Maricopa County Community Coll. Dist. AZ

Contacts

Robyn Kaploff 212-553-4051
Erin Gore-Purcell 212-553-7463
Linda Lipnick 212-553-1617

Moody's Rating

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<th>Issue</th>
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<tr>
<td>Sale Amount</td>
<td>$52,550,000</td>
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<tr>
<td>Expected Sale Date</td>
<td>03/27/01</td>
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<td>Rating Description</td>
<td>General Obligation Unlimited Tax</td>
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MOODY'S ASSIGNS Aaa TO MARICOPA COMMUNITY COLLEGE DISTRICT, AZ $53 MILLION GO ULT BONDS

UPGRADE TO Aaa FROM Aa1 AFFECTS $270 MILLION OF PARITY DEBT

Opinion

Moody's Investors Service has assigned a Aaa rating with a stable outlook to Maricopa County Community College District's $52.5 million General Obligation Bonds Project of 1994 Series D (2001). Concurrently, Moody's has upgraded to Aaa from Aa1 the rating on the district's outstanding $270 million of general obligation bonds. The rating reflects the district's strong financial position reflecting conservative management practices, the diverse and rapidly growing nature of the Phoenix metropolitan area economy, and minimal direct debt position. Proceeds from this issue will complete a multi-phase bond program authorized to make capital improvements district-wide as well as equipment acquisition.

STRONG FINANCIAL POSITION WITH AMPLE RESERVES

Moody's believes that the district's financial position, characterized by ample reserves and conservative management, will be maintained given growth in taxable values, regular tuition increases and enrollment that is projected to continue to increase. Revenues in 2000 were primarily comprised of property taxes (59%) and tuition and fees (24%) with state aid (13%) contributing a relative modest portion of the total. The district's finances have improved markedly over the last 6 years due to higher revenues from increased tuition rates, which have been implemented steadily since 1992, and higher property tax receipts due to significant tax base growth. The trend of operating surpluses in the
unrestricted current fund has led to reserves that, at over $94 million, exceed 33% of fiscal 2000 operating revenues which is well above the district's 8-10% financial stability policy. Approximately 5% of these reserves are designated to help the district offset the initial operating costs of facilities currently under construction. Year-to-date results indicate fiscal 2001 will end with a sizable surplus.

SUBSTANTIAL TAX BASE BENEFITS FROM DIVERSITY AS WELL AS TREND OF EXPANSION

Moody's expects that the district's taxable values, now exceeding $21 billion, will continue to grow, reflecting the economic expansion of the Phoenix metropolitan area. The full value of the district, which is co-terminous with Maricopa County (general obligation ULT rating Aa3) and includes the city of Phoenix (general obligation ULT rating Aa1), is $150 billion, reflecting 53% growth since 1995. The county's population, estimated at 2.9 million, has grown approximately 41% since 1990. Despite this influx, unemployment rates continue to be low, a modest 2.3% in December 2000. These factors reflect the diverse local economy that includes large commercial, financial and health care service sectors, government employment and a broad array of manufacturing firms including Intel and Motorola.

MANAGEABLE DEBT PROFILE; ALL DEBT RETIRED IN 15 YEARS

Moody's believes the district's minimal (0.2%) direct debt burden will continue to decrease given rapid principal retirement (70.5% in 10 years); ongoing tax base expansion and the absence of additional debt authorization. Overall debt burden is significantly greater at 3.7% reflecting the capital needs of the rapidly growing metropolitan area. The district currently has no additional authorization but expects to complete a needs assessment in the next year and a half that will determine the size and timing of the district's next referendum. Given enrollment growth, Moody's believes it is likely the district will have significant needs within the decade but this is not expected to affect credit quality given the aforementioned rapid debt retirement and tax base growth.

Outlook

The outlook for the district's general obligation bond rating is stable. Moody's believes that, despite ongoing capital needs, the district's debt burden will remain low and the district will not allow debt issuance to outpace growth. Additionally, Moody's anticipates that management will continue to plan well in advance for increases in operating costs associated with growth and that this planning, along with ongoing economic expansion and continued moderate increases in tuition, will allow the district to maintain its current strong financial position.

KEY STATISTICS:

2000 Full Valuation: 149.7 billion
2000 Population estimate: 2,991,250
2000 Enrollment: 212,701
Overall Debt Burden: 3.7%
Direct Debt Burden: 0.2%
Principal Retirement: 70.5% in ten years
2000 General Fund Balance: $93.9 million (33% of General Fund revenues)