MOODY'S ASSIGNS A2 UNDERLYING RATING TO COLLEGE OF CHARLESTON'S $35 MILLION SERIES 2004 A AND B BONDS; OUTLOOK IS STABLE

A2 RATING AFFIRMED ON $100 MILLION OF DEBT, INCLUDING THE CURRENT BORROWING

Moody's Rating

ISSUE RATING
Higher Education Facilities Revenue Bonds, Series 2004 A and B A2

Sale Amount $35,000,000
Expected Sale Date 06/29/04
Rating Description Public University Revenue Bonds

Moody's Outlook Stable

Opinion

NEW YORK, Jun 14, 2004 — Moody's has assigned an A2 underlying rating to the College of Charleston's Series 2004 A and B Facilities Revenue Bonds. The bonds are secured by a lien on net revenues (after operation and maintenance expenses) of the housing, dining, and parking systems as well as a mandatory capital improvement fee. Bond proceeds will be used to finance multiple campus projects, including a business school building, renovation and expansion of the School of Arts building, as well as fund some deferred maintenance projects. The Series 2004 bonds are expected to carry municipal bond insurance from an insurer rated Aaa by Moody's. Subject to Moody's review of the insurance policy and other relevant documentation, the bonds are expected to carry the insurer's current financial strength rating of Aaa. Moody's will nonetheless maintain its A2 underlying rating on the Series 2004 bonds.

The A2 underlying rating is based on the College's:

- Improving student demand factors and favorable location;
- Financial resource base providing an adequate cushion for debt and operations, with future capital plans likely requiring additional borrowing; and
- Moody's-calculated operating deficit in FY 2003, including depreciation as an operating expense, but still sufficient debt service coverage based on pledged revenue streams.

IMPROVING STUDENT DEMAND FACTORS:

Moody's expects the College of Charleston to maintain its strong market position as a four-year public university located in South Carolina (general obligation debt rated Aaa with a negative outlook). The College, which enrolled 9,980 full-time equivalent students in fall 2003, primarily serves an undergraduate population and offers strong liberal arts and science programs. As part of its strategic Fourth Century Initiative, the College has focused on some modest enrollment reductions and as well as an increased number of full-time faculty. As a result, fall 2004 total enrollment is expected to be closer to 9,900 FTE. Freshmen selectivity remains improved, with 66% of applicants accepted in fall 2003, compared to about 67% in fall 2000. During