MOODY'S INVESTORS SERVICE

New Issue: MOODY'S ASSIGNS Aa3 RATING TO FLORIDA INTERNATIONAL UNIVERSITY'S $51.65 MILLION SERIES 2012A DORMITORY REVENUE BONDS; OUTLOOK IS STABLE

Global Credit Research - 13 Mar 2012

THE UNIVERSITY HAS APPROXIMATELY $106 MILLION OF RATED DEBT OUTSTANDING INCLUDING THE CURRENT OFFERING

FLORIDA STATE BOARD OF GOVERNORS
Public Colleges & Universities
FL

Moody's Rating

ISSUE	RATING
Dormitory Revenue Bonds, Series 2012A	Aa3

Sale Amount	$51,645,000
Expected Sale Date	03/21/12
Rating Description	Revenue: Public University Broad Pledge

Moody's Outlook STABLE

Opinion

NEW YORK, March 13, 2012 --Moody's Investors Service has assigned a Aa3 rating to Florida International University's ("FIU") $51.65 million of fixed rated Series 2012A Dormitory Revenue Bonds. Please refer to the RATED DEBT section of this report for a full list of the university's existing bonds. The rating outlook is stable.

SUMMARY RATING RATIONALE

The Aa3 rating reflects FIU's healthy market position, which contributes to strong demand for the auxiliary systems, as well as favorable operating performance, growing expendable financial resources, and relatively low leverage to a large operating base. Offsetting factors include significant dependence on the state, which has historically provided both operating and capital support that is not expected to continue due to state funding pressures. The Aa3 rating also reflects security pledges of specific revenue streams for the university's dormitory and parking auxiliary systems, which have adequate debt service coverage from the pledged revenues and solid reserves, rather than a broad general obligation pledge of the university's revenues.

STRENGTHS

*Strong student demand and healthy market position for this large, comprehensive, public university with multiple campuses enrolling 33,923 FTE students in fall 2011 across campuses in and around Miami, Florida. FIU aims to grow its graduate student population, while keeping undergraduate enrollment relatively stable.

*Notable growth in financial reserves with expendable financial resources growing 44% from FY 2007 to $287 million and provide a good cushion to pro-forma debt at 1.24 times and for operations at 0.47 times in FY 2011.

*Healthy operating performance with a three-year average operating margin of 3.6% from FY 2009-FY 2011 and pledged revenues provide adequate debt service coverage with strong performance at the auxiliary facilities, securing the debt.

CHALLENGES

*Heavy reliance on state funding with appropriations comprising 37% of Moody's adjusted operating revenue which leaves the university vulnerable to state funding cuts. Additionally, Florida public universities had received healthy levels of capital support which is not expected to continue.

*Budget pressures at the state level has led to continued budget cuts for FIU with about a 14.6% cut in state appropriations projected for FY 2013.

*Additional borrowing plans for a parking garage scheduled for calendar year 2012 with the university expecting to issue approximately $33.5 million, as well as additional potential projects in the near future to accommodate significant enrollment growth.

*Growing campus with significant enrollment growth anticipated, which creates some complexity for FIU, as the university is land locked.

DETAILED CREDIT DISCUSSION

USE OF PROCEEDS: Proceeds from the 2012A bonds will be used to pay construction costs of a 620 bed dormitory with 300 parking spaces on the Modesto Maidique campus, capitalized interest, and costs of issuance. A portion of the Series 2012A bond also will refund all or a portion of the Series 1998 bonds.

LEGAL SECURITY: The housing bonds are secured by and payable from pledged revenues of the Housing System, which includes all fees, rentals or other charges and income received by the university from students, faculty members, tenants and others using the Housing System facilities, net of Current and Administrative Expenses. Pledged revenues in FY 2011 and projected for FY 2012 were $12.1 million and $10.2 million, respectively, covering maximum annual debt service by 1.69 times in FY 2011 and 1.09 times projected for FY 2012. Actual debt service coverage for FY 2012 is projected to be stronger at 1.44 times. The projected coverage includes a 3% rental rate increase for all housing except for housing on BBC which is expected to have no increase, an occupancy rate between 94% to 96%, and 2% increase on average for operating expenses. Moody's believes these assumptions are reasonable based on past performance. For FY 2012, demand for housing in fall 2011 was good at approximately 94%, which includes a total of approximately 2,999 beds across the main Modesto Maidique Campus ("MMC") and the Biscayne Bay Campus ("BBC"), serving just 9% of the university's full-time students. Occupancy at the MMC is consistently and exceptionally strong and achieved 97% occupancy in fall 2011 with the dormitory facility on the BBC experiencing relatively poor occupancy of 69% due to strong competition from off-campus housing. Across the Housing System, collection rates are strong at approximately 99% in FY 2007 through FY 2011. The Series 2012A bonds will not be secured by a debt service reserve fund.

The parking bonds, are secured by and payable from the pledged revenues of the Parking System, which are the net revenues of the Parking System, including mandatory student parking and transportation access fees, a flat fee assessed to all students at the MMC, BBC, and Engineering Center campuses. In FY 2010, the Parking System provides 14,814 vehicle spaces. The mandatory student fee comprised a strong 78% of gross parking system revenues, or $8.7 million with Pledged Revenues of $6.8 million providing debt service coverage of 1.55 times in FY 2010. The bonds are also secured by debt service reserve subaccounts. The subaccount for the Series 2009A&B Bonds was cash funded. Prior series reserve requirements were funded by surety bonds from National Public Finance Guarantee Corp, (formerly MBIA of Illinois) totaling $2.4 million and a surety bond from Financial Security Assurance, Inc, totaling $0.7 million. The Resolution does not require any cure based on a downgrade of surety provider over the life of the bonds.

DEBT STRUCTURE: While the university does not have any variable rate debt, the university's Direct Service Organizations (DSOs), including FIU Foundation Inc. and FIU Athletics Finance Corporation ("Finance Corporation") have approximately $42.8 million of variable rate debt before swaps at fiscal year-end (FYE) 2011. The foundation entered into a bank qualified tax exempt loan with SunTrust Bank (rated A2/P-2) on July 30, 2010, refinancing the Series 1999 variable rate demand bonds backed by a LOC. The bonds have an optional tender date of March 15, 2015 with approximately $8.8 million outstanding at FYE 2011. The Finance Corporation's Series 2009A & B bonds ($34.0 million outstanding as of FYE 2011) are long-mode put bonds with Regions Bank (Ba1/NP) that have scheduled puts every three years with the next one on March 1, 2018.

DEBT-RELATED INTEREST RATE DERIVATIVES: While the university itself has not entered into any swap agreements, two of the University's DSOs, the FIU Foundation and Finance Corporation, have entered into swap agreements with two different counterparties in order to hedge the interest rate risk on their variable rate debt. The foundation's entered into a fixed-rate payer swap with SunTrust Bank (rated A2/P-2) on the Series 1999 bonds. The foundation pays a fixed rate of 4.63% and receives 67% of 1-month LIBOR and expires February 1, 2015. The Finance Corporation's swap on the Series 2009A & B bonds is with Regions Bank (Ba1/NP) with the Finance Corporation paying a fixed rate of 3.6% and receives 63.7% of 3-month LIBOR. Neither of the swap agreements has collateral posting requirements or rating triggers for the DSOs or the university. As of June 30, 2011, the mark-to-market valuation of the swap portfolio was a liability of $6.4 million for FIU.

MARKET POSITION/COMPETITIVE STRATEGY: LARGE COMPREHENSIVE PUBLIC UNIVERSITY WITH STRONG MARKET ATTRIBUTES AND HEALTHY DEMAND FOR HIGHER EDUCATION

Moody's believes that FIU will continue to benefit from strong demand for public higher education in the state, as well as the region. The university's main campus, the Modesto Maidique Campus ("MMC") and the Biscayne Bay Campus ("BBC") are located in the metropolitan Miami area in Dade County with its smaller regional campuses and institutes in close proximity, as well as in central Florida. FIU's healthy demand continues demonstrated by a fall 2011 undergraduate selectivity rate of 39% coupled with a 40% matriculation rate of accepted students.

In fall 2011, the university enrolled 33,923 full-time equivalent (FTE) students, a 23% increase in enrollment from fall 2007. FIU offers a wide array of undergraduate and graduate programs, including Colleges of Business, Law, Nursing, Health Sciences, and a College of Medicine (which enrolled its first class in 2009). The university's student population comprises approximately 19% of graduate students that has grown 38% since fall 2007 to 6,302 FTE students in fall 2011. The more significant growth in graduate enrollment is consistent with the university's goals of enhancing its research profile, in part, through increasing its graduate population.

FIU continues to invest in its sponsored research activity and believes its new College of Medicine will position it to increase awards. Sponsored research awards totaled $105 million in FY 2011, including federal stimulus funds of $1.5 million, an increase of approximately 18% from FY 2007. The College of Medicine represents the fourth largest recipient of awards among FIU's colleges in FY 2011, up from FY 2010. Management expects sponsored research funding will approximate $111 million in FY 2012.

Moody's believes FIU has additional tuition pricing flexibility as the in-state "sticker price" tuition rates for Florida public universities remain among the lowest in the country. The Board of Governors approved 15% per year increase for undergraduate in-state tuition for FY 2012 with plans to increase tuition by this amount until tuition and fees reach the national average for public universities. The Legislature has not provided for any base increase in FY 2013, but the Board of Governors will allow the State University System of Florida institutions to increase tuition up to 15% in the differential amount.

We believe that in-state tuition rates will remain affordable despite the sizeable percentage increases. FIU's net tuition per student was $5,102 in FY 2010, which is below the FY 2010 median for Aa3 public universities of $8,153. FY 2011 net tuition per student was $6,117. The relatively low tuition price and significant draw from within the state have contributed to the low net tuition per student.

OPERATING PERFORMANCE: CONSISTENTLY BALANCED OPERATING SURPLUSES ATTRIBUTED TO NET TUITION REVENUE GROWTH AND EXPENSE CONTAINMENT; PLEDGED REVENUES PROVIDE ADEQUATE DEBT SERVICE COVERAGE

Moody's expects that the university will maintain positive operations, by Moody's calculation, based upon healthy growth in net tuition revenue and continued careful monitoring of expense growth, despite state funding cuts. We also believe that the legally pledged net revenues will continue to provide adequate debt service coverage on the dormitory and parking bonds. The university's annual operating margin averaged 3.6% from FY 2009-2011, generating a 3.9% operating margin in FY 2011.

Although the university's cash flow margin, which has averaged 11.4% from FY 2009-FY 2011, has led to healthy coverage of maximum annual debt service of 3.83 times over the same period, legally pledged revenues are more narrow but provide adequate coverage with debt service coverage on the dormitory bonds at 1.69 times. Moody's notes that the ratings on the auxiliary facilities bonds assume maintenance of solid debt service coverage for the housing and parking systems with the ratings sensitive to declines in coverage levels.

Management reports that FY 2012 should be comparable to FY 2011's results as the university is meeting its original tuition budget and expenses are in line with budget. For FY 2012, FIU's Educational & General (E&G) appropriation revenue was cut approximately 11.5% from FY 2011's E&G appropriation (including stimulus funds) to $168.0 million. For FY 2013, the higher education budget across the 11 public universities was cut $300 million with FIU expected to receive a $24 million cut, which represents about 14.6% from the prior year's appropriation. The growth in tuition revenue, as well as expectations of continued enrollment growth will help offset cuts to state appropriations. Management also will need to address the budget from the expense side as well. FIU's management expects to absorb the cuts through using carry forward funds set aside for anticipated budget cuts.

Moody's maintains an Aa1 rating with a stable outlook on the State of Florida. The State's Aa1 rating reflects Florida's history of conservative budgeting practices, reserve levels built up during the prior period of growth, large and diverse economy with strong tourist and retirement appeal, and negligible pension liability. Challenges include weakness in the state economy reflected in employment dislocations, an unemployment rate that exceeds national averages, job losses that exceed those for comparably rated states, and a weak housing market. Like many states, Florida faced a sizeable budget shortfall for fiscal 2012 due to the end of federal stimulus funds and the slow economic recovery. The legislature adopted a fiscal 2012 budget with the budget gap addressed primarily through spending reductions, not replacing the federal stimulus funds for education, and pension reform including requiring employee pension contributions. The national recession has hampered net migration to Florida, causing further strain to the state's economy, although overall population growth has still remained positive. For more information on Moody's ratings of Florida, please refer to our report dated February 27, 2012.

BALANCE SHEET POSITION: BALANCE SHEET STRENGTHENS THROUGH GROWTH OF FINANCIAL RESOURCES AND LIMITED DEBT; ADDITIONAL DEBT PLANS EXPECTED

Moody's believes that the university's overall financial position will remain sound given strong growth in financial resources to cushion debt and operations. FY 2011 expendable financial resources (including net assets at the foundation and excluding plant equity) were $287.1 million providing a solid cushion to pro-forma debt and operations at 1.24 times and 0.47 times, respectively. The growth of financial resources is primarily attributed to retained surpluses, as well as stronger investment returns and momentum in fundraising, in recent years.

The university's unrestricted monthly liquidity of $255 million provides for a healthy 162.3 monthly days cash on hand in FY 2011. Monthly liquidity also provides approximately 6.0 times coverage of demand debt, which is held at FIU's direct support organizations.

FIU's growing operating revenue base, history of modest debt issuance, and strong capital support from the state has led to moderate operating leverage, as direct pro-forma debt to operating revenues measured 36% in FY 2011. Moody's notes that in FY 2010 State University System (SUS) debt was reclassified from the University's balance sheet to the state's balance sheet, which occurred for all SUS debt across the state. For FY 2012, FIU does not expect capital appropriations from the state to remain at prior levels but the campus had benefited from significant funding of completed capital projects. State capital appropriations are expected to be approximately $1.7 million in FY 2012 and no funding for FY 2013.

The university is anticipating to issue another series of debt within the calendar year - a 2,000 vehicle parking garage (estimated project cost of $37 million) - to fill the growing demand for on-campus parking. FIU has the capacity to absorb this additional debt but we expect the net pledged revenues to continue to provide adequate debt service coverage. After the parking garage project, the university does not have concrete additional debt plans within the next two years but is considering building a research building that could cost between $30 and $40 million.

The upcoming 620-bed dormitory will be constructed on the MMC campus, which currently has capacity of 2,711 beds with a fall 2010 occupancy rate at 99%. The BBC campus has a total of 288 beds with a low occupancy rate of 81% in fall 2010, which management attributes to demand and age of the facility. Projected debt service coverage with the additional housing debt provides approximately 1.4 times coverage in FY 2012.

As of December 31, 2011, the foundation reported a negative 7.0% fiscal year to date (FYTD) investment return on its $164.5 million investment portfolio. The investment portfolio's assets were allocated: 44% domestic equity, 5% international equity, 25% fixed income, 16% hedge funds, 3% private equity, 3% commodities and other, 2% cash, and 2% REITs. Moody's notes no excessive fund manager concentration within the portfolio. The FYTD investment return as of January 31, 2012 was negative 3.5%.

The university's financial resource calculations were depressed by a growing other post-employment benefit (OPEB) liability, which amounted to $12.1 million in FY 2011. The unfunded actuarial accrued liability was $72.1 million as of July 1, 2009 actuarial valuation date and will be recognized on the university's balance sheet over a 30 year timeframe per GASB 45 (Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions). The university is funding its OPEB obligations on a pay-as-you-go basis and does not plan to fund the actuarial liability.

GOVERNANCE AND MANAGEMENT: GROWING CAMPUS NECESSITATES CAREFUL LONG-RANGE PLANNING; MANAGEMENT TEAM GENERATES OPERATING SURPLUSES LEADING TO BUILT-UP RESERVES

FIU's financial management team consists of both tenured and new members to manage this large and growing state university. Given the significant enrollment growth that has occurred, particularly over the last two years, as well as the addition of a medical school, management has demonstrated good near-term and long-range planning that includes building reserves. We note that the university faces some challenges to expand the campus given its location in a densely populated area with potential longer-term restrictions on growing the area surrounding its main campus. However, management has assembled a special committee to address the space constraints to not only gain efficiencies but address space needs.

OUTLOOK

The stable outlook is based on Moody's expectations that the university will maintain positive operating performance, continue to grow financial resources, and maintain manageable debt plans. The stable outlook also reflects the university's strong market position, growth of net tuition revenue, and that pledged net revenues will provide adequate debt service coverage.

WHAT COULD MAKE THE RATING GO UP

Significant growth of financial resources that provides a healthier cushion to debt; diversification of revenue sources and enhanced fundraising; substantial increase in operating revenue coupled with an improved credit profile of the state

WHAT COULD MAKE THE RATING GO DOWN

Significant additional borrowing absent growth of financial resources and pledged net revenues; downgrade of State's credit rating or further significant reductions in state support that adversely impacts University operations; deterioration of market position

KEY INDICATORS (FY 2011 financial data, fall 2011 enrollment)

Full-Time Equivalent Enrollment: 33,923 students

Primary Selectivity: 39.4%

Primary Matriculation: 39.8%

Net Tuition per Student: $6,117

Educational Expenses per Student: $19,654

Average Gifts per Student $15,974

Total Cash and Investments: $290.3 million

Total Pro-Forma Direct Debt: $232.0 million

Total Pro-Forma Comprehensive Debt*: $242.5 million

Expendable Financial Resources to Pro-Forma Direct Debt: 1.24 times

Expendable Financial Resources to Operations: 0.47 times

Monthly Days Cash on Hand: 162.3 days

Monthly Liquidity to Demand Debt: 597%

Operating Revenue: $641.8 million

Operating Cash Flow Margin: 11.6%

Three-Year Average Debt Service Coverage: 5.07 times

Reliance on Tuition and Auxiliaries Revenue (% of Moody's Adjusted Operating Revenue): 46.9%

State of Florida Rating: Aa1/stable

RATED DEBT

Housing System, Series 2012A and 2011A: Aa3

Housing System, Series 1998, 2000, 2004A: Baa1 insured rating (insured by National Public Finance Guarantee Corp., formerly MBIA)

Parking System Series 1995, 1999, 2002 and 2009A&B: Aa3

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PRINCIPAL RATING METHODOLOGY

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.

For ratings issued on a program, series or category/class of debt, this announcement provides relevant regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides relevant regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides relevant regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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