

MOODY'S

INVESTORS SERVICE

Rating Action: MOODY'S ASSIGNS Aa3 RATING TO MICHIGAN TECHNOLOGICAL UNIVERSITY'S (MI) \$33.6 MILLION OF SERIES 2012 GENERAL REVENUE AND REFUNDING BONDS AND AFFIRMS EXISTING RATINGS. OUTLOOK IS NEGATIVE.

Global Credit Research - 22 Mar 2012

THE UNIVERSITY HAS \$82 MILLION OF RATED DEBT INCLUDING CURRENT ISSUANCE

New York, March 22, 2012 --

Moody's Rating

Issue: General Revenue and Refunding Bonds, Series 2012A; Rating: Aa3; Sale Amount: \$33,600,000; Expected Sale Date: 4-18-2012; Rating Description: Revenue: Public University Broad Pledge

Opinion

Moody's Investors Service has assigned Aa3 rating to Michigan Technological University's ("Michigan Tech" or "University") \$33.6 million of General Revenue and Refunding Bonds, Series 2012, which will be issued by the Board of Control of the University. At this time, we have also affirmed the Aa3 rating on outstanding bonds. The outlook remains negative.

SUMMARY RATING RATIONALE

The Aa3 rating reflects Michigan Tech's market position as a regional public university with market niche in engineering and applied sciences, and adequate financial resources relative to debt and operations. The rating also incorporates weak demographic projections for high school graduates in the State of Michigan and continued economic challenges in the State of Michigan. The negative outlook reflects consistently weak operating cash flows and low liquidity relative to Aa3 rated peers.

STRENGTHS

*Moderate size university with market niche in engineering and applied sciences. The fall 2011 enrollment was 6,569 FTE (full time equivalent).

*Relatively diverse revenue base with FY2011 operating revenue of 41.1% from student charges, 23.4% from grants and contracts, 23.1% from state appropriations, and 12.3% from gifts and other sources.

*Healthy philanthropic support with the average gift revenue between FY 2009 and FY 2011 at \$14.3 million.

CHALLENGES

*Consistently weak operating performance with FY 2011 operating margin at negative 2.6%. The average operating margin (from FY 2009 to FY 2011) was negative 2.3%.

*Thin financial reserves and liquidity relative to Aa3 rated peers. FY 2011 expendable financial resources of \$77.8 million were less than half of the \$203.7 million FY 2010 median of a Aa3 rated public university. The FY2011 monthly liquidity (unrestricted cash and investments that can be liquidated within 30 days) was a very low \$26 million as compared to the \$136 million FY 2010 median of a Aa3 rated public university.

*Relatively remote location puts some constraints to attracting students. The University, however, recruits a good proportion of its students from outside Michigan (29% in fall 2011).

*Economic challenges in the State of Michigan strain direct state support and limit the University's ability to grow revenues and invest in new strategic initiatives. Although, the reliance on state appropriations (23.1% of Moody's adjusted operating revenue in FY 2011) has declined over the years and is lower than that for other public universities in the State. State appropriations in FY 2012 were reduced by 15%, or about \$7 million.

Outlook

The negative outlook represents our expectations that the thin operating cash flows, low liquidity, and challenging state funding environment will not change materially in the near term and leave the university ill-positioned to handle any potential stress to revenue streams.

WHAT COULD MAKE THE RATING GO UP

Highly unlikely in the near term. In the long term, significant and sustained improvement in the operating cash flows and liquidity

WHAT COULD MAKE THE RATING GO DOWN

Sustained deterioration of market position; inability to demonstrate improvement in the operating performance and liquidity within next two years, pressure on State's credit profile.

PRINCIPAL METHODOLOGY USED

The principal methodology used in this rating was U.S. Not-for-Profit Private and Public Higher Education published in August 2011. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 30 April 2012. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

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MICHIGAN TECH BOND ISSUES

Area	Bonds Outstanding and Average Rates	Issue Date	Original Outstanding Amount	Current LT Outstanding Amount	TIC Net Rate	AIC Net Rate	Remaining Term/Yrs	Final Maturity	FY13 Debt Service
				12/31/2012					
	Series 2006 Bond Issue:								
Plant	Maintenance Issues (25% match for Cap Outlay)		2,500,000						
Plant	Child Care Facility		490,000						
	Total Series 2006 Bond Issue	Aug, 2006	\$ 2,990,000	\$ 2,610,000	4.68%	4.85%	136.8	10/1/2036	\$ 191,559
	Series 2008 Bond Issue:								
	Refunding of 1998 Variable Rate Bond Issue		10,000,000						
Plant	Purchase of UPPCo Building		3,400,000						
Des	Partial Funding of KRC Building		1,000,000						
Aux	MUB Ballroom Renovation		1,480,000						
	Total Series 2008 Bond Issue	July, 2008	\$ 15,880,000	\$ 15,310,000	4.56%	4.74%	138.8	10/1/2038	\$ 886,013
	Series 2009 Bond Issue:								
Aux	New Student Apartment Building		17,235,000						
Des	Partial Funding of KRC Building		1,000,000						
	Total Series 2009 Bond Issue	Nov, 2009	\$ 18,235,000	\$ 16,785,000	4.24%	4.28%	139.8	10/1/2039	\$ 1,067,290
	Series 2010 Bond Issue:								
ERF	Great Lakes Research Center		6,875,000						
Aux	A.E. Seaman Mineral Museum		1,500,000						
Des	KRC Building Purchase (Blizzard Building)		1,600,000						
Plant	Life Safety Improvements on Campus		1,000,000						
	Total Series 2010 Bond Issue	Nov, 2010	\$ 10,975,000	\$ 9,570,000	4.00%	4.06%	30.0	10/1/2040	\$ 910,621
	Series 2012 Bond Issue: (refunding 2003 & 2004 Series)								
Aux	Refunding of 2003 & 2004 Fixed Rate Bond Issues		30,945,000						\$ 2,312,156
Aux	SDC Ice Plant and Partial Roof of SDC		2,125,000						\$ 258,685
	Total Series 2012 Bond Issue	April, 2012	\$ 33,070,000	\$ 32,475,000	3.82%	3.86%	22.0	10/1/2034	\$ 2,570,841
	Grand Total - all bond issues		\$ 81,150,000	\$ 76,750,000	4.11%	4.19%	76.0		\$ 5,626,324

Other Issues

- International Student Surcharge
- Plateau Tuition
- FY13 Financials
- FY14 Budget