Agenda

1. Portfolio and the Team
2. US Higher Education Outlook
3. The Connecticut Market
4. Recent Rating Activity
5. Recent Publications
Portfolio and the Team
Moody’s Rates Universities Around the World

> Team of 30 credit analysts bring sector and regional expertise to ratings

**United States**
- >520 public & private four-year universities
- >200 two-year colleges
- 100 not-for-profit organizations
- 40 private K-12 schools

**Canada**
- 10 public universities
- Ratings from Aa1-A3

**England**
- 4 public universities
- 1 not-for-profit organization
- Ratings from Aaa-Aa2

**Australia**
- 3 public universities
- Ratings from Aa1-Aa2

**Singapore**
- 2 public universities
- Both rated Aaa

**Mexico**
- 1 public university
- Rated Baa3

**Spain**
- 1 public university based on a guaranty by a regional government

Moody’s INVESTORS SERVICE
Outlook for US Higher Education 4
# US Higher Education and Not-for-Profits Team

<table>
<thead>
<tr>
<th>Managers</th>
<th>Analysts</th>
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<tbody>
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<td>Erin Ortiz x 4603</td>
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<td>Susan Fitzgerald x 6832</td>
<td>Mary Kay Cooney x 7815</td>
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<td>Mike Osborn x 7108</td>
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<td>Dennis Gephardt x 7209</td>
<td>Susan Shaffer x 4132</td>
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<td><strong>US Co-Team Managers</strong></td>
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<td>Pranav Sharma x 7164</td>
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<tr>
<td><strong>Team Assistant</strong></td>
<td>Devika Ramdat x 4953</td>
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US Higher Education Outlook
Outlook for US Higher Ed is Negative

Outlook Horizon: 12-18 months

Key Drivers
» Operating revenue growth slowing to below 3%, coupled with mounting expenses
» Price sensitivity constrains net tuition revenue growth
» State funding is growing, but remains below pre-recession levels; some strings attached
» Research & patient care revenue increasingly competitive

Signs of Stability
» Strong overall student demand
» Equity market returns bolster fundraising and investment income
Aggregate Revenue Growth Remains Depressed

Source: Moody's Investors Service, *2014 and 2015 are projected by Moody’s*
Pricing Power Continues to Erode for Public and Private Universities

Source: Moody's Investors Service, *2014 and 2015 are projected by Moody’s
Private Universities Continue to Confront Constrained Net Tuition Revenue Growth

Note: *FY2014 estimated, **FY 2015 forecasted

Source: Moody's Investors Service
Flat High School Graduates Over Next Several Years
Projected High School Graduates (Base period: 2002 = 100)

Source: WICHE, Moody’s Economy.com
Growth in Net Tuition Per Student Slows Despite Increase in Applications

Source: Moody's Investors Service
Growth in Net Tuition Per Student Eclipses State Appropriations at Public Universities

Source: Moody's Investors Service, *2014 and 2015 are projected by Moody’s
Financial Aid Grants Begin to Stagnate
Growth of Various Grants Dollars in 2013 dollars ($ billions)

Source: College Board, Trends in Student Aid 2014
Growing Earnings Disparity Drives Long-Term Demand
Difference in median annual earnings of college and high school graduates at the ages of 25 to 32 (2012 dollars)

Employment Outlook for Recent Grads Slowly Improving

Average Unemployment Rate (%): 24 to 34 Year

Source: Bureau of Labor Statistics
Increased International Graduate School Applications to US Universities

Annual Change in International Graduate Application Volume
Sorted by Largest Source of Enrollment (left to right)

Graduate Application Growth (%)

Source: Council of Graduate Schools (CGS) Graduate Admissions Survey (2014)
Bull Market Run in Equities Aids Gift Revenue Outlook

Gift Revenues Highly Correlated with Market Returns

![Line chart showing gift revenues and Russell 2000 index over fiscal years 2007 to 2014 with projected data for 2014-2015.](chart)

Asset recovery will also increase endowment support for operations with the median private university seeing year-over-year increases in 6% range for fiscal years 2014 and 2015.

*Source: Moody's Investors Service*
Strong Endowment Returns and Gifts Bolster Cash and Investments After Recession

Source: Moody's Investors Service, *2014 and 2015 are projected by Moody’s
The Connecticut Market
Moody’s Rated Connecticut Private Colleges & Universities

<table>
<thead>
<tr>
<th>College/University</th>
<th>Rating</th>
<th>Outlook</th>
<th>Operating Revenue ($'000)</th>
<th>Debt Outstanding ($'000)</th>
<th>Total Cash &amp; Investments ($'000)</th>
<th>Total Enrollment FTE</th>
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<tbody>
<tr>
<td>Yale University</td>
<td>Aaa</td>
<td>Stable</td>
<td>2,879,839</td>
<td>3,552,682</td>
<td>22,359,764</td>
<td>12,018</td>
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<td>Wesleyan University</td>
<td>Aa3</td>
<td>Stable</td>
<td>200,034</td>
<td>210,102</td>
<td>756,906</td>
<td>3,135</td>
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<td>Trinity College</td>
<td>A1</td>
<td>Stable</td>
<td>135,385</td>
<td>141,699</td>
<td>502,414</td>
<td>2,219</td>
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<td>Connecticut College</td>
<td>A2</td>
<td>Stable</td>
<td>104,719</td>
<td>69,636</td>
<td>256,645</td>
<td>1,883</td>
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<td>Fairfield University</td>
<td>A3</td>
<td>Stable</td>
<td>191,719</td>
<td>218,316</td>
<td>334,238</td>
<td>5,161</td>
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<tr>
<td>Quinnipiac University</td>
<td>A3</td>
<td>Stable</td>
<td>294,195</td>
<td>455,982</td>
<td>328,702</td>
<td>8,363</td>
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<tr>
<td>Sacred Heart University</td>
<td>Baa1</td>
<td>Stable</td>
<td>165,646</td>
<td>124,049</td>
<td>162,408</td>
<td>5,742</td>
</tr>
<tr>
<td>University of Hartford</td>
<td>Baa3</td>
<td>Stable</td>
<td>172,824</td>
<td>106,246</td>
<td>155,058</td>
<td>6,026</td>
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<tr>
<td><strong>FY 2013 US PRIVATE MEDIAN</strong></td>
<td></td>
<td></td>
<td><strong>128,967</strong></td>
<td><strong>106,231</strong></td>
<td><strong>290,974</strong></td>
<td><strong>3,257</strong></td>
</tr>
</tbody>
</table>

Source: Moody's Investors Service, FY 2013, fall 2013 enrollment
CT Privates’ Net Tuition: Combination of Pricing Power, Program Mix, and Mission

Source: Moody's Investors Service, FY 2013
Enrollment Trends at CT Universities Vary

5-Year Change in Total FTE Enrollment, 2009-2013 (%)

Source: Moody's Investors Service, FY 2009 - 2013
CT has Weaker Projected Growth in High School Graduates than the National Average

Three-year average of % change in HS graduates

Source: Western Interstate Commission for Higher Education, Knocking at the College Door 2012
Recent Rating Activity
Downgrades Continue to Outpace Upgrades

US Public and Private Universities

- **Downgrades**
- **Upgrades**

![Bar Chart]

Outlook for US Higher Education
Recent Publications
Partial List of Recent Higher Education Publications

» Sector Outlooks
» Annual Tuition Survey
» Annual Medians Reports:
  » Private universities, including Flashcard
  » Public universities, including Flashcard
  » K-12 independent schools
  » Not-for-Profit sector
» New Methodology: K-12 Independent Schools
» New Methodology: Not-for-Profit Methodology
» Quarterly Self-Liquidity Reports
» Topical Research
  » Academic Medical Centers
  » US Enrollment Trends
  » US Federal and State Budgets for Higher Education
  » Fundraising Trends
  » Impact of Non-Degree Credentials
  » International Credit Comparisons and Trends

Source: Moody's as of Nov. 15, 2014
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