Published June 21, 2007

Rollins College

Orange County Educational Facilities Authority

Ratings & Contacts

Category	Moody's Rating	Analyst	Phone
Revenue Bonds Series 2007 (Rollins College Project)	A1, stable outlook	Dennis M. Gephardt/New York Margot Asher/New York	212-553-7209 212-553-7124

Details of Bond Sale

Legal Name of Obligor: Rollins College

Bond Issue: $25.87 million Revenue Bonds, Series 2007 (Rollins College Project)

Legal Security: The College's obligations to make payments under the Loan Agreement are secured by the Revenues of the College. Additional bond tests include provision that Maximum Annual Debt Service should not exceed 15% of Revenues.

Key Issuer Contacts

University: George H. Herbst 407-646-2117
Vice President of Finance and Treasurer

Financial Adviser: David Moore 407-648-2208
Public Financial Management

Purpose: To fund various capital projects including improvements to student residence facilities, land acquisition and a central chiller plant.

Key Indicators

FTE Enrollment	Total Pro-Forma Direct Debt ($000)	Total Financial Resources ($000)	Total Revenues ($000)	Expendable Resources to Pro-Forma Debt	Expendable Resources to Operations	Average Operating Margin	Reliance on Tuition & Auxiliaries
3,200	$88,045	$345,288	$84,426	1.87 times	0.92 times	7.4%	73.6%

Opinion

Moody's Investors Service has assigned an A1 underlying rating to Rollins College's Series 2007 Educational Facilities Revenue Bonds.

Rollins College is well positioned to continue bolstering its student market position. The College encompasses a residential liberal arts campus further diversified by a graduate business school which grants MBA degrees as well as a school that serves non-traditional students. On a combined basis Rollins has enjoyed healthy growth in net tuition per student, which reached $15,334 in fiscal year 2006, up 25% over the prior four years. The liberal arts college enjoys strong demand in Florida as well as the east coast of the United States. The liberal arts college has capped its enrollment in the 1730-student range as it seeks to enhance the academic qualifications of its incoming classes, a strategy which will increasingly see the College compete with some wealthier peers.

Reflecting prudent management practices, the College has shown very strong operating performance, with an average operating margin of 7.4% over the past three years supporting actual debt service coverage of 4.6 times. Student charges remain the primary revenue stream, accounting for 74% of revenues in fiscal year 2006. Operating performance is enhanced by the College's successful commercial real estate properties, which are nearby its attractive Winter Park, Florida campus. The commercial real estate holdings provide strategic assets whose value is not fully reflected in the organization's financial statements.

Rollins has enjoyed marked growth in Total Financial Resources which reached $345 million at the end of fiscal year 2006, more than doubling in four years. The remarkable growth resulted from the approximately $106 million Cornell bequest along with other fundraising successes combined with solid pooled endowment returns and inflows to various reserves.

Outlook

The stable rating outlook is based on strong student demand and tuition revenue trends, positive operating performance and a healthy financial resource base combined with manageable borrowing plans. Upward potential for the rating is contingent on continued growth in financial resources combined with solid operating performance and further strengthening of student market position. Downward potential for the rating could develop as a result of declines in tuition revenue and financial resource levels.

Outstanding Debt

Series	Rating	Underlying Rating	Amount Outstanding ($000)
Direct Debt			
Series 1998 (taxable)	Aaa (Ambac)		10,400
Series 2001	Aaa (LOC)		14,845
Series 2002	Aaa (Ambac)		19,205
Series 2004	Aaa (Ambac)		14,500
Series 2007		A1	29,095
Total Direct Debt			**88,045**

INTEREST RATE DERIVATIVES: The College has entered into a floating to fixed rate swap associated with its Taxable Series 1998 Revenue Bonds with an initial notional amount of $19 million. The counterparty is SunTrust Bank (rated Aa2/P-1). Given the College's considerable liquidity relative to the swap, our A1 rating incorporates the related risks.

Strengths:

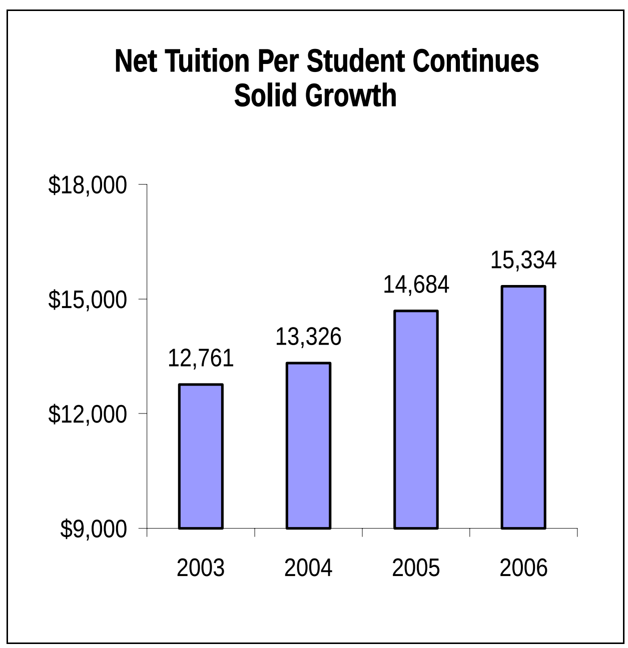
- Strong and improving student demand in demographically vibrant state for private College which combines a residential liberal arts college, a program serving non-traditional age students and a graduate business school with a combined total of 3,200 full time equivalent students. The College admitted 55% of its freshmen applicants for the fall of 2006 and has seen steady growth in net tuition per student ($15,334 in FY 2006) with reports of approximately 8% growth in net tuition per student in FY 2007.
- Growing financial resource base ($345 million in total financial resources) stemming from solid donor support (average gift revenue of $37.6 million per year) and positive endowment performance. The College has a comfortable leverage profile at the A1 level with expendable financial resources cushioning pro forma debt by 1.9 times.
- Prudent management with track record of producing consistently strong operating performance, with 7.4% three-year average margin as calculated by Moody's supporting average debt service coverage of 4.6 times.
- Attractive campus with relatively low deferred maintenance needs (FY2006 Age of plant 6 years) leading to manageable capital and related future borrowing plans.
- Successful commercial real estate venture adjoining the campus in Winter Park valued at approximately $45 million is strategic asset not fully reflected in the organization's financial statements.

Challenges:

- Competitive student market with key competitors including both wealthier private institutions and lower cost public universities reflected in yield on admitted freshmen of 30%. Competition likely to fuel demand for future investments in student housing stock and science classroom facility.
- Relatively high degree of reliance on student charges which comprised 74% of Moody's adjusted operating revenues in fiscal year 2006.

Market Position/Competitive Strategy: Strong And Improving Student Market Position Led By Residential Liberal Arts College

Moody's believes that Rollins is well positioned to continue bolstering its student market position as it continues to stress themes of global citizenship, applied learning and responsible leadership. With 3,200 full-time equivalent students last fall, programs are diversified among a comprehensive liberal arts college with increasing geographic reach (1720 FTEs), the Crummer Graduate School of Business which is focused on various MBA programs (380 FTEs), and the Hamilton Holt School offering continuing education at the undergraduate and graduate level (1100 FTEs). On a combined basis Rollins has enjoyed healthy growth in net tuition per student, which reached $15,334 in FY2006, up 25% over FY2002. The costs of attendance for an academic year are on the higher end for the southeast, priced at $40,486 last academic year.



The revenue-leading College of Arts and Sciences offers a residential liberal arts curriculum and is becoming increasingly selective as its caps enrollment in the 1730-student range. Selectivity has improved over the last five years to 55% in the fall of 2006 from 63% in 2002, with yield ranging from 29% to 33% across the same period. With a sound presence in the burgeoning Florida market, the College continues to expand its geographic reach as it enhances its broader reputation. In the fall of 2006, 46% of the student body came from Florida, 16% from the mid-Atlantic, 14% northeast states, 8% other southeastern states and 16% other. The top five overlap institutions include the University of Miami (rated A2), the University of Florida (rated Aa3), University of Central Florida (A2), Stetson University (A3), and Florida State University (rated Aa3). As the College enhances its market profile and increasingly competes in a broader geographic realm, it will be pursuing well-qualified students who are considering much wealthier institutions. As the College continues to enhance the academic profile of its incoming classes, it has a growing pool of merit scholarship funds to attract the best qualified students. While Rollins has total financial-resources-per-student of almost $108,000, some of these competitors will have more than double that level of resources, which could lead to increased pressure to increase discount rates.

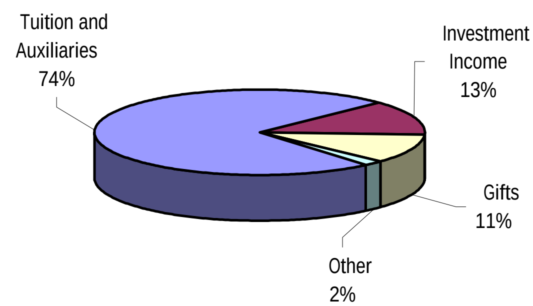
The College's attractive campus in Winter Park, Florida continues to support its market aspirations. The campus, which has been the home of the College since its founding in 1885, has benefited from over $50 million of capital investment over the past four years, and management plans to continue its program of targeted capital spending. Reflecting the substantial investments, Moody's calculation of Age of Plant for FY 2006 is 6 years, much lower than our median of 11 years for A-rated private universities.

Rounding out the enrollment at the College are both the Crummer Graduate School of Business and the Hamilton Holt School which offers education aimed at non-traditional students. The College has international accreditation from AACSB International-The Association to Advance Collegiate Schools of Business-for degree programs of the Crummer School, which focuses entirely on the MBA. Demand for the School is strongest for its Early Advantage MBA for those with recent undergraduate degrees as well its Part Time MBA program which has benefited from the growing Orlando area economy. The Holt School offers continuing education at the undergraduate and graduate level and benefits from a state grant program available to support students who typically are non-traditional aged and enrolled part time. At the undergraduate level the most popular majors are in Organizational Communication, Psychology, International Affairs and English. In support of the College's goal of enhancing its reputation, the Holt School is increasing its per credit hour charge ($245 at the undergraduate level in the 2006-07 academic year) as its historic price increases had not been as high as key competitors.

Operating Performance: Strongly Positive Operating Performance Reflects Prudent Management Culture

Moody's believes that management's strong financial oversight and planning will support ongoing favorable operating performance which has averaged 7.4% over the last three years, well above our A-rated median of 3.1%. The operating performance indicates a favorable management culture that facilitates realistic budgeting, including conservative assumptions for incoming students as well as various contingency reserves. While depreciation expense is not fully budgeted for, ongoing capital project expenditures are included along with departmental fixed asset purchases. These two budget components combined represent 82% of the $7.3 million depreciation expense in FY 2006. Average actual debt service coverage has been solid at 4.6 times and after incorporating this additional borrowing, average maximum annual debt service coverage is 2.6 times.

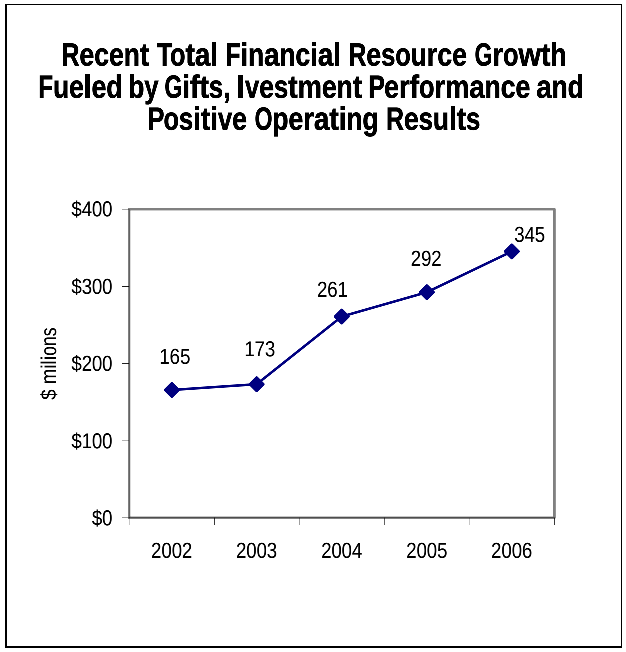
Student Charges Contribute 76% of Operating Revenues



Student charges remain the primary revenue stream, accounting for 74% of revenues in 2006, with investment income (13%) and gifts (11%) providing additional support for operations. The College's endowment spending policy is relatively conservative at 4.5% of a trailing, inflation-adjusted average. Operational flexibility is also enhanced by management's decision to keep the spending of the transformative Cornell bequest (discussed below) unencumbered by long-term program commitments.

Balance Sheet Position: Growing Financial Resource Base Provides Sound Cushion; Future Borrowing Plans Remain Manageable

Moody's believes that the College's balance sheet profile will continue to provide a healthy underpinning for the A1 rating. Rollins has enjoyed marked growth in Total Financial Resources which reached $345 million at the end of FY 2006, more than doubling in four years. The remarkable growth resulted from the approximately $106 million Cornell bequest along with other fundraising successes combined with pooled endowment returns and inflows to various reserves. Expendable financial resources of $164 million provide a sound 1.9 times cushion to pro forma debt of $88 million, and a 2.1 times coverage of operating expenses.



Rollins has substantial direct commercial real estate holdings near its campus whose value is not fully reflected in its financial statements. The most prominent example, SunTrust Plaza, was developed by the College in 1998 on land it had held for decades. The Plaza includes Class A office space and an adjoining parking structure. The College reports that the market value of the commercial properties is in the $45 million range, while they are on the balance sheet for approximately $14.5 million as plant assets net of depreciation (Moody's calculation of financial resources does not include any value for the facilities, although we do believe the property enhances credit quality). The commercial properties are 100% leased by prominent tenants and the cash flow of the enterprise is comfortably servicing its related debt service and maintenance reserve requirements.

Earlier this decade Rollins received its largest gift to date, a bequest from former Trustee George Cornell, which has totaled $103 million with an additional approximately $3 million expected. One ongoing use of the bequest is the Cornell Scholar program designed to attract ten students per year with very strong academic credentials as the College continues to increase the qualifications of its incoming classes.

The College's prior comprehensive campaign, which began in 1994 and concluded in 2001, garnered $160 million, 49% of which was for endowed funds. Total gift revenue has averaged $37.6 million across the last three years and the College has a number of focused goals around a combined $75 million initiative. Moody's believes that Rollins is well positioned to continue its fundraising successes given its deep list of prospective donors, committed board members and academic reputation.

The College's pooled endowment returned 16.7% in the twelve month period ending June 30, 2006 and in the prior ten years had impressive annualized earnings of 11.3%. As the College received word of the Cornell bequest, it began a comprehensive review of its endowment management practices, resulting in a multi-year move to a more broadly diversified asset allocation model. At the end of last calendar year, the endowment was allocated among domestic equity (24%), international equity (23%), hedge funds (10%), private equity (8%), real estate (15%), and fixed income (20%.)

Because the College has made significant investments in its physical facilities in recent years, its capital plans are manageable and will be only partially funded with debt. Over the medium term, capital plans include a new residence hall in the $10 million range, possible real estate acquisition also in the $10 million range and a new science classroom building. Management believes all three have solid fundraising potential for at least a portion, with some possibility of related bridge financing around the timing of gifts.

Rollins College

	2002	2003	2004	2005	2006	Pro Forma 2006
Key Data:						
Total Direct Debt ($000)	$22,851	$53,917	$53,230	$67,080	$66,040	$88,045
Unrestricted Financial Resources ($000)	$35,755	$36,084	$42,622	$62,023	$73,398	73,398
Expendable Financial Resources ($000)	$89,642	$85,311	$106,219	$133,640	$164,363	164,363
Total Financial Resources ($000)	$165,494	$172,907	$260,741	$292,184	$345,288	345,288
Key Ratios:						
Market:						
Total Enrollment FTE	3,450	3,500	3,383	3,290	3,200	3,200
Freshman Selectivity (%)	63.4%	66.5%	59.4%	53.3%	55.3%	55.3%
Freshman Matriculation (%)	31.6%	32.9%	30.3%	29.4%	30.2%	30.2%
Net tuition per student ($)	$12,282	$12,761	$13,326	$14,684	$15,334	$15,334
Capital:						
Unrestricted financial resources-to-direct debt (x)	1.56	0.67	0.80	0.92	1.11	0.83
Expendable financial resources-to-direct debt (x)	3.92	1.58	2.00	1.99	2.49	1.87
Total financial resources-to-direct debt (x)	7.24	3.21	4.90	4.36	5.23	3.92
Direct debt-to-cash flow (x)	3.68	5.39	5.25	4.08	5.43	7.24
Direct debt-to-total capitalization (x)	0.09	0.19	0.14	0.16	0.14	0.18
Actual debt service to operations (%)	6.1%	6.6%	4.3%	4.3%	5.0%	5.0%
Capital Investment to operations (%)	8.3%	14.7%	16.4%	20.2%	18.0%	18.0%
Age of plant (number of years)		10.3	6.2	6.6	6.0	6.0
Balance Sheet:						
Unrestricted financial resources-to-operations (x)	0.56	0.53	0.60	0.83	0.92	0.92
Expendable financial resources-to-operations (x)	1.41	1.26	1.50	1.78	2.07	2.07
Free expendable financial resources-to-operations (x)	1.05	0.46	0.75	0.89	1.24	0.96
Total financial resources-per-student ($)	$47,969	$49,402	$77,074	$88,810	$107,903	$107,903
Operating:						
Annual operating margin (%)	0.8%	7.9%	5.0%	11.5%	5.8%	5.8%
Average operating margin (%)	0.8%	4.3%	4.5%	8.1%	7.4%	7.4%
Operating cash flow margin (%)	14.1%	17.1%	16.7%	22.4%	17.9%	17.9%
Actual debt service coverage (x)	2.3	2.8	4.1	5.9	3.8	3.8
Return on net assets (%)	-	4.8%	39.7%	9.1%	17.2%	17.2%
Return on financial resources (%)	-	4.5%	50.8%	12.1%	18.2%	18.2%
Contribution (% operating revenue):						
Tuition & Auxiliaries	76.7%	73.3%	76.3%	72.0%	73.6%	73.6%
Investment Income	11.9%	10.4%	10.2%	10.5%	13.4%	13.4%
Gifts and pledges	9.1%	14.0%	10.6%	15.3%	10.8%	10.8%
Grants and contracts	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	2.2%	2.3%	2.8%	2.3%	2.3%	2.3%

Related Research

Special Comment:

Private College and University Medians 2007, May 2007 (103060)

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