a rocky start” to the week that started with a surprise Federal Reserve rate cut.

“It was definitely a rocky day,” a source said. “We came into it looking gloomy, and it was pretty back and forth all day.”

The rate cut of three-quarters of a point surprised many who were not expecting action until the Fed meeting at the end of the month.

“I don’t think anyone was expecting them to jump in and do that,” a market source said. “It gave a backdrop for the rest of the week.”

There were some issues scheduled for sometime this week, but it is unknown now if they will come to the market or not, the source said.

In the investment-grade secondary market Tuesday, advancing issues outnum-

bered decliners by a better-than seven-to-six ratio. Overall activity, reflected in dollar volume, jumped about 41% from Friday’s shrunken pre-holiday levels.

Traders saw financial bonds generally a bit wider on the day, after **Bank of America** and **Wachovia Corp.** each posted disappointing numbers. However, they said there was no sell off, with spreads only modestly wider. CDS spreads on the two companies’ debt were actually little changed, reflecting no deterioration of investor confidence in the companies’ prospects.

There continues to be trading in the new issues recently priced for **United Parcel Service Inc.** and **Target Corp.**, although the latter’s existing bonds were also seen moving around.

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Investment Grade Daily

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