

MOODY'S

INVESTORS SERVICE

Rating Action: Moody's revises Georgian Court University, NJ's Outlook to Stable; Affirms Baa3

Global Credit Research - 10 Feb 2017

New York, February 10, 2017 -- Summary Rating Rationale

Moody's Investors Service has revised the outlook on Georgian Court University, NJ to stable from negative, reflecting improvement in operating cash flow and increased enrollment, which should favorably benefit FY 2017 operating revenue. We have affirmed the Baa3 rating on \$23.3 million of outstanding Revenue Bonds.

The rating affirmation factors in management's expense management initiatives as well as its short- and long-term planning, which enables the university to adapt in a highly competitive environment. The rating is further supported by healthy unrestricted financial resources and liquidity for the rating category and a low debt burden. Offsetting factors include a heavy reliance on student charges in a highly competitive student market and a small scope of operations, resulting in high vulnerability to enrollment fluctuations.

Rating Outlook

The stable outlook reflects our expectation that the university will produce operating cash flow in the 9-11% range in the near term with continued adequate debt service coverage and modest enrollment growth. We also expect wealth and liquidity growth to remain slow.

Factors that Could Lead to an Upgrade

Substantial increase in flexible reserves

Demonstrated strengthening of student demand and operating cash flows

Factors that Could Lead to a Downgrade

Sustained deterioration of student demand resulting in weakening of operating cash flow and debt service coverage

Material increase in debt absent operating performance improvement

Legal Security

The university grants a first lien on tuition and all other operating and non-operating revenues, receipts, and income. Specifically excluded from this pledge are any donor restricted or designated gifts, grants, bequests, donations, or contributions and any income therefrom. Georgian Court has covenanted to set tuition, fees, rentals, and other charges, which together with other legal funds will be sufficient for operations, maintenance and loan payments. In addition, Georgian Court is required to maintain a debt service reserve fund in an amount equal to the lesser of (a) 10% of the net Bond Proceeds; (b) the greatest amount required in the then current year or future calendar year to pay principal and interest; and (c) 1.25 times average annual debt service payments.

Use of Proceeds

Not applicable

Obligor Profile

Georgian Court University is a coeducational private university located in Ocean County, New Jersey. The university enrolls approximately 2,300 students and generates \$43 million in annual operating revenue.

Methodology

The principal methodology used in this rating was Global Higher Education published in November 2015.

Please see the Rating Methodologies page on www.moody's.com for a copy of this methodology.

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