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


2007 A&B Bonds: Aaa


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

MOODY'S MAINTAINS RICE UNIVERSITY'S Aaa RATING ON WATCHLIST FOR POTENTIAL ... Page 2 of 3

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.moodys.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

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

Contacts

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

CREDIT RATINGS ARE MOODY'S INVESTORS SERVICE, INC.'S (MIS) CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES. MIS DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL, FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. CREDIT RATINGS DO NOT CONSTITUTE INVESTMENT OR FINANCIAL ADVICE, AND CREDIT RATINGS ARE NOT RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. CREDIT RATINGS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MIS ISSUES ITS CREDIT RATINGS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE.

© Copyright 2009, Moody's Investors Service, Inc. and/or its licensors including Moody's Assurance Company, Inc. (together, "MOODY'S"). All rights reserved.

ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY COPYRIGHT LAW AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT.

MOODY'S MAINTAINS RICE UNIVERSITY'S Aaa RATING ON WATCHLIST FOR POTENTIAL...

MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Each rating or other opinion must be weighed solely as one factor in any investment decision made by or on behalf of any user of the information contained herein, and each such user must accordingly make its own study and evaluation of each security and of each issuer and guarantor of, and each provider of credit support for, each security that it may consider purchasing, holding or selling.

MOODY'S hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by MOODY'S have, prior to assignment of any rating, agreed to pay to MOODY'S for appraisal and rating services rendered by it fees ranging from $1,500 to approximately $2,400,000. Moody's Corporation (MCO) and its wholly-owned credit rating agency subsidiary, Moody's Investors Service (MIS), also maintain policies and procedures to address the independence of MIS's ratings and rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold ratings from MIS and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually on Moody's website at www.moodys.com under the heading "Shareholder Relations - Corporate Governance - Director and Shareholder Affiliation Policy."