

Infrastructure Investment Banking Serving Illinois School Districts

Market Update

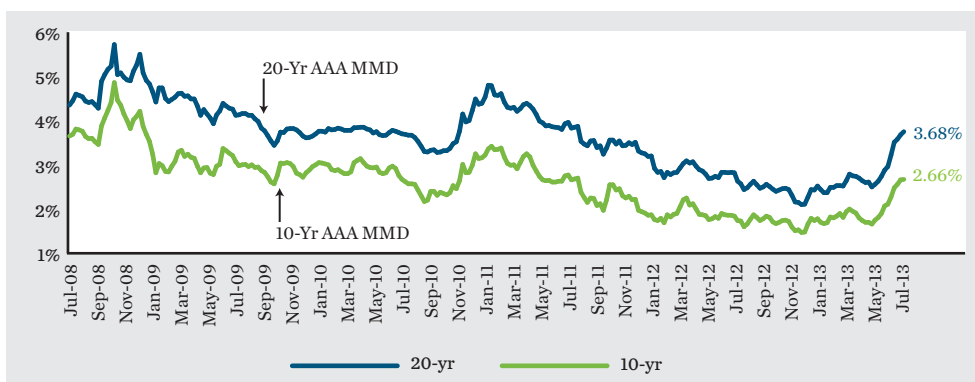
It was just last year that the municipal market realized the lowest interest rates in the last 45 years. That trend, however, began showing signs of receding this spring. Since May 1, interest rates have increased by more than 100 basis points in the 20-year MMD. While rates remain below the recent five-year average, it is important to understand the driving force behind the recent spike in rates and to understand how future borrowing costs may be affected.

- **June 19:** The Federal Reserve Board of Governors indicated a willingness to limit quantitative easing based on future improvement in unemployment, signaling a possible end to purchases of mortgage-backed securities and U.S. Treasury securities by mid-2014. The Federal Funds rate of 0.25% remained unchanged.
- Concerns about a possible economic slowdown in China, the world's second-largest economy, caused investors to worry about the health of the global economy.
- A massive redemption of more than \$23 billion from bond funds at the end of June resulted in illiquidity and major price adjustments needed to clear inventory.
- **July 5:** The employment report showed that the economy added 195,000 jobs in June, above analysts expectations. The government revised previous jobs reports for April and May resulting in an increase in the average monthly report to slightly more than 200,000 for the first half of 2013.

The bottom line is that the market is adjusting to the Fed's comments that it intends to reel in quantitative easing as the economy shows signs of strength. While borrowing costs are a vital part of the financing equation, it is important to keep rising interest rates in proper perspective—they are a sign of steady improvement in the overall health of the economy.

So, are historically low interest rates over? While we can not make any guarantees with regard to future interest rates, we recommend that you take a very conservative approach and plan for continued rate increases when estimating future borrowing costs. See the following AAA Municipal Market Data ("MMD") graph for 10-year and 20-year borrowing rates since June 2008.

AAA Municipal Market Rates ("MMD") During the Past Five Years



Note: Reflects market conditions as of July 11, 2013
Source: Thomson Financial


Public issuers count on William Blair & Company for objective advice, competitive underwriting, and strong institutional and retail sales distribution. We are dedicated to helping governments, school districts, and not-for-profit organizations fund new projects, lower their borrowing costs, and strengthen their financial positions.

Deals in the Spotlight

\$935,000

Township High School District Number 204
Will County, Illinois
(Joliet)

Taxable General Obligation
Limited School Bonds, Series 2013




Placement Agent

\$7,080,000

Community Unit School District Number 205
DuPage and Cook Counties, Illinois
(Elmhurst)

General Obligation Refunding
School Bonds, Series 2013A




Manager

\$950,000

Community Unit School District Number 205
DuPage and Cook Counties, Illinois
(Elmhurst)

General Obligation Limited Tax
School Bonds, Series 2013B



Manager

\$7,950,000

School District Number 23
Cook County, Illinois
(Prospect Heights)

General Obligation Limited
School Bonds, Series 2013




Manager

\$8,735,000

Community Unit School District Number 118
Lake and McHenry Counties, Illinois
(Wauconda)

General Obligation Refunding
School Bonds, Series 2013




Manager

\$5,860,000

Township High School District Number 121
Lake County, Illinois
(Warren)

General Obligation Refunding
School Bonds, Series 2013A




Manager

\$1,355,000

Township High School District Number 121
Lake County, Illinois
(Warren)

Taxable General Obligation
Refunding School Bonds, Series 2013B



Manager

\$3,500,000

Township High School District Number 140
LaSalle County, Illinois
(Ottawa)

Taxable General Obligation
School Bonds, Series 2013A

Placement Agent

\$4,600,000

Township High School District Number 140
LaSalle County, Illinois
(Ottawa)

Taxable General Obligation
School Bonds, Series 2013B

Placement Agent

\$500,000

School District Number 37
Lake County, Illinois
(Gavin)


Taxable Educational Fund
Tax Anticipation Warrants
Due June 28, 2013

Placement Agent

\$2,750,000

School District Number 72
Cook County, Illinois
(Fairview)

Partial Defeasance of
Series 1998 and 2004 Bonds




Structuring Agent

\$18,270,000

Community High School District Number 233
Cook County, Illinois
(Homewood-Flossmoor)

General Obligation Limited
School Bonds, Series 2013



Manager

\$5,345,000

School District Number 152.5
Cook County, Illinois
(Hazel Crest)

Debt Certificates, Series 2013




Placement Agent

\$3,680,000

Community High School District Number 115
Lake County, Illinois
(Lake Forest)

General Obligation Debt Certificates
(Limited Tax), Series 2013



Manager

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