Moody's Investors Service

7 World Trade Center at 250 Greenwich Street,
New York, New York 10007

August 3, 2009

Assured Guaranty Corp
1325 Avenue of the Americas
New York, NY 10019

To Whom It May Concern:

Moody's Investors Service has assigned the rating of **Aa2 - on watch for possible downgrade** to the **$8,115,000.00, The Board of Trustees of the University of Alabama - The University of Alabama in Huntsville General Fee Revenue Bonds, Series 2009-A**, dated August 4, 2009 which sold through negotiation on July 22, 2009, insured by Assured Guaranty Corp (Policy No. **D-2009-1065**). The rating is the highest of (i) the guarantor's financial strength rating, (ii) any published underlying rating on the security, or (iii) any published enhanced rating based on a state credit enhancement program.

Should you have any questions regarding the above, please do not hesitate to contact Vincent Guadagno Jr. at (212) 553-2948.

Sincerely yours,

Joann Hempel

Joann Hempel
Vice President / Senior Credit Officer

JH / TM

STANDARD
&POOR'S

55 Water Street, 38th Floor
New York, NY 10041-0003
tel 212 438-2074
reference no.: 40272520

August 4, 2009

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, NY 10019
Attention: Mr. William Hogan, Managing Director

Re: ***$8,115,000 The Board of Trustees of The University of Alabama, The University of Alabama in Huntsville General Fee Revenue Bonds, Series 2009-A, dated: Date of Delivery, due: July 1, 2010-2029, (POLICY #D-2009-1065)***

Dear Mr. Hogan:

Standard & Poor's has reviewed the rating on the above-referenced obligations. After such review, we have changed the rating to "AAA" from "A". The rating reflects our assessment of the likelihood of repayment of principal and interest based on the bond insurance policy your company is providing. Therefore, rating adjustments may result from changes in the financial position of your company or from alterations in the documents governing the issue.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

Standard & Poor's is pleased to be of service to you. For more information please visit our website at www.standardandpoors.com. If we can be of help in any other way, please contact us. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard and Poor's /W/SO

rm

Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

June 8, 2009

Mr. Ray Pinner
Vice President for Finance and Administration
University of Alabama in Huntsville
131 Madison Hall
Huntsville, AL 35899

Dear Mr. Pinner:

I wish to inform you that Moody's Investors Service has assigned a rating of **A1** with a **stable** outlook to the University of Alabama in Huntsville's General Fee Revenue Bonds, Series 2009A issued by the Board of Trustees of the University of Alabama.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right to revise or withdraw it at any time in the future.

This rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Stephanie Woeppel (dr)

Stephanie Woeppel

SW/dr

cc: Mr. Phillip C. Dotts
President
Public Finance Associates, Inc.
116 Jefferson Street South
Suite 301
Huntsville, AL 35801

STANDARD
&POOR'S

500 North Akard Street
Lincoln Plaza, Suite 3200
Dallas, TX 75201
tel 214 871-1402
reference no.: 1059585

June 9, 2009

University of Alabama in Huntsville
301 Sparkman Drive
Madison Hall, Room 230
Huntsville, AL 35899
Attention: Mr. Ray M. Pinner, VP for Finance & Administration

Re: ***US$8,140,000 The Board of Trustees of the University of Alabama, General Fee Revenue Bonds, (University of Alabama Huntsville), Series 2009A, dated: Date of Issuance, due: June 1, 2029***

Dear Mr. Pinner:

Pursuant to your request for a Standard & Poor's rating on the above-referenced obligations, we have reviewed the information submitted to us and, subject to the enclosed *Terms and Conditions,* have assigned a rating of "A". Standard & Poor's views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

The rating is not investment, financial, or other advice and you should not and cannot rely upon the rating as such. The rating is based on information supplied to us by you or by your agents but does not represent an audit. We undertake no duty of due diligence or independent verification of any information. The assignment of a rating does not create a fiduciary relationship between us and you or between us and other recipients of the rating. We have not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the Securities Act of 1933. The rating is not a "market rating" nor is it a recommendation to buy, hold, or sell the obligations.

This letter constitutes Standard & Poor's permission to you to disseminate the above-assigned rating to interested parties. Standard & Poor's reserves the right to inform its own clients, subscribers, and the public of the rating.

Standard & Poor's relies on the issuer/obligor and its counsel, accountants, and other experts for the accuracy and completeness of the information submitted in connection with the rating. This rating is based on financial information and documents we received prior to the issuance of this letter. Standard & Poor's assumes that the documents you have provided to us are final. If any subsequent changes were made in the final documents, you must notify us of such changes by sending us the revised final documents with the changes clearly marked.

To maintain the rating, Standard & Poor's must receive all relevant financial information as soon as such information is available. Placing us on a distribution list for this information would facilitate the process. You must promptly notify us of all material changes in the financial information and the documents. Standard & Poor's may change, suspend, withdraw, or place on CreditWatch the rating as a result of changes in, or unavailability of, such information. Standard & Poor's reserves the right to request additional information if necessary to maintain the rating.

Please send all information to:

Standard & Poor's Ratings Services
Public Finance Department
55 Water Street
New York, NY 10041-0003

Standard & Poor's is pleased to be of service to you. For more information on Standard & Poor's, please visit our website at www.standardandpoors.com. If we can be of help in any other way, please call or contact us at nypublicfinance@standardandpoors.com. Thank you for choosing Standard & Poor's and we look forward to working with you again.

Sincerely yours,

Standard & Poor's Ratings Services
a division of The McGraw-Hill Companies, Inc.

Standard & Poor's, Inc.

fh
enclosures
cc: Ms. Marcie Porter, Vice President
Public FA, Inc.

STANDARD
&POOR'S

Standard & Poor's Ratings Services Terms and Conditions Applicable To U.S. Public Finance Ratings

Request for a rating. Standard & Poor's issues public finance ratings for a fee upon request from an issuer, or from an underwriter, financial advisor, investor, insurance company, or other entity, provided that the obligor and issuer (if different from the obligor) each has knowledge of the request. The term "issuer/obligor" in these Terms and Conditions means the issuer and the obligor if the obligor is different from the issuer.

Agreement to Accept Terms and Conditions. Standard & Poor's assigns Public Finance ratings subject to the terms and conditions stated herein and in the rating letter. The issuer/obligor's use of a Standard & Poor's public finance rating constitutes agreement to comply in all respects with the terms and conditions contained herein and in the rating letter and acknowledges the issuer/obligor's understanding of the scope and limitations of the Standard & Poor's rating as stated herein and in the rating letter.

Fees and expenses. In consideration of our analytic review and issuance of the rating, the issuer/obligor agrees to pay Standard & Poor's a rating fee. Payment of the fee is not conditioned on Standard & Poor's issuance of any particular rating. In most cases an annual surveillance fee will be charged for so long as we maintain the rating. The issuer/obligor will reimburse Standard & Poor's for reasonable travel and legal expenses if such expenses are not included in the fee. Should the rating not be issued, the issuer/obligor agrees to compensate Standard & Poor's based on the time, effort, and charges incurred through the date upon which it is determined that the rating will not be issued.

Scope of Rating. The issuer/obligor understands and agrees that (i) an issuer rating reflects Standard & Poor's current opinion of the issuer/obligor's overall financial capacity to pay its financial obligations as they come due, (ii) an issue rating reflects Standard & Poor's current opinion of the likelihood that the issuer/obligor will make payments of principal and interest on a timely basis in accordance with the terms of the obligation, (iii) a rating is an opinion and is not a verifiable statement of fact, (iv) ratings are based on information supplied to Standard & Poor's by the issuer/obligor or by its agents and upon other information obtained by Standard & Poor's from other sources it considers reliable, (v) Standard & Poor's does not perform an audit in connection with any rating and a rating does not represent an audit by Standard & Poor's, (vi) Standard & Poor's relies on the issuer/obligor, its accountants, counsel, and other experts for the accuracy and completeness of the information submitted in connection with the rating and surveillance process, (vii) Standard & Poor's undertakes no duty of due diligence or independent verification of any information, (viii) Standard & Poor's does not and cannot guarantee the accuracy, completeness, or timeliness of the information relied on in connection with a rating or the results obtained from the use of such information, (ix) Standard & Poor's may raise, lower, suspend, place on CreditWatch, or withdraw a rating at any time, in Standard & Poor's sole discretion, and (x) a rating is not a "market" rating nor a recommendation to buy, hold, or sell any financial obligation.

Publication. Standard & Poor's reserves the right to publish, disseminate, or license others to publish or disseminate the rating and the rationale for the rating unless the issuer/obligor specifically requests that the rating be assigned and maintained on a confidential basis. If a confidential rating subsequently becomes public through disclosure by the issuer/obligor or a third party other than Standard & Poor's, Standard & Poor's reserves the right to publish it. Standard & Poor's may publish explanations of Standard & Poor's ratings criteria from time to time and nothing in this Agreement shall be construed as limiting Standard & Poor's ability to modify or refine Standard & Poor's criteria at any time as Standard & Poor's deems appropriate.

Information to be Provided by the Issuer/obligor. The issuer/obligor shall meet with Standard & Poor's for an analytic review at any reasonable time Standard & Poor's requests. The issuer/obligor also agrees to provide Standard & Poor's promptly with all information relevant to the rating and surveillance of the rating including information on material changes to information previously supplied to Standard & Poor's. The rating may be affected by Standard & Poor's opinion of the accuracy, completeness, timeliness, and reliability of information received from the issuer/obligor or its agents. Standard & Poor's undertakes no duty of due diligence or independent verification of information provided by the issuer/obligor or its agents. Standard & Poor's reserves the right to withdraw the rating if the issuer/obligor or its agents fails to provide Standard & Poor's with accurate, complete, timely, or reliable information.

Standard & Poor's Not an Advisor, Fiduciary, or Expert. The issuer/obligor understands and agrees that Standard & Poor's is not acting as an investment, financial, or other advisor to the issuer/obligor and that the issuer/obligor should not and cannot rely upon the rating or any other information provided by Standard & Poor's as investment or financial advice. Nothing in this Agreement is intended to or should be construed as creating a fiduciary relationship between Standard & Poor's and the issuer/obligor or between Standard & Poor's and recipients of the rating. The issuer/obligor understands and agrees that Standard & Poor's has not consented to and will not consent to being named an "expert" under the applicable securities laws, including without limitation, Section 7 of the U.S. Securities Act of 1933.

Limitation on Damages. The issuer/obligor agrees that Standard & Poor's, its officers, directors, shareholders, and employees shall not be liable to the issuer/obligor or any other person for any actions, damages, claims, liabilities, costs, expenses, or losses in any way arising out of or relating to the rating or the related analytic services provided for in an aggregate amount in excess of the aggregate fees paid to Standard & Poor's for the rating, except for Standard & Poor's gross negligence or willful misconduct. In no event shall Standard & Poor's, its officers, directors, shareholders, or employees be liable for consequential, special, indirect, incidental, punitive or exemplary damages, costs, expenses, legal fees, or losses (including, without limitation, lost profits and opportunity costs). In furtherance and not in limitation of the foregoing, Standard & Poor's will not be liable in respect of any decisions made by the issuer/obligor or any other person as a result of the issuance of the rating or the related analytic services provided by Standard & Poor's hereunder or based on anything that appears to be advice or recommendations. The provisions of this paragraph shall apply regardless of the form of action, damage, claim, liability, cost, expense, or loss, whether in contract, statute, tort (including, without limitation, negligence), or otherwise. The issuer/obligor acknowledges and agrees that Standard & Poor's does not waive any protections, privileges, or defenses it may have under law, including but not limited to, the First Amendment of the Constitution of the United States of America.

Term. This Agreement shall terminate when the ratings are withdrawn. Notwithstanding the foregoing, the paragraphs above, "Standard & Poor's Not an Advisor, Fiduciary, or Expert" and "Limitation on Damages", shall survive the termination of this Agreement or any withdrawal of a rating.

Third Parties. Nothing in this Agreement, or the rating when issued, is intended or should be construed as creating any rights on behalf of any third parties, including, without limitation, any recipient of the rating. No person is intended as a third party beneficiary to this Agreement or to the rating when issued.

Binding Effect. This Agreement shall be binding on, and inure to the benefit of, the parties hereto and their successors and assigns.

Severability. In the event that any term or provision of this Agreement shall be held to be invalid, void, or unenforceable, then the remainder of this Agreement shall not be affected, impaired, or invalidated, and each such term and provision shall be valid and enforceable to the fullest extent permitted by law.

Complete Agreement. This Agreement constitutes the complete agreement between the parties with respect to its subject matter. This Agreement may not be modified except in a writing signed by authorized representatives of both parties.

Governing Law. This Agreement and the rating letter shall be governed by the internal laws of the State of New York. The parties agree that the state and federal courts of New York shall be the exclusive forums for any dispute arising out of this Agreement and the parties hereby consent to the personal jurisdiction of such courts.

STANDARD & POOR'S

PUBLIC FINANCE

University Of Alabama Huntsville

Primary Credit Analysts:
Bianca Gaytan-Burrell
Dallas
(1) 214-871-1416
bianca_gaytan-burrell@standardandpoors.com

Secondary Credit Analysts:
Lori Torrey
New York
(1) 212-438-2876
lori_torrey@standardandpoors.com

RatingsDirect Publication Date
June 12, 2009

Credit Profile		
US$8.14 mil General Fee Revenue Bonds, Series 2009A due 06/01/2029		
Long Term Rating	A/Stable	New
University of Alabama Board of Trustees, Alabama		
Outstanding General Fee Revenue Refunding Bonds, Various Series		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Outstanding Student Housing Bonds, Various Series		
Unenhanced Rating	A(SPUR)/Stable	Affirmed
Many issues are enhanced by bond insurance.		

Rationale

Standard & Poor's Ratings Services assigned its 'A' long-term rating, with a stable outlook, to University of Alabama Board of Trustees' series 2009A general fee revenue bonds, issued for University of Alabama Huntsville (UAH). At the same time, Standard & Poor's also affirmed its 'A' underlying rating (SPUR) on the outstanding general fee revenue bonds and student housing general fee revenue bonds.

In our opinion, the rating reflects the university's:

- Position in the three-campus University of Alabama flagship system;
- Stable enrollment with consecutive growth in headcount since fall 2005;
- Niche in technical studies due to a location near several high-tech and space-science facilities, including one of the nation's largest research parks and a critical NASA facility;
- History of balanced operations and healthy financial resources; and
- Above-average student quality as measured by an average ACT score for freshmen of 24 compared with the national average of 21.

In our opinion, offsetting credit factors include the university's:

- Substantial reduction in fiscal 2009 state appropriations, with additional cuts for fiscal 2010;
- Fluctuations in freshman applications and matriculants;
- Small endowment of $42 million (including the foundation) as of March 31, 2009, coupled with a limited history of fundraising; and
- Additional debt plans, although the majority would be self-supporting.

Proceeds from the $8.1 million series 2009A will be used to fund a portion of the Wilson Hall Renovation. The bonds are secured by a pledge of all general fees, including general tuition and course fees, registration fees, out of state fees, and building fees. Post issuance, the university will have $34 million of general fee bonds outstanding and $29.2 million of student-housing bonds outstanding. The ratings on the general fee and student housing bonds are not differentiated. The university plans to issue about $29.7 million of additional student housing bonds in 2009 to fund the construction of an undergraduate residence hall, which would bring total pro forma debt to $92 million.

Outlook

The stable outlook reflects Standard & Poor's expectation that UAH will continue to have stable demand, balanced financial operations, the ability to adjust the budget as a result of declining state support, and sound financial resources.

Demand And Enrollment: Stabilized But Aggressive Growth Plans

University of Alabama in Huntsville is University of Alabama System's smallest campus; the system also includes campuses in Tuscaloosa, Ala. and Birmingham, Ala. For fall 2008, total headcount is 7,431, up from the 7,000 level a couple of years ago and up 2.3% from last fall. The undergraduate and graduate mix has remained the same, with about 80% of the student body, or 5,893 students, enrolled as undergraduates. Engineering is the university's largest program, accounting for 27% of undergraduates and 36% of graduates. About 25.4% of all students are part time; and more than half of the students are from Madison County, where the school is located. UAH officials have an aggressive growth plan to grow the total headcount to 10,000 by fall 2012. Demographic studies project small increases in high school graduates for both 2008-2009 and 2009-2010 school years, with small decreases beginning 2010-2011.

A new director of admissions and assistant vice president of enrollment services joined the university in January 2008, and have already seen improvements in demand. Under the direction of the new president, who started in July 2007, the university has embarked on a new enrollment strategy focused on increasing student quality, expanding the geographic reach, and targeting transfer students for recruitment. Currently, 14% of the student body is from out of state, and the university has a goal of 25%. Freshman applications have increased to 1,875 for fall 2008 from 1,698 for fall 2005. The acceptance rate has averaged 88% during the same time period, and the matriculation rate averaged a strong 49%. However, freshman matriculates declined to 797 for fall 2008 from 838 for fall 2007. UAH has an aggressive growth target for freshman matriculates of 890 for fall 2009; however, as a result of decreased applications and as management reports the effect of the economy, officials expect flat enrollment for fall 2009.

Student quality has decreased in the past two years, but remains above average, with average ACT of 24 scores for incoming freshman compared with a national average of 21. The university receives about 1,000 transfer applications and about 630 matriculates.

Finances: Continued Surpluses, But Weak Outlook For State Appropriations

University of Alabama Huntsville's finances are characterized by consistent operating surpluses and solid revenue diversity, resulting from its research niche. The university generated an increase in total net assets of $6.8 million in the fiscal year ending Sept. 30, 2008, which has been lower when compared to previous years due to lower capital gifts and grants and investment losses. For fiscal 2008, UAH was positive on a cash basis, but had a deficit of $4.7 million on a full accrual basis. The university has fully incorporated depreciation into its budget since fiscal 2007, a practice that is considered a best practice by Standard & Poor's. For fiscal 2009, management expects similar results, this time as a result of decreased state appropriations.

The university benefits from good revenue diversity. In fiscal 2008, the university derived 43.6% of its total adjusted revenues from grant and contracts, followed by state appropriations at 35%, and student dependence at only 22.8%. The majority of grants and contracts come from federal sources, with 78% of federal dollars coming from the National Aeronautics and Space Administration (NASA) and the U.S. Department of Defense. Total federally funded research expenditures, from all sources, have increased by 38% from fiscal 2004 to fiscal 2008. For fiscal 2008, federally funded research expenditures were $63 million. The budget for fiscal 2009 projects about $74 million of research expenditures.

As one of the three schools in the University of Alabama's flagship system, UAH receives a substantial amount of state funding. State appropriations had increased to $58.1 million in fiscal 2008 from $50.7 million in fiscal 2007. For 2009, the state operating appropriation was reduced 11% to $51.5 million; then the university had a pro-ration of 9% ($4.6 million), reducing the fiscal 2009 appropriation to $46.9 million, which is slightly more than fiscal 2006 funding levels. The university absorbed the reduction through reductions in funded staff and faculty positions, in operation expense lines throughout the university, and through internal reallocation. For fiscal 2010, the state operating appropriation was reduced 3% to $45.5 million, while the university also received $4.2 million of stimulus funding. An additional $2.1 million was appropriated for robotics research for a total of $47.6 million for fiscal 2010.

Healthy Financial Resources Despite Additional Debt Plans

Financial resources remain sound. For fiscal 2008, total net assets equaled $240.6 million, $91.4 million of which was unrestricted. Including roughly $16.2 million of the foundation's unrestricted net assets, total unrestricted net assets accounted for a healthy 63.6% of fiscal 2008 operations and 116.3% of pro forma debt. The foundation has a separate board; the board's sole purpose, however, is to support the university, including conducting fundraising activities. The university does not currently have a capital campaign. The university and foundation's combined endowment market value was $41.8 million as of March 31, 2009, down from its highest of $56.3 million as a result of current market conditions. As of fiscal year ended Sept. 30, 2008, debt outstanding was $54.6 million. Including the $8.1 million series 2009A and the projected $29.7 million of debt for the undergraduate residence hall, pro forma debt will total about $92 million for fiscal 2009. As of Sept. 30, 2008, cash and investments were $105 million, up from $93 million as of Sept. 30, 2007. Current maximum annual debt service relative to fiscal 2008 operating expenses is a moderate 4.2% of 2008 operating expenses.

Contacts

Obligor: University of Alabama in Huntsville, Ray Pinner, Vice President for Finance and Administration, 296-824-6350.

Related Research

USPF Criteria: "Higher Education," June 19, 2007