




Moody's Investors Service

Global Credit Research

Rating Update

15 JUL 2009

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Rating Update: Rice University, TX

**MOODY'S MAINTAINS RICE UNIVERSITY'S Aaa RATING ON WATCHLIST FOR POTENTIAL DOWNGRADE AS NEGOTIATIONS CONTINUE WITH BAYLOR COLLEGE OF MEDICINE****UNIVERSITY HAS APPROXIMATELY \$760 MILLION OF RATED DEBT OUTSTANDING; BAYLOR COLLEGE OF MEDICINE HAS APPROXIMATELY \$735 MILLION OF RATED DEBT OUTSTANDING**Houston Higher Education Finance Corp., TX  
Higher Education  
TX**Opinion**

NEW YORK, Jul 15, 2009 – Moody's Investors Service is maintaining Rice University's Aaa rating on Watchlist for potential downgrade. Rice University has approximately \$760 million of outstanding debt including commercial paper at its full authorized program size of \$100 million. The rating remains on Watchlist reflecting continued negotiations over a potential closer affiliation or merger with Baylor College of Medicine. In March 2009, the two institutions signed a non-binding memorandum of understanding (MOU) that provided a framework for formal negotiations. Moody's currently rates approximately \$760 million of Rice University's debt Aaa on an underlying basis with a stable outlook. Baylor College of Medicine has approximately \$735 million in long-term debt outstanding that Moody's rates based on support provided by various banks under letters of credit. Our outstanding ratings are listed below under RATED DEBT. Moody's expects that our next review will take place within 90 days.

**RATED DEBT**

## Rice University

2008 A&B Bonds: Aaa/VMIG1 (VMIG1 rating based on University's self-liquidity, including access to a bank loan with JPMorgan Chase Bank, N.A., The Northern Trust Company, and Wells Fargo Bank that expires 6/3/2010)

2007 A&B Bonds: Aaa

Series 2006 A&B Bonds: Aaa/VMIG1 (supported by a Standby Bond Purchase Agreement with JPMorgan Chase Bank, N.A that expires 3/28/2011)

Commercial Paper: P-1 (based on University's self-liquidity)

## Baylor College of Medicine

Series 2008A Bonds: A2/VMIG1 (based on letter of credit (LOC) with Compass Bank)

Series 2008B Bonds: Aa3/VMIG1 (based on LOC with Northern Trust Company)

Series 2008C Bonds: Aa3/VMIG1 (based on LOC with Commerzbank AG)

Series 2008E Bonds: Aa1/VMIG1 (based on LOC with JPMorgan Chase Bank, N.A.)

Series 2007A-1 Bonds: Aa2/VMIG1 (based on LOC with Wachovia Bank)

Series 2007A-2 Bonds: Aa3/VMIG1 (based on LOC with Bank of America)

Series 2007A-4 Bonds: Aa3/VMIG1; (based on LOC with Bank of America)

Series 2007B Bonds: Aa1/VMIG1 (based on LOC with JPMorgan Chase Bank, N.A.)

## CONTACTS

Rice University: Ronald E. Long, Associate VP for Investments and Associate Treasurer, 713-348-5301

## METHODOLOGY

The principal methodology used in rating Rice University was "Moody's Rating Approach for Private Colleges and Universities," which can be found at [www.moody's.com](http://www.moody's.com) in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the process of rating this issuer can also be found in the Credit Policy & Methodologies directory.

The last rating action was on April 10, 2009 when the long-term bond rating of Rice University was placed on Watchlist for possible downgrade.

## Analysts

Laura C. Sander  
Analyst  
Public Finance Group  
Moody's Investors Service

Karen Kedem  
Backup Analyst  
Public Finance Group  
Moody's Investors Service

## Contacts

Journalists: (212) 553-0376  
Research Clients: (212) 553-1653

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