OFFERING MEMORANDUM DATED APRIL 15, 2015

NEW ISSUE - BOOK-ENTRY-ONLY **RATINGS: See "RATINGS" herein**

Interest on the Bonds is not excludable from gross income for federal tax purposes under existing law. See "MATERIAL UNITED STATES FEDERAL INCOME TAX MATTERS" herein.

$700,000,000
RICE UNIVERSITY TAXABLE BONDS
SERIES 2015

Date of Delivery: April 22, 2015 **Due: As set forth on the inside front cover**

The Rice University Taxable Bonds Series 2015 (the "Bonds") are being issued by William Marsh Rice University ("Rice University") and are secured by and payable solely from the monies and investments held by The Bank of New York Mellon Trust Company, National Association, as trustee (the "Trustee") for the credit of the debt service fund created under a Trust Indenture, dated as of April 1, 2015 (the "Trust Indenture"), between Rice University and the Trustee.

The proceeds of the Bonds will be used: (i) to finance all or any portion of Rice University's capital plan (including but not limited to construction, improvement and equipping of educational and other facilities of Rice University), (ii) to defease and refund certain outstanding bonds issued on behalf of Rice University, as more fully described herein, (iii) to pay all or any portion of the termination payments due in connection with termination of certain interest rate swaps of Rice University, (iv) to pay the costs of issuance of the Bonds, and (v) for any other purpose authorized by Rice University.

Capitalized terms used on the cover page hereof and not otherwise defined shall have the meaning assigned thereto in "APPENDIX C – Selected Provisions of the Trust Indenture."

The Bonds are payable solely from and secured solely by the Trust Estate, which includes monies and investments held by the Trustee for the credit of the debt service fund established by the Trust Indenture. The obligation of Rice University to make payments to the Trustee for deposit into the debt service fund is an unsecured obligation of Rice University. OTHER THAN THE MONIES AND INVESTMENTS HELD FROM TIME TO TIME BY THE TRUSTEE IN THE TRUST ESTATE, THE BONDS ARE NOT SECURED BY A LIEN ON OR SECURITY INTEREST IN ANY FUNDS OR OTHER ASSETS OF RICE UNIVERSITY. Rice University has other unsecured obligations outstanding. See "ANNUAL DEBT SERVICE REQUIREMENTS." Further, Rice University is not restricted by the Trust Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if incurred, may be either secured or unsecured and may be entitled to payment prior to payment of the Bonds.

The Bonds will be issued only as fully-registered bonds and will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), which initially will act as securities depository pursuant to a book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. Beneficial Owners of the Bonds will not receive physical delivery of bond certificates except as described herein. For so long as Cede & Co., as nominee of DTC, is the exclusive registered owner of the Bonds, principal of and interest on the Bonds will be payable by The Bank of New York Mellon Trust Company, National Association, Houston, Texas, the initial Trustee for the Bonds, to DTC on each applicable payment date. DTC will be responsible for distributing the amounts so paid to the Beneficial Owners of the Bonds. See "THE BONDS – Clearing Systems."

The Bonds will mature on the dates and bear interest at the rates set forth on the inside cover page hereof. The Bonds will be dated the Date of Delivery and will bear interest from the Date of Delivery. Interest on the Bonds will be payable on each May 15 and November 15, commencing November 15, 2015.

The Bonds are subject to redemption prior to maturity as described under "THE BONDS – Redemption."

This cover page is not intended to be a summary of the terms of, or the security for, the Bonds. Potential investors are advised to read the Offering Memorandum in its entirety to obtain information essential to making an informed investment decision.

The Bonds are offered, subject to prior sale, when, as and if issued by Rice University and accepted by the Underwriters, subject to, among other things, the approving opinion of Bracewell & Giuliani LLP, Bond Counsel. Certain legal matters will be passed upon for Rice University by its General Counsel and for the Underwriters by Greenberg Traurig, LLP, Underwriters' Counsel. It is expected that the Bonds will be available in definitive form for delivery through DTC on or about April 22, 2015.

MORGAN STANLEY **J.P. MORGAN**

$700,000,000
RICE UNIVERSITY TAXABLE BONDS
SERIES 2015

$20,000,000 0.500% Bond Due May 15, 2016, Price 100%, CUSIP Number[(1)] 96926G AB9

$340,000,000 3.574% Term Bond Due May 15, 2045, Price 100%, CUSIP Number[(1)] 96926G AC7

$340,000,000 3.774% Term Bond Due May 15, 2055, Price 100%, CUSIP Number[(1)] 96926G AD5

[(1)] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for convenience of the owners of the Bonds. Neither Rice University nor the Underwriters shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE BONDS IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE BONDS HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF. THE BONDS HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE. IN ACCORDANCE WITH ITS RESPONSIBILITIES UNDER THE FEDERAL SECURITIES LAWS, THE UNDERWRITER HAS REVIEWED THE INFORMATION IN THIS OFFERING MEMORANDUM BUT DOES NOT GUARANTEE ITS ACCURACY OR COMPLETENESS.

This Offering Memorandum includes descriptions and summaries of certain events, matters and documents. Such descriptions and summaries do not purport to be complete and all such descriptions, summaries and references thereto are qualified in their entirety by reference to this Offering Memorandum in its entirety and to each such document, copies of which will be on file during the initial offering period at the principal office of Morgan Stanley & Co. LLC at 1585 Broadway, 16th Floor, New York, New York 10036, (212) 761-9032 (telephone) and (212) 507-3923 (facsimile) and J.P. Morgan Securities LLC at 383 Madison Avenue, 8th Floor, New York, New York 10017, (212) 834-7224 (telephone) and (917) 464-4151 (facsimile). Any statements made in this Offering Memorandum or the appendices hereto involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of such opinions or estimates will be realized.

The information and expressions of opinion contained herein are subject to change without notice and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of Rice University or the other matters described herein since the date hereof.

The Underwriters have provided the following two sentences for inclusion in this Offering Memorandum. Information herein has been obtained from Rice University and other sources believed to be reliable. The Underwriters have reviewed the information in this Offering Memorandum in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information, and such information is not to be construed as a representation by Rice University or the Underwriters.

NEITHER RICE UNIVERSITY NOR THE UNDERWRITERS MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM OR THE CLEARING SYSTEMS.

This Offering Memorandum is delivered in connection with the sale of the Bonds and may not be reproduced or used, in whole or in part, for any other purpose. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation, or sale. No dealer, salesperson, or other person has been authorized by Rice University to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by Rice University, the Underwriters, or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriters after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

INFORMATION CONCERNING OFFERING RESTRICTIONS IN CERTAIN JURISDICTIONS OUTSIDE THE UNITED STATES

REFERENCES HEREIN TO "BONDS" OR "SECURITIES" MEAN THE BONDS OFFERED HEREBY.

MINIMUM UNIT SALES

THE BONDS WILL TRADE AND SETTLE ON A UNIT BASIS (ONE UNIT EQUALING ONE BOND OF $5,000 PRINCIPAL AMOUNT). FOR ANY SALES MADE OUTSIDE THE UNITED STATES, THE MINIMUM PURCHASE AND TRADING AMOUNT IS 150 UNITS (BEING 150 BONDS IN AN AGGREGATE PRINCIPAL AMOUNT OF $750,000).

NOTICE TO INVESTORS IN THE EUROPEAN ECONOMIC AREA

THIS OFFERING MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF EUROPEAN COMMISSION REGULATION 809/2004 OR EUROPEAN COMMISSION DIRECTIVE 2003/71/EC (AS AMENDED, INCLUDING BY EUROPEAN COMMISSION DIRECTIVE 2010/73/EU, AS APPLICABLE) (THE "PROSPECTUS DIRECTIVE"). IT HAS BEEN PREPARED ON THE BASIS THAT ALL OFFERS OF THE BONDS WILL BE MADE PURSUANT TO AN EXEMPTION UNDER ARTICLE 3 OF THE PROSPECTUS DIRECTIVE, AS IMPLEMENTED IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA, FROM THE REQUIREMENT TO PRODUCE A PROSPECTUS FOR SUCH OFFERS. THIS OFFERING MEMORANDUM IS ONLY ADDRESSED TO AND DIRECTED AT PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(1)(E) OF THE PROSPECTUS DIRECTIVE AND ANY RELEVANT IMPLEMENTING MEASURE IN EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("QUALIFIED INVESTORS"). THIS OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN ANY SUCH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO QUALIFIED INVESTORS IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA AND WILL NOT BE ENGAGED IN WITH ANY OTHER PERSONS.

NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED KINGDOM

THIS OFFERING MEMORANDUM HAS NOT BEEN APPROVED FOR THE PURPOSES OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 ("FSMA") AND DOES NOT CONSTITUTE AN OFFER TO THE PUBLIC IN ACCORDANCE WITH THE PROVISIONS OF SECTION 85 OF THE FSMA. IT IS FOR DISTRIBUTION ONLY TO, AND IS DIRECTED SOLELY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, (II) ARE INVESTMENT PROFESSIONALS, AS SUCH TERM IS DEFINED IN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "FINANCIAL PROMOTION ORDER"), (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE FINANCIAL PROMOTION ORDER, OR (IV) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FSMA) IN CONNECTION WITH THE ISSUE OR SALE OF ANY SECURITIES MAY OTHERWISE BE LAWFULLY COMMUNICATED OR CAUSED TO BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "RELEVANT PERSONS"). THIS OFFERING MEMORANDUM IS DIRECTED ONLY AT RELEVANT PERSONS AND MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS, INCLUDING IN CIRCUMSTANCES IN WHICH SECTION 21(1) OF THE FSMA APPLIES TO THE CORPORATION. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS OFFERING MEMORANDUM RELATES IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSON WHO IS NOT A RELEVANT PERSON SHOULD NOT ACT OR RELY ON THIS OFFERING MEMORANDUM OR ANY OF ITS CONTENTS.

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OFFERING MEMORANDUM

$700,000,000
RICE UNIVERSITY TAXABLE BONDS
SERIES 2015

INTRODUCTION

General

This Offering Memorandum, including the cover page and appendices hereto, sets forth certain information in connection with the issuance by William Marsh Rice University ("Rice University") of its Taxable Bonds Series 2015 in the aggregate principal amount of $700,000,000 (the "Bonds"). The Bonds will be issued by Rice University pursuant to an authorizing resolution of Rice University (the "Bond Resolution") and a Trust Indenture dated as of April 1, 2015 (the "Trust Indenture"), between Rice University and The Bank of New York Mellon Trust Company, National Association, as trustee (the "Trustee"). For certain terms used herein and not otherwise defined and for selected provisions of the Trust Indenture, see "APPENDIX C – Selected Provisions of the Trust Indenture".

The Bonds

The Bonds are payable solely from and secured solely by the Trust Estate. The Trust Estate consists of, among other things, monies and investments held by the Trustee for the credit of the Debt Service Fund established by the Trust Indenture. The obligation of Rice University to make payments to the Trustee for deposit into the Debt Service Fund is an unsecured obligation of Rice University. OTHER THAN THE MONIES AND INVESTMENTS HELD FROM TIME TO TIME BY THE TRUSTEE IN THE TRUST ESTATE, THE BONDS ARE NOT SECURED BY A LIEN ON OR SECURITY INTEREST IN ANY FUNDS OR OTHER ASSETS OF RICE UNIVERSITY. Rice University has other unsecured obligations outstanding. See "DEBT SERVICE REQUIREMENTS – Other Obligations of Rice University." Further, Rice University is not restricted by the Trust Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if incurred, may be either secured or unsecured and may be entitled to payment prior to payment of the Bonds.

PURCHASERS OF THE BONDS SHOULD MAKE THEIR DECISION TO INVEST IN THE BONDS SOLELY UPON THEIR ASSESSMENT OF THE CREDITWORTHINESS OF RICE UNIVERSITY.

Miscellaneous

Brief descriptions and summaries of the Bonds and the Trust Indenture follow in this Offering Memorandum and in the Appendices hereto. These descriptions and summaries do not purport to be complete and are subject to and qualified by reference to the provisions of the complete documents. The description of Rice University consists of certain information and data provided by it (as set forth in "WILLIAM MARSH RICE UNIVERSITY" herein and "APPENDIX A – CERTAIN INFORMATION ABOUT WILLIAM MARSH RICE UNIVERSITY") and its audited financial statements (as set forth in APPENDIX B – "WILLIAM MARSH RICE UNIVERSITY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013"). All descriptions are further qualified in their entirety by reference to bankruptcy and insolvency laws and principles of equity relating to or affecting generally the enforcement of creditors' rights. Copies of the above described documents are available for inspection during the initial offering period at the principal offices of the Underwriters at 1585 Broadway, 16th Floor, New York, New York 10036, and thereafter at the corporate trust office of the Trustee, Attn: Global Corporate Trust, 601 Travis Street, 16th Floor, Houston, Texas 77002.

PLAN OF FINANCE

The proceeds of the Bonds will be used: (i) to finance all or any portion of the University's capital plan (including but not limited to construction, improvement and equipping of educational and other facilities of the University), (ii) to defease and refund (a) all of the outstanding City of Houston Higher Education Finance Corporation Higher Education Revenue Refunding Bonds (Rice University Project), Series 2013A, (b) all of the outstanding City of Houston Higher Education Finance Corporation Higher Education Revenue Refunding Bonds (Rice University Project), Series 2013B, (c) all of the outstanding City of Houston Higher Education Finance Corporation Higher Education Revenue Bonds (Rice University Project), Series 2007B, and (d) that portion of the outstanding City of Houston Higher Education Finance Corporation Higher Education Revenue Bonds (Rice University Project), Series 2007A maturing on and after May 15, 2018 (collectively, the "Refunded Bonds"), (iii) to pay all or any portion of the termination payments due in connection with termination of certain interest rate swaps of Rice University relating to certain of the Refunded Bonds, (iv) to pay the costs of issuance of the Bonds, and (v) for any other purpose authorized by Rice University.

By the end of its fiscal year ending June 30, 2015, Rice University intends to establish a taxable commercial paper program in an amount not to exceed $100,000,000, and issue Rice University Taxable Commercial Paper Notes, Series A (the "CP Notes"). It is anticipated that a portion of the proceeds of the CP Notes will be used to refund a portion of the outstanding City of Houston Higher Education Finance Corporation Commercial Paper Notes (Rice University Series A). The CP Notes will be described in a separate offering document.

SOURCES AND USES OF FUNDS

Rice University estimates that the proceeds from the sale of the Bonds will be applied as set forth in the following table:

Sources of Funds	
Par Amount of Bonds	$700,000,000.00
Total Sources of Funds	**$700,000,000.00**
Uses of Funds	
Refunding of Series 2007A Bonds and Series 2007B Bonds	$322,813,298.15
Refunding of Series 2013A Bonds and Series 2013B Bonds	272,847,140.62
Capital Projects	92,270,269.79
Termination of Interest Rate Swaps	7,364,500.00
Costs of Issuance for the Bonds*	4,704,791.44
Total Uses of Funds	**$700,000,000.00**

*Includes Underwriters' discount, legal fees, trustee fees, rating agency fees, printing and other costs of issuance; also includes rounding amount.

THE BONDS

General

The Bonds will be issued in denominations of $5,000 and any integral multiple thereof in the aggregate principal amount set forth on the cover page of this Offering Memorandum, and will be dated and bear interest from their date of delivery to the initial purchasers thereof. Interest on the Bonds will be payable on each May 15 and November 15, beginning November 15, 2015 and will be calculated on the basis of a 360-day year, consisting of twelve 30-day months. The Bonds will mature on the dates, and bear interest at the rates, set forth on the inside cover page hereof.

The Bonds initially will be issued as fully-registered bonds and will be delivered to and registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"). The principal of and interest on the Bonds will be paid by the Trustee. As long as DTC or its nominee, Cede & Co., is the registered owner of the Bonds, such payments will be made directly to Cede & Co. See "THE BONDS – Clearing Systems" below.

Security for the Bonds

In the Trust Indenture, Rice University has agreed to make payments to the Trustee on such dates and in such amounts as are necessary to provide for the full and timely payment of the principal of, premium (if any) and interest on the Bonds when due, in accordance with the terms of the Bonds and the Trust Indenture.

The Bonds are payable solely from and secured solely by the Trust Estate. The Trust Estate consists of monies and investments held by the Trustee for the credit of the Debt Service Fund established by the Trust Indenture. The obligation of Rice University to make payments to the Trustee for deposit into the Debt Service Fund is an unsecured obligation of Rice University. OTHER THAN THE MONIES AND INVESTMENTS HELD FROM TIME TO TIME BY THE TRUSTEE IN THE TRUST ESTATE, THE BONDS ARE NOT SECURED BY A LIEN ON OR SECURITY INTEREST IN ANY FUNDS OR OTHER ASSETS OF RICE UNIVERSITY. Rice University is not required to deposit with the Trustee amounts necessary to pay the principal of and interest on the Bonds until the dates on which such amounts become due and payable.

The Trust Indenture does not contain any financial covenants limiting the ability of Rice University to incur indebtedness or encumber or dispose of its property or any other similar covenants. Further, Rice University is not required by the Trust Indenture to produce revenues at any specified level or to obtain any insurance with respect to its property or operations.

Rice University has other debt obligations outstanding. See "ANNUAL DEBT SERVICE REQUIREMENTS" herein. Moreover, Rice University is not restricted by the Trust Indenture or otherwise from incurring additional indebtedness. Such additional indebtedness, if incurred, may be either secured or unsecured and may be entitled to payment prior to payment on the Bonds.

Redemption

Make-Whole Optional Redemption. The Bonds are subject to redemption at the option of Rice University on any date in whole or in part, at a redemption price equal to the greater of:

(1) 100% of the principal amount of the Bonds to be redeemed; or

(2) the sum of the present value of the remaining scheduled payments of principal and interest to the Stated Maturity Date of such Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which such Bonds are to be redeemed, discounted to the date on which such Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate (described below) plus (A) 10 basis points for the Bonds maturing on May 15, 2016 and (B) 20 basis points for the Bonds maturing on May 15, 2045 and May 15, 2055,

plus, in each case, accrued interest on such Bonds to be redeemed to but not including the redemption date. Rice University shall determine and certify to the Trustee the redemption price of the Bonds to be redeemed, excluding the accrued interest portion of the redemption price, which portion shall be determined by the Trustee.

"Treasury Rate" means, with respect to any redemption date for a particular Bond, the yield to maturity as of such redemption date of United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least five Business Days prior to the redemption date, excluding inflation indexed securities, or, if such Statistical Release is no longer published, any publicly available source of similar market data) most nearly equal to the period from the redemption date to the Stated Maturity Date of the Bonds to be redeemed; provided, however, that if the period from the redemption date to such Stated Maturity Date is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

The Trust Indenture provides that optional redemption of the Bonds may be made conditioned upon the Trustee's receipt of funds sufficient to pay the redemption price of the Bonds to be redeemed on or prior to the redemption date or upon any other condition.

Mandatory Sinking Fund Redemption. The Bonds maturing on May 15, 2045 and May 15, 2055 (the "Term Bonds") shall be subject to mandatory sinking fund redemption by Rice University on May 15 of each of the years specified below, in the aggregate principal amounts set forth below at a redemption price equal to 100% of the principal amount to be redeemed, plus accrued interest, if any, to but not including the redemption date:

Term Bonds Due
May 15, 2045

Year	Principal Amount
2041	$63,315,000
2042	65,570,000
2043	67,915,000
2044	70,345,000
2045 (Maturity)	72,855,000

Term Bonds Due
May 15, 2055

Year	Principal Amount
2051	$63,060,000
2052	65,435,000
2053	67,905,000
2054	70,470,000
2055 (Maturity)	73,130,000

However, the principal amount of the Term Bonds required to be redeemed on any such sinking fund redemption date shall be reduced by the principal amount of the Term Bonds of the same stated maturity specified by University Request at least 35 days prior to the redemption date that have been either (i) purchased by or on behalf of the University and delivered to the Trustee for cancellation, or (ii) redeemed other than through the operation of the provisions of this paragraph, and that have not been previously made the basis for a reduction of the principal amount of the Bonds to be redeemed on a sinking fund redemption date. Any such reduction shall be applied on a pro rata basis among the remaining sinking fund redemption payment dates for the particular Term Bond that is the subject of the University Request.

Notice of Redemption

Notice of redemption will be given by the Trustee by first-class mail, postage prepaid, mailed not less than 20 nor more than 60 days prior to the redemption date, to each Holder of Bonds to be redeemed, at his last address appearing in the Register. In addition, notice of redemption shall be sent by certified or registered mail, return receipt requested, or by overnight delivery service contemporaneously with such mailing to any Holder of $1,000,000 or more in principal amount of Bonds. An additional notice of redemption shall be mailed not less than 60 nor more than 90 days after the redemption date, by the same means as the first such notice, to any Holder of Bonds selected for redemption that has not surrendered the Bonds called for redemption, at his last address appearing in the Register.

Notwithstanding the foregoing, so long as all Bonds are held under a book entry system by DTC or any other Securities Depository, notices of redemption shall be sent by the Trustee only to the Securities Depository or its nominee. Selection of book entry interests in the Bonds called, and notice of the call to the owners of those interests called, is the responsibility of the Securities Depository (or any successor securities depository) pursuant to its rules and procedures, and of its participants and indirect participants. Any failure of the Securities Depository (or any successor securities depository) to advise any participant, or of any participant or any indirect participant to notify the owner of a book entry interest, of any such notice and its content or effect shall not affect the validity of any proceedings for the redemption of any Bonds.

Notice of redemption of Bonds to be redeemed shall be given by the Trustee in the name of and at the expense of Rice University.

Effect of Redemption

Notice of redemption having been given as aforesaid and not rescinded, and the deposit having been made (if redemption is conditioned on such deposit or if the redemption is subject to rescission), the Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified and from and after such date (unless Rice University shall fail to pay the redemption price) such Bonds shall cease to bear interest. Subject to the foregoing, upon surrender of any such Bond for redemption in accordance with said notice, such Bond shall be paid by Rice University at the redemption price. Installments of interest due on or prior to the redemption date shall be payable to the Holders of such Bonds registered as such on the relevant Record Dates according to their terms.

Subject to the foregoing, if any Bond called for redemption shall not be so paid upon surrender thereof for redemption, the principal shall, until paid, bear interest from the redemption date at the rate borne by the Bond.

All money deposited in the Debt Service Fund and held by the Trustee or the Paying Agent for the redemption of particular Bonds shall be held in trust for the account of the Holders thereof and shall be paid to them, respectively, upon presentation and surrender of those Bonds on the redemption date.

Selection of Bonds for Redemption

If fewer than all of the Bonds are to be redeemed in the case of an optional redemption by Rice University, Rice University shall select the particular stated maturities of the Bonds to be redeemed.

If fewer than all of the Bonds within a particular stated maturity are to be redeemed while the Bonds are in a book entry system, the particular Bonds of such stated maturity to be redeemed shall be selected prior to the redemption date by the Trustee, from the Outstanding Bonds of such stated maturity not previously called for redemption (i) on a pro-rata pass-through distribution of principal basis pursuant to the procedures and operational arrangements of the Securities Depository or (2) if the Securities Depository's procedures or operational arrangement at such time do not allow for redemption on a pro-rata pass-through distribution of principal basis, by such method as may be acceptable to the Trustee and to the Securities Depository in accordance with its operating procedures in effect at such time.

If fewer than all of the Bonds within a particular stated maturity are to be redeemed while the Bonds are not in the book entry system, the Bonds to be redeemed from such stated maturity shall be allocated and selected by the Trustee among the Holders of the Bonds as nearly as practicable to the principal amount of the Bonds of such stated maturity owned by each Holder. In such case, the principal amount of Bonds to be redeemed from each Holder shall be calculated in the following manner: (principal amount of Bonds of the stated maturity to be redeemed) x (principal amount of Bonds of the stated maturity owned by the registered owner)/(principal amount of Bonds of the stated maturity outstanding).

In the case of a partial redemption of Bonds (while the Bonds are not in the book-entry system) when Bonds of denominations greater than the lowest Authorized Denomination are then outstanding, each lowest Authorized Denomination of face value of principal thereof shall be treated as though it were a separate Bond of the denomination of the lowest Authorized Denomination. If it is determined that one or more, but not all of the lowest Authorized Denomination of face value represented by a Bond are to be called for redemption, then upon notice of redemption of a unit or units of the lowest Authorized Denomination, the Holder of that Bond shall surrender the

Bond to the Trustee (i) for payment of the redemption price of the unit or units of the lowest Authorized Denomination called for redemption (including without limitation, the interest accrued to the date fixed for redemption and any premium), and (ii) for issuance, without charge to the Holder thereof, of a new Bond or Bonds, of any Authorized Denomination or Authorized Denominations in an aggregate principal amount equal to the unmatured and unredeemed portion of, and bearing interest at the same rate and maturing on the same date as, the Bond surrendered.

Clearing Systems

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee's name.

The information in this section concerning DTC, Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream Banking") (DTC, Euroclear and Clearstream Banking together, the "Clearing Systems"), and DTC's book-entry-only system has been provided by DTC, Euroclear and Clearstream Banking for use in disclosure documents such as this Offering Memorandum.

DTC will act as the initial securities depository for the Bonds. Euroclear and Clearstream Banking are participants of DTC and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders.

The information set forth below is subject to any change in or reinterpretation of the rules, regulations and procedures of the Clearing Systems currently in effect and Rice University expressly disclaims any responsibility to update this Offering Memorandum to reflect any such changes. The information herein concerning the Clearing Systems has been obtained from sources that Rice University believes to be reliable, but neither Rice University nor the Underwriters take any responsibility for the accuracy or completeness of the information set forth herein. Investors wishing to use the facilities of any of the Clearing Systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant Clearing System. Rice University will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Bonds held through the facilities of any Clearing System or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

Rice University cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to participants of the Clearing Systems ("Participants") (2) Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC or the other Clearing Systems will serve and act in the manner described in this Offering Memorandum. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants (hereinafter defined) are on file with DTC.

DTC Book-Entry-Only System

DTC will act initially as Securities Depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest Securities Depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, does not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices will be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed, unless other arrangements are made between Rice University and DTC.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Rice University as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Rice University or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the

Trustee, or Rice University, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Rice University or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to Rice University or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, Bond certificates are required to be printed and delivered.

Rice University may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). In that event, Bonds will be printed and delivered in accordance with the Trust Indenture.

In reading this Offering Memorandum it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Offering Memorandum to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Trust Indenture will be given only to DTC.

Euroclear and Clearstream Banking

Euroclear and Clearstream Banking have advised Rice University as follows:

Euroclear and Clearstream Banking each hold securities for their customers and facilitate the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders. Euroclear and Clearstream Banking provide various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream Banking also deal with domestic securities markets in several countries through established depositary and custodial relationships. Euroclear and Clearstream Banking have established an electronic bridge between their two systems across which their respective participants may settle trades with each other.

Euroclear and Clearstream Banking customers are worldwide financial institutions, including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Indirect access to Euroclear and Clearstream Banking is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system, either directly or indirectly.

Clearing and Settlement Procedures

Any Bonds sold in offshore transactions will be initially issued to investors through the book-entry facilities of DTC, for the account of its participants, including but not limited to Euroclear and Clearstream Banking. If the investors are participants in Clearstream Banking and Euroclear in Europe, or indirectly through organizations that are participants in the Clearing Systems, Clearstream Banking and Euroclear will hold omnibus positions on behalf of their participants through customers' securities accounts in Clearstream Banking's and Euroclear's names on the books of their respective depositories. In all cases, the record holder of the Bonds will be DTC's nominee and not Euroclear or Clearstream Banking. The depositories, in turn, will hold positions in customers' securities accounts in the depositories' names on the books of DTC. Because of time zone differences, the securities account of a Clearstream Banking or Euroclear participant as a result of a transaction with a participant, other than a depository holding on behalf of Clearstream Banking or Euroclear, will be credited during the securities settlement processing day, which must be a business day for Clearstream Banking or Euroclear, as the case may be, immediately following the DTC settlement date. These credits or any transactions in the securities settled during the processing will be reported to the relevant Euroclear participant or Clearstream Banking participant on that business day. Cash received in Clearstream Banking or Euroclear as a result of sales of securities by or through a Clearstream Banking participant or Euroclear participant to a DTC Participant, other than the depository for Clearstream Banking or Euroclear, will be received with value on the DTC settlement date but will be available in the relevant Clearstream Banking or Euroclear cash account only as of the business day following settlement in DTC.

Transfers between participants will occur in accordance with DTC rules. Transfers between Clearstream Banking participants or Euroclear participants will occur in accordance with their respective rules and operating procedures. Cross-market transfers between persons holding directly or indirectly through DTC, on the one hand, and directly or indirectly through Clearstream Banking participants or Euroclear participants, on the other, will be effected in DTC in accordance with DTC rules on behalf of the relevant European international clearing system by the relevant depositories; however, cross-market transactions will require delivery of instructions to the relevant European international clearing system by the counterparty in the system in accordance with its rules and procedures and within its established deadlines in European time. The relevant European international clearing system will, if the transaction meets its settlement requirements, deliver instructions to its depository to take action to effect final settlement on its behalf by delivering or receiving securities in DTC, and making or receiving payment in accordance with normal procedures for same day funds settlement applicable to DTC. Clearstream Banking participants or Euroclear participants may not deliver instructions directly to the depositories.

Rice University will not impose any fees in respect of holding the Bonds; however, holders of book-entry interests in the Bonds may incur fees normally payable in respect of the maintenance and operation of accounts in the Clearing Systems.

Initial Settlement

Interests in the Bonds will be in uncertified book-entry form. Purchasers electing to hold book-entry interests in the Bonds through Euroclear and Clearstream Banking accounts will follow the settlement procedures applicable thereto and applicable to DTC. Book-entry interests in the Bonds will be credited by DTC to Euroclear and Clearstream Banking participants' securities clearance accounts on the business day following the date of delivery of the Bonds against payment (value as on the date of delivery of the Bonds). DTC participants acting on behalf of purchasers electing to hold book-entry interests in the Bonds through DTC will follow the delivery practices applicable to securities eligible for DTC's Same Day Funds Settlement system. DTC participants' securities accounts will be credited with book-entry interests in the Bonds following confirmation of receipt of payment to Rice University on the date of delivery of the Bonds.

Secondary Market Trading

Secondary market trades in the Bonds will be settled by transfer of title to book-entry interests in the Clearing Systems. Title to such book-entry interests will pass by registration of the transfer within the records of Euroclear, Clearstream Banking or DTC, as the case may be, in accordance with their respective procedures. Book-entry interests in the Bonds may be transferred within Euroclear and within Clearstream Banking and between Euroclear and Clearstream Banking in accordance with procedures established for these purposes by Euroclear and Clearstream Banking. Book-entry interests in the Bonds may be transferred within DTC in accordance with procedures established for this purpose by DTC. Transfer of book-entry interests in the Bonds between Euroclear or Clearstream Banking and DTC shall be effected in accordance with procedures established for this purpose by Euroclear, Clearstream Banking and DTC.

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ANNUAL DEBT SERVICE REQUIREMENTS

The following table sets forth, for each respective fiscal year ending June 30, the annual debt service requirements of Rice University consisting of the debt service currently payable on the following bonds, which will remain outstanding following the issuance of the Bonds: (i) the City of Houston Higher Education Finance Corporation Higher Education Revenue Bonds (Rice University Project), Series 2007A maturing prior to May 15, 2018, (ii) the City of Houston Higher Education Finance Corporation Higher Education Revenue Bonds (Rice University Project) Series 2010A and Series 2010B, and (iii) the Rice University Taxable Higher Education Revenue Refunding Bonds, Series 2013.

Year Ending June 30	Outstanding Debt Service(1)(2)(3)	Taxable Series 2015 Bonds Principal	Taxable Series 2015 Bonds Interest	Total Annual Debt Service(1)(2)
2015	$3,184,927	--	--	$3,184,927
2016	13,705,396	$20,000,000	$26,685,738	60,391,134
2017	13,708,646	--	24,983,200	38,691,846
2018	10,800,146	--	24,983,200	35,783,346
2019	10,800,146	--	24,983,200	35,783,346
2020	10,800,146	--	24,983,200	35,783,346
2021	10,800,146	--	24,983,200	35,783,346
2022	10,800,146	--	24,983,200	35,783,346
2023	10,800,146	--	24,983,200	35,783,346
2024	10,800,146	--	24,983,200	35,783,346
2025	10,800,146	--	24,983,200	35,783,346
2026	10,800,146	--	24,983,200	35,783,346
2027	10,800,146	--	24,983,200	35,783,346
2028	10,800,146	--	24,983,200	35,783,346
2029	10,800,146	--	24,983,200	35,783,346
2030	10,800,146	--	24,983,200	35,783,346
2031	18,310,146	--	24,983,200	43,293,346
2032	18,314,646	--	24,983,200	43,297,846
2033	18,310,146	--	24,983,200	43,293,346
2034	18,306,146	--	24,983,200	43,289,346
2035	18,311,646	--	24,983,200	43,294,846
2036	18,315,146	--	24,983,200	43,298,346
2037	18,315,646	--	24,983,200	43,298,846
2038	18,312,146	--	24,983,200	43,295,346
2039	18,313,646	--	24,983,200	43,296,846
2040	18,313,646	--	24,983,200	43,296,846
2041	9,085,896	$63,315,000	24,983,200	97,384,096
2042	9,085,596	65,570,000	22,720,322	97,375,918
2043	9,087,596	67,915,000	20,376,850	97,379,446
2044	9,086,746	70,345,000	17,949,568	97,381,314
2045	9,088,046	72,855,000	15,435,438	97,378,484
2046	9,086,346	--	12,831,600	21,917,946
2047	9,086,646	--	12,831,600	21,918,246
2048	9,078,796	--	12,831,600	18,104,546
2049	5,272,946	--	12,831,600	18,104,546
2050	5,272,946	--	12,831,600	18,104,546
2051	5,272,946	$63,060,000	12,831,600	81,164,546
2052	5,272,946	65,435,000	10,451,716	81,159,662
2053	5,272,946	67,905,000	7,982,199	81,160,145
2054	5,272,946	70,470,000	5,419,464	81,162,410
2055	5,272,946	73,130,000	2,759,926	81,162,872
2056	5,272,946	--	--	9,078,796
2057	5,272,946	--	--	5,272,946
2058	5,272,946	--	--	5,272,946
2059	5,272,946	--	--	5,272,946
2060	5,272,946	--	--	5,272,946
2061	41,567,946	--	--	41,567,946
2062	41,563,939	--	--	41,563,939
2063	41,557,447	--	--	41,557,447
TOTAL*	$614,774,184	$700,000,000	$1,531,350,820	$2,146,125,004.17

*Totals may not add due to rounding

(1) Does not include debt service on the City of Houston Higher Education Finance Corporation Commercial Paper Notes (Rice University Series A) authorized to be issued in an amount up to $100 million.

(2) Assumed interest rate on the Series 2010B Bonds is 3.00%.

(3) The amount of debt service for the Fiscal Year ending June 30, 2015 includes unpaid debt service during such fiscal year as of the closing date of the Bonds.

WILLIAM MARSH RICE UNIVERSITY

William Marsh Rice University is a Texas non-profit corporation that owns and operates a highly selective, private research university located on an approximately 285-acre campus in Houston, Texas. Rice University admitted its first class in 1912. As a leading research university with a distinctive commitment to undergraduate education, Rice University aspires to path-breaking research, unsurpassed teaching and contributions to the betterment of our world. It seeks to fulfill this mission by cultivating a diverse community of learning and discovery that produces leaders across the spectrum of human endeavor.

For a more complete description of Rice University and its endowment, management, facilities, and operations, see APPENDIX A – "CERTAIN INFORMATION ABOUT WILLIAM MARSH RICE UNIVERSITY". Audited consolidated financial statements for Rice University and affiliates are included herein as APPENDIX B - "WILLIAM MARSH RICE UNIVERSITY CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED JUNE 30, 2014 AND JUNE 30, 2013".

RISK FACTORS

Each prospective purchaser of the Bonds should review and evaluate the risks of making such an investment. The following is a summary, which does not purport to be comprehensive or definitive, of certain of the risk factors an investor should consider before purchasing the Bonds.

Market Factors Regarding Bonds

The relative buying and selling interest of market participants in securities such as the Bonds will vary over time, and such variations may be affected by, among other things, news relating to Rice University, the attractiveness of alternative investments, the perceived risk of owning the Bonds (whether related to credit, liquidity or any other risk), the tax treatment accorded the Bonds, the accounting treatment accorded such Bonds, reactions to regulatory actions or press reports, financial reporting cycles and market sentiment generally.

Bond Rating

Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such rating will be in effect for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if, in the judgment of such agency, circumstances so warrant. Neither Rice University nor the Underwriters have agreed to take any action with respect to any proposed rating change or to bring such change, if any, to the attention of the registered owners of the Bonds.

Rice University's Ability to Satisfy Required Debt Service

Rice University faces competition from other colleges and universities to attract students. No representation or assurance can be given that Rice University will generate sufficient revenues to make payments under the Trust Indenture sufficient to pay principal of, redemption premium, if any, and interest on the Bonds.

Other Risk Factors Regarding Rice University

In the future, the following factors, among many others, may adversely affect the operations of Rice University to an extent that cannot be determined at this time: (1) changes in the demand for higher education in general or for programs offered by Rice University in particular; (2) a decline in the demographic pool of candidates who may elect to attend Rice University; (3) increased costs and decreased availability of public liability insurance; (4) cost and availability of energy; (5) a decrease in student loan funds or other aid that permits many students the opportunity to pursue higher education; (6) an increase in the costs of health care benefits, retirement plan, or other benefit packages offered by Rice University to its employees; (7) a significant decrease in the value of Rice University's investments caused by market or other external factors; (8) significant reduction in funding support from donors or other external sources; or (9) significant reduction of external funding for research.

ENFORCEABILITY OF REMEDIES

Enforcement of the security interest in the Trust Estate and the remedies specified by the Trust Indenture may be limited by the application of federal bankruptcy laws or other laws relating to creditors' rights. A court may decide not to order the specific performance of the covenants contained in those documents.

The enforceability of the lien of the Trust Indenture may be subject to subordination or prior claims in certain instances other than bankruptcy proceedings. Examples of possible limitations on enforceability and of possible subordination or prior claims include (i) statutory liens, (ii) rights arising in favor of the United States of America or any agency thereof, (iii) present or future prohibitions against assignment in any federal statutes or regulations, (iv) constructive trusts, equitable liens or other rights impressed or conferred by any state or federal court in the exercise of its equitable jurisdiction, (v) claims that might arise if appropriate financing or continuation statements are not filed in accordance with the Texas Uniform Commercial Code from time to time in effect or as a result of that code's not providing for perfection of a security interest therein, (vi) inability of the Trustee to perfect a security interest in those elements of the Trust Estate that can be perfected only by taking possession of such collateral, (vii) federal bankruptcy laws affecting, among other matters, payments made within 90 days prior to any institution of bankruptcy proceedings by Rice University, (viii) federal bankruptcy and state laws prohibiting fraudulent conveyance and (ix) the rights of holders of prior perfected security interests or of perfected purchase money security interests in equipment or other goods owned by Rice University and in the proceeds of the sale of such property and the rights of other parties secured by liens permitted under the Trust Indenture.

The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting remedies and by bankruptcy, reorganization or other laws affecting the enforcement of creditors' rights.

REGISTRATION AND QUALIFICATION OF BONDS

The sale of the Bonds has not been registered under the federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(4); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. Rice University assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LITIGATION

To the knowledge of the administration of Rice University, there is no litigation or administrative action or proceeding pending or threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance or delivery of the Bonds, the Trust Indenture, or the Bond Purchase Agreement for the Bonds, or contesting or questioning the validity of the Bonds or the proceedings and authority under which the Bonds have been authorized and are to be issued or delivered, or the pledge or application of any money or security provided for the payment of the Bonds under the Trust Indenture. A no-litigation certificate to such effect with respect to the Bonds will be delivered by Rice University to the Underwriters at the time of the original delivery of the Bonds.

Rice University is a party to various legal proceedings seeking damages or injunctive relief, which are generally incidental to its operations, and unrelated to the Bonds and the security for the Bonds. The administration does not believe that the outcome of any pending litigation will materially adversely affect the financial position, operations or cash flows of Rice University.

PROVISION OF AUDITED FINANCIAL STATEMENTS

Rice University has entered into continuing disclosure undertakings (the "Continuing Disclosure Undertakings") in connection with certain series of tax-exempt bonds issued for the benefit of Rice University. Holders and prospective purchasers of the Bonds may obtain copies of the information provided by Rice University under those Continuing Disclosure Undertakings on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("*EMMA*") System at http://emma.msrb.org/. Each Continuing Disclosure Undertaking terminates when the related tax-exempt bonds are paid or deemed paid in full.

Rice University has covenanted in the Trust Indenture that unless otherwise available on EMMA (or any successor thereto or to the functions thereof), in connection with tax-exempt bonds issued for the benefit of Rice University, Rice University will make available on its internet website a copy of its audited financial statements for each fiscal year while the Bonds are outstanding, beginning with the fiscal year ending June 30, 2015, as soon as reasonably practicable after such audited financial statements become available. Any default of Rice University in complying with the foregoing will not constitute an event of default under the Trust Indenture.

RATINGS

The Bonds have been assigned a long-term rating of "AAA" by Standard & Poor's Ratings Service, a division of The McGraw-Hill Companies, Inc. and a long-term rating of "Aaa" by Moody's Investors Service, Inc. No application was made to any other rating service for the purpose of obtaining an additional rating on the Bonds. The rating reflects only the views of the rating service and an explanation of the significance of a rating may be obtained only from the rating service supplying such rating.

Generally, rating services base their ratings on such information and materials and on investigations, studies and assumptions furnished to, obtained and made by the rating agencies. There is no assurance that such rating when assigned will continue for any given period of time or that it may not be changed or withdrawn entirely by the rating service, if in its judgment circumstances so warrant. Neither Rice University nor the Underwriters have undertaken any responsibility either to bring to the attention of the Holders of the Bonds any proposed revision or withdrawal of the rating or to oppose any such revision or withdrawal. Any downward change in or withdrawal of the rating may have an adverse effect on the marketability and/or price of the Bonds.

UNDERWRITING

Pursuant and subject to the terms and conditions set forth in the Bond Purchase Agreement for the Bonds between Morgan Stanley & Co. LLC, as representative of the Underwriters, and Rice University, the Underwriters have agreed to purchase the Bonds at a price of $695,954,958.56 (reflecting the par amount of the Bonds $700,000,000.00, less Underwriters' discount of $4,045,041.44). The Bonds will be offered to the public initially at the offering price set forth on the inside cover page of this Offering Memorandum. Such offering prices may subsequently change without any requirement of prior notice. The Underwriters may offer the Bonds to other dealers at a price lower than that offered to the public.

Morgan Stanley, parent company of Morgan Stanley & Co. LLC, one of the Underwriters of the Bonds, has entered into a retail distribution agreement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC will compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Bonds.

J.P. Morgan Securities LLC ("JPMS"), one of the Underwriters of the Bonds, has entered into negotiated dealer agreements (each, a "Dealer Agreement") with each of Charles Schwab & Co., Inc. ("CS&Co.") and LPL Financial LLC ("LPL") for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement (if applicable to this transaction), each of CS&Co. and LPL will purchase Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Bonds that such firm sells.

MATERIAL UNITED STATES FEDERAL INCOME TAX MATTERS

General

The following discussion summarizes certain material U.S. federal income tax considerations that may be relevant to the acquisition, ownership and disposition of the Bonds by an initial U.S. bondholder (as defined below). This discussion is based upon the provisions of the Code, applicable U.S. Treasury Regulations promulgated thereunder, judicial authority and administrative interpretations, as of the date of this document, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Neither the University nor Bond Counsel offers any assurance that the Internal Revenue Service, or IRS, will not challenge one or more of the tax consequences described in this discussion, and neither of the University nor Bond Counsel has obtained, nor do the University or Bond Counsel intend to obtain, a ruling from the IRS or an opinion of counsel with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Bonds.

This discussion is limited to U.S. bondholders who purchase the Bonds in this initial offering for a price equal to the issue price of the Bonds (*i.e.*, the first price at which a substantial amount of the Bonds is sold for cash other than to bond houses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) and who hold the Bonds as capital assets (generally, property held for investment). This discussion does not address the tax considerations arising under the laws of any foreign, state, local or other jurisdiction or income tax treaties or any U.S. federal estate or gift tax considerations. In addition, this discussion does not address all tax considerations that may be important to a particular holder in light of the holder's circumstances or to certain categories of investors that may be subject to special rules, such as:

- dealers in securities or currencies;
- traders in securities that have elected the mark-to-market method of accounting for their securities;
- U.S. bondholders (as defined below) whose functional currency is not the U.S. dollar;
- persons holding the Bonds as part of a hedge, straddle, conversion or other "synthetic security" or integrated transaction;
- certain U.S. expatriates;
- financial institutions;
- insurance companies;
- regulated investment companies;
- real estate investment trusts;
- persons subject to the alternative minimum tax;
- entities that are tax-exempt for U.S. federal income tax purposes; and
- partnerships and other pass-through entities and holders of interests therein.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of a partner generally will depend upon the status of the partner and the activities of the partnership. A partner of a partnership acquiring the Bonds should consult his/her own tax advisor about the U.S. federal income tax consequences of acquiring, holding and disposing of the Bonds.

INVESTORS CONSIDERING THE PURCHASE OF THE BONDS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP OR DISPOSITION OF THE BONDS UNDER THE LAWS OF ANY STATE, LOCAL OR FOREIGN JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

In certain circumstances (see "THE BONDS—Redemption") the University may be obligated to pay amounts on the Bonds that are in excess of stated interest or principal on the Bonds. The University does not intend to treat the possibility of paying such additional amounts as (i) affecting the determination of the yield to maturity of the Bonds, (ii) giving rise to original issue discount or recognition of ordinary income on the sale, exchange or redemption of the Bonds or (iii) resulting in the Bonds being treated as contingent payment debt instruments under the applicable Treasury Regulations. The University's treatment will be binding on all bondholders, except a bondholder that discloses its differing treatment in a statement attached to its timely filed U.S. federal income tax return for the taxable year during which the bond was acquired. The University's position is not, however, binding on the IRS, and if the IRS were to successfully challenge this position, a bondholder might be required to accrue interest income at a higher rate than the stated interest rate on the Bonds, and to treat as ordinary interest income any gain realized on the taxable disposition of notes. The remainder of this discussion assumes that the Bonds will not be treated as contingent payment debt instruments. Bondholders should consult their own tax advisors regarding the possible application of the contingent payment debt instrument rules to the Bonds.

Tax Consequences to U.S. Bondholders

As used herein "U.S. bondholder" means a beneficial owner of a Bond and who or that is, for U.S. federal income tax purposes:

an individual who is a U.S. citizen or U.S. resident alien;

- a corporation, or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, any state thereof or the District of Columbia;
- an estate whose income is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a United States person.

Interest on the Bonds

A U.S. bondholder will be required to include any stated interest payments in income in accordance with its method of accounting for U.S. federal income tax purposes. If a U.S. bondholder is a cash method taxpayer, such holder must report interest on the Bonds as ordinary income when it is received. If a U.S. bondholder is an accrual method taxpayer, such holder must report the interest on the Bonds as ordinary income as it accrues.

Disposition of the Bonds

A U.S. bondholder will generally recognize capital gain or loss on the sale, redemption, exchange, retirement or other taxable disposition of a Bond. This gain or loss will equal the difference between the U.S. bondholder's adjusted tax basis in the Bond and the amount realized (excluding any proceeds attributable to accrued but unpaid stated interest which will be recognized as ordinary interest income to the extent any such bondholder has not previously included such amounts in income) by the bondholder. A U.S. bondholder's adjusted tax basis in the Bonds will generally equal the amount the U.S. bondholder paid for the Bonds. The gain or loss will be long-term capital gain or loss if the bondholder held the Bonds for more than one year at the time of the sale, redemption, exchange, retirement or other disposition. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced rate of U.S. federal income tax. The deductibility of capital losses is subject to certain limitations.

Additional Tax on Investment Income

An additional 3.8% net investment income tax, or the "NIIT," is imposed on the "net investment income" of certain U.S. bondholders who are individuals and on the undistributed "net investment income" of certain estates and trusts, to the extent the sum of net investment income and other modified adjusted gross income exceeds specified dollar amounts. Among other items, "net investment income" would generally include interest income and net gain from the disposition of property, such as the Bonds, less certain deductions. U.S. bondholders should consult their tax advisors with respect to the tax consequences of the NIIT.

Tax Consequences to Non-U.S. Bondholders

As used herein, a "non-U.S. bondholder" means a beneficial owner of Bonds that is an individual, corporation, estate or trust that is not a U.S. bondholder.

Interest on the Bonds-Portfolio Interest

Payments to a non-U.S. bondholder of interest on the Bonds generally will be exempt from withholding of U.S. federal tax under the "portfolio interest" exemption if the non-U.S. bondholder properly certifies as to the non-U.S. bondholder's foreign status as described below, and:

- the non-U.S. bondholder does not own, actually or constructively, 10% or more of the University's voting stock;
- the non-U.S. bondholder is not a "controlled foreign corporation" for U.S. federal income tax purposes that is related to the University (actually or constructively); and
- the non-U.S. bondholder is not a bank whose receipt of interest on the Bonds is in connection with an extension of credit made pursuant to a loan agreement entered into in the ordinary course of such bondholder's trade or business.

The exemption from withholding tax will not apply unless (a) the non-U.S. bondholder provides his, her or its name and address on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form), and certifies under penalties of perjury, that such holder is not a U.S. person, (b) a financial institution holding the Bonds on a non-U.S. bondholder's behalf certifies, under penalties of perjury, that it has received an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) from such holder and provides the Trustee with a copy, or (c) the non-U.S. bondholder holds their Bonds directly through a "qualified intermediary," and the qualified intermediary has sufficient information in its files indicating that such holder is not a U.S. bondholder.

If a non-U.S. bondholder cannot satisfy the requirements described above, payments of principal and interest made to such holder will be subject to the 30% U.S. federal withholding tax, unless such non-U.S. bondholder provides the Trustee with a properly executed (1) IRS Form W-8BEN or IRS Form W-8BEN-E or successor form claiming an exemption from or a reduction of withholding under an applicable tax treaty or (2) IRS Form W-8ECI (or successor form) stating that interest paid on the Bonds is not subject to withholding tax because it is effectively connected with your conduct of a trade or business in the United States.

Interest on the Bonds-Effectively Connected Income

If a non-U.S. bondholder is engaged in an active trade or business in the United States and interest on the Bonds is effectively connected with the active conduct of that trade or business (and, in the case of an applicable tax treaty, is attributable to a U.S. permanent establishment maintained by such holder), such non-U.S. bondholder will be subject to U.S. federal income tax on the interest on a net income basis (although exempt from the 30% withholding tax) in the same manner as if such non-U.S. bondholder were a U.S. person as defined under the Code. In addition, if a non-U.S. bondholder is a foreign corporation, it may be subject to a branch profits tax equal to 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Bonds, that is effectively connected with the active conduct by such non-U.S. bondholder of a trade or business in the United States.

Disposition of the Bonds

A non-U.S. bondholder generally will not be subject to U.S. federal income tax on any gain realized on the sale, redemption, exchange, retirement or other taxable disposition of a Bond unless:

- the gain is effectively connected with the conduct by the non-U.S. bondholder of a U.S. trade or business (and, if required by an applicable income tax treaty, is treated as attributable to a permanent establishment maintained by the bondholder in the United States);
- the non-U.S. bondholder is a nonresident alien individual who has been present in the United States for 183 days or more in the taxable year of disposition and certain other requirements are met;
- the gain represents accrued interest, in which case the rules for taxation of interest would apply.

If a non-U.S. bondholder is described in the first bullet point above, the non-U.S. bondholder generally will be subject to U.S. federal income tax in the same manner as a U.S. bondholder (See "—Tax Consequences to Non-U.S. Bondholders—Interest on the Bonds—Effectively Connected Income"). If a non-U.S. bondholder is described in the second bullet point above, the bondholder generally will be subject to U.S. federal income tax at a flat rate of 30% on the gain derived from the sale or other disposition, which may be offset by U.S. source capital losses.

Information Reporting and Backup Withholding

U.S. Bondholders

Information reporting will apply to payments of principal and interest made by the University on, or the proceeds of the sale or other disposition of, the Bonds with respect to U.S. bondholders (unless such holder is an exempt recipient such as a corporation), and backup withholding, currently at a rate of 28%, may apply unless the recipient of such payment provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. bondholder's U.S. federal income tax liability, provided the required information is timely provided to the IRS.

Non-U.S. Bondholders

Payments to non-U.S. bondholders of interest on their Bonds and any amounts withheld from such payments generally will be reported to the IRS and such holder. Backup withholding will not apply to payments of principal and interest on the Bonds if the non-U.S. bondholder certifies as to his, her or its non-U.S. bondholder status on an IRS Form W-8BEN or IRS Form W-8BEN-E (or successor form) under penalties of perjury or such non-U.S. bondholder otherwise qualifies for an exemption (provided that neither the University nor its agent, if any, know or have reason to know that such bondholder is a U.S. person or that the conditions of any other exemptions are not in fact satisfied).

The payment of the proceeds of the disposition of Bonds to or through the U.S. office of a U.S. or foreign broker will be subject to information reporting and backup withholding unless a non-U.S. bondholder provides the certification described above or such bondholder otherwise qualifies for an exemption.

Foreign Account Tax Compliance

Pursuant to the Foreign Account Tax Compliance Act ("FATCA"), withholding at a rate of 30% generally will be required in certain circumstances on payments of interest in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition (including payments of principal) of, Bonds held by or through certain foreign financial institutions (including investment funds) that do not qualify for an exemption from these rules, unless the institution either (i) enters into, and complies with, an agreement with the IRS to undertake certain diligence and to report, on an annual basis, information with respect to interests in, and accounts maintained by, the institution that are owned by certain U.S. persons and by certain non-U.S. entities that are wholly or partially owned by U.S. persons and to withhold 30% on certain payments, or (ii) if required under an intergovernmental agreement between the United States and an applicable foreign country, undertakes such diligence and reports such information to its local tax authority, which will exchange such information with the U.S. authorities. An intergovernmental agreement between the United States and an applicable foreign country, or future Treasury Regulations or other guidance, may modify these requirements. Accordingly, the entity through which the Bonds are held will affect the determination of whether such withholding is required. Similarly, in certain circumstances, payments of interest in respect of, and, after December 31, 2016, gross proceeds from the sale or other disposition of, Bonds held by or through a non-financial foreign entity that does not qualify under certain exemptions generally will be subject to withholding at a rate of 30%, unless such entity either (i) certifies that such entity does not have any "substantial United States owners" or (ii) provides certain information regarding the entity's "substantial United States owners," which will be provided to the IRS, as required. Prospective bondholders should consult their tax advisors regarding the possible implications of these rules on their investment in the Bonds.

THE PRECEDING DISCUSSION OF CERTAIN U.S. FEDERAL INCOME CONSIDERATIONS IS FOR GENERAL INFORMATION ONLY AND IS NOT TAX ADVICE. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISOR REGARDING THE PARTICULAR U.S. FEDERAL, STATE, LOCAL AND FOREIGN TAX CONSEQUENCES OF PURCHASING, HOLDING AND DISPOSING OF THE BONDS, INCLUDING THE CONSEQUENCES OF ANY PROPOSED CHANGE IN APPLICABLE LAWS.

APPROVAL OF LEGAL PROCEEDINGS

The delivery of the Bonds is subject to the approving opinion of Bracewell & Giuliani LLP, Houston, Texas, Bond Counsel. A copy of the proposed opinion of Bond Counsel to be delivered in connection with the Bonds, is attached to this Offering Memorandum as APPENDIX D.

In their capacity as Bond Counsel, Bracewell & Giuliani LLP has reviewed those portions of this Offering Memorandum under the captions "THE BONDS" (excluding the statements contained under the caption "THE BONDS – Clearing Systems"), "APPENDIX C – SELECTED PROVISIONS OF THE TRUST INDENTURE," to verify that the descriptions relating to the Bonds and the Trust Indenture contained under such captions fairly and accurately summarize the information purported to be shown therein. Such firm has not, however, independently verified any of the factual information contained in this Offering Memorandum nor have they conducted an investigation of the affairs of Rice University for the purpose of passing upon the fairness, accuracy or completeness of this Offering Memorandum. No person is entitled to rely upon such firms' limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the fairness, accuracy or completeness of any of the information contained herein. The fees of Bond Counsel for their services with respect to the Bonds are contingent upon the sale and delivery of the Bonds.

Certain legal matters in connection with the Bonds will be passed upon for the University by its General Counsel and for the Underwriters by Greenberg Traurig, LLP, as Underwriters' Counsel.

INDEPENDENT ACCOUNTANTS

The financial statements of Rice University as of and for the years ended June 30, 2014 and June 30, 2013 included as APPENDIX B to this Offering Memorandum have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein. PricewaterhouseCoopers LLP has not been engaged to perform, and has not performed since the date of its audit report, any procedures on the financial statements included in **APPENDIX B** or relating to this Offering Memorandum.

AUTHORIZATION AND CERTIFICATE CONCERNING OFFERING MEMORANDUM

At the time of delivery of the Bonds, Rice University will furnish a certificate signed by an officer to the effect that to the officer's knowledge this Offering Memorandum, as of its date and as of the date of delivery of the Bonds, does not contain an untrue statement of a material fact or omit to state a material fact that should be included herein for the purpose for which this Offering Memorandum is intended to be used, or that is necessary to make the statements contained herein, in the light of the circumstances under which they were made, not misleading.

CONCLUDING STATEMENT

The foregoing references to and descriptions of the Bonds and the Trust Indenture and all reference to other materials not stated to be quoted in full are only summaries of some of the provisions thereof, and do not purport to summarize or describe all of the provisions thereof. Copies of the Bonds and the Trust Indenture are available during the initial offering period for inspection at the respective principal offices of the Underwriters and thereafter at the corporate trust office of the Trustee.

To the extent that any statements made in this Offering Memorandum involve matters of opinion or estimates, whether or not expressly stated to be such, they are made as such and not as representations of fact or certainty and no representation is made that any of those statements have been or will be realized. Information in this Offering Memorandum has been derived by Rice University from official and other sources and is believed by Rice University to be accurate and reliable. Information other than that obtained from official records of Rice University has not been independently confirmed or verified by Rice University and its accuracy is not guaranteed.

Neither this Offering Memorandum nor any statement that may have been or that may be made orally or in writing is to be construed as or as part of a contract with the original purchasers or subsequent Holders of the Bonds.

Rice University has authorized distribution of this Offering Memorandum.

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APPENDIX A

CERTAIN INFORMATION ABOUT WILLIAM MARSH RICE UNIVERSITY

INTRODUCTION

William Marsh Rice University ("Rice" or the "University") is a Texas nonprofit corporation that operates a highly selective, private research university located on approximately 285 acres in the heart of Houston, Texas, the fourth largest city in the United States.

As a leading research university with a distinctive commitment to undergraduate education, Rice aspires to path-breaking research, unsurpassed teaching and contributions to the betterment of our world. It seeks to fulfill this mission by cultivating a diverse community of learning and discovery that produces leaders across the spectrum of human endeavor.

Selected academic and financial information for Rice is presented in the following table:

William Marsh Rice University
Selected Data

Financial data:	
Endowment market value (as of June 30, 2014)	$5.5 billion
Annual budget (for fiscal year 2015)	$603.7 million
Endowment market value/student FTE (as of June 30, 2014)	$868 thousand*
Tuition (for undergraduate students entering fall 2014)	$39,880
Student enrollment (degree-seeking) (as of fall 2014):	
Undergraduate	3,888
Graduate	2,610
Total (headcount)	6,498

* The endowment market value per student FTE is calculated by dividing the June 30, 2014 market value of the endowment by the Fall 2013 degree-seeking FTE enrollment.

Undergraduate data (entering fall 2014):	
Applications	17,728
Percent of Applicants Admitted	15%
Percent of Admitted Enrolled	35%
Freshman SAT scores	
Top 25% at or above	1530
Top 75% at or above	1420
Graduation rate (entering cohort fall 2008, graduating by spring 2014)	91%

With an original endowment created by businessman William Marsh Rice, the University opened in 1912 as Rice Institute. Located in an undeveloped area near the then-small city of Houston, Texas, it began with four buildings: the Administration Building (Lovett Hall), Mechanical Laboratory and Power House, South Hall (Will Rice College), and the Institute Commons (Baker College); a faculty of 10; 77 students; and a $7 million endowment. Tuition was not charged until 1965. Rice granted its first undergraduate degree in 1916 and its first graduate degree in 1918. The University has grown to include approximately 80 major buildings and its endowment market value was approximately $5.5 billion as of December 31, 2014. The estimated December 31, 2014 value is preliminary and unaudited and based, in part, upon the most recently available information with respect to certain investments that are not priced on a daily basis and, as such, certain asset classes are reported on a quarterly lag.

In carrying out its mission, the University is guided by the 10-point strategic Vision for the Second Century (V2C) unanimously adopted by the Board of Trustees in December 2006 (http://www.professor.rice.edu/professor/Vision.asp). Among other initiatives, the vision called for expanding research that can and will improve lives around the world, increasing undergraduate enrollment by 30 percent to

3,800 degree-seeking students, enhancing the already excellent undergraduate educational experience, engaging more extensively with the city of Houston and increasing Rice's international presence. Substantial progress has been made on all 10 objectives, which have had tangible, measurable impact on the University and its many constituencies.

Undergraduate applications have increased 125 percent from 7,893 in fall 2005 to 17,728 for the class that entered in fall 2014. (The preliminary fall 2015 number of applications has exceeded last year's record-setting total.) Rice continues to draw applications for undergraduate admission from an increasingly geographically diverse population: for fall 2014, 26 percent were from Texas, 58 percent were out-of-state, and 16 percent were international compared to a profile of 40 percent Texas, 55 percent out-of-state, and 5 percent international in fall 2005. Degree seeking undergraduate enrollment has increased from 2,988 in fall 2005 to 3,888 in fall 2014.

Rice has largely completed its strategic capital plan developed in the 2005-2006 period for which Rice first issued bonds in 2007. The BioScience Research Collaborative (BRC), which opened in July 2009, is bringing the bioscience and computational capabilities of Rice closer together with the biomedical and clinical capabilities available within other institutions of the Texas Medical Center. Two new residential colleges were built to house an expanded undergraduate student body and a number of new facilities are adding to the dynamism of the campus by providing gathering spots and recreation areas. A new public art program brought signature pieces of acclaimed artists to the campus, including James Turrell's "Twilight Epiphany" Skyscape. A new facility for continuing education opened in 2014.

To help achieve the Vision for the Second Century (V2C), Rice announced in November 2008 a campaign to raise $1 billion by June 30, 2013. The University exceeded its goal, raising $1.1 billion by June 30, 2013. The campaign raised funds for scholarships, endowed chairs, graduate fellowships, buildings and athletics facilities. In November 2014, the University launched the Initiative for Students. The initiative is a three-year effort to mobilize alumni, parents and friends in support of attracting, educating, and preparing our students for a life of impact and leadership. Fundraising priorities of the initiative include select academic priorities, internships, undergraduate research, scholarships and graduate fellowships. Response to the University's philanthropic agenda remains strong with Fiscal Year 2014 gifts received in excess of $104 million and new philanthropic commitments of $86 million.

Rice offers an environment of research, scholarship and social interaction that provides its students with an education that gives them the knowledge and experience to lead and succeed in an ever-changing and challenging world. Rice offers a range of academic offerings that includes natural sciences, engineering, humanities, social sciences, business, music and architecture as well as a number of interdisciplinary programs. The faculty includes an emeritus Nobel Laureate and a broad representation of members of the most learned societies in this country and abroad.

Rice is located in Houston's vibrant museum district. Houston is one of only a few American cities with resident professional companies in opera, theater, ballet and symphony. Known for its entrepreneurial spirit, Houston ranks second among metropolitan statistical areas in the number of Fortune 500 headquarters in 2015. Houston is also a very international city. With 91 consulates, Houston has the third largest consular corps in the nation. It also is home to NASA's Johnson Space Center and the Texas Medical Center, which has the largest concentration of hospitals, clinics, research centers and laboratories in the world.

Rice is one of 62 members of the prestigious Association of American Universities, an organization of research universities that provides a forum for the development of national policy positions on issues that relate to academic research and graduate and professional education. The University is consistently ranked in the top 20 of *U.S. News and World Report's* best national universities. *Kiplinger's* has consistently ranked Rice in the top 10 as a best value university. Over the past decade, Rice has been included seven times among *Princeton Review's* Top 10 Best Value Private Colleges. In 2014, Rice was ranked No. 11 in the world, based on global impact (citations) in the field of all sciences, and No. 7 in natural science, according to the Centre for Sciences and Technology Studies at Netherlands' Leiden University, which ranks institutions by the proportion of publications of the university belonging to the top 10% of their field.

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In October 2012, Rice celebrated the close of its first one hundred years with numerous festivities, lectures, and musical and arts performances. Going forward, the University is guided by its strategic plan and by the direction, described by President David Leebron, in his centennial address:

> "We must embark upon a reimagining of university education in ways that take advantage of new technologies of learning, while increasing our commitment here on our campus to the personal relationship between teacher and student. Our commitment must be to advance the frontiers of knowledge, understanding and creativity and to produce graduates trained and inspired to make great contributions as if the world depended upon it, for it surely does."

GOVERNANCE AND ADMINISTRATION

Board of Trustees

Rice is governed by a self-perpetuating Board of Trustees (the "board") whose members serve without compensation. Rice's bylaws provide for up to 25 board members with equal voting rights. There are currently 24 trustees. Under Rice's charter, a majority of the trustees must reside in Texas, and at least four must reside in the greater Houston area. New trustees are elected to four-year terms and are subject to an age 72-retirement requirement. The president of the University serves as an *ex officio* member of the board. Board appointments begin on July 1 and expire June 30. The board typically meets four times a year.

Much of the board's work is conducted through the following standing committees: Academic Affairs, Audit, Buildings and Grounds, Compensation and Organizational Development, Finance, Information Technology, Development and Alumni Relations, Public Affairs and Trustees. There is a trustee advisory committee on digital learning and scholarship. In 2009, the Investment Committee of the Board was replaced by the Board of Directors of the Rice Management Company (RMC), an unincorporated division of Rice formed by the board to oversee the management of the endowment. The bylaws provide for an Executive Committee, which may exercise most of the powers of the full board between board meetings, except powers delegated to other board committees.

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The current members of the board and their principal occupations and remaining terms are as follows:

William Marsh Rice University
Board of Trustees

Name	Year Elected	Term Expires	Principal Occupation
Robert B. Tudor, III Chairman of the Board Houston, Texas	2006	2017	Business Executive
Edward B. Adams, Jr. Houston, Texas	2012	2016	Lawyer
J. D. Bucky Allshouse Houston, Texas	1993	2021(1)	Lawyer
Keith T. Anderson New York, New York	2008	2016	Business Executive
Doyle L. Arnold Salt Lake City, Utah	2013	2017	Banking
Nancy Packer Carlson Dallas, Texas	2008, 2014	2018	Business Executive
Albert Y. Chao Houston, Texas	2000, 2012	2016	Business Executive
T. Jay Collins Houston, Texas	2010	2018	Business Executive
Mark Dankberg Encinitas, California	2013	2017	Business Executive
Lynn Laverty Elsenhans Houston, Texas	2002, 2011	2015	Business Executive
Douglas Lee Foshee Houston, Texas	2004, 2014	2018	Business Executive
Lawrence H. Guffey New York, New York	2011	2015	Business Executive
John V. Jaggers Dallas, Texas	2011	2015	Business Executive
L. Charles Landgraf Washington, DC	2014	2018	Lawyer
R. Ralph Parks Hong Kong, China	2011	2015	Business Executive
Lee Rosenthal Houston, Texas	2008	2016	Judge
Ruth J. Simmons Houston, Texas	2014	2018	Academia
Jeffery A. Smisek Chicago, Illinois	2013	2017	Business Executive
Amy L. Sutton Houston, Texas	2014	2018	Business Executive
Robert M. Taylor, Jr. Houston, Texas	2012	2016	Architect
Guillermo Treviño Laredo, Texas	2013	2017	Business Executive
James Turley St. Louis, Missouri	2007	2015	Business Executive
Randa Duncan Williams Houston, Texas	2009	2017	Business Executive
Huda Y. Zoghbi Houston, Texas	2014	2018	Physician/Professor

(1) Serves until mandatory retirement age.

Members of Rice's board and senior management may from time to time be associated, either through board membership or ownership interests, with entities doing business with the University. The University has a conflict of interest policy that requires any such associations to be disclosed in writing. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the member of the board or senior management from any decisions involving the entity doing business with the University.

University Administration

The University is administered by a president who is appointed by the board. The president has general control and responsibility for all university matters, including educational, financial, and administrative. The board approves annual budgets, tuition and major financial commitments. Subject to board approval, the president appoints other academic and administrative officers and determines their powers and duties.

Executive Leadership

David W. Leebron, President, was appointed in 2004 as the seventh President of Rice University, where he is also Professor of Political Science. He graduated summa cum laude from Harvard College in 1976 with bachelor's degrees in History and Science. He attended Harvard Law School and in his second year was elected President of the Harvard Law Review. After graduating, he clerked with Judge Shirley Hufstedler on the Ninth Circuit Court of Appeals in Los Angeles. After Judge Hufstedler was appointed Secretary of Education, Mr. Leebron taught torts as Acting Assistant Professor of Law at UCLA School of Law in 1980. From 1981 through 1982, he was an associate with the New York law firm of Cleary, Gottlieb, Steen & Hamilton. He became a faculty member of the New York University School of Law in 1983. In 1989, Mr. Leebron joined the faculty of Columbia University School of Law, and in 1996 he was appointed Dean and named the Lucy G. Moses Professor of Law. Mr. Leebron has authored a textbook on international human rights and has written articles and book chapters on issues of international trade, human rights, torts, and corporate finance.

George L. McLendon, Provost, was appointed to the Howard R. Hughes Chair as Provost and Professor of Chemistry at Rice University in 2010. As Provost, Dr. McLendon is the chief academic officer of the university and has the overall responsibility for educational and research programs. Prior to this appointment, he was dean of the faculty of Arts and Sciences at Duke University, a position he assumed in 2004. He was also professor of Biochemistry and Experimental Cancer Therapeutics in the School of Medicine. In 2008, he was also named dean of Trinity College, the undergraduate administrative unit of Arts and Sciences. Dr. McLendon was previously the R.W. Moore Professor and chair of the Department of Chemistry at Princeton University. A Texas native, he received his BS from the University of Texas at El Paso in 1972 and his Ph.D. from Texas A&M in 1976. He also taught at the University of Rochester, where he was the Tracy H. Harris Professor of Chemistry and professor of Biochemistry in the School of Medicine. McLendon's research is focused on inorganic and physical biochemistry. He has published over 200 peer-reviewed papers and received national research awards, including the American Chemistry Society Pure Chemistry Award, the Eli Lilly Award in Ecochemistry, Sloan Dreyfus Award, and Guggenheim Fellowships. His publications range from solar nanotechnology to cell death pathways. His most recent research has direct implications for the diagnosis and treatment of cancer and other diseases. He has been involved in launching several biotech startups, including Tetralogic Pharmaceuticals. Most recently, he has expanded to K-12 STEM education with spinouts of STEMscopes® and STEAMtrax®, which together serve over 1.5 million students. Dr. McLendon's term as Provost ends on June 30, 2015. His replacement, Dr. Marie Lynn Miranda, was announced in early March 2015.

Marie Lynn Miranda, Provost, effective July 1, 2015. As Provost, Dr. Miranda will be the chief academic officer of the University and have overall responsibility for educational and research programs. Dr. Miranda is currently the Samuel A. Graham Dean of the School of Natural Resources and Environment at the University of Michigan with additional appointments as professor in the Departments of Pediatrics and Obstetrics and Gynecology in the School of Medicine. Prior to her appointment at the University of Michigan, she held faculty positions at Duke University. She received her bachelor of arts in Mathematics from Duke University, a master's of arts in Economics, and PhD in Economics from Harvard University. Miranda specializes in research on environmental health, especially how the environment shapes health and well-being among children. She is also a leader in the evolving field of geospatial health informatics. She is the founding director of the Children's Environmental Health Initiative, a research, education and outreach program committed to fostering environments where all people can prosper. At Rice, Dr. Miranda's faculty appointment will be in the Department of Statistics.

Katherine E. Collins, Vice President for Finance, was appointed in 2005. The finance department includes the Budget Office, the Controller's Office, Internal Audit, Compliance, the Office of Institutional Effectiveness, and the Office of Institutional Research. Ms. Collins served as the Budget Director at Rice from 1995 through 2005. Before coming to Rice, she served as the Director of Budget for the U.S. Department of Transportation from 1988 to 1995 and as a Budget Examiner at the Office of Management and Budget, in the Executive Office of the President of the United States, from 1979 to 1988. Ms. Collins began her career as a Budget Analyst for the Illinois Bureau of the Budget in 1976 after receiving her master's degree in City Planning from Harvard University that same year. Ms. Collins received a bachelor's degree in Urban Studies from Mount Holyoke College in 1974. Ms. Collins is a member of the board of Bach Society Houston and a Trustee of Mount Holyoke College.

Klara Jelinkova, Vice President for Information Technology and Chief Information Officer, was appointed in 2015. The Office of Information Technology provides centralized resources in support of teaching, learning, research and administrative functions. Prior to joining Rice University, Ms. Jelinkova served as Sr. Associate Vice President and Chief Information Technology Officer at the University of Chicago from 2010 to 2015. Ms. Jelinkova served as the Assistant Vice President of Shared Services and Infrastructure at Duke University from 2006 to 2010. She was also the interim Chief Information Security Officer. From 1996 to 2006 Ms. Jelinkova worked at the University of Wisconsin-Madison in various leadership roles. She started her career in Information Technology at Software Publishing Corporation in 1993. As an active member of several regional and national higher education organizations, she serves on the Internet2 Program Advisory Committees and chairs the InCommon Steering Committee. She also serves on several industry advisory boards. She received her bachelor's degree in Economics and Slavic languages from the University of Wisconsin–Madison in 1995.

Kevin E. Kirby, Vice President for Administration, was appointed in 2006. His responsibilities include risk management; facilities, engineering, and planning; housing and dining; human resources; registrar; campus police; environment health and safety; transportation; mail services; crisis management team; and a variety of other administrative offices. From 2002 to 2006, Dr. Kirby served as the Chief Operating Officer at Columbia University Medical Center. He served as the Executive Officer of the National Institute of Neurological Disorders and Stroke at the National Institutes of Health from 1998 to 2002. Prior to that, Dr. Kirby served in a variety of business operations and science policy positions within the Department of Defense and the White House Office of Science and Technology Policy. He earned a bachelor's degree in Chemical Engineering from Syracuse University in 1978, a master's degree in Management from Massachusetts Institute of Technology in 1992, where he was a Sloan Fellow, another master's degree in Social and Organizational Learning from George Mason University in 2000 and a doctoral degree in Education from the University of Pennsylvania in 2006.

Caroline F. Levander, Vice President for Strategic Initiatives and Digital Education, was appointed in 2014. She oversees Rice's strategic academic priorities in quality teaching and learning, digital education, arts initiatives, and faculty experimental initiatives. She leads the digital learning and scholarship endeavor, which includes overseeing all online curricula as well as K-12 digital initiatives, and is responsible for developing the University's interdisciplinary arts program as well as its new facility. Prior to this position Dr. Levander served as the Vice Provost for Interdisciplinary Initiatives (2011-2014) and as the Director of the Humanities Research Center (2005-2011). She is the Carlson Professor in the Humanities, a Professor of English, and is the recipient of numerous grants and fellowships, including the National Humanities Center, Mellon Foundation, and the National Endowment for the Humanities. Her most recent books include *Where is American Literature?* (2013) and *Hotel Life* (2015). Dr. Levander served on the editorial board for the International Journal of American Studies (2012-2015) and the board of the Mellon Foundation Scholarly Communications Institute (2012-13). Prior to joining the faculty of Rice University, Dr. Levander held an assistant professor position at Trinity University (1995-2000). She is a graduate of Rice University: BA, (cum laude), English, 1986; MA, English, 1993; PhD, English, 1995.

Christopher Muñoz, Vice President for Enrollment, was appointed in 2006. He led the development and execution of a broad strategic plan to increase the first year class by 30 percent over a five-year period while maintaining high academic standards. Mr. Muñoz has more than 30 years of professional experience in enrollment management offices, including student recruitment, admissions, financial aid, and the office of the registrar. Mr. Muñoz held the position of vice president for enrollment at Case Western Reserve University, University of Dayton, and California Lutheran University. Mr. Muñoz also served in an enrollment management capacity at Humboldt State University in California, the University of Oregon, and the University of California at Irvine. Mr. Muñoz is a nationally known speaker and author on enrollment management and serves on the Advisory Committee to *U.S. News and World*

Report for the college ranking issue. Mr. Muñoz holds a bachelor's degree in Theater Arts from California State University, Fullerton, and a master's degree in Counseling from the University of Oregon.

Allison Thacker, Vice President for Investments and Treasurer, President, Rice Management Company. Ms. Thacker was appointed in 2011. She manages the University endowment fund and the Treasury operations of the University. Prior to joining Rice, Ms. Thacker spent 11 years with RS Investments, a San Francisco-based investment firm specializing in public equities, with over $20 billion in assets under management. Ms. Thacker was Managing Director for RS Investments from 2009 to 2011 where she managed a ten-person team responsible for five mutual funds and two institutional strategies with $1.9 billion under management. Before assuming the role of Managing Director at RS Investments, Ms. Thacker was a Portfolio Manager (2003-2009) and an Analyst (2000-2003) at RS Investments. In the earlier portion of her career, Ms. Thacker served as a Summer Analyst at Putnam Investments and as a Financial Analyst in the energy investment banking group at Merrill Lynch & Co. She was a founding board member of KIPP Heartwood Academy, a college preparatory charter school serving East San Jose, California, is currently a member of the KIPP Houston Advisory Board, the Houston Ballet Board of Trustees and Blackstone Minerals Board of Managers. Ms. Thacker is a graduate of Harvard Business School where she received an MBA. She has a bachelor's degree in Economics with honors from Rice University.

Linda Thrane, as Vice President for Public Affairs, was appointed in 2007. She is charged with developing active support for the University among its broad base of stakeholders: the University community; local, state and federal policymakers; alumni, donors and friends of the University; broadcast, print, specialty and social media, and the general public. Ms. Thrane served as Vice President of University Relations at the University of Minnesota from 2005 to 2006, where she led the University's internal communications, public relations, government relations, communications services, marketing, community outreach, and alumni relations. She was Executive Director of the Council for Biotechnology Information, a $135 million communications initiative to inform the North American public about agriculture and food biotechnology, from 2000 to 2004. Prior to that, she was Vice President of Public Affairs at Cargill, editorial writer for the Minneapolis Star Tribune, Associate Director of the Minnesota Petroleum Council, and political reporter for the United Press International. Ms. Thrane attended Arizona State University on a full academic scholarship and graduated summa cum laude with a B.A. degree in Journalism and minor studies in English and Spanish. She attended Chapman College's World Campus Afloat on an outstanding achievement scholarship.

Richard A. Zansitis, Vice President and General Counsel, was appointed in 2001. As General Counsel, Mr. Zansitis is the chief legal officer for the University and its Board of Trustees. He supervises an office of three attorneys in Rice's Office of General Counsel as well as selects and oversees all outside counsel. In addition, he serves as Corporate Secretary with responsibilities related to the corporate charter, bylaws and minutes. He is also on the board of Rice Trust Inc. He received his bachelor's degree in History with honors from the University of Chicago in 1976 and his juris doctor from the Columbia University School of Law in 1979. He is a member of the New York (1980), Illinois (1983), Pennsylvania (1999) and Texas (2003) bars. Prior to his appointment at Rice, Mr. Zansitis was General Counsel of Bucknell University in Lewisburg, Pennsylvania, Associate General Counsel at the University of Chicago, and an attorney at law firms in New York City and Chicago, specializing in labor and employment litigation. He was also a Lecturer at the University of Chicago Law School and Northwestern University School of Law. He is a member of the National Association of College and University Attorneys and the American Bar Association's Sections of Litigation, Administrative Law and Practice and Labor and Employment Law.

Darrow Zeidenstein, Vice President for Development and Alumni Relations, was appointed in 2007. He oversees all aspects of University fundraising, alumni affairs, and development services. He previously served as Associate Vice President for Resource Development, heading up all individual fundraising programs and overseeing capital campaign strategy and analysis. Before coming to Rice, Dr. Zeidenstein was a Managing Director with Marts & Lundy, Inc., serving both as a campaign consultant and as head of the firm's Digital Solutions practice. Prior to Marts & Lundy, Dr. Zeidenstein was Executive Director for Strategic Planning and Marketing Strategy at The University of Texas at Austin, facilitating the design and implementation of the University's advanced development strategies, particularly in planning the University's successful $1 billion comprehensive campaign. He began his career as Director of Planned Giving, and Director of Research and Systems, at the Stern School of Business at New York University. Dr. Zeidenstein holds a Ph.D. in Economic Anthropology from The University of Texas at Austin, having been a Fulbright scholar, National Science Foundation fellowship holder, and a Social Sciences Research

Council post-doctoral fellow. His B.A. is in Social Anthropology, summa cum laude, from the University of Illinois at Champaign-Urbana.

Academic Officials

Following are the University's academic deans:

Sarah M. Whiting
Dean, School of Architecture

William H. Glick
Dean, Jesse H. Jones Graduate School of Business

Mary B. McIntire
Dean, Susanne M. Glasscock School of Continuing Studies

Robert A. Yekovich
Dean, Shepherd School of Music

Edwin Thomas
Dean, George R. Brown School of Engineering

Peter J. Rossky
Dean, Wiess School of Natural Sciences

Nicolas Shumway
Dean, School of Humanities

Lyn Ragsdale
Dean, School of Social Sciences

Seichii Matsuda
Dean of Graduate and Postdoctoral Studies

John S. Hutchinson
Dean of Undergraduates

Other Administrative Officials

Following are other senior administrative officials of the University:

Yousif Shamoo
Vice Provost for Research

Sara S. Lowman
Vice Provost and University Librarian

Paula Sanders
Vice Provost for Academic Affairs

Daniel D. Carson
Vice Provost for Strategic Partnerships

M. Cynthia Farach-Carson
Vice Provost for Translational Bioscience

Affiliated Entities

Rice conducts certain of its activities through affiliates. Rice also administers trusts in which it is a remainder beneficiary through Rice Trust Inc.

ACADEMIC PROGRAMS

Undergraduate Studies

Rice is dedicated to providing a superior educational experience to its undergraduates, who comprise approximately 60 percent of the student body. Rice offers its undergraduates many attributes of an intimate liberal arts college experience combined with the resources and opportunities of a major research university. Interaction between faculty and students is encouraged by a low undergraduate student-to-faculty ratio of approximately 6:1, a small median undergraduate class size, a range of opportunities to participate with faculty in research projects and a residential college system, where undergraduates meet with resident and non-resident faculty in a residential and social setting. Approximately eighty-five percent of all classes are taught by full or part-time faculty.

Rice offers undergraduates both a broad general education and the opportunity to concentrate on specific intellectual and artistic interests. Course distribution requirements cultivate an understanding of literature, arts, and philosophy; a broad historical introduction to thought about human society; and a basic familiarity with the scientific principles underlying courses of study in natural sciences and engineering. Building on this foundation, students then concentrate on their major areas of interest. Students must complete twelve semester hours of approved courses in each of the three distribution groups noted above (humanities, social sciences, and natural sciences/engineering), a prescribed number of restricted distribution courses (based upon major), and one Lifetime Physical Activity Program (LPAP) course. They must also satisfy the writing and communication requirement by passing a content-based writing-intensive 3-credit hour seminar during their first year.

Rice offers both the Bachelor of Arts (B.A.) and the Bachelor of Science (B.S.) degrees in a range of majors within the Schools of Architecture, Humanities, Music, Social Sciences, Natural Sciences, and Engineering. Interdisciplinary majors are available, as are selectively approved area majors and minor areas of study. In some departments, students may count the upper-level course work of their undergraduate degree towards the basic requirements for a master's degree. Some of these degree programs require a fifth year of study. A program is available to complete the requirements for teacher training, leading to certification. Programs to prepare students for admission to medical, dental, and law schools are also available. Each year six Rice freshmen are jointly admitted to Rice and to the Baylor College of Medicine. Many Rice students graduate with double and even triple majors.

Students supplement their Rice academic experience with a broad range of extracurricular activities that provide opportunities for leadership, arts, theater, clubs and organizations, athletics, student government, civic leadership, and student-run businesses. In addition, approximately 30 percent of undergraduates study abroad or have an international experience and approximately 70 percent participate in an off-campus internship or mentorship while at Rice, based on results from the 2014 Senior Exit Survey.

Rice undergraduates compete successfully for prestigious awards. Through academic year 2014, there have been five Rhodes Scholars since 1997, seven Marshall Scholars since 2008, 20 Goldwaters since 2008 and eight Trumans since 2008. The class of 2014 included recipients of the Marshall, Thomas J. Watson, Barry M. Goldwater, Morris K. Udall, Harry S. Truman, Ford, Fulbright, Hertz, Whitaker, Roy and Hazel Zeff, and Wagoner Foreign Study Scholarships, as well as numerous National Science Foundation Graduate Fellowships and American Institute of Architects Medal winners.

Graduate Studies

Since the University opened in 1912, Rice has recognized the importance of graduate study and research. Rice awarded its first doctorate (in mathematics) six years after its doors opened. Rice now offers graduate degrees in 41 fields of study across the schools of natural sciences, humanities, engineering, social sciences, architecture, music, and business, as well as interdisciplinary areas. Graduate studies lead to either research or professional degrees, each with its own admission requirements. Research programs usually require the completion of a publishable thesis that represents an original and significant contribution to the field of study. Research degrees include the Doctor of Philosophy (Ph.D.), Doctor of Musical Arts (D. MA), Master of Arts (M.A.) and Master of Science (M.S.). New doctoral programs in Art History, Business, and Sociology were introduced in the last six years and have grown substantially. As of Fiscal Year 2013, Rice history graduate students may receive a dual Ph.D. by studying at both Rice and the Universidade Estadual de Campinas of Brazil. The Systems, Synthetic, and Physical Biology interdisciplinary program received its first cohort of doctoral students in fall 2013. The Rice graduate programs have generated more than 400 faculty members, who staff universities around the world.

Rice's professional master's programs provide advanced course work in several disciplines, such as business, liberal studies, education, engineering and natural sciences, but do not generally include independent research. The professional master's programs have grown by almost 60 percent from 337 degrees awarded in 2005-2006 to 537 in 2013-2014. Growth is expected to continue with the launch of two new programs in fall 2015. The Baker Institute for Public Policy and the School of Social Sciences will enroll the first class of professional Master of Global Affairs (MGA) program, and the Department of Economics began enrolling for a 12-month professional Master of Energy Economics.

Numerous fields of study at Rice are recognized in the 2016 *U.S. News and World Report* Graduate Rankings. Those of particular note are Bioengineering (9^{th}), Computer, Electrical, Environmental, and Mechanical

Engineering (all in the top 25), and the Jones Graduate School of Business's Entrepreneurship Program (13th) and the Part-time MBA Program (16th).

Non-degree Programs

The Susanne M. Glasscock School of Continuing Studies has approximately 20,000 enrollments annually in nearly 500 courses covering personal and professional development, K-12 education, philanthropy, and eight foreign languages. The Glasscock School is housed in the D. Kent and Linda C. Anderson and Robert L. and Jean T. Clarke Center, which opened in spring 2014.

The Jesse H. Jones Graduate School of Business offers an Executive Education program, which helps directors, managers, supervisors, and senior management in all fields learn the latest industry knowledge and managerial techniques. Certificate programs in Finance and Accounting, Leadership, Customer-Focused Strategy, and Health Care Management are available.

Online Education

Rice has taken a prominent role in the open and distance learning movement with several key initiatives. Connexions, founded in 1999, is an innovative, online publishing platform for the delivery of educational content. With more than 17,000 modules in its repository and over 1,000 collections (textbooks, journal articles, etc.) that are used by over 2 million people each month, Connexions is one of the world's most popular open education sites. Its free content, available 24/7 and downloadable to almost any mobile device, serves learners of all ages.

OpenStax College (OSC), an initiative emerging from Connexions, focuses on improving student access to quality learning materials. Free online textbooks are developed from the 25 most highly-demanded entry level college courses and are peer-reviewed by educators to ensure they meet the style, scope and sequence requirements of current introductory-level college courses. Hard copies of the textbooks are also available for a nominal fee. Funding has been secured for 21 of the 25 books, and OSC books have been adopted by educators at over 962 schools. The 300,000 students who have used OSC books have saved over 30 million dollars thus far, and the College Physics book has secured approximately 18 percent market-share in the first year.

Rice is teaming with the two leading Massive Open Online Course (MOOC) providers, Coursera and EdX, to offer non-credit courses. Rice's first MOOC, an eight-week computer programming class, drew more than 80,000 registered students and earned the highest course ratings in Coursera. Rice has subsequently developed over 40 courses that have enrolled close to one million learners. Rice intends to be a significant participant in the online learning space, not only in providing high quality courses, but also in developing adaptive learning technologies. To that end, Rice has aligned its OSC textbook initiative with its development of Advanced Placement (AP) MOOCs. The STEM AP MOOCS that Rice is developing on EdX will utilize the OSC AP biology, AP Physics, and AP Economics books currently under development. High impact conceptual videos will link textbooks with the MOOCs, enhancing learning across mediums and ensuring tight integration between MOOCs and textbooks.

Rice has also partnered with Academic Partnerships, a global provider of online services for higher education, to provide non-credit bearing specializations for its international university clients. Specializations are distributed by host institutions to their students and are supplements to their on-campus curriculum. Specializations provide a blended learning experience for students enrolled in host international universities. Taken concurrently with those students' degree programs, the specializations confer a non-credit bearing certification upon successful completion.

Research

Rice has a distinguished faculty who conduct innovative research across all disciplines and who stand as pioneers in many fields, among them chemistry, physics, nanotechnology, materials science, applied mathematics, digital signal processing, parallel and high-performance computing, environmental modeling, space weather, bioengineering, tissue engineering, and energy. This faculty is remarkably productive: in 2014, they published over 2,000 journal articles and books. The quantity, quality, and impact of their scholarly publications place Rice among the most productive research universities in the country.

Because of their pioneering research, Rice faculty has been honored with numerous prestigious awards and accolades over the years. In 1996, Rice Professors Richard Smalley (now deceased) and Robert Curl received the *Nobel Prize* for their discovery of a unique molecular form of carbon that heralded the new era of nanotechnology research. In 2011, Richard Tapia, a Rice mathematician and longtime champion of diversity in U.S. education, received the *National Medal of Science* from President Barack Obama for his work in optimization theory and numerical analysis, as well as for his mentoring of women and underrepresented minorities in the fields of mathematics and science. And as of May 2014 (including emeriti faculty), Rice had 14 faculty members in the *National Academy of Engineering*, seven in the *National Academy of Sciences*, four in the *Institute of Medicine*, five in the *National Humanities Center*, 16 in the *American Academy of Arts & Sciences* and two alumni have won a *Pulitzer Prize*.

Consistent with Rice's strategic plan to raise its research profile, the University's research and other sponsored program expenditures funded from external sources totaled $114.1 million in fiscal year 2014. New sponsored project awards in fiscal year 2014 were approximately $115 million.

Rice research programs are distinguished by an especially strong emphasis on interdisciplinary cooperation. Such collaboration is exemplified by the BioScience Research Collaborative (BRC) and the Energy and Environment Initiative (E2I). The BRC, which opened in 2009 is a 10-story facility with more than 400,000 square feet designed to serve as a hub for collaborative life sciences and applied medical research. Strategically located immediately adjacent to the Texas Medical Center (TMC), the BRC provides Rice with advantageous opportunities to collaborate with colleagues working at the forefront of life sciences and biomedical research, as well as at the leading edge of technology development, translational research, and education. Attesting to its collaborative vision, the BRC is home to numerous multi-institutional initiatives, including the Gulf Coast Consortia. The *Gulf Coast Consortia* (GCC) comprises seven prominent institutions: Baylor College of Medicine, Rice University, University of Houston, UTHealth (formerly the University of Texas Health Science Center), University of Texas Medical Branch at Galveston, University of Texas M.D. Anderson Cancer Center and Texas A&M Institute of Biosciences and Technology. The GCC's goal is to bring together the strengths of its member institutions to build interdisciplinary collaborative research teams and training programs in biological sciences at their intersection with the computational, chemical, mathematical, and physical sciences.

Rice's *Energy and Environment Initiative* (E2I) is an ambitious plan to conduct interdisciplinary research to address the world's escalating need for energy while at the same time safeguarding its environment. E2I researchers not only develop technological solutions, but also study energy policy and markets, finance and management, as well as the cultural and societal values that underpin and sometimes undermine public discussion about energy and the environment. To facilitate solutions to these critical issues, E2I involves academic institutions, government organizations, business and industry, and private foundations.

As Rice's researchers in the natural and life sciences and engineering seek to address ever more complex problems, they require access to an increasingly robust research infrastructure. To this end, in 2001, the University established the *Shared Equipment Authority* (SEA), a campus organization governed by an active group of faculty committed to the principles of shared infrastructure and fiscal responsibility. Today, the SEA oversees and manages more than 100 pieces of highly sophisticated research instruments distributed throughout the campus in roughly 18,000 square feet of space. SEA's team of full-time professional staff provides users with service for shared instrumentation, by running and maintaining the equipment, setting and enforcing safety procedures, educating and training users, and preparing samples. The SEA's stewardship has been noted by the National Research Council as a model for midsize research universities seeking to maintain and grow their shared instrumentation.

In addition to these resources, Rice is home to a number of interdisciplinary institutes and centers, some of which are briefly described below:

Institute or Center	Disciplines and Focus
James A. Baker III Institute for Public Policy	Interdisciplinary research, publications, and forums by economists, political scientists, sociologists, and others focusing on a broad range of public policy issues, including tax policy and the impact of energy markets. The Institute works to build bridges between the worlds of ideas and action.
Institute of Biosciences and Bioengineering	Interdisciplinary research by electrical, chemical, and computational engineers, biologists, chemists, and faculty from the Texas Medical Center in the areas of cell and tissue engineering, sequencing structures, and genetics, among others.
The Richard E. Smalley Institute for Nanoscale Science and Technology	Research at the molecular and atomic scale by chemists, physicists, biologists, and electrical and mechanical engineers. Research includes inquiries into the synthesis, processing and properties of carbon 60 and carbon nanotubes, one of the strongest and most versatile materials known.
Kinder Institute for Urban Research	Focused, integrative scholarship from a variety of disciplines, such as sociology, architecture, economics, political science, linguists, and civil engineers to study the challenges facing rapidly growing cities across the globe and to find the solutions to address those problems.
Ken Kennedy Institute for Information Technology	Advancement of research in the fields of computing and information technology, with the goal of providing broad support for a strong community of research experimentation that challenges traditional disciplinary limits. Serves as a catalyst for research collaboration across the conventional boundaries of school, department, center, and laboratory, thereby encouraging partnerships with industry, government, and other universities to help solve real-world problems.

Nationally Recognized Programs

Rice's three professional schools—in architecture, business, and music—are among the nation's very best.

- The Design Futures Council rated the Rice School of Architecture (RSA) as No. 3 in the 2014 national ranking for undergraduate education. RSA has ranked in the top 10 for 10 of the last 11 years.

- The Jesse H. Jones Graduate School of Business' full-time MBA program was ranked No. 25 overall by Businessweek in 2014 and No. 8 for 'Most Satisfied MBA Graduates' in Forbes' most recent ranking of full-time MBA alumni ranking. Princeton Review ranked the program as No. 7 in both 'Best Professors' and 'Best Administered' as well as No. 10 'Best Classroom Experience' in 2014. Businessweek also recognized the Professional MBA program in 2013 as No. 7 Overall and A+ in both 'Curriculum' and 'Caliber of Classmates'. The Executive MBA receives its share of accolades with Financial Times ranking alumni three years out in the U.S. at No. 5, as well as No. 1 in both 'Percentage Salary Increase' and 'Aims Achieved' in 2014.

- The Shepherd School of Music was invited in 2015 to participate for the 12th consecutive year in The John F. Kennedy Center for the Performing Arts Conservatory Project – a prestigious forum showcasing the most promising young artists from the country's leading conservatories. In 2014, the Shepherd School Symphony Orchestra made its Carnegie Hall debut. Acclaimed for both its orchestra and opera programs, the Shepherd School boasts alumni on prominent stages around the world, including the Boston and Chicago symphony orchestras, the Philadelphia and Cleveland orchestras, the Metropolitan Opera and the Met Orchestra, the English National Opera, La Scala, and the Vienna Staatsoper.

In addition to the professional schools, Rice's James A. Baker III Institute for Public Policy was ranked No. 18— up from No. 20 in 2013 — among the top think tanks in the United States, according to the 2014 Think Tanks and Civil Societies Program's (TTCSP) survey at the University of Pennsylvania. The Baker Institute is also one of only nine U.S. university-affiliated think tanks ranked among the top 20 in the world; it rose to No. 9 in 2014 from No. 11 in 2013. The institute was also ranked as No. 4 among energy and resource policy think tanks. Building on the achievements of its first 20 years, the Baker Institute continues to expand its research programs and to provide relevant analysis and recommendations to decision-makers in the public and private sectors on domestic and international policy issues.

THE CAMPUS

The 285-acre University campus houses the classroom and research facilities of eight academic schools, 11 residential colleges, and athletic, administrative and student life facilities. Although located some three miles from the center of the nation's fourth-largest city, and across the street from the Texas Medical Center, the campus is untraversed by public streets and surrounded by rows of live oaks, hedges and a three-mile pedestrian path. The design of the University's oldest buildings, drawn from the medieval architecture of Southern Europe, uniquely adapted the conventions of the collegiate, Gothic Revival style to the hot and humid coastal plain of Texas. Red clay-tile roofs, rose-hued brick, cloistered passageways, and elaborate stonework characterize these buildings, designed by the Boston architect, Ralph Adams Cram and represented by the Administration Building (Lovett Hall) and Mechanical Laboratory completed in 1912.

The campus includes over 80 buildings, with 16 major facilities completed since 2005 and six others that have undergone major renovation. The buildings include classrooms, laboratories, and auditoriums; faculty and administrative offices; a library; music studios and recital halls; art studios; a chapel; a student center; a center for continuing education; a media center; an art gallery; an observatory; a data center; a library storage facility; graduate apartments; 11 residential colleges; and 12 private homes including homes for college masters (faculty affiliated with each of the residential colleges) and the President's House. The campus also includes recreational courts; intramural and club sports fields; facilities for track and field and soccer; and stadiums for football, baseball and tennis. Chilled water and steam are provided to most buildings from two utility plants, which also include a natural gas-fired steam and electricity cogeneration facility and water well.

In 2006, Rice set a goal that all new buildings would be certified as part of the U.S. Green Building Council's LEED program for new construction. Ten Rice buildings earned the LEED Silver or Gold certification.

Residential Colleges. One of Rice's distinctive features is its residential college system. Before matriculating, undergraduate students are randomly assigned to a residential college, an affiliation they retain throughout their student career and beyond. There are 11 colleges with the recent addition of two new colleges in 2010. Residential colleges have dining halls; shared community spaces devoted to various academic, social, and cultural activities; and private residential rooms. Almost all first-year students live in their assigned colleges. Because students are randomly assigned to colleges, the population at each college represents a cross-section of the student body. The diversity of students' backgrounds, cultures, experiences, interests, and talents enriches the experiences of all students. Each college has a faculty master, who lives in an adjacent house. The college master's role is to foster students' intellectual and cultural pursuits and effective self-government. Other faculty and members of the Rice community serve as associates of individual colleges. Rice does not have the Greek system of fraternities and sororities. Residential college life supports an array of social events, intramural sports, student plays, lecture series, innovative college-designed courses, and an active student government. With 2,842 available beds in academic year 2014-15, Rice has the capacity to house about 74 percent of all degree-seeking undergraduates on campus.

Fondren Library. Fondren Library provides a wealth of resources for study and research. Its permanent collection exceeds 2.8 million volumes, 3.4 million microforms, and more than 148,000 current periodicals and serial titles, as well as significant holdings in an array of non-book formats. The scope of the library's collection is broad, with excellent coverage in art, architecture, history, literature, music, philosophy, languages, economics, social sciences, natural sciences, and engineering in both print and digital formats. It is a federal depository for U.S. government publications, patents, and trademarks. The Woodson Research Center holds more than 42,000 rare books and includes 18th century British drama, history of science, fine and performing arts, Texana, Confederate imprints, the history of aeronautics, and historical atlases, among others. More than 9,000 linear feet of archive and manuscript holdings cover Texas and Houston history, politics, and entrepreneurship; Civil War history; science; and 20th century literary authors with Rice connections. The completion in 2004 of the Library Service Center, located five miles south of the campus, has allowed space once allocated for less frequently circulated volumes to be repurposed for spaces supporting research and collaboration, assisted by state-of-the-art technology. Digital Scholarship Services (DSS) provides the Rice community with services to support the creation and use of digital scholarship, including the Digital Media Commons, which supports the development of multimedia resources for education, scholarship, and creative expression.

CAPITAL IMPROVEMENT PLAN

To support the Vision for the Second Century, Rice invested in a capital improvement plan. These capital projects fell into three broad categories: supporting teaching and research, enhancing campus life and providing appropriate infrastructure. The combined estimated project cost is $1 billion, of which the Board of Trustees has approved projects totaling $896 million. The status of projects is listed below.

Capital Projects Completed Since 2007:
Bioscience Research Collaborative
Oshman Engineering Design Kitchen
Ryon Lab and Mechanical Engineering Renovation
Gibbs Recreation and Wellness Center
Brockman Hall for Physics
Second utility plant, south campus
West Kitchen Servery
McMurtry College and Masters House
Duncan College and Masters House
Seibel Kitchen Servery
Baker College Renovation
Will Rice College Renovation
Wiess College Masters House (Wilson House)
Central Quad and Brochstein Pavilion
Rice Village Apartments for Graduate Students
Data Center
Rice Children's Campus
Anderson-Clarke Center for the Glasscock School of Continuing Studies
George R. Brown Tennis Facility
Tudor Field House Renovation
Geology Lab Renovation

Projects under Construction:
Moody Center for the Arts
Brian Patterson Sports Performance Center

Projects in the Planning Stage Pending Completion of Fundraising:
Klein Hall for the School of Social Sciences
Rice University Music and Performing Arts Center

The Board of Trustees has authorized $100 million in additional borrowing to be applied to projects with a focus on infrastructure and major renovations. The Board of Trustees will approve the specific projects to be funded from these debt proceeds. Such projects will likely include campus infrastructure to support the westward development of the campus, because buildings, currently planned or in construction, in this section of the campus will trigger additional requirements for utility tunnels, storm water detention and steam distribution. In addition, Rice anticipates the need to build additional parking capacity to replace parking areas lost to new construction. The proceeds may also be used for renovation projects.

FACULTY AND STAFF

As of fall 2014, Rice's administrative, teaching, and research faculty headcount totaled 860 including 325 professors, 121 associate professors, 94 assistant professors, and 19 other research faculty. In addition, there were 130 full-time and 171 part-time instructors and lecturers. On a full-time equivalent (FTE) basis, tenured and tenure-track faculty totaled 515 and accounted for 72 percent of total faculty FTE.

William Marsh Rice University
Faculty Data

	Fall 2010	Fall 2011	Fall 2012[1]	Fall 2013	Fall 2014
Faculty Headcount[2]	794	800	820	863	860
Faculty, FTE[2]	706	724	718	737	736
Tenured and Tenure Track Faculty, FTE[3]	526	506	510	501	515
Tenured Faculty, FTE[3]	396	395	400	408	421

(1) Beginning with fall 2012, Rice is reporting faculty headcount based on IPEDS definitions.
(2) Includes administrative faculty
(3) Excludes administrative faculty

In addition to faculty, Rice employed 2,119 full time and 206 part time (2,188 full-time equivalent) non-academic staff as of fall 2014. These employees include administrative staff, officers not on faculty appointment, police, and facilities, grounds, and kitchen staff. Rice outsources very few services. Texas is a right-to-work state. None of Rice's employees is represented by a union for collective bargaining purposes.

STUDENT ENROLLMENT

To more fully realize the University's ambitions as an institution of national and international distinction, the Board of Trustees approved a plan in 2005 to increase undergraduate enrollment by 30 percent over a ten-year period. The enrollment objective was reached three years ahead of schedule. At the same time, the applicant pool grew and the selectivity rate improved from 25 percent in fall 2005 to 15 percent in fall 2014. The growth occurred in ways that preserve the distinctive features of Rice's culture and campus, provide an undergraduate educational experience characterized by meaningful direct interactions with faculty and residential life in the colleges, and maintain and enhance the quality and diversity of the student body.

The following table presents student enrollment at Rice for the last five academic years.

William Marsh Rice University
Student Enrollment Data (Headcount)

	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014
Number of students (degree seeking):					
Undergraduate	3,485	3,708	3,810	3,920	3,888
Graduate	2,275	2,374	2,543	2,567	2,610
Total	5,760	6,082	6,353	6,487	6,498

The expanded Rice undergraduate population is more diverse, geographically, racially and economically, than it was in 2005, and the academic quality of the student body has remained high as shown in the table below.

William Marsh Rice University
Entering Undergraduate Data

	Fall 2005	Fall 2014
Geographic diversity (percent of freshmen)		
Texas	45%	45%
Out-of-State	52%	43%
International	3%	12%
Racial diversity (percent of U.S. resident freshmen)		
Hispanic	12%	14%
African American	7%	10%
Asian American	17%	30%
Academic Quality (Composite SAT scores)		
75^{th} / 25^{th} percentiles	1510 / 1350	1530 / 1420

During the period (fall 2005-fall 2014), the portion of the undergraduate enrollment who were Pell recipients increased from 9 percent to 16 percent of total degree-seeking undergraduate enrollment.

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Undergraduate Enrollment

Rice is a highly selective university. Less than one in six applicants was admitted in fall 2014. Of the applicants who submitted class rank, 74 percent of the freshmen entering in fall 2014 were in the top 5 percent of their high school graduating class while 88 percent were in the top 10 percent of their graduating class.

The following table illustrates undergraduate enrollment data and graduation rates for the past five academic years.

William Marsh Rice University
Undergraduate Student Enrollment Data

	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014
Selectivity: (1)					
Number of applications	12,393	13,816	15,133	15,415	17,728
Number of students admitted	2,639	2,600	2,528	2,581	2,677
Admit rate	21%	19%	17%	17%	15%
Number of students enrolled	949	1,000	935	978	949
Yield rate	36%	38%	37%	38%	35%
Freshman SAT:					
Top 25% scored at or above:	1510	1500	1510	1520	1530
Top 75% score at or above:	1380	1350	1380	1400	1420
Graduation rates (2)	92% (2005 Cohort)	92% (2006 Cohort)	91% (2007 Cohort)	91% (2008 Cohort)	(3)

(1) For admissions in the academic year indicated.
(2) Percent of students who enrolled in the prior 6 years and received a bachelor's degree in this or a preceding academic year.
(3) Data is not yet available for the current 2014-2015 academic year.

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Graduate Enrollment

Rice University attracts and selects outstanding students for its graduate programs, choosing from among those who have graduated from the best U.S. and international colleges and universities. For fall 2014, about one in five applicants was admitted and, of these, over half chose to enroll at Rice. The following table depicts graduate enrollment data for the past five years.

William Marsh Rice University
Graduate Student Enrollment Data for Masters and Doctoral Programs

	Fall 2010	Fall 2011	Fall 2012	Fall 2013	Fall 2014
Selectivity:(1)					
Number of applications	5,769	7,531	7,676	7,734	7,752
Number of students admitted	1,218	1,479	1,463	1,525	1,657
Admit rate	21%	20%	19%	20%	21%
Number of students enrolled	661	799	866	802	843
Yield rate	54%	54%	59%	53%	51%

(1) For admissions in the academic year indicated.

FINANCIAL INFORMATION

General

Rice University presents its financial statements in accordance with generally accepted accounting principles as established by the Financial Accounting Standards Board for not-for-profit organizations. Under these standards, resources are grouped by net asset category based on the existence or absence of donor imposed restrictions. The audited financial statements of the University, presented in Appendix B to this Offering Memorandum, include the Consolidated Statements of Financial Position as of June 30, 2014 and June 30, 2013, and the Consolidated Statement of Activities for the fiscal year ended June 30, 2014.

Except as noted, information presented in this section is extracted from the audited financial statements and related notes, as well as the books and records of the University for each of the years presented. The selected financial information should be read in conjunction with the University's audited consolidated financial statements for fiscal year 2014 presented in Appendix B to this Offering Memorandum.

PricewaterhouseCoopers LLP has not been engaged to perform and has not performed, since the date of its opinion, any procedures on the financial statements and has not performed any procedures relating to Appendix A or any other part of this Offering Memorandum.

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Financial Position

The following summarizes the consolidated financial position of Rice and its affiliates at the end of the University's five most recent fiscal years.

William Marsh Rice University
Consolidated Financial Position
(in thousands)

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Assets:					
Cash and cash equivalents	$7,541	$11,760	$9,726	$7,175	$12,547
Accounts receivable and other assets	58,377	50,599	56,293	57,905	58,778
Pledges receivable, net	131,246	138,940	166,240	172,707	166,316
Investments	4,225,453	4,865,775	4,801,259	5,264,631	5,955,204
Property and equipment, net	1,190,243	1,216,936	1,202,003	1,183,159	1,171,752
Total assets	$5,612,860	$6,284,010	$6,235,521	$6,685,577	$7,364,597
Liabilities:					
Accounts payable and other liabilities	$100,131	$74,640	$84,710	$87,260	$93,722
Notes and bonds payable	873,044	859,909	839,664	819,960	815,777
Actuarial liability for annuities payable	88,205	102,424	98,098	105,255	124,352
Refundable advances and amounts held in trust	7,061	7,172	7,175	7,268	7,354
Total liabilities	1,068,441	1,044,145	1,029,647	1,019,743	1,041,205
Net Assets:					
Unrestricted	2,217,991	2,528,045	2,483,944	2,680,587	2,983,441
Temporarily restricted	1,372,717	1,735,121	1,724,660	1,929,439	2,261,951
Permanently restricted	953,711	976,699	997,270	1,055,808	1,078,000
Total net assets	4,544,419	5,239,865	5,205,874	5,665,834	6,323,392
Total liabilities and net assets	$5,612,860	$6,284,010	$6,235,521	$6,685,577	$7,364,597

For a complete presentation of the consolidated financial position of the University and its affiliates at June 30, 2014, see the financial statements and accompanying notes included as Appendix B to this Offering Memorandum. Note 1 explains the net asset categories and the bases used to determine the fair value of investments.

Endowment and Investments

The endowment market value was $5.5 billion on June 30, 2014, compared with $4.8 billion on June 30, 2013 and $4.4 billion on June 30, 2012.

Over the 3-, 5-, and 10- year periods ended June 30, 2014, the University achieved annual nominal returns of approximately 11.7 percent, 13.4 percent and 9.5 percent, respectively. The University's endowment spending policy guides the rate at which funds are released from the endowment for annual spending. The policy reflects the desire to balance the current resource needs of the University with the long-term objectives of preserving the purchasing power of the endowment for future generations and ensuring reasonable year-over-year stability of future endowment payouts. Under the policy, endowment spending is between 4.0 percent and 6.5 percent of the trailing three-year average endowment market value, with a targeted range of 4.5 percent to 5.5 percent in the intermediate term.

Notes and Bonds Payable

As of June 30, 2014, the University had outstanding indebtedness of $806.2 million. Of this amount, $26.8 million was in the form of tax-exempt variable rate demand bonds in a weekly interest rate mode with an average annual interest of .05 percent payable monthly, $247.2 million was in the form of Securities Industry and Financial Markets Association Index floating rate notes with average annual interest rates of .46 - .59 percent payable monthly, $114 million was in the form of taxable revenue refunding bonds with an annual interest rate of 4.63 percent payable semiannually, and another $392.5 million was in fixed rate bonds with average rates of 4.75 – 5.0 percent payable semiannually. The balance of $25.7 million represented tax-exempt commercial paper, with an average interest rate of .11 percent as of June 30, 2014. The total amount authorized under the commercial paper program is $100 million. The proceeds from the bonds and commercial paper are used to provide funds for various capital projects approved by the Board of Trustees. The University provides its own liquidity for its commercial paper program from its endowment resources. For more information regarding the university's outstanding indebtedness, see Note 9 in Appendix B to this Offering Memorandum.

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Financial Activities

The following table summarizes the consolidated revenues, expenses, and changes in net assets for the University and its affiliates for the last five fiscal years.

William Marsh Rice University

Revenues and Expenses

(in thousands)

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Operating Revenues:					
Investment returns distributed for operations	$220,847	$220,354	$220,117	$229,052	$232,734
Student tuition and fees, net	98,107	107,145	120,392	124,868	144,188
Grants and contracts	102,235	111,339	108,951	117,775	116,709
Gifts and pledges	50,111	53,743	37,900	33,622	40,920
Auxiliary enterprises	33,240	39,817	40,551	42,195	41,261
Other revenues	15,257	18,587	23,090	20,755	23,301
Total operating revenues	$519,797	$550,985	$551,001	$568,267	$599,113
Operating Expenses:					
Instruction and department research	$225,494	$234,262	$245,862	$260,699	$266,497
Sponsored research and other sponsored programs	83,214	100,381	97,600	102,387	102,569
Library	30,904	30,150	31,411	32,126	29,947
Scholarships and fellowships	16,606	13,534	12,726	7,289	18,900
Student services	44,607	44,921	48,268	52,170	63,525
General administration	31,208	30,941	30,837	33,088	29,730
Institutional development and other activities	21,160	22,893	24,392	28,235	24,699
Auxiliary enterprises	45,200	48,360	56,381	53,535	59,048
Total operating expenses	$498,393	$525,442	$547,477	$569,529	$594,915
Net operating income (loss)	21,404	25,543	3,524	(1,262)	4,198
Nonoperating changes:					
Gifts and pledges for property and endowment	29,000	48,399	70,446	86,806	45,416
Investment returns, reduced by operating distribution above	150,297	638,575	(83,198)	387,296	638,480
Change in liabilities due under life-income agreements	(5,262)	(27,417)	(10,030)	(21,868)	(33,348)
Other nonoperating changes	(5,810)	10,346	(14,733)	8,988	2,812
Net nonoperating changes	168,225	669,903	(37,515)	461,222	653,360
Net increase/(decrease) in net assets	$189,629	$695,446	($33,991)	$459,960	$657,558

Operating revenues include all University revenues except (a) gifts and pledges for property and endowment, including annuity and life income trusts, (b) release from restrictions of contributions restricted for the acquisition of property and equipment, (c) donor release of restrictions from permanently restricted net assets, (d) endowment return net of the University's operating needs as defined by University spending policy (see discussion above), and (e) actuarial adjustments of annuities payable. When investment returns exceed the amount distributed for operations, the excess is reinvested in the endowment.

Student tuition and fees are net of scholarships granted directly by Rice. Grants and contracts reflect governmental and private payments for sponsored research and other programs. Pledges are recorded when made (not when cash is received); capital and endowment gifts (53 percent of total gifts in the fiscal year ended June 30, 2014) are reported in non-operating changes. Auxiliary enterprise revenues and expenses include operations of the residential colleges, food services and parking and transportation.

Management Discussion and Analysis

The University's endowment had a June 30, 2014 market value of approximately $5.5 billion. According to the Fiscal Year 2014 NACUBO-Commonfund Study of Endowments, prepared by the National Association of College and University Business Officers and the Commonfund Institute, Rice's endowment was the 18th largest endowment of the 832 public and private institutions in the United States surveyed. As of December 31, 2014, the market value of the endowment was approximately $5.5 billion. The estimated December 31, 2014 value is preliminary and unaudited and based, in part, upon the most recently available information with respect to certain investments that are not priced on a daily basis and, as such, certain asset classes are reported on a quarterly lag.

The following table shows market value and return of Rice's endowment for each of the past ten fiscal years.

William Marsh Rice University
Endowment Market Value and Return History
Fiscal Years 2005 through 2014

Fiscal Year Ended June 30	Market Value ($000,000)	Endowment Return
2005	$3,611	13.6%
2006	3,987	14.5%
2007	4,670	21.7%
2008	4,610	2.2%
2009	3,613	-18.2%
2010	3,787	9.9%
2011	4,451	22.4%
2012	4,419	3.6%
2013	4,837	13.7%
2014	5,512	18.4%

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The following table lists endowment assets by type of asset as of June 30, 2014.

William Marsh Rice University
Endowment Assets as of June 30, 2014

Asset Class	Market Value ($000,000)	Actual Allocation	Target Allocation
Publicly Traded Equities			
Foreign	$1,001	18%	18%
Domestic	917	17%	15%
Fixed Income and Cash	589	11%	6%
Private equity/venture capital	913	17%	16%
Hedge funds	727	13%	16%
Opportunistic	288	5%	7%
Energy and natural resources	574	10%	12%
Real estate	503	9%	10%
Total Endowment at 6/30/14	$5,512	100%	100%

Rice has a wide variety of investments in the categories above. Publicly traded equities include U.S. equities and international equities (both developed and emerging markets). Fixed income includes corporate bonds and U.S. Treasury securities. Energy and natural resources includes oil and gas, and timber. The endowment is invested for long-term growth, but also recognizes and provides for the need for liquidity. As of June 30, 2014, available liquidity in the endowment within one year was approximately $3.4 billion, which represents approximately 61 percent of the endowment.

Rice had unfunded commitments of $609 million for private equity, venture capital, real estate funds and other investments as of June 30, 2014. There is no annual limit on such draws, so any remaining amount could be called upon in its entirety at any time. In such a case, the University anticipates that it would meet its obligation to pay a sizeable draw by using cash and liquidating publicly traded fixed income and equity investments.

The RMC directs the management of the endowment through the use of approximately 100 external managers. The Board of Directors of RMC meets four times each year to review overall performance and reach decisions on changes in asset allocation and policy.

Endowment Spending Policy

The goal of the Rice endowment spending policy is to provide sustainable and increasing resources to the operating budget while preserving the purchasing power of the endowment. The spending policy states the following:

> Increase or decrease endowment earnings distribution by X percent for the next fiscal year. The X percent change is to be approved by the Board of Trustees. The resulting total distribution ("$Y") will fall within a band defined by a minimum ("Floor") of 4.0 percent and a maximum ("Cap") of 6.5 percent of a three-year moving average of endowment market value.

In determining the amount of the endowment earnings distribution ("$Y") and the change from the prior fiscal year ("X%"), the Board of Trustees will consider the following implementation guidelines:

- The desire to balance current resource needs of the University with the long-term objectives of preserving the purchasing power of the endowment for future generations and ensuring reasonable year-over-year stability of future distributions.

- The distribution, $Y, as a percent of a three-year moving average of endowment market value should fall within a targeted range of 4.5 percent to 5.5 percent in the intermediate term.
- An appropriate starting point for determining X% is the rate of inflation embedded in Rice University's cost structure. A suggested approach for estimating inflation for Rice is to calculate the most recent year-over-year percentage increase in CPI and add a factor that adjusts the CPI rate for the higher costs associated with higher education.

Operating Results

The total net operating result for fiscal year 2014 was $4.2 million, compared with a $1.3 million loss in fiscal year 2013. Compared with fiscal year 2013 results, operating revenues for fiscal year 2014 increased by $30.8 million due largely to an increase in net tuition and fees ($19.3 million) and an increase in gifts and pledges ($7.3 million).

Expenses increased $25.4 million. Areas of growth included: instruction and department research ($5.8 million), scholarships and fellowships ($11.6 million), auxiliary enterprises ($5.5 million) and student services ($11.4 million). The areas of decrease included: general administration, institutional development, library and sponsored research.

Investment returns of approximately $871 million were higher than the budgeted distribution of $232.7 million from endowment funds. This was the primary driver in the increase of both unrestricted and temporarily restricted net asset balances ($302.9 million and $332.5 million, respectively) on the Consolidated Statement of Financial Position and the Consolidated Statement of Activities. Permanently restricted net assets increased by $22.2 million due primarily to new gifts and pledges received. Total net assets increased by $657.6 million in fiscal year 2014, compared to an increase of $460 million in fiscal year 2013 due primarily to higher investment returns.

Grants and Contracts

The following table summarizes grant and contract revenue received by Rice in the last five fiscal years.

William Marsh Rice University
Grant and Contract Revenue
(in thousands)

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Government	$83,917	$91,900	$88,298	$90,549	$86,583
Private	18,318	19,439	20,653	27,226	30,126
Total	$102,235	$111,339	$108,951	$117,775	$116,709

For the year ended June 30, 2014, total contract and grant revenue included $114.1 million in sponsored research and other sponsored programs and $2.6 million in other grants and contracts. The major sources of the $86.6 million in government grant and contract revenue in fiscal year 2014 included National Science Foundation (30.2 percent), Department of Defense (17.3 percent) and National Institutes of Health (15.9 percent).

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Gifts and Bequests

The following table presents total gifts and bequests received by Rice for the past five fiscal years by restriction category. For the allocation of gifts and bequests for operating and nonoperating purposes, see "Financial Activities" above. Most operating gifts are unrestricted; none are permanently restricted. Large portions of nonoperating gifts are permanently restricted. During the fiscal year ended June 30, 2014, 29.8 percent of degreed alumni contributed financial support to Rice. A participation rate of about 31 percent is projected for fiscal year 2015.

William Marsh Rice University
Gifts and Bequests
(in thousands)

	Fiscal Year Ended June 30,				
	2010	2011	2012	2013	2014
Unrestricted	$22,695	$32,784	$23,605	$25,231	$33,545
Temporarily Restricted	41,199	50,407	64,860	43,271	37,436
Permanently Restricted	15,217	18,951	19,881	51,926	15,355
Total	$79,111	$102,142	$108,346	$120,428	$86,336

Tuition

Rice charged no tuition for the first 53 years of its existence. Although it has charged tuition since 1965, when a judicially approved amendment to Rice's charter allowed it to do so, Rice's high endowment-to-student ratio (approximately $868,000 per FTE student as of June 30, 2014) allows it to charge lower tuition than most other highly selective private colleges and universities in the United States (about $5,000 to $6,000 less per year). The following table shows tuition rates charged for the academic years 2009-2010 through 2014-2015, and the tuition rates to be charged for the academic year 2015-2016.

William Marsh Rice University
Undergraduate Tuition and Fees

Academic Year	Tuition	Mandatory Fees	Tuition & Fees	Percent Change Over Prior Year
2009-10	$31,430	$627	$32,057	5.2%
2010-11	$33,120	$651	$33,771	5.3%
2011-12	$34,900	$651	$35,551	5.3%
2012-13	$36,610	$682	$37,292	4.9%
2013-14	$38,260	$681	$38,941	4.4%
2014-15	$39,880	$686	$40,566	4.2%
2015-16	$41,560	$693	$42,253	4.2%

Financial Aid

Making education accessible to students of limited and modest means is a core value at Rice. Rice's student body is made up of students from all socioeconomic backgrounds. Among currently enrolled undergraduates 60 percent receive some type of aid package. Beginning with those students entering in fall 2009, Rice increased the no-loan eligibility threshold for financial aid packages to $80,000 of family income, up from $60,000. This means that the University does not require students who qualify for need-based aid from families whose annual incomes are $80,000 or less to take out loans to pay for their education.

Financial aid is a priority in budget planning and fundraising. As part of its *Initiative for Rice Students*, the University seeks to raise at least $100.0 million in new endowments and current use gifts over three years (by June 30, 2017) to support scholarships.

Budget Process

Rice's annual budget is prepared within the context of the University's strategic goals. It is recommended by the President and approved by the Board of the Trustees.

The budget process is both top down and bottom up. Revenue projections and certain expense categories are set centrally. The requirements of individual schools and divisions are presented in detailed budget submissions and balanced across the needs of the entire University. Rice maintains a balance between operating revenues and expenses. Rice's web-based, on-line accounting system permits schools and departments to monitor budget to actual results on a real-time basis. Quarterly reviews, including end-of-year projections, for the entire University are prepared for the president and the board. The operating budget for the current fiscal year presents a balanced plan.

Retirement Plans

Rice contributes, on behalf of eligible faculty and staff members, to a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. Contributions are made to accounts administered by Fidelity Investments or Teachers Insurance and Annuity Association/College Retirement Equities Fund (TIAA-CREF) and are made for eligible employees from date of hire. Retirement income is available from vested accumulations upon termination of employment as early as age 50, or at any later age. The University's contributions to the plan of $21,075,000 and $20,374,000 were recorded as expenses charged to operations for its fiscal years ended June 30, 2014 and 2013, respectively.

Additionally, eligible employees may elect to participate in the Rice Supplemental 403(b) plan. This plan allows participants to make pre-tax contributions from their compensation in accordance with applicable IRS wage limits. Contributions are made to accounts administered by Fidelity Investments or TIAA-CREF. Distributions from the 403(b) plan are available any time following termination of employment, attainment of age 59 1/2, or a call to active duty.

Insurance

Rice carries commercial general liability insurance and casualty insurance policies covering property damage and loss in amounts that Rice believes to be customary and adequate for a university of its size and character.

ACCREDITATION

Rice is accredited by the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC) to award baccalaureate, masters, and doctorate degrees. Rice also receives professional accreditation from the National Architectural Accreditation Board, the Accreditation Board for Engineering and Technology, Inc., the International Association for Management Education, and the Texas Education Agency.

LITIGATION

Rice is subject to various suits and administrative proceedings in the normal course of its operations. No litigation or proceedings are pending or, to the knowledge of Rice, threatened which would reasonably be expected to, in the opinion of Rice's administration, materially and adversely affect Rice's financial condition or its ability to make timely payment of all sums required under the Loan Agreement.

APPENDIX B

William Marsh Rice University Consolidated Financial Statements for the Years ended June 30, 2014 and June 30, 2013

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William Marsh Rice University

Consolidated Financial Statements

June 30, 2014 and 2013

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Independent Auditor's Report

To the Board of Trustees of
William Marsh Rice University

We have audited the accompanying consolidated financial statements of William Marsh Rice University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2014 and the related consolidated statements of activities and cash flows for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the University's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of William Marsh Rice University at June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matter

We have previously audited William Marsh Rice University's 2013 consolidated financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

PricewaterhouseCoopers LLP

October 23, 2014

William Marsh Rice University
Consolidated Statements of Financial Position
June 30, 2014 and 2013

(in thousands of dollars)	2014	2013
Assets		
Cash and cash equivalents	$ 12,547	$ 7,175
Accounts receivable and other assets, net	58,778	57,905
Pledges receivable, net	166,316	172,707
Investments	5,955,204	5,264,631
Property and equipment, net	1,171,752	1,183,159
Total assets	$ 7,364,597	$ 6,685,577
Liabilities		
Accounts payable and other liabilities	$ 93,722	$ 87,260
Notes and bonds payable	815,777	819,960
Actuarial liability for annuities payable	124,352	105,255
Government refundable advances	7,354	7,268
Total liabilities	1,041,205	1,019,743
Net assets		
Unrestricted net assets	2,983,441	2,680,587
Temporarily restricted net assets	2,261,951	1,929,439
Permanently restricted net assets	1,078,000	1,055,808
Total net assets	6,323,392	5,665,834
Total liabilities and net assets	$ 7,364,597	$ 6,685,577

The accompanying notes are an integral part of these consolidated financial statements.

William Marsh Rice University
Consolidated Statements of Activities
Year Ended June 30, 2014
(With Summarized Financial Information for the Year Ended June 30, 2013)

	2014				2013
(in thousands of dollars)	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Operating revenues					
Investment returns distributed for operations	$ 126,504	$ 106,230	$ -	$ 232,734	$ 229,052
Student tuition and fees, net	144,188	-	-	144,188	124,868
Grants and contracts	116,709	-	-	116,709	117,775
Gifts and pledges	33,545	7,375	-	40,920	33,622
Gifts and trusts released from restrictions	114,491	(114,491)	-	-	-
Auxiliary enterprises	41,261	-	-	41,261	42,195
Other revenues	23,301	-	-	23,301	20,755
Total operating revenues	599,999	(886)	-	599,113	568,267
Operating expenses					
Salaries and wages	283,966	-	-	283,966	273,023
Benefits	62,964	-	-	62,964	62,560
Scholarships	18,900	-	-	18,900	7,289
Depreciation and amortization	65,085	-	-	65,085	62,884
Interest and bond costs	32,873	-	-	32,873	27,909
Utilities and rent	15,586	-	-	15,586	17,121
Other operating expenses	115,541	-	-	115,541	118,743
Total operating expenses	594,915	-	-	594,915	569,529
Net operating income (loss)	5,084	(886)	-	4,198	(1,262)
Nonoperating changes					
Gifts, grants, and pledges for property and endowment	-	30,061	15,355	45,416	86,806
Investment returns, reduced by operating distribution above	281,011	333,559	23,910	638,480	387,296
Net assets released from restrictions	13,949	(14,768)	819	-	-
Change in liabilities due under life-income agreements	-	(15,456)	(17,892)	(33,348)	(21,868)
Other nonoperating changes, net	2,810	2	-	2,812	8,988
Net nonoperating changes	297,770	333,398	22,192	653,360	461,222
Net increase in net assets	302,854	332,512	22,192	657,558	459,960
Net assets					
Beginning of year	2,680,587	1,929,439	1,055,808	5,665,834	5,205,874
End of year	$ 2,983,441	$ 2,261,951	$ 1,078,000	$ 6,323,392	$ 5,665,834

The accompanying notes are an integral part of these consolidated financial statements.

William Marsh Rice University
Consolidated Statements of Cash Flows
Years Ended June 30, 2014 and 2013

(in thousands of dollars)	**2014**	**2013**
Cash flows from operating activities		
Net increase in net assets	$ 657,558	$ 459,960
Adjustments to reconcile increase (decrease) in net assets to net cash used in operating activities		
Depreciation of property and equipment	65,085	64,126
Loss on disposal of property and equipment	287	367
Net realized and unrealized investment gains	(814,573)	(544,876)
Contributions restricted for long term purposes and noncash contributions	(51,328)	(89,272)
Donated securities received	(20,084)	(24,238)
Proceeds from sale of donated securities	5,060	3,951
Actuarial change in life-income agreements	33,348	21,868
Change in fair value of swap agreements	(3,159)	(10,815)
Change in		
Accounts receivable and other assets	2,860	(2,833)
Pledges receivable for current purposes	(2,669)	13,513
Accounts payable and other liabilities	10,329	12,345
Net cash used in operating activities	(117,286)	(95,904)
Cash flows from investing activities		
Proceeds from sales and maturities of investments	834,522	1,118,169
Purchases of investments	(685,342)	(996,968)
Purchases of property and equipment	(53,401)	(43,939)
Net cash provided by investing activities	95,779	77,262
Cash flows from financing activities		
Contributions restricted for trusts	15,849	16,035
Proceeds from sale of donated securities		
Endowment	8,368	11,066
Property	6,656	9,221
Proceeds from issuance of tax-exempt bonds	-	247,180
Principal payment of tax-exempt bonds	(2,405)	(2,310)
Advance refunding of tax-exempt bonds	-	(347,180)
Return of unspent proceeds of tax-exempt bonds	-	(13,000)
Issuance cost for tax-exempt bonds	-	(1,080)
Payment of outstanding commercial paper, net	(1,675)	(17,005)
Proceeds from issuance of taxable bonds	-	113,985
Issuance cost for taxable bonds	-	(914)
Change in government refundable advances	86	93
Net cash provided by financing activities	26,879	16,091
Net increase (decrease) in cash and cash equivalents	5,372	(2,551)
Cash and cash equivalents		
Beginning of year	7,175	9,726
End of year	$ 12,547	$ 7,175

Noncash investing activities: The University had open accounts payable and accruals of $1,886 at June 30, 2014 and of $2,043 at June 30, 2013, related to property, plant and equipment purchases.

The accompanying notes are an integral part of these consolidated financial statements.

(all dollar amounts in thousands)

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

William Marsh Rice University (the "University") is a Texas not-for-profit corporation that operates a private research university in Houston, Texas. The consolidated financial statements of the University as of June 30, 2014, and for the year then ended, have been prepared in accordance with accounting principles generally accepted in the United States of America. Accordingly, the accompanying consolidated financial statements have been prepared on the accrual basis of accounting and include the accounts of the University and all wholly owned subsidiaries. All material transactions between the University and its subsidiaries have been eliminated.

The financial statements include certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

The University's subsidiaries consolidated in these financial statements consist of Center for Collaborative Research Inc., JTVP Corporation, R.U. Corporation, Rice-Land Lumber Company, Rice Trust Inc., Village Project, Inc., Village Real Property, Inc., Village Venturers, Inc., and Houston Area Translational Research Consortium, Inc. all of which are exempt from federal income tax, and Peabody, Inc., R.I. Patents, and Accelerate Learning Inc. (previously known as STEMscopes Inc.) which are subject to taxation.

The activity for the Center for Collaborative Research Inc. and Houston Area Translational Research Consortium, Inc. are fully consolidated with the University statement of activities within the appropriate categories in operations; the remainder of the subsidiaries are consolidated in the nonoperating portion of the statement of activities as they are considered investments of the endowment.

Net Asset Categories

Standards for external financial reporting by not-for-profit organizations require that resources be classified for reporting purposes into three net asset categories according to donor-imposed restrictions. A description of the University's three net asset categories follows:

a. Unrestricted net assets and related activity include the following:

1. All revenues traditionally classified as unrestricted resources of the University, including tuition and fees, unrestricted gifts, investment returns on unrestricted funds designated to function as endowment, recovery of facility and administrative costs from grants and contracts and auxiliary enterprise revenues.
2. Revenues related to sponsored research and other sponsored program agreements, which are considered exchange transactions.
3. Unrestricted funds functioning as endowment.

(all dollar amounts in thousands)

4. Gifts with donor imposed restrictions, if the restriction will be met within the current fiscal year of the University.
5. Investments in plant assets.
6. All expenses of the University.

b. Temporarily restricted net assets include gifts for which donor-imposed restrictions have not been met and investment returns from unrestricted and restricted endowments. The restriction on unrestricted endowment returns (income and realized and unrealized gains and losses) is released when appropriations are distributed for use in the current fiscal year. The category also includes pledges receivable and life-income gifts for which the ultimate purpose of the proceeds is not permanently restricted.

c. Permanently restricted net assets include gifts, trusts and pledges on which donors have imposed the restriction that the corpus be maintained in perpetuity and only the investment returns be made available for program operations. In the case of trusts, gains and losses are added to the gift amount. Gifts restricted by donors to provide loans to students are also included in permanently restricted net assets.

The terms of certain gifts of real property made by the founder of the University provided that all returns realized from these properties are to be invested to generate income to be used for University purposes. Changes in the market value of these specific properties, whether gains or losses, are recorded as permanently restricted as required by the donor.

Expirations of temporary restrictions on net assets are reported as released from restrictions on the Statement of Activities. Donor required matching from University funds and donor release or clarification of restrictions is also included in this line.

The Board of Trustees interprets the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Texas, to require the preservation of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulation to the contrary. As a result of this interpretation, the University classifies as permanently restricted net assets, (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) other additions to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the addition is added to the fund. The remaining portion of the donor restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA (Note 5).

Contributions
Contributions, including unconditional promises to give and irrevocable trusts held by others under which the University is the beneficiary, are recognized as revenues in the period received or promised. Contributions restricted for the acquisition of land, buildings and equipment are reported as temporarily restricted revenues. These contributions are reclassified to unrestricted net assets when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in permanently restricted net assets. It is the University's practice to sell marketable securities received as donations upon receipt.

(all dollar amounts in thousands)

In the Consolidated Statements of Cash Flows, the University classifies cash receipts from the sale of donated marketable securities in a manner that is consistent with cash donations received if the donated marketable securities are converted into cash on receipt or shortly thereafter.

Conditional promises to give are not recognized until the conditions on which they depend are met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3). Amortization of the discount is recorded as contribution revenue.

Operating and Nonoperating Activities
The Consolidated Statement of Activities reports the change in net assets from the University's operating and nonoperating activities. Operating activities exclude (a) gifts, grants and pledges for property and endowment (including annuity and life-income trusts), (b) release from restrictions of contributions restricted for the acquisition of property and equipment, (c) donor release of restrictions from permanently restricted net assets, (d) endowment returns net of the University's operating needs as defined by University spending policy (Note 5), (e) actuarial adjustments of annuities payable, (f) changes in fair value of swap agreements (Note 6), (g) net gain or loss on nonrecurring transactions, and (h) subsidiary corporations that are investments of the endowment.

Cash and Cash Equivalents
The University considers all highly liquid financial instruments with an original maturity of 90 days or less to be cash equivalents, except those amounts assigned to its investment managers and unspent commercial paper proceeds, which are classified as investments.

Investments and Other Financial Instruments
Investments are made within guidelines authorized by the University's Board of Trustees. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. Ownership of marketable securities is recognized as of the trade date. Marketable securities transactions that have not settled are recognized as accounts receivable or accounts payable until the settlement date. Endowment income is calculated net of internal and external investment management expenses.

Investments are stated at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The hierarchy of valuation inputs is based on the extent to which inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University and unobservable inputs reflect assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

(all dollar amounts in thousands)

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis (Note 6). The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities, such as exchange-traded equity securities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities, including corporate bonds and most Treasury securities.

Level 3 Unobservable inputs, such as valuation supplied by the investment managers, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including investments in certain hedge strategies and all private market strategies.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The estimated fair value of certain alternative investments, such as private equity and other limited partnership interests, is based on valuations provided by the general partners or partnership valuation committees. Such valuations consider variables such as financial performance of investments, recent sale prices of similar investments and other pertinent information. The University reviews and evaluates the data used in determining fair value, including the valuation methods, assumptions, and values provided by the investment managers. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These differences could be material.

The fair value of real estate, timber, oil and gas and other investments is estimated by professional appraisers or University management.

Derivative financial instruments are recorded on the Consolidated Statement of Financial Position as either an asset or liability measured at fair value as of the reporting date. Derivative financial instruments consist of interest rate swaps and energy hedge agreements. Changes in fair value of these derivatives are recognized in the Consolidated Statement of Activities.

The University's investments are exposed to a number of risks including interest rate, market, and credit risks. Due to the level of risk exposure, it is possible that changes in the valuation of these investments may occur in the near term and that such changes could be material.

(all dollar amounts in thousands)

Property and Equipment
Property used by the University is stated at cost for purchased assets and fair value at the date of donation in the case of gifts. Interest expense incurred during the period of construction of an asset for University use is capitalized until that asset is substantially completed and ready for use. The University depreciates its physical assets (excluding works of art, which are not depreciated) using the straight-line method over their estimated useful lives. Repairs and maintenance of property and equipment are expensed as incurred. Property and equipment are removed from the records at the time of disposal.

Works of art, historical treasures, literary works and artifacts are preserved and protected for educational, research and public exhibition purposes. Donations and purchases of such collections are recorded for financial statement purposes as property and equipment.

Asset Retirement Obligations
The University recognizes asset retirement obligations (AROs) that are conditional on a future event, such as the legal obligation to safely dispose of asbestos when a building is remodeled or demolished. The University measures conditional AROs at estimated fair value using a probability-weighted, discounted cash flow model with multiple scenarios, if applicable. The present value of weighted, discounted cash flows is calculated annually using credit-adjusted, risk-free rates applicable to the University in order to determine the estimated fair value of the conditional AROs.

Life-Income Agreements
Life-income agreements include charitable remainder trusts and gift annuities. Charitable remainder trusts hold donated assets for which the University's subsidiary acts as trustee and periodically pays specified amounts to the designated beneficiaries. Generally, beneficiary payments are a fixed amount for annuity trusts and a fixed percentage of the fair value of the trust assets or based on income earned for other charitable remainder trusts. At a date specified in each gift instrument, usually the beneficiary's date of death, ownership of the trust assets will transfer to the University and the beneficiary payments will cease. The University also enters into gift annuity agreements, which require that the University take ownership of the assets at the date of gift with an obligation to periodically pay specified amounts to designated beneficiaries for their lifetimes. Assets held in life income trusts and those assets associated with gift annuities are included in investments. Contribution revenues are recognized at the date the trusts or gift annuities are established at the net present value calculated based on an actuarial table. Liabilities are recorded at the same time using actuarial tables established by the IRS and discounted according to the risk-free rate at the time of the gift. Discount rates range from 1% to 6%. The liability represents the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted annually for changes in the value of the assets and actuarial changes, which impact the estimates of future payments.

Grants and Contracts
Revenues from both government and private sources are recognized as earned in accordance with the terms of the grant or contract. Any payment received prior to it being expended is recorded as a refundable advance. Projects that incur expenses prior to payment receipt are recorded as revenue with a corresponding receivable. The recovery of indirect costs, also referred to as facilities and administrative costs, is recognized primarily based on predetermined rates negotiated with the federal government (Note 12). The amount of indirect cost permitted to be recovered is determined on a per grant or contract basis.

(all dollar amounts in thousands)

Use of Estimates
Financial statements prepared in conformity with accounting principles generally accepted in the United States of America rely on estimates. Management makes certain estimates and assumptions which affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results could differ from these estimates.

Credit Risk
The University evaluated the credit risk associated with financing receivables, primarily student loans, and determined that both the receivables and the related allowances are immaterial to the financial statements.

Tax Status
The University is exempt from federal income tax to the extent provided under Section 501(c)(3) of the Internal Revenue Code. The IRS issued a determination letter in January, 1938 that recognized the University as exempt from federal income tax under section 501(c)(3). The IRS confirmed in 2008 that this exemption still applies.

The University has 12 wholly owned subsidiary corporations that are included in the consolidated financial statements. Six of these subsidiary corporations are exempt from federal income taxes under 501(c)(2), two are exempt under 501(c)(3), one is exempt under 501(c)(4), and three are subject to taxation. The University is classified as an organization that is not a private foundation under section 509(a) of the Internal Revenue Code because it is described in sections 509(a)(1) and 170(b)(1)(A)(ii) and, as such, gifts to the University qualify for deduction as charitable contributions to the extent provided by law. The University and its subsidiary corporations that are exempt from federal income tax are required to pay federal income tax on unrelated business income. The University and its subsidiary corporations did not have any material income tax liabilities for the years ended June 30, 2014 and 2013. The University has no financial reporting requirements for uncertain tax positions for the years ended June 30, 2014 and 2013.

Reclassifications
Certain amounts in the 2013 consolidated financial statements have been reclassified to conform to the 2014 presentation. These classifications had no significant impact on the University's financial position, results of operations, or cash flows.

(all dollar amounts in thousands)

2. Accounts Receivable and Other Assets

Accounts receivable and other assets of the University at June 30, 2014 and 2013, were as follows:

	2014	2013
Unsettled investment sales	$ 7,674	$ 3,838
Investment income receivable	3,464	3,869
Student loans receivable, net of allowance of $1,103 in 2014 and $1,099 in 2013	8,910	9,244
Inventory, prepaid expenses, and other assets	15,287	11,787
Grants and contracts receivable	16,373	22,647
Other accounts receivable, net of allowance of $1,115 in 2014 and $310 in 2013	7,070	6,520
Total accounts receivable and other assets	$ 58,778	$ 57,905

3. Pledges Receivable

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting to the present value of expected future cash flows. Unconditional promises to give at June 30, 2014 and 2013 are expected to be realized in the following periods:

	2014	2013
In one year or less	$ 44,486	$ 41,907
Between one year and five years	98,389	106,455
More than five years	59,940	62,705
Gross pledges receivable	202,815	211,067
Less:		
Discount to net present value	(24,330)	(25,696)
Allowance for uncollectible pledges	(12,169)	(12,664)
Net pledges receivable	$ 166,316	$ 172,707

(all dollar amounts in thousands)

Pledges receivable at June 30, 2014 and 2013, had the following restrictions:

	2014	**2013**
Long-term investment	$ 49,113	$ 59,217
Buildings	62,980	68,468
Support of University programs and activities	90,722	83,382
Gross pledges receivable	202,815	211,067
Less:		
Discount to net present value	(24,330)	(25,696)
Allowance for uncollectible pledges	(12,169)	(12,664)
Net pledges receivable	$ 166,316	$ 172,707

Rates ranging from 1% to 6% are used to discount pledges. A reserve rate of 6% was used for the allowance for uncollectible pledges as of June 30, 2014 and 2013. The reserve rate is reviewed annually to ensure adequate provision for uncollectible amounts.

At June 30, 2014 and 2013, the University had conditional pledge commitments of $50,600 and $51,300, respectively, from two donors for the construction of campus buildings.

4. Investments

Investments at June 30, 2014 and 2013, were as follows:

	2014	**2013**
Short term investments and fixed income securities	$ 817,888	$ 778,645
Equity securities and equity funds	1,861,471	1,598,361
Limited partnerships and other funds	2,760,459	2,441,699
Real assets, oil and gas, and other	515,386	445,926
	$ 5,955,204	$ 5,264,631

Investments include annuity and life income fund assets of $178,168 and $158,026 as of June 30, 2014 and 2013, respectively. Fixed income securities include unspent bond proceeds that are available to fund project expenditures in future years (Note 9).

(all dollar amounts in thousands)

The following table presents investment income and net gains (losses) for the year ended June 30, 2014 by net asset classification, with summarized information for the year ended June 30, 2013:

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Investment earnings	$ 42,874	$ 10,170	$ 3,597	$ 56,641	$ 71,472
Net gains on investments	364,641	429,619	20,313	814,573	544,876
Total investment gains and earnings	407,515	439,789	23,910	871,214	616,348
Less: Investment returns distributed for operations	(126,504)	(106,230)	-	(232,734)	(229,052)
Investment returns, reduced by operating distribution	$ 281,011	$ 333,559	$ 23,910	$ 638,480	$ 387,296

Return on investments is presented net of investment management fees. Certain expenses paid directly by the University for investment management and custody services, including certain internal costs, amounted to approximately $53,665 and $49,406 for the years ended June 30, 2014 and 2013, respectively. Certain investments report net returns without specific identification of management fees.

5. Endowments

The University's endowment pool consists of approximately 1,500 individual donor restricted endowment funds and approximately 200 funds designated by the Board of Trustees to function as endowment funds. The net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

The following table presents endowment net asset composition by type of fund for the year ended June 30, 2014, with summarized information for the year ended June 30, 2013:

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Donor restricted	$ -	$ 2,060,407	$ 1,054,549	$ 3,114,956	$ 2,753,934
Board designated	2,437,483	1,278	-	2,438,761	2,141,365
Total endowment funds	2,437,483	2,061,685	1,054,549	5,553,717	4,895,299
Pledges restricted for long-term investment, net of discount and allowance	-	-	(42,114)	(42,114)	(50,811)
Endowment funds excluding pledges	$ 2,437,483	$ 2,061,685	$ 1,012,435	$ 5,511,603	$ 4,844,488

(all dollar amounts in thousands)

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment Investment Policies
The University has adopted endowment investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain, and, if possible, enhance the purchasing power of endowment assets. The University has a diversified approach to management of the endowment investment portfolio. By diversifying among asset classes and rebalancing toward policy target allocations, the University strives to manage and maintain the risk profile implied by the policy targets adopted by the board.

To achieve its long term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University's diversified asset allocation places greater emphasis on equity based investments to achieve its long-term objectives within prudent risk and liquidity constraints. The long term investment objectives of the endowment are to attain an average annual real total return in excess of endowment spending and to outperform various strategic policy and comparable industry universe benchmarks over the long term.

Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives
The Board of Trustees of the University approves the appropriation of endowment funds for expenditure. In establishing a distribution policy, the Board of Trustees considered a number of factors, including the expected long term investment rate of return on the endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment assets to grow, consistent with its intention to maintain the purchasing power of the endowment assets while providing a relatively predictable and stable (in real terms) stream of earnings for current use. Under the University's endowment earnings distribution policy, endowment returns on donor restricted endowments, net of operating distributions, remain in the investment pool as temporarily restricted net assets and endowment returns on board designated endowment funds, net of operating distributions, remain in the investment pool as unrestricted net assets functioning as endowment.

(all dollar amounts in thousands)

Endowment Funds With Deficits

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts creating a deficit. These deficits generally result when unfavorable market fluctuations occur shortly after the investment of newly established endowments. Deficits in donor restricted endowment funds are classified as a reduction of unrestricted net assets in the year they occur and as an increase in unrestricted net assets in the year the fair value exceeds the gift amounts. There were no deficits as of June 30, 2014 and 2013.

Changes in endowment net assets for the year ended June 30, 2014, with summarized information for the year ended June 30, 2013, were as follows:

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Endowment net assets at beginning of year	$ 2,140,191	$ 1,723,418	$ 1,031,690	$ 4,895,299	$ 4,448,069
Investment returns					
Investment income	26,567	29,944	5,877	62,388	74,729
Net realized and unrealized gains	364,641	424,726	1,825	791,192	531,111
Total investment returns	391,208	454,670	7,702	853,580	605,840
Contributions	-	4,003	14,029	18,032	50,529
Appropriation of endowment assets for expenditure	(108,083)	(123,543)	-	(231,626)	(226,932)
Other changes					
Transfers to create board designated endowment funds	14,167	-	-	14,167	12,959
Donor designation	-	-	1,128	1,128	1,222
Other transfers	-	3,137	-	3,137	3,612
Change in endowment net assets	297,292	338,267	22,859	658,418	447,230
Endowment net assets at end of year	$ 2,437,483	$ 2,061,685	$ 1,054,549	$ 5,553,717	$ 4,895,299

(all dollar amounts in thousands)

6. Financial Instruments

The following tables present the financial instruments carried at fair value on the Consolidated Statement of Financial Position as of June 30, 2014 and 2013, by category, in accordance with the valuation hierarchy defined in Note 1. Certain alternative investments, such as hedge funds, that do not have readily determinable fair values, but are redeemable in the near term at investee-reported net asset value per share or its equivalent, are reported as Level 2:

	2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Short term investments and fixed income securities				
Cash and equivalents	$ 16,981	$ -	$ -	$ 16,981
Short term investments	-	465,331	-	465,331
Investment grade US bonds	-	267,203	-	267,203
Equity securities	838,008	-	-	838,008
Equity funds	-	1,045,037	-	1,045,037
Limited partnerships and other funds				
Private equity and venture capital	-	-	1,033,264	1,033,264
Hedge	-	626,092	407,377	1,033,469
Real estate	-	-	341,573	341,573
Energy and natural resources	-	-	237,133	237,133
Real assets, oil and gas, and other	238	-	498,798	499,036
Life income agreements	176,343	958	868	178,169
Total investments at fair value	$ 1,031,570	$ 2,404,621	$ 2,519,013	$ 5,955,204
Swaps payable	$ -	$ -	$ (11,650)	$ (11,650)

	2013			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments				
Short term investments and fixed income securities				
Cash and equivalents	$ 20,693	$ -	$ -	$ 20,693
Short term investments	-	450,642	-	450,642
Investment grade US bonds	-	247,944	-	247,944
Equity securities	707,085	-	-	707,085
Equity funds	-	806,707	-	806,707
Limited partnerships and other funds				
Private equity and venture capital	-	-	841,705	841,705
Hedge	-	619,903	401,143	1,021,046
Real estate	-	-	361,158	361,158
Energy and natural resources	-	-	217,789	217,789
Real assets, oil and gas, and other	178	-	431,653	431,831
Life income agreements	156,077	1,086	868	158,031
Total investments at fair value	$ 884,033	$ 2,126,282	$ 2,254,316	$ 5,264,631
Swaps payable	$ -	$ -	$ (14,809)	$ (14,809)

(all dollar amounts in thousands)

The following tables present the changes in amounts included in the Consolidated Statement of Financial Position for financial instruments classified by the University within Level 3:

Assets
Investments

	Limited Partnership and Other Funds	Real Assets, Oil and Gas, and Other	Life Income Agreements	Total
Fair value July 1, 2013	$ 1,821,795	$ 431,653	$ 868	$ 2,254,316
Realized gains	150,489	5,955	-	156,444
Unrealized gains	164,966	68,295	-	233,261
Capital calls/purchases	245,107	500	-	245,607
Distributions	(363,010)	(7,235)	-	(370,245)
Other	-	(370)	-	(370)
Fair value June 30, 2014	$ 2,019,347	$ 498,798	$ 868	$ 2,519,013

	Limited Partnership and Other Funds	Real Assets, Oil and Gas, and Other	Life Income Agreements	Total
Fair value July 1, 2012	$ 1,832,205	$ 274,800	$ 868	$ 2,107,873
Realized gains	170,207	1,752	-	171,959
Unrealized gains	63,835	20,868	-	84,703
Capital calls/purchases	187,760	134,552	-	322,312
Distributions	(432,212)	-	-	(432,212)
Other	-	(319)	-	(319)
Fair value June 30, 2013	$ 1,821,795	$ 431,653	$ 868	$ 2,254,316

Liabilities
Swap Agreements

	Interest Rate Swaps	Commodity Swaps	Total
Fair value July 1, 2013	$ 13,591	$ 1,218	$ 14,809
Unrealized gains	(2,478)	(681)	(3,159)
Fair value June 30, 2014	$ 11,113	$ 537	$ 11,650

(all dollar amounts in thousands)

	Interest Rate Swaps	Commodity Swaps	Total
Fair value July 1, 2012	$ 20,611	$ 5,013	$ 25,624
Unrealized gains	(7,020)	(3,795)	(10,815)
Fair value June 30, 2013	$ 13,591	$ 1,218	$ 14,809

The following table presents a summary of Level 3 valuation techniques and quantitative information utilized in determining the value of real assets, oil and gas, and other investments, where no practical expedient to using external manager's reported NAV exists.

Asset Type	Fair Value 2014	Fair Value 2013	Valuation Technique	Unobservable Input	2014 Rates	2013 Rates
Real estate	$ 136,232	$ 125,331	Discounted cash flow	Discount rate	6%–8%	6%–8%
Timber	85,571	86,600	Income approach	Discount rate	6%–8%	6%–8%
Oil and gas	121,810	91,326	Discounted cash flow	Discount rate	8%–10%	9%–11%
Purchase option	24,200	-	Income approach	Capitalization rate	5.5%	-
Private company stock	129,210	127,124	Varies	Discount rate	8%	8%
Other	1,775	1,272	Varies	Varies	Varies	Varies
	$ 498,798	$ 431,653				

The University recognizes transfers between levels as of the end of the reporting period. There were no transfers between Level 1 and Level 2 in 2014 and 2013. There were no transfers between Level 2 and Level 3 in 2014 or 2013.

The University utilizes a hierarchy of inputs in determining fair value (Note 1). The following is a description of the University's valuation methodologies for assets and liabilities measured at fair value. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Fair value for Level 1 is based upon quoted prices in active markets that the University has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The University does not adjust the quoted price for such assets and liabilities.

(all dollar amounts in thousands)

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Certain alternative investments, such as hedge funds, that offer redemptions within 180 days of the measurement date at investee-reported net asset value per share or its equivalent are reported as Level 2. Hedge funds that have significant portions of the net asset value in side pockets or special purpose vehicles and/or are only redeemable at fund manager discretion are reported as Level 3. If the redemption extends beyond 180 days, the investment is categorized as Level 3. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Investments included in Level 3 primarily consist of the University's ownership in alternative investments (including limited partnerships and interests in certain hedge and other similar funds). The fair values held by funds that do not have readily determinable fair values are determined by the respective managers and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the manager taking into consideration, among other things, the cost of the investments, prices of recent significant placements of investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. The University has performed due diligence with respect to these investments to ensure net asset value (NAV) or partners' capital per share is an appropriate measure of fair value as of June 30.

Hedge funds held by the University may be subject to restrictions that limit (i) the University's ability to redeem/withdraw capital from such funds during a specified period of time subsequent to the University's investment of capital (lockups) and/or (ii) the amount of capital that investors may redeem/withdraw as of given redemption/withdrawal dates (side pockets). Capital available for redemption/withdrawal may also be subject to redemption/withdrawal charges and may or may not include capital attributable to the University's participation in illiquid investments. These funds generally limit redemptions to monthly, quarterly, semiannually, annually or longer, at NAV, and require between 30 and 90 days prior written notice, limiting the University's ability to respond quickly to changes in market conditions. The value of hedge funds classified as Level 3 included investment lockups that will expire over the next 6 to 30 months of $298,005 and $237,605 at June 30, 2014 and 2013, respectively, and side pockets of $35,821 and $42,194 at June 30, 2014 and 2013, respectively, that had indeterminate redemption periods. The University's nonhedge fund investments restrict the ability to withdraw, which limits the University's ability to respond quickly to changes in market conditions. These investments are therefore illiquid.

The University entered into an agreement in February 2012 to hedge the cost of natural gas that took effect on July 1, 2012. The estimated fair value of this arrangement was a liability of $0 as of June 30, 2014 and a liability of $79 as of June 30, 2013. The University entered into an agreement in June 2012 to hedge a portion of the cost of electricity that took effect on July 1, 2013. The estimated fair value of the arrangement was a liability of $537 as of June 30, 2014 and a liability of $1,138 as of June 30, 2013. The change in value is reported as other nonoperating change on the Consolidated Statement of Activities. The fair value of the agreements is the estimated amount that the University would pay or receive to terminate these contracts as of June 30.

(all dollar amounts in thousands)

Life income agreement assets consist primarily of mutual funds, with some directly held assets in real estate, oil and gas, and bonds. Life income investments included in Level 1 are cash and cash equivalents and mutual funds investing in equities, real estate funds and fixed income securities. Life income investments included in Level 2 are directly held bonds and U.S. Treasury securities. Life income investments included in Level 3 are directly held interests in real estate, oil and gas, and other investments. The life income agreement investments are managed by an external manager.

In December 2013, Village Real Property, Inc. and Village Project, Inc., wholly owned University subsidiaries, provided notice to exercise options within certain ground lease agreements to purchase from the lessee the entire leasehold estate of a retail shopping center. These purchase options should have been reported at fair value and appreciation reported within investment income each year. As of June 30, 2013 the fair value of the purchase options was $17,520 and has been recorded within the current fiscal year as an out of period adjustment. The fair value of the purchase options as of June 30, 2014 was $24,200 and is included within the investments line item in the Consolidated Statement of Financial Position.

The University evaluated the effect of the omission on its previously issued financial statements for the year ended June 30, 2013 and concluded the impact was not material. The University recognized the impact of this omission in its financial statements for the year ended June 30, 2014 as an out of period adjustment, as it did not have any significant impact on the June 30, 2014 financial statements. The net impact resulted in an increase in net assets and investment return of $17,520 related to periods prior to the fiscal year ended June 30, 2014.

7. Property and Equipment

Property and equipment of educational plant at June 30, 2014 and 2013 were as follows:

	Estimated Useful Lives (Years)	2014	2013
Land	-	$ 23,785	$ 23,785
Buildings and improvements	20–50	1,429,846	1,395,205
Equipment, furniture and library books	2–20	378,849	366,989
Art	-	10,636	10,086
Construction in progress	-	22,083	18,358
Less: Accumulated depreciation	-	(693,447)	(631,264)
		$ 1,171,752	$ 1,183,159

(all dollar amounts in thousands)

8. Accounts Payable and Other Liabilities

Accounts payable and other liabilities at June 30, 2014 and 2013, were as follows:

	2014	2013
Unsettled investment purchases and advances	$ 2,004	$ 2,799
Vendor accounts payable	14,565	15,517
Accrued payroll and employee benefits	13,971	11,064
Grants and contracts unearned income	32,962	28,980
Other unearned income	5,816	4,346
Conditional asset retirement obligations	5,317	5,231
Swap agreements	11,650	14,809
Other liabilities	7,437	4,514
Total accounts payable and other liabilities	$ 93,722	$ 87,260

9. Notes and Bonds Payable

Notes and bonds payable at June 30, 2014 and 2013, were as follows:

	2014	2013
Taxable revenue refunding bonds, Series 2013, maturing 2061 through 2063, with an average coupon of 4.63% per annum payable semiannually	$ 113,985	$ 113,985
City of Houston Higher Education Finance Corporation (CHHEFC)		
Tax-exempt revenue refunding bonds, Series 2013A & 2013B, maturing 2023 through 2048, with an average coupon of 0.46% for Series 2013A and an average coupon of 0.59% for Series 2013B per annum payable semiannually	247,180	247,180
Tax-exempt revenue bonds, Series 2010A & 2010B, maturing 2031 through 2048, with an average coupon of 5% per annum payable semiannually for Series 2010A and an average coupon of 0.05% per annum payable monthly for Series 2010B	121,250	121,250
Tax-exempt revenue bonds, Series 2007A & 2007B, maturing 2010 through 2047, with an average coupon of 4.75% per annum payable semiannually	298,040	300,445
Total bond liability	780,455	782,860
Tax-exempt commercial paper notes, Series A, with interest ranging from 0.08% to 0.13% at June 30, 2014 (0.12% to 0.17% at June 30, 2013) per annum payable upon maturity	25,695	27,370
Discount on 2007B bonds, premium on 2007A and 2010A bonds	9,627	9,730
	$ 815,777	$ 819,960

(all dollar amounts in thousands)

The University incurred interest expense, net of interest earned, of approximately $32,960 and $28,002 in 2014 and 2013, respectively. Of these amounts, interest expense of $32,962 and $28,011 was charged to operations in 2014 and 2013, respectively. Interest expense of $7 was capitalized in 2014. An interest expense reduction resulted in a credit balance of $9 in capitalized interest in 2013. The University made interest payments of approximately $24,954 and $28,092 in 2014 and 2013, respectively.

Taxable Revenue Bonds

Series 2013

On June 26, 2013, the University issued taxable revenue refunding bonds. Interest payments on the bonds are payable semiannually beginning November 15, 2013. Principal payments begin May 15, 2061 and continue annually until their maturity on May 15, 2063.

The proceeds of the bonds were used to refund all of the Series 2008A revenue bonds of $100,000, refund a portion of the outstanding commercial paper notes of $13,000, and pay the costs of issuance of the bonds of $985.

The estimated fair value of the Series 2013 taxable bonds was $118,665 and $108,582 at June 30, 2014 and 2013, respectively. These valuations are considered to be Level 2 values.

Tax-Exempt Revenue Bonds

Series 2013A and 2013B

On June 26, 2013 the University issued Series 2013A and 2013B revenue refunding bonds through the CHHEFC. The Series 2013A revenue bonds have a face value of $147,180 and the Series 2013B revenue bonds have a face value of $100,000. Both were issued as Securities Industry and Financial Markets Association (SIFMA) Index floating rate notes.

The Series 2013A and 2013B bonds were issued without an original issue premium or discount and with issuance costs of $1,080. The issuance costs were paid by the University and are amortized over the term of the bond issue.

Proceeds from these bonds were used to advance refund the Series 2006A, Series 2006B, and Series 2008B debt service obligation by irrevocably placing assets with a trustee to pay principal, interest and call premium on the obligations. These obligations have been paid in full.

Interest payments on the 2013 bonds are payable monthly, commencing on August 1, 2013. Principal payments for Series 2013A commence on November 15, 2023 and will be required annually until November 15, 2029. Principal payments for Series 2013B begin May 15, 2039 and continue annually until May 15, 2048. The scheduled maturity dates for Series 2013A and Series 2013B are November 15, 2029 and May 15, 2048, respectively.

The estimated fair value of the CHHEFC Series 2013A and Series 2013B bonds approximated the face value at June 30, 2014 and 2013 as the rates are reset weekly. These valuations are considered to be Level 2 values.

(all dollar amounts in thousands)

Series 2010A and 2010B

On June 2, 2010 the University issued Series 2010A and 2010B revenue bonds through the CHHEFC. The Series 2010A revenue bonds, with a face value of $94,485, were issued as fixed rate debt with an average coupon of 5%. The Series 2010B revenue bonds, with a face value of $39,765, were issued as variable rate demand bonds (VRDBs), which are subject to optional and mandatory tender. The University is not required to obtain or maintain a liquidity facility for the Series 2010B bonds.

In the event that the University receives notice of any optional tender on its Series 2010B bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University is obligated to purchase the bonds tendered at 100% of par value on the tender date.

The Series 2010A bonds were issued with a $5,637 original issue premium and issuance costs of $606. The Series 2010B bonds were issued without an original issue premium or discount and issuance costs of $158. The original issue premium and costs were capitalized by the University and are being amortized over the term of the bond issue. Interest payments on the Series 2010A bonds are payable semiannually and interest payments on the Series 2010B bonds are payable monthly. Principal payments for Series 2010A commence on May 15, 2031 and will be required annually until the scheduled maturity date of May 15, 2040. Principal payments for Series 2010B begin May 15, 2041 and continue annually until their maturity on May 15, 2048. On June 20, 2013, the University returned $13,000 of unspent Series 2010B bond proceeds.

Unspent bond proceeds of $16,912 and $20,640 at June 30, 2014 and 2013, respectively, were invested in a mutual fund holding U.S. government securities.

The estimated fair value of the CHHEFC series 2010A bonds was $105,956 and $101,714 at June 30, 2014 and 2013, respectively. The estimated fair value of the CHHEFC Series 2010B bonds approximated the face value at June 30, 2014 and 2013 as the rates are reset weekly. These valuations are considered to be Level 2 values.

Series 2007A and 2007B

On June 12, 2007, the University issued Series 2007A and 2007B revenue bonds through the CHHEFC. The Series 2007A bonds were issued with a $5,832 original issue premium and the Series 2007B bonds were issued net of a $365 original issue discount. The original issue premium and discount and issuance costs of $2,494 were capitalized by the University and are being amortized over the term of the bond issue. Interest payments on the bonds are payable semiannually. Principal payments for Series 2007A commenced on May 15, 2010 and are required annually until the scheduled maturity date of May 15, 2047. Principal payments for Series 2007B begin November 15, 2030 and continue annually until their maturity November 15, 2037.

Series 2007A bonds were issued with a face value of $209,165. Series 2007B bonds were issued with a face value of $100,000.

The estimated fair value of the CHHEFC Series 2007A bonds was $214,209 and $211,158 at June 30, 2014 and 2013, respectively. The estimated fair value of the CHHEFC Series 2007B bonds was $107,769 and $103,462, at June 30, 2014 and 2013, respectively. These valuations are considered to be Level 2 values.

(all dollar amounts in thousands)

Principal maturities for notes and bonds payable as of June 30, 2014, excluding commercial paper and unamortized discounts and premiums, were as follows:

2015	$	2,500
2016		2,635
2017		2,770
2018		2,905
Thereafter		769,645
	$	780,455

Commercial Paper Notes
The University has a tax-exempt commercial paper credit facility that provides for borrowings in the form of individual notes up to an aggregate of $100,000. The notes bear a fixed rate of interest, established on the borrowing date, over their individual terms, not to exceed 270 days. The outstanding balance under the facility was $25,695 and $27,370 with an average interest rate of 0.11% and 0.14% and an average maturity of 85 days and 94 days as of June 30, 2014 and 2013, respectively.

The estimated fair value of the commercial paper notes approximates the face value.

Line of Credit
The University established a $100,000 variable rate line of credit with a commercial bank on January 30, 2009. The line of credit expired on January 30, 2013, and was not renewed.

Interest Rate Swaps
Effective June 29, 2011, the University entered into an interest rate swap agreement with a notional amount of $100,000. The University receives amounts based on SIFMA swap index and makes payments based on a fixed rate of 1.46%. The swap matures on June 29, 2016.

The fair value of the interest rate swap agreement is the estimated amount that the University would pay or receive to terminate these contracts as of June 30, 2014. The estimated fair value of this swap arrangement was a liability of $2,315 and $2,831 at June 30, 2014 and 2013, respectively. The change in value is reported in other nonoperating changes in the Consolidated Statement of Activities.

Effective March 29, 2006, the University entered into interest rate swap agreements with a notional amount of $147,180. The University receives amounts based on 67% of the three-month London Interbank Offered Rate (LIBOR) and makes payments based on a fixed rate of 3.868%. While the Series 2006A and 2006B and the Series 2008A and 2008B bonds were repaid, the swap agreements remain outstanding. The University has the option to terminate the swaps starting in calendar year 2016.

The fair value of the interest rate swap agreements is the estimated amount that the University would pay or receive to terminate these contracts. The estimated fair value of these swap arrangements was a liability of $8,797 and $10,761 as of June 30, 2014 and 2013, respectively. The change in value is reported in other nonoperating changes in the Consolidated Statement of Activities.

(all dollar amounts in thousands)

10. Net Assets

The University's unrestricted, temporarily restricted and permanently restricted net assets as of June 30, 2014 are categorized by purpose as follows, with summarized information as of June 30, 2013:

	2014				2013
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Total
Internally designated for specific programs or ongoing activities	$ 138,765	$ -	$ -	$ 138,765	$ 130,038
Designated or restricted by donor including pledges	116,207	111,677	-	227,884	218,490
Net investment in plant	290,254	53,893	-	344,147	351,659
Endowment and designated for long-term investment including pledges	2,437,483	2,061,685	1,054,549	5,553,717	4,895,299
Life-income trusts	-	34,696	20,603	55,299	66,774
Loans	732	-	2,848	3,580	3,574
	$ 2,983,441	$ 2,261,951	$ 1,078,000	$ 6,323,392	$ 5,665,834

The Board of Trustees has designated certain unrestricted and temporarily restricted net assets for long-term investment (Note 5). Most net assets designated for long-term investment and endowment assets participate in one common investment pool.

11. Student Financial Aid

Gross student tuition and fees of $239,682 and $227,668 in 2014 and 2013, respectively, are presented in the consolidated financial statements net of scholarship and fellowship awards of $95,493 and $102,800, respectively. Auxiliary enterprises revenue was reduced by scholarship awards applied to room and board charges of $5,671 and $4,283 in 2014 and 2013, respectively. Scholarship and fellowship awards in excess of the above amounts are reported as expense.

(all dollar amounts in thousands)

12. Grants and Contracts

The major components of grants and contracts revenue for the years ended June 30, 2014 and 2013 are as follows:

	2014	2013
Government		
Direct	$ 68,550	$ 70,883
Indirect	18,033	19,666
Total government	86,583	90,549
Foundation, industrial, and other		
Direct	26,935	24,399
Indirect	3,191	2,827
Total foundation, industrial, and other	30,126	27,226
Total grants and contracts	$ 116,709	$ 117,775

The University receives funding from federal government agencies for research and other programs conducted under government grants and contracts. The grants and contracts provide for reimbursement of direct and indirect costs. Indirect (facilities and administrative) costs are reimbursed under a negotiated rate agreement with the federal government which is predetermined through fiscal year 2015.

13. Functional Expenses

Expenses of the University by major functional category for the years ended June 30, 2014 and 2013, were as follows:

	2014	2013
Instruction and department research	$ 266,497	$ 260,699
Sponsored research and other sponsored programs	102,569	102,387
Library	29,947	32,126
Scholarships and fellowships	18,900	7,289
Auxiliary enterprises	59,048	53,535
Student services	63,525	52,170
General administration	29,730	33,088
Institutional development and other activities	24,699	28,235
Total operating expenses	$ 594,915	$ 569,529

The above table includes depreciation expense of $55,251 and $54,448, and operations and maintenance expense of $42,409 and $41,719 in 2014 and 2013, respectively, which were allocated to the major functional categories based on space usage. Depreciation of library books of $9,834 and $9,638 was recognized as library expense in 2014 and 2013, respectively. Interest of $32,962 and $28,011 in 2014 and 2013, respectively, was recorded by functional category based on identification of related construction projects.

(all dollar amounts in thousands)

14. Related Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. The University employs a conflict of interest policy that requires any such associations to be disclosed in writing on an annual basis and updated as appropriate during the year. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the board member from any decisions involving the entity doing business with the University. The transactions with entities associated with trustees or senior management are not considered to be significant and may include investment management, common membership in investment partnerships or other investment vehicles, or the purchase of goods or services.

15. Retirement Plans

Substantially all employees are eligible to participate in a defined contribution retirement plan, which is administered by a third party. The plan operates in accordance with Section 401(a) of the Internal Revenue Code. University contributions are made to this plan. In addition, employees may elect to participate in plans created under Section 403(b) of the Internal Revenue Code. The contributions of the University and its employees can be applied to annuity contracts. The University's contributions to the plan of $21,075 and $20,374, were recorded as expense in the appropriate functional categories in 2014 and 2013, respectively.

16. Commitments and Contingencies

A number of suits and claims are pending against the University. While final outcomes cannot be determined at this time, management believes, after consultation with its legal counsel, that the uninsured liability, if any, resulting from these suits and claims will not have a material adverse effect on the University's financial position, operations, or cash flows.

The University receives funding from federal government agencies for research and other programs conducted under government grants and contracts. The costs recovered by the University in support of sponsored programs are subject to audit and adjustment.

In connection with its private equity investment program (Note 4), the University is obligated under certain limited partnership agreements to advance additional funding up to levels specified in each agreement upon the request of the general partner. At June 30, 2014 and 2013, the University had unfunded commitments of approximately $609,000 and $516,000, respectively, which are expected to be called primarily over the next five to seven years.

Additionally, the University was committed under contracts at June 30, 2014 and 2013, for capital construction and improvements and major maintenance of approximately $21,000 and $31,000, respectively, to be financed primarily from gifts and net assets designated for long-term investments, and from debt to the extent other resources are not available. Other purchasing commitments of approximately $9,000 and $7,000 were also outstanding at June 30, 2014 and 2013, respectively.

(all dollar amounts in thousands)

17. Subsequent Events

The University evaluated subsequent events from July 1, 2014 to October 23, 2014, the date these financial statements were issued for events that occurred after the financial position date that would have a material impact on the University's financial statements. In September, 2014 Village Real Property, Inc., and Village Project, Inc., wholly owned subsidiaries, exercised their options to purchase from the lessee the entire leasehold estate of a retail shopping center. The purchase price was $59,000 with an estimated fair value at the time of the purchase of $83,200. The fair value of this option, included in the Consolidated Statement of Financial Position at June 30, 2014, was $24,200.

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APPENDIX C

SELECTED PROVISIONS OF THE TRUST INDENTURE

The following are selected provisions from the Trust Indenture. These provisions do not purport to be complete and are qualified in their entirety by reference to the complete text of the Trust Indenture, a copy of which may be obtained from the Underwriters prior to the issuance and delivery of the Bonds and thereafter from the Trustee. Provisions included herein are in substantially final form, but may change prior to the issuance of the Bonds, and may thereafter be amended in accordance with the terms of the Trust Indenture.

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GRANTING CLAUSES

THE INDENTURE WITNESSETH, that, to secure the payment of the principal of (and premium, if any) and interest on the Outstanding Bonds and the performance of the covenants therein and herein contained; and to declare the terms and conditions on which the Outstanding Bonds are secured, and in consideration of the premises, of the purchase of the Bonds by the Holders thereof, and of the sum of One Dollar ($1.00) to the University in hand paid by the Trustee at or before the execution and delivery hereof, the receipt and sufficiency of which are hereby acknowledged, the University by these presents does grant, bargain, sell, alien, remise, release, convey, assign, transfer, mortgage, hypothecate, pledge, set over, and confirm to the Trustee, forever, all and singular the following described properties, and grant a security interest therein for the purposes herein expressed, to-wit:

GRANTING CLAUSE FIRST

All right, title, and interest of the University in and to all money and investments held for the credit of the Debt Service Fund established by or under the Indenture as hereinafter described and the proceeds thereof;

GRANTING CLAUSE SECOND

Any and all property that may, from time to time hereinafter, by delivery or by writing of any kind, be subjected to the lien and security interest hereof by the grantor or by anyone in its behalf (and the Trustee is hereby authorized to receive the same at any time as additional security hereunder), which subjection to the lien and security interest hereof of any such property as additional security may be made subject to any reservations, limitations, or conditions which shall be set forth in a written instrument executed by the grantor or the Person so acting in its behalf or by the Trustee respecting the use and disposition of such property or the proceeds thereof;

TO HAVE AND TO HOLD all said property, rights, privileges, and franchises of every kind and description, real, personal, or mixed, hereby and hereafter (by supplemental instrument or otherwise) granted, bargained, sold, assigned, remised, released, conveyed, assigned, transferred, mortgaged, hypothecated, pledged, set over, or confirmed as aforesaid, or intended, agreed, or covenanted so to be, together with all the appurtenances thereto appertaining (said properties, rights, privileges, and franchises including any cash and securities hereafter deposited or required to be deposited with the Trustee (other than any such cash which is specifically stated herein not to be deemed part of the Trust Estate) being herein collectively referred to as the "Trust Estate") unto the Trustee and its successors and assigns forever;

BUT IN TRUST, NEVERTHELESS, for the equal and proportionate benefit and security of the Holders from time to time of all the Outstanding Bonds without any priority of any such Bonds over any other such Bonds except as herein otherwise expressly provided;

UPON THE CONDITION that, if the University, or its successors or assigns shall well and truly pay, or cause to be paid, the principal of (and premium, if any) and interest on the Outstanding Bonds according to the true intent and meaning thereof, or there shall be deposited with the Trustee such amounts in such form in order that none of the Bonds shall remain Outstanding as herein defined and provided, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then upon the full and final payment of all such sums and amounts secured hereby or upon such deposit, the rights, titles, liens, security interests, and assignments herein granted shall cease, determine, and be void and this grant shall be released by the Trustee in due form at the expense of the University, except only as herein provided; otherwise this grant to be and shall remain in full force and effect;

AND IT IS HEREBY COVENANTED AND DECLARED that the Trust Estate is to be held and applied by the Trustee, subject to the further covenants, conditions, and trust hereinafter set forth, and the University does hereby covenant and agree to and with the Trustee, for the equal and proportionate benefit of all Holders of the Bonds except as herein otherwise expressly provided, as follows:

ARTICLE I

DEFINITIONS

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"Affiliate" of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the power to appoint and remove its directors, the ownership of voting securities, by contract, or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Authorized Denominations" means $5,000 and any integral multiple thereof.

"Board Resolution" of any specified Person means a copy of a resolution certified by the Person responsible for maintaining the records of the Governing Body of such Person to have been duly adopted by the Governing Body of such Person and to be in full force and effect on the date of such certification and delivered to the Trustee.

"Bondholder" or "Holder" means a Person in whose name a Bond is registered in the Register.

"Bonds" means the Rice University Taxable Bonds Series 2015 authorized to be issued pursuant to the Indenture and any Bonds issued upon transfer thereof or in exchange therefor or in lieu thereof in accordance with the provisions of the Indenture.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which the Trustee or the Paying Agent is authorized by law or executive order to close, (iii) any day on which the Federal Reserve Bank of Dallas is closed; or (iv) a day on which the Securities Depository is closed.

"Code" means the Internal Revenue Code of 1986, as amended from time to time, and the corresponding provisions, if any, of any successor internal revenue laws of the United States.

"Consent," "Order" and "Request" of any specified Person means, respectively, a written consent, order, or request signed in the name of such Person by the chairman or vice chairman of its Governing Body, its president, any of its vice presidents, or any other executive officer of such Person as designated by such Person to the Trustee, and delivered to the Trustee; and with respect to the University means, respectively, a written consent, order, or request signed in the name of the University by the Chairman of the Board of Trustees, or the Treasurer or Associate Treasurer of the University and delivered to the Trustee. Designations as to other executive officers may be given to the Trustee and will remain effective until the Trustee is notified to the contrary.

"Debt Service Fund" means the fund described in Section 403 hereof.

"Default" means any circumstance that, with the passage of time or the giving of notice or both, would constitute an "Event of Default" hereunder.

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"Defeasance Obligations" means any obligations described in clauses (a) and/or (b) of the definition of Eligible Securities or any obligations permitted from time to time under Texas Government Code Section 1207.062, as amended, or any successor law thereto; provided that any obligations described in clause (b) of the definition of Eligible Securities must, on the date of purchase for deposit into any escrow for the Bonds be rated by a nationally recognized investment rating firm not less than AAA or its equivalent.

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"Eligible Securities" means the following obligations or securities, maturing or redeemable at the option of the Trustee, or marketable, prior to the maturities thereof, at such time or times as to enable disbursements to be made from any fund in accordance with the terms hereof:

(a) United States Treasuries. Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America;

(b) Agency Obligations. Obligations of any federal agencies, which obligations represent the full faith and credit of the United States of America, including obligations issued by: Export-Import Bank of the United States; Farm Credit System Financial Assistance Corporation; Rural Economic Community Development Administration (formerly the Farmers Home Administration); General Services Administration; U.S. Maritime Administration; Small Business Administration; the Government National Mortgage Association; U.S. Department of Housing and Urban Development; Federal Housing Administration; Agency for International Development; and Federal Financing Bank;

(c) Agency Debt. Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit or the United States of America: senior debt obligations which are at the time of purchase rated "Aaa" by Moody's Investors Service ("Moody's") and "AAA" by Standard & Poor's ("S&P") issued by the Federal National Mortgage Association ("Fannie Mae") or the Federal Home Loan Mortgage Corporation ("FHLMC"); obligations of the Resolution Funding Corporation ("REFCORP"); and senior debt obligations of the Federal Home Loan Bank System;

(d) Bank Deposits. U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks that have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) Commercial Paper. Commercial paper that is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase;

(f) Money Market Funds and Common Trust Funds. Investments in a money market or other fund (including those of the Trustee or its Affiliates and including those for which the Trustee or its Affiliates receive compensation) which at the time of purchase are rated "AAAm" or "AAAm-G" or better by S&P;

(g) Pre-Refunded Municipal Obligations. Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state that are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of each Rating Service; or

(ii) (x) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (a) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (y) which escrow is sufficient, as verified by a nationally recognized Independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) State General Obligations. General obligations of any state of the United States of America with a rating at the time of purchase of at least "A2/A" or higher by each Rating Service;

(i) Eligible Investments under State Law. Any obligations, securities or other authorized investments permitted from time to time under Texas Government Code Chapter 2256, as amended; and

(j) Repurchase Agreements. Repurchase agreements secured by any of the above items (a) through (i).

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"Event of Default" is defined in Article VI of the Indenture.

"Fiscal Year" means the annual accounting period adopted by the University, currently the 12-month period ending June 30.

"Governing Body" of any specified Person means the board of directors or board of trustees of such Person or any duly authorized committee of that board, or if there be no board of trustees or board of directors, then the person or body which pursuant to law or the Organizational Documents of such Person is vested with powers similar to those vested in a board of trustees or a board of directors.

"Indenture" means the Trust Indenture, dated as of April 1, 2015, between the University and the Trustee, as it may be amended from time to time in accordance with its terms.

"Independent" when used with respect to any specified Person means such a Person who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the University or in any Affiliate of the University, and (3) is not connected with the University or with any Affiliate of the University as an officer, employee, promoter, underwriter, trustee, partner, director, or person performing similar functions. Whenever it is herein provided that any Independent Person's opinion or certificate shall be furnished to the Trustee, such Person must be acceptable to the Trustee, and such Independent Person must provide a written statement to the Trustee that the signer has read this definition and that the signer is Independent within the meaning hereof.

"Interest Rate Swaps" means the interest rate swap transaction entered into between the University and Morgan Stanley Capital Services Inc. and the two interest rate swap transactions entered into between the University and JPMorgan Chase Bank, N.A., relating to certain series of the Refunded Bonds.

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"Letter of Representation" means the blanket letter of representations between the University and the Securities Depository relating to bonds issued by the University and registered solely in the name of the Securities Depository or its nominee, as amended or supplemented from time to time.

"Maturity" when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein or herein provided, whether at the Stated Maturity thereof or by declaration of acceleration, call for redemption or otherwise.

"Officer's Certificate" of any specified Person means a certificate signed by the chairman or vice chairman of its Governing Body, its president, any of its vice presidents, or another executive officer, and delivered to the Trustee; and with respect to the University means a certificate signed by the Chairman of the Board of Trustees, or the Treasurer or Associate Treasurer of the University and delivered to the Trustee.

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"Opinion of Counsel" means a written opinion of counsel acceptable to the Trustee, who may (except as otherwise expressly provided) be counsel to the Trustee or the University.

"Order" has the meaning assigned to it herein in the definition of "Consent," "Order," "Request."

"Organizational Documents" of any corporation means the articles of incorporation, certificate of incorporation, corporate charter or other document pursuant to which such corporation was organized, and its bylaws, each as amended from time to time, and as to any other Person, means the instruments pursuant to which it was created and which govern its powers and the authority of its representatives to act on its behalf.

"Outstanding" when used with respect to the Bonds means, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(i) Bonds theretofore canceled by the Trustee or delivered to the Trustee for cancellation;

(ii) Bonds for whose payment or redemption money (or Defeasance Obligations to the extent permitted by Section 902 of the Indenture) in the necessary amount has been theretofore deposited with the Trustee or any paying agent for such Bonds in trust for the Holders of such Bonds pursuant to the Indenture; provided, that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or irrevocable provision therefor satisfactory to the Trustee has been made; and

(iii) Bonds upon transfer of or in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to the Indenture;

provided, however, that in determining whether the Holders of the requisite principal amount of Outstanding Bonds have given any request, demand, authorization, direction, notice, consent or waiver hereunder, Bonds owned by the University or any Affiliate of the University shall be disregarded and deemed not to be Outstanding (unless all of the Bonds are so owned), except that, in determining whether the Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Bonds which the Trustee knows to be so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right so to act with respect to such Bonds and that the pledgee is not the University or any Affiliate of the University.

"Paying Agent" means initially the Trustee, and any other Person authorized by University Order to pay the principal of, premium (if any) on, or interest on any Bonds on behalf of the University.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

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"Rating Service" means each nationally recognized statistical rating organization which at the time has a credit rating assigned to the Bonds at the request of the University.

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"Regular Record Date" means, for the payment of interest on an Interest Payment Date, the close of business on the last Business Day of the month next preceding such Interest Payment Date.

"Regulations" means the applicable proposed, temporary or final Income Tax Regulations promulgated under the Code or, to the extent applicable to the Code, under the Internal Revenue Code of 1954, as such regulations may be amended or supplemented from time to time.

"Request" has the meaning assigned to it herein in the definition of "Consent," "Order," "Request."

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"Securities Depository" means initially The Depository Trust Company, New York, New York, and thereafter any successor Person registered as a clearing agency within the meaning of Section 17A of the Securities Exchange Act of 1934, as amended, (or any successor law thereto) and appointed to act as Securities Depository by University Order.

"Special Record Date" means, with respect to any Bond, the date established by the Trustee in connection with the payment of Defaulted Interest on that Bond as provided in the Indenture.

"State" means the State of Texas.

"Stated Maturity" when used with respect to any Bond means the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

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"Trust Estate" is defined in the Granting Clauses of the Indenture.

"Trustee" means, initially, The Bank of New York Mellon Trust Company, National Association, a national banking association having a corporate trust office in Houston, Texas, serving as trustee pursuant to the Indenture, and any successor thereto appointed pursuant to the Indenture.

"University" means William Marsh Rice University, a Texas nonprofit corporation.

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Section 104. Acts of Bondholders. (a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by the Indenture to be given or taken by Bondholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Bondholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Trustee, and, where it is hereby expressly required, to the University. Such instrument or instruments (and the action embodied therein and evidenced thereby) are herein sometimes referred to as the "Act" of the Bondholders signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent, shall be sufficient for any purpose of the Indenture and (subject to Section 703) conclusive in favor of the Trustee and the University, if made in the manner provided in this Section.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer authorized by law to take acknowledgments of deeds, certifying that the individual signing such instrument or writing acknowledged to him the execution thereof. Where such execution is by an officer of a corporation or a member of a partnership, on behalf of such corporation or partnership, such certificate or affidavit shall also constitute sufficient proof of his authority. The fact and date of the execution of any such instrument or writing, or the authority of the person executing the same, may also be proved in any other manner which the Trustee deems sufficient.

(c) The ownership of Bonds shall be proved by the Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by any Bondholder shall bind every Holder of any Bond issued upon the transfer thereof or in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the University in reliance thereon, whether or not notation of such action is made upon such Bond.

(e) The Trustee is authorized to set a record date for any amendment for which consent of Bondholders is required.

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Section 106. Notices to Bondholders; Waiver. Where the Indenture provides for notice to Bondholders of any event, such notice shall be sufficiently given (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, to each Bondholder affected by such event, at his address as it appears on the Register, not later than the latest date, and not earlier than the earliest date (if any), prescribed for the first giving of such notice. In any case where notice to Bondholders is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Bondholder shall affect the sufficiency of such notice with respect to other Bondholders. Where the Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Holders of Bonds shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Any notice required or permitted by the Indenture to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Bondholders, or in such other format and to such address agreed upon by the Trustee and the Securities Depository.

Section 107. Successors and Assigns. All covenants and agreements in the Indenture by the University and the Trustee shall bind their respective successors and assigns, whether so expressed or not.

The University shall not merge, consolidate, or transfer substantially all of its assets unless the resulting, surviving or transferee corporation is the University or is another entity organized and existing under the laws of the United States of America or any state thereof and has expressly assumed (by written instrument in form and substance satisfactory to the Trustee) the University's obligations under the Indenture. The University may not transfer or assign this Agreement or its rights or any of its duties hereunder except in connection with a merger, consolidation or transfer of substantially all of its assets as described in the preceding sentence. The University will give the Trustee written notice of any such merger, consolidation or transfer or any such assignment within five Business Days after the completion thereof.

Section 108. Separability Clause. In case any provision in the Indenture shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 109. Benefits of Indenture. Nothing in the Indenture or in the Bonds, express or implied, shall give to any Person, other than the parties hereto, and their successors hereunder and the Holders of Bonds, any benefit or any legal or equitable right, remedy or claim under the Indenture.

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ARTICLE II

AUTHORIZATION AND TERMS OF BONDS; ISSUANCE AND FORM OF BONDS

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Section 205. Registration, Transfer and Exchange. So long as the Bonds remain Outstanding, the University shall cause the books of record to be kept (sometimes herein referred to as the "Register") in which, subject to such reasonable regulations as it may prescribe, the University shall provide for the registration of Bonds and of transfers of Bonds. The Trustee is hereby appointed registrar (the "Registrar") for the purpose of registering Bonds and transfers of Bonds as herein provided.

Upon surrender for transfer of any Bond at the office or agency of the University in the Place of Payment, the University shall execute and the Trustee shall authenticate and deliver, in the name of the designated transferee, one or more new Bonds of any Authorized Denominations, of a like series, aggregate principal amount, maturity and interest rate.

At the option of the Holder, Bonds may be exchanged for Bonds of any Authorized Denominations, of a like series, aggregate principal amount, maturity and interest rate, upon the surrender of the Bonds to be exchanged at such office or agency. Whenever any Bonds are so surrendered for exchange, the University shall execute, and the Trustee shall authenticate and deliver, the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid obligations of the University, evidencing the same debt, and entitled to the same benefits under the Indenture, as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Registrar duly executed, by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made for any transfer or exchange of Bonds, but the University and the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, other than exchanges expressly provided in the Indenture to be made without expense or without charge to Holders.

The University and the Trustee shall not be required (1) to issue, transfer or exchange any Bonds during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of Bonds selected for redemption under Section 304 and ending at the close of business on the day of such mailing or (2) to transfer or exchange any Bond selected for redemption in whole or in part; except that, at the option of the Holder of at least $1,000,000 in principal amount of Bonds, the University and the Trustee shall be required to transfer or exchange any such Bond which has been selected in whole or in part for redemption upon surrender thereof. The Trustee may make such arrangements as it deems appropriate for notation on each new Bond issued in exchange for or upon the transfer of the Bond so selected for redemption of an appropriate legend to the effect that such new Bond has been so selected for redemption.

Section 206. Mutilated, Destroyed, Lost and Stolen Bonds. If (i) any mutilated Bond is surrendered to the Trustee, or the Trustee receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (ii) there is delivered to the Trustee such security or indemnity as may be required by the Trustee to save the University and the Trustee harmless, then in the absence of notice to the University or the Trustee that such Bond has been acquired by a bona fide purchaser (in which case no replacement Bond shall be issued unless the claim of the bona fide purchaser is finally resolved in favor of the person seeking replacement) the University shall execute and upon its request the Trustee shall authenticate and deliver in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of like series, tenor, maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

In case any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the University in its discretion may, instead of issuing a new Bond, pay such Bond.

Upon the issuance of any new Bond under this Section, the University and the Trustee may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected therewith.

The provisions of this Section are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds.

Section 207. Payment of Interest on Bonds; Interest Rights Preserved. Interest on any Bond which is payable, and is punctually paid or duly provided for, on any Interest Payment Date shall be paid to the Person in whose name that Bond (or any predecessor Bond therefor) is registered on the Regular Record Date for such interest.

Any interest on any Bond which is payable, but is not punctually paid or duly provided for, on any Interest Payment Date (herein called "Defaulted Interest") shall forthwith cease to be payable to the Holder on the relevant Regular Record Date by virtue of having been such Holder; and such Defaulted Interest shall be paid by the University to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered at the close of business on a Special Record Date for the payment of such Defaulted Interest, which shall be fixed in the following manner. The University shall give notice of such proposed payment to the Trustee. The Trustee, as agent of the University, shall determine the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment, and at the same time the University shall deposit with the Trustee an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest or shall make arrangements satisfactory to the Trustee for such deposit prior to the date of the proposed payment, such money when deposited to be held in trust for the benefit of Persons entitled to such Defaulted Interest. Thereupon the Trustee shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment and not less than 10 days after the receipt by the Trustee of the notice of the proposed payment. The Trustee shall promptly notify the University of such Special Record Date and, in the name and at the expense of the University, shall cause notice of the date and amount of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first class postage prepaid, to each Holder of Bonds at his address as it appears in the Register, not less than 10 days prior to such Special Record Date. Notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor having been mailed as aforesaid, such Defaulted Interest shall be paid to the Persons in whose names the Bonds (or their respective predecessor Bonds) are registered on such Special Record Date.

Subject to the foregoing provisions of this Section, each Bond delivered under the Indenture upon transfer of or in exchange for or in lieu of any other Bond shall carry the rights to interest accrued and unpaid, and to accrue, which were carried by such other Bonds.

Section 208. Persons Deemed Owners. The University, the Trustee and any agent of the University or the Trustee shall treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of (and premium, if any), and (subject to Section 207) interest on, such Bond and for all other purposes whatsoever whether or not such Bond be overdue, and neither the University, the Trustee, nor any agent of the University or the Trustee shall be affected by notice to the contrary.

Section 209. Cancellation. All Bonds surrendered for payment, redemption, transfer or exchange shall, if delivered to any Person other than the Trustee, be delivered to the Trustee and, if not already canceled, shall be promptly canceled by it. The University may at any time deliver to the Trustee for cancellation any Bonds previously authenticated and delivered hereunder, which the University may have acquired in any lawful manner whatsoever, and all Bonds so delivered shall be promptly canceled by the Trustee. No Bonds shall be authenticated in lieu of or in exchange for any Bonds canceled as provided in this Section, except as expressly permitted by the

Indenture. All canceled Bonds held by the Trustee shall be disposed of in accordance with its document retention policies.

Section 210. Book-Entry Only System. The Bonds shall initially be registered to participate in a book-entry only system with the Securities Depository. Except as provided in Section 211, any Bond issued in exchange for or in lieu of any Bond shall be issued in the form of a separate single fully registered bond in the name of the nominee designated by the Securities Depository, as the nominee of the Securities Depository. The University and the Trustee are authorized to execute, deliver and take the actions set forth in such letters to or agreements with the Securities Depository as shall be necessary to effectuate the book-entry only system.

The University and the Trustee shall have no responsibility or obligation to any Person for which the Securities Depository holds Bonds as securities depository (a "Depository Participant") or to any Person on behalf of whom such a Depository Participant holds an interest in the Bonds (an "Indirect Participant"). Without limiting the immediately preceding sentence, while the Securities Depository is the Holder of all of the Bonds the University and the Trustee shall have no responsibility or obligation with respect to (1) the accuracy of the records of the Securities Depository, the nominee of the Securities Depository or any Depository Participant, (2) the delivery to any Person (other than the Securities Depository) of any notice with respect to the Bonds, including any notice of redemption of the Bonds or (3) the payment to any Person, other than the Securities Depository, of any amount with respect to the Bonds while the Securities Depository is the Holder of the Bonds.

Any provision of the Indenture to the contrary notwithstanding, so long as the Bonds are registered in the name of a Securities Depository or its nominee, all payments with respect to principal of, premium, if any, and interest on the Bonds and all notices with respect to the Bonds shall be made and given, in accordance with the policies and procedures of the Securities Depository.

Section 211. Successor Securities Depository; Transfers Outside Book-Entry Only System. In the event that (1) the University determines that the Securities Depository (or any successor thereto) is incapable of discharging its responsibilities described herein or in the Letter of Representation, (2) the Letter of Representation shall be terminated for any reason and not replaced, or (3) the Securities Depository or the University determines that it is in the best interest of the beneficial holders of the Bonds that they be able to obtain certificates evidencing their ownership of Bonds, the University shall notify the Trustee and the Securities Depository of the availability within a reasonable period of time through the Securities Depository of Bond certificates and the Bonds shall no longer be restricted to being registered in the name of the nominee of the Securities Depository. At that time, the University may determine that the Bonds shall be registered in the name of and deposited with a successor depository operating a book-entry only system, as may be acceptable to the University, or such depository's nominee, and if the University does not select such alternate book-entry only system, then the Bonds shall be registered, at the University's expense, in whatever name or names the Holders of Bonds transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

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ARTICLE IV

FUNDS AND INVESTMENTS

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Section 403. Debt Service Fund. (a) There is hereby created by the University and established with the Trustee the special fund of the University designated as "Rice University Taxable Bonds Series 2015 Debt Service Fund" (herein referred to as the "Debt Service Fund"). The money deposited to the Debt Service Fund, together with all investments thereof and investment income therefrom, shall be held in trust and applied solely as provided in this Section.

(b) The Trustee shall deposit to the credit of the Debt Service Fund immediately upon receipt (i) all payments received by the Trustee from the University for the payment of principal, premium, if any, or interest on the Bonds and (ii) any other amounts delivered to the Trustee specifically for deposit thereto.

Any amounts held in the Debt Service Fund that are available to be applied to the payment of principal, premium, if any, or interest on the Bonds may be credited against the amount otherwise required to be deposited by the University in the Debt Service Fund under Section 501 of the Indenture.

(c) On each date on which any payment of principal, premium, if any, or interest is due on the Bonds, the Trustee shall withdraw and set aside the amounts on deposit in the Debt Service Fund to pay the principal of, premium, if any, and interest on the Bonds then coming due.

Section 404. Investment of Funds. (a) Pending disbursement of the amounts on deposit in the Debt Service Fund, the Trustee shall promptly invest and reinvest such amounts in the Eligible Securities specified in any University Order. Funds on deposit in the Proceeds Deposit Fund shall not be invested by the Trustee. The Trustee may rely on such University Order as to the suitability, the legality, and the compliance with the terms of the Indenture of the investments directed therein.

(b) Unless otherwise provided by supplemental indenture or in this Section, income and profits on investments in any fund shall be credited to the Debt Service Fund. All losses on investments shall be charged against the fund and account to which such investments are credited. The Trustee may make any investment through its own trust department. As amounts invested are needed for disbursement from any fund or account, the Trustee shall cause a sufficient amount of the investments credited to that fund to be redeemed or sold and converted into cash to the credit of that fund. The Trustee may invest in transactions for which the Trustee or any Affiliate thereof receives compensation.

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ARTICLE V

REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE UNIVERSITY

Section 501. Payment of Principal and Interest. The Bonds are secured by and payable solely from the Trust Estate. The University agrees to make payments to the Trustee for deposit into the Debt Service Fund on such dates and in such amounts as to provide for the full and timely payment of the principal, premium (if any) and interest on the Bonds when due, in accordance with the terms of the Bonds and the Indenture. If on any date on which any such payment is due, the amounts on deposit in the Debt Service Fund are insufficient for such payment, the Trustee shall notify the University of such insufficiency no later than 10:00 a.m. central time and the University shall cure such insufficiency no later than 12:00 p.m. central time on the same day. The obligations of the University to make payments hereunder are general unsecured obligations but shall be absolute and unconditional, irrespective of any rights of set-off, diminution, abatement, recoupment or counterclaim the University might otherwise have against any Person, and, except in connection with a discharge of the Indenture, the University will perform and observe all its payment obligations and covenants, representations and warranties hereunder while any Bonds are Outstanding.

If the specified date for any such payment is not a Business Day, then such payment may be made on the next succeeding Business Day without additional interest and with the same force and effect as if made on the specified date for such payment.

Section 502. Corporate Existence; Good Standing; Power. The University is a nonprofit corporation duly incorporated, validly existing and in good standing under the Texas Non-Profit Corporation Act; is duly qualified, authorized and licensed to transact business in each jurisdiction wherein failure to qualify would have a material adverse effect on the conduct of its business or the ownership of its properties; and has full corporate power and authority to own its properties and to conduct its business as now being conducted. The University will do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence, rights (charter and statutory), and franchises; provided, however, that the University shall not be required to preserve any right or franchise if the Board of Trustees of the University shall determine that the preservation thereof is no longer desirable in the conduct of its business and that the loss thereof is not disadvantageous in any material respect to the Owners of the Bonds.

Section 503. Money for Bond Payments to be Held in Trust; Appointment of Paying Agents. The University shall appoint a Paying Agent in the Place of Payment. Each such Paying Agent appointed by the University shall be an entity organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority. The University will, no later than each due date of the principal of (and premium, if any) or interest on any Bonds, deposit or cause to be deposited with a Paying Agent a sum sufficient to pay the principal (and premium, if any) or interest so becoming due, such sum to be held in trust for the benefit of the Holders of such Bonds, and (unless such Paying Agent is the Trustee) the University will promptly notify the Trustee of its action or failure so to act.

The University hereby appoints the Trustee as its initial Paying Agent for the Bonds.

The University will cause any Paying Agent other than the Trustee to execute and deliver to the Trustee and the University an instrument in which such Paying Agent shall agree with the Trustee, subject to the provisions of this Section, that such Paying Agent will:

(1) hold all sums held by it for the payment of principal of (and premium, if any) or interest on Bonds in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided;

(2) give the Trustee notice of any default by the University in the making of any such payment of principal (and premium, if any) or interest; and

(3) at any time during the continuance of any such default, upon the written request of the Trustee, forthwith pay to the Trustee all sums so held in trust by such Paying Agent.

The University may at any time, for the purpose of obtaining the satisfaction and discharge of the Indenture or for any other purpose, by University Order direct any Paying Agent to pay to the Trustee all sums held in trust by such Paying Agent, such sums to be held by the Trustee upon the same trusts as those upon which such sums were held by such Paying Agent; and, upon such payment by any Paying Agent to the Trustee, such Paying Agent shall be released from all further liability with respect to such money.

Except as otherwise required by law, any money deposited with the Trustee or any Paying Agent in trust for the payment of the principal of (and premium, if any) or interest on any Bond and remaining unclaimed for the earlier of (i) the first anniversary of the Stated Maturity of the Bond or due date for an installment of interest for the payment of which such money is held or (ii) the maximum amount of time permitted under the laws of the State after such principal (and premium, if any) or interest has become due and payable shall, subject to such laws, be paid to the University, and the Holder of such Bond shall thereafter, to the extent of any legal right or claim, be deemed to be an unsecured general creditor, and shall look only to the University for payment thereof, and all liability of the Trustee or such Paying Agent with respect to such trust money shall thereupon cease; provided, however, that the Trustee or such Paying Agent, before being required to make any such repayment, may, at the expense of the University, cause to be given to the remaining Bondholders notice that such money remains unclaimed and that, after a date specified therein, which shall not be less than 30 days from the date of such notice, any unclaimed balance of such money then remaining will be repaid to the University.

Section 504. Accuracy of Information; No Misstatements. All of the documents, instruments and written information furnished by or on behalf of the University to the Trustee in connection with the issuance of the Bonds (other than estimates, projections and pro-forma financial information) are true and correct in all material respects and do not omit or fail to state any material facts necessary or required to be stated therein to make the information provided not misleading. All estimates, projections and pro-forma financial information have been prepared by or on behalf of the University based upon assumptions believed to be reasonable at the time of preparation.

Section 505. No Defaults; Noncontravention. No event of default or event which, with notice or lapse of time or both, would constitute an event of default or a default under any agreement or instrument to which the University is a party or by which the University is or may be bound or to which any of the property or assets of the University is or may be subject, and which would reasonably be expected to have a material adverse effect on the University or which would reasonably be expected to impair its ability to carry out its obligations under the Indenture, has occurred and is continuing; neither the execution nor the delivery by the University of the Indenture, nor the consummation of any of the transactions herein and therein contemplated nor the fulfillment of, or compliance with, the terms and provisions hereof or thereof, will contravene the Organizational Documents of the University or will in any way which is material to the University, conflict with, or result in a breach of, any of the terms, conditions or provisions of, or constitute a default under, any corporate or limited partnership restriction or any bond, debenture, note, mortgage, indenture, material agreement or other instrument to which the University is a party or by which the University is or may be bound or to which any of the property or assets of the University is or may be subject, or any law or any order, rule or regulation applicable as of the date hereof to the University of any court, or regulatory body, administrative agency or other governmental body having jurisdiction over the University or its properties or operations, or will result in the creation or imposition of a prohibited lien, charge or other security interest or encumbrance of any nature upon any property or asset of the University under the terms of any such restriction, bond, debenture, note, mortgage, indenture, agreement, instrument, law, order, rule or regulation.

Section 506. No Litigation. Except as disclosed in writing in connection with the offering of the Bonds, there is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or, to the University's knowledge, threatened, wherein an adverse decision, ruling or finding (1) would reasonably be expected to result in any material adverse change in the condition (financial or otherwise), results of operations, business or prospects of the University or which would reasonably be expected to materially and adversely affect the properties of the University, or (2) would reasonably be expected to materially and adversely affect the transactions contemplated by, or the validity or enforceability of, the Indenture or the Bonds.

Section 507. Authority for, Authorization of Transaction. The University has full corporate power and authority to execute and deliver the Indenture and the Bonds and has full power and authority to perform its obligations hereunder and thereunder and engage in the transactions contemplated herein and therein. The Indenture and the Bonds have been duly authorized, executed and delivered by the University, and assuming due authorization, execution and delivery by the Trustee, each constitute legal, valid and binding obligations of the University, enforceable in accordance with their respective terms (except that (1) the enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application relating to the enforcement of creditors' rights, (2) certain equitable remedies, including specific performance, may be unavailable, and (3) the indemnification provisions contained therein may be limited by applicable securities laws and public policy).

Section 508. All Approvals. No consents, approvals, authorizations or any other actions by any governmental or regulatory authority (other than permits required under the securities laws of any state other than the State) that have not been obtained or taken are or will be required for the issuance and sale of the Bonds, or the execution and delivery of the Indenture or the consummation of the transactions contemplated by the Indenture.

Section 509. [Reserved].

Section 510. Securities Law Status. The University is an organization exempt from federal income taxation as provided in Section 501(a) of the Code by virtue of being described in Section 501(c)(3) of the Code. The purposes, character, activities and methods of operation of the University are not materially different from the purposes, character, activities and methods of operation at the time of its determination by the Internal Revenue Service as an organization described in Section 501(c)(3) of the Code (the "Determination") or otherwise at the time of its organization as an exempt organization within the meaning of Section 501(c)(3) of the Code, or, to the extent required pursuant to the Code or the Regulations, have been subsequently disclosed to the Internal Revenue Service and the University has received confirmation that such activities or methods of operation do not materially adversely affect the status of the Determination. The University has not received any indication or notice whatsoever to the effect that its exemption under Section 501(c)(3) of the Code has been revoked or modified, or that the Internal Revenue Service is considering revoking or modifying such exemption, and such exemption is still in full force and effect. The University has not taken any action, nor does it know of any action that any other Person has taken, nor does it know of the existence of any condition which would cause the University to lose its exemption from taxation under Section 501(a) of the Code.

The University represents and warrants that it is an organization organized and operated exclusively for educational and charitable purposes and not for pecuniary profit; and that no part of its net earning inures to the benefit of any person, private stockholder or individual, all within the meaning of the Securities Act of 1933, as amended. The University shall not take any action or omit to take any action if such action or omission would change its status as set forth in this Section or the status of the Bonds as exempt from registration under the Securities Act of 1933 or the status of the Bonds as exempt from registration under the Securities Exchange Act of 1934.

Section 511. Financial Statements. Unless otherwise available on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system (or any successor thereto or to the functions thereof) in connection with tax-exempt bonds issued for the benefit of the University, the University agrees to make available on the University's internet website a copy of the audited financial statements of the University for each Fiscal Year while any of the Bonds are Outstanding, beginning with the Fiscal Year ending in 2015, as soon as reasonably practicable after such audited financial statements become available. If the University does not commission an audit for any Fiscal Year, it may instead provide unaudited financial statements for such Fiscal Year. Notwithstanding the foregoing agreement, any default by the University in observing or performing its obligation under this Section 511 shall not constitute a default or an Event of Default under the Indenture.

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ARTICLE VI

EVENTS OF DEFAULT; REMEDIES OF THE TRUSTEE AND HOLDERS OF BONDS IN EVENT OF DEFAULT

Section 601. Events of Default. "Event of Default," whenever used herein, means any one of the following events (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of the principal of or premium, if any, on any Bond when the same shall become due and payable, whether at the Stated Maturity, by redemption, or otherwise; or

(b) default in the payment of any installment of interest on any Bond when the same shall become due and payable; or

(c) default in the performance, or breach, of any covenant or agreement on the part of the University contained in the Indenture (other than a covenant or agreement whose performance or observance is elsewhere in this Section specifically dealt with) and continuance of such default or breach for a period of 30 days after there has been given, by registered or certified mail, to the University by the Trustee, or to the University and the Trustee by the Holders of at least 25% in principal amount of Bonds then Outstanding, a written notice specifying such default or breach and requiring it to be remedied and stating that such notice is a "Notice of Default" hereunder; provided that if such default can be cured by the University but cannot be cured within the 30-day curative period described above, it shall not constitute an Event of Default if corrective action is instituted by the University within such 30-day period and diligently pursued until the default is corrected; or

(d) a decree or order by a court having jurisdiction in the premises shall have been entered adjudging the University a bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of the University under the federal Bankruptcy Code or any other similar applicable federal or state law, and such decree or order shall have continued undischarged and unstayed for a period of 90 days; or a decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the University' property, or for the winding up or liquidation of the University's affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 90 days; or

(e) the University shall institute proceedings to be adjudicated a voluntary bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by the University in furtherance of any of the aforesaid purposes.

Section 602. Acceleration of Maturity In Certain Cases; Rescission and Annulment. (a) If an Event of Default occurs and is continuing, then and in every such case the Trustee may declare (and shall declare, if the Trustee shall have received the written request of the Holders of not less than 25% in principal amount of the Bonds Outstanding) the principal of all Outstanding Bonds to be due and payable immediately and give written notice to the University that the principal of the Outstanding Bonds is declared to be due and payable immediately, and upon any such declaration such principal shall become immediately due and payable.

(b) At any time after such a declaration of acceleration has been made and before a judgment or decree for payment of the money due has been obtained by the Trustee as hereinafter in this Article provided, the Holders of a majority in principal amount of the Bonds Outstanding, by written notice to the University and the Trustee, in the case of any acceleration of maturity of the Bonds, may rescind and annul such declaration and its consequences if:

(i) there has been paid or deposited with the Trustee a sum sufficient to pay:

(A) all overdue installments of interest on all Bonds,

(B) the principal of (and premium, if any, on) any Bonds which have become due otherwise than by such declaration of acceleration and interest thereon at the rate borne by the Bonds; and

(C) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(ii) all Events of Default, other than the non-payment of the principal of or interest on Bonds which have become due solely by such acceleration, have been cured or waived as provided in Section 613.

No such rescission shall affect any subsequent default or impair any right consequent thereon.

Section 603. Collection of Indebtedness and Suits for Enforcement by Trustee. The University covenants that if:

(i) default is made in the payment of any installment of interest on any Bond when such interest becomes due and payable, or

(ii) default is made in the payment of the principal of (or premium, if any, on) any Bond when such principal becomes due and payable,

the University will, upon demand of the Trustee, pay to the Trustee, for the benefit of the Holders of such Bonds, the whole amount then due and payable on such Bonds for principal (and premium, if any) and interest, with interest upon the overdue principal (and premium, if any); and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

If any of the foregoing amounts are not paid forthwith upon demand, the Trustee, in its own name and as trustee of an express trust, may institute a judicial proceeding for the collection of the sums so due and unpaid, and may prosecute such proceeding to judgment or final decree, and may enforce the same against any obligor upon the Bonds and collect the moneys adjudged or decreed to be payable in the manner provided by law out of the Trust Estate.

If an Event of Default occurs and is continuing, the Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Holders of Bonds by such appropriate judicial proceedings as the Trustee shall deem most effectual to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy.

Section 604. Trustee May File Proofs of Claim. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the University or property of the University, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable as therein expressed or by declaration or otherwise and irrespective of whether the Trustee shall have made any demand on the University for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim for the whole amount of principal (and premium, if any) and interest owing and unpaid in respect of the Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Holders of Bonds allowed in such judicial proceeding, and

(2) to collect and receive any moneys or other property payable or deliverable on any such claims and to distribute the same;

and any receiver, assignee, trustee, liquidator, sequestrator (or other similar official) in any such judicial proceeding is hereby authorized by each Holder of Bonds to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Holders of Bonds, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under the Indenture.

Nothing herein contained shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Holder of Bonds any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Holder thereof, or to authorize the Trustee to vote in respect of the claim of any Holder of Bonds in any such proceeding.

Section 605. Trustee May Enforce Claims Without Possession of Bonds. All rights of action and claims under the Indenture or the Bonds may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, be for the ratable benefit of the Holders of the Bonds in respect of which such judgment has been recovered.

Section 606. Application of Money Collected. Any money collected by the Trustee pursuant to this Article or on deposit in the Debt Service Fund during the continuance of any Event of Default described in Section 601(a) or (b) shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal (or premium, if any) or interest, upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee or any Paying Agent for services rendered or for expenses incurred in connection herewith, including fees and expenses of counsel under the Indenture;

Second: To the payment of the amounts then due and unpaid upon the Bonds for principal (and premium, if any) and interest, in respect of which or for the benefit of which such money has been collected, ratably, without preference or priority of any kind, according to the amounts due and payable on the Bonds for principal (and premium, if any) and interest, respectively; and

Third: To the University, any remaining amounts of money so collected.

Section 607. Limitation on Suits. No Holder of any Bond shall have any right to institute any proceeding, judicial or otherwise, with respect to the Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless

(1) such Holder has previously given written notice to the Trustee of a continuing Event of Default;

(2) the Holders of not less than 25% in principal amount of the Outstanding Bonds shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee hereunder;

(3) such Holder or Holders have offered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request;

(4) the Trustee, for 60 days after its receipt of such notice, request and offer of indemnity, has failed to institute any such proceeding; and

(5) no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Holders of a majority in principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Holders of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the rights of any other Holders of Bonds, or to obtain or to seek to obtain priority or preference over any other Holders, to take any action that would affect the validity of the lien of the Indenture on the Trust Estate, or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Bonds.

Section 608. Unconditional Right of Holders of Bonds to Receive Principal, Premium and Interest. Notwithstanding any other provision in the Indenture, the Holder of any Bond shall have the right which is absolute and unconditional to receive payment of the principal of (and premium, if any) and interest on such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the redemption date) and to institute suit for the enforcement of any such payment, and such rights shall not be impaired without the consent of such Holder.

Section 609. Restoration of Rights and Remedies. If the Trustee or any Holder of Bonds has instituted any proceeding to enforce any right or remedy under the Indenture and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Holder of Bonds, then and in every such case the University, the Trustee and the Holders of Bonds shall, subject to any determination in such proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Trustee and the Holders of Bonds shall continue as though no such proceeding had been instituted.

Section 610. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Holders of Bonds is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 611. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Holder of any Bond to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given by this Article or by law to the Trustee or to the Holders of Bonds may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Holders of Bonds, as the case may be.

Section 612 Control by Holders of Bonds. Subject to Section 703(e), the Holders of a majority in principal amount of the Outstanding Bonds shall have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee, provided that:

(i) such direction shall not be in conflict with any rule of law or with the Indenture,

(ii) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

(iii) the Trustee shall not determine that the action as directed would be unjustly prejudicial to the Holders not taking part in such direction.

Section 613. Waiver of Past Defaults. The Holders of not less than a majority in principal amount of the Outstanding Bonds may on behalf of the Holders of all the Bonds waive any past default hereunder and its consequences, except:

(i) a default in the payment of the principal of (or premium, if any) or interest on any Bond, or

(ii) a default in respect of a covenant or provision hereof which under Article VIII cannot be modified or amended without the consent of the Holder of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to any subsequent or other default or impair any right consequent thereon.

Section 614. Undertaking for Costs. All parties to the Indenture agree, and each Holder of any Bond by his acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under the Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section shall not apply to any suit instituted by the Trustee, to any suit instituted by any Holder of Bonds, or group of Holders of Bonds, holding in the aggregate more than 10% in principal amount of the Outstanding Bonds, or to any suit instituted by any Holder of Bonds for the enforcement of the payment of the principal of (or premium, if any) or interest on any Bond on or after the Stated Maturity expressed in such Bond (or, in the case of redemption, on or after the redemption date).

Section 615. Waiver of Stay or Extension Laws. The University covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force, which may affect the covenants or the performance of the Indenture; and the University (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 616. No Recourse Against Others. No recourse under or upon any obligation, covenant or agreement contained in the Indenture or any indenture supplemental hereto, or in any Bond, or for any claim based thereon or otherwise in respect thereof, shall be had against any incorporator, or against any past, present or future director, officer, or employee, as such, of the University, the Trustee or of any successor entity, either directly or through the University or the Trustee, whether by virtue of any constitution or statute or rule of law, or by the enforcement of any assessment or penalty or otherwise; it being expressly understood that the Indenture and the Bonds are solely corporate obligations, and that no such personal liability whatever shall attach to, or is or shall be incurred by, the incorporators, directors, officers or employees, as such, of the University or the Trustee or any successor entity, or any of them, because of the creation of indebtedness hereby authorized, or under or by reason of the obligations, covenants or agreements contained in the Indenture or in any of the Bonds or implied therefrom; and that any and all such personal liability, either at common law or in equity or by constitution or statute, of, and any and all such rights and claims against, every such incorporator, director, officer or employee, as such, are hereby expressly waived and released as a condition of, and as a consideration for, the execution of the Indenture and the issue of such Bonds.

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ARTICLE VIII

SUPPLEMENTS AND AMENDMENTS

Section 801. Supplemental Indentures Without Consent of Holders of Bonds. Without the consent of the Holders of any Bonds, the University and the Trustee at any time may enter into or consent to one or more indentures supplemental hereto, subject to Section 803 hereof, for any of the following purposes:

(i) to evidence the succession of another Person to the University, or successive successions, and the assumption by the successor Person of the covenants, agreements and obligations of the University as permitted by the Indenture;

(ii) to add to the covenants of the University for the benefit of the Holders of Bonds, or to surrender any right or power herein or therein conferred upon the University;

(iii) to cure any ambiguity or to correct or supplement any provision herein or therein which may be inconsistent with any other provision herein or therein, or to make any other provisions with respect to matters or questions arising under the Indenture which shall not be inconsistent with the Indenture provided such action shall not adversely affect the interests of the Holders of Bonds; and

(iv) to modify or supplement the Indenture in such manner as may be necessary or appropriate to qualify the Indenture under the Trust Indenture Act of 1939 as then amended, or under any similar federal or state statute or regulation, including provisions whereby the Trustee accepts such powers, duties, conditions and restrictions hereunder and the University undertakes such covenants, conditions or restrictions additional to those contained in the Indenture as would be necessary or appropriate so to qualify the Indenture; provided, however, that nothing herein contained shall be deemed to authorize inclusion in the Indenture or in any indenture supplemental hereto, provisions referred to in Section 316(a)(2) of the said Trust Indenture Act or any corresponding provision provided for in any similar statute hereafter in effect; and

(v) to modify, amend or supplement the provisions hereof in any other way which does not materially adversely affect the rights or interests of any Holder.

Section 802. Supplemental Indentures With Consent of Holders of Bonds. With the written consent of the Holders of not less than a majority in principal amount of the Outstanding Bonds delivered to the University and the Trustee, the University and the Trustee may enter into or consent to an indenture or indentures supplemental hereto, subject to Section 803 hereof, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of the Bonds under the Indenture; provided, however, that no such supplemental indenture or amendment shall, without the consent of the Holder of each Outstanding Bond affected thereby,

(i) change the Stated Maturity of the principal of, or the due date for any installment of interest on, any Bonds or any date for mandatory redemption thereof, or reduce the principal amount thereof or the interest thereon or any premium payable upon the redemption thereof, or change the coin or currency in which any Bonds or the interest thereon is payable, or impair or subordinate the lien of the Indenture on the Trust Estate or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date), or

(ii) reduce the percentage in principal amount of the Outstanding Bonds, the consent of whose Holders is required for any such supplemental indenture, or the consent of whose Holders is required for any waiver (of compliance with certain provisions of the Indenture or certain defaults hereunder and their consequences) provided for in the Indenture, or to modify the proviso to the term "Outstanding," or

(iii) modify any of the provisions of this Section or Section 613, except to increase any such percentage or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Holder of each Bond affected thereby.

It shall not be necessary for any Holders of Bonds under this Section to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Holders of Bonds shall approve the substance thereof.

Section 803. Execution of Supplemental Indentures. In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article or the modifications thereby of the trusts created by the Indenture, the Trustee shall be entitled to receive, and (subject to Section 701) shall be fully protected in relying upon, an Opinion of Counsel stating that the execution of such supplemental indenture is authorized or permitted by the Indenture, and that all conditions thereto contained in the Indenture have been satisfied. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise. So long as no Event of Default has occurred and is continuing, the Trustee shall not execute any supplemental indenture without the consent of the University.

Section 804. Effect of Supplemental Indentures. Upon the execution of any supplemental indenture under this Article, the Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of the Indenture for all purposes, and every Holder of Bonds thereafter or theretofore authenticated and delivered hereunder shall be bound thereby.

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ARTICLE IX

SATISFACTION AND DISCHARGE OF INDENTURE

Section 901. Satisfaction and Discharge of Indenture. If at any time the University shall have paid or provided for or caused to be paid or provided for the principal of (and premium, if any) and interest on all the Bonds Outstanding hereunder, as and when the same shall have become due and payable, and if the University shall also pay or provide for the payment of all other sums payable hereunder by the University, including the Trustee's fees and expenses pursuant to the Indenture, then the Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, or apparently destroyed, lost or stolen Bonds, (iii) the rights, remaining obligations, if any, and immunities of the Trustee hereunder and (iv) the rights of the Holders as beneficiaries hereof with respect to any property so deposited with the Trustee payable to all or any of them); and the Trustee, upon Request of the University, accompanied by an Officer's Certificate of the University and an Opinion of Counsel to the effect that the conditions precedent to the satisfaction and discharge of the Indenture have been fulfilled, and at the cost and expense of the University, shall execute proper instruments acknowledging satisfaction of and discharging the Indenture.

Notwithstanding the satisfaction and discharge of the Indenture, the obligation of the University to the Trustee under Section 707, and, if funds shall have been deposited with the Trustee pursuant to Section 902, the obligations of the Trustee under Section 903 and the last paragraph of Section 503, shall survive.

Section 902. Bonds Deemed Paid. All or any portion of the Bonds shall be deemed to have been paid and no longer Outstanding under the Indenture if (1) in case said Bonds are to be redeemed on any date prior to their Stated Maturity, the University by University Request shall have given to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds in the manner required by Section 304 on said redemption date, (2) there shall have been deposited with the Trustee either money sufficient, or Defeasance Obligations the principal of and the interest on which will provide money sufficient without reinvestment and together with any cash deposit (as established by an Officer's Certificate delivered to the Trustee accompanied by a report of an Independent certified public accountant setting forth the calculations upon which such Officer's Certificate is based), to pay when due the principal of (and premium, if any) and interest due and to become due on said Bonds on and prior to the maturity thereof, (3) in the event said Bonds are not by their terms subject to redemption within the next 60 days, the University by University Request shall have given the Trustee in form satisfactory to it irrevocable instructions to give a notice to the Holders of such Bonds that the deposit required by (2) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such Maturity date upon which moneys are to be available for the payment of the principal of (and premium, if any) and interest on said Bonds, and (4) there is delivered to the Trustee an Opinion of Counsel to the effect that the action proposed to be taken is authorized or permitted by the Indenture and that all conditions precedent to the defeasance contained in the Indenture have been complied with.

Section 903. Application of Trust Money. The Defeasance Obligations and money deposited with the Trustee pursuant to Section 902 and principal or interest payments on any such Defeasance Obligations shall be held in trust, shall not be sold or reinvested, and shall be applied by it, in accordance with the provisions of the Bonds and the Indenture, to the payment, either directly or through any paying agent as the Trustee may determine, to the Persons entitled thereto, of the principal (and premium, if any) and interest for whose payment such money or Defeasance Obligations were deposited; provided that, upon delivery to the Trustee of an Officer's Certificate (accompanied by the report of an Independent certified public accountant setting forth the calculations upon which such Officer's Certificate is based) establishing that the money and Defeasance Obligations on deposit following the taking of the proposed action will be sufficient for the purposes described in clause (2) of Section 902, any money received from principal or interest payments on Defeasance Obligations deposited with the Trustee or the proceeds of any sale of such Defeasance Obligations, if not then needed for such purpose, shall, upon Request by the University be reinvested to the maximum extent possible in other Defeasance Obligations or disposed of as requested by the University. For purposes of any calculation required by this Article, any Defeasance Obligation which is subject to redemption at the option of its issuer, the redemption date for which has not been irrevocably established as of the date of such calculation, shall be assumed to cease to bear interest at the earliest date on which such obligation may be redeemed at the option of the issuer thereof and the principal of such obligation shall be assumed to be received at its stated maturity.

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APPENDIX D

Form of Opinion of Bond Counsel

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Texas
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Dubai
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713.221.2300 Office
800.404.3970 Fax

Bracewell & Giuliani LLP
711 Louisiana Street
Suite 2300
Houston, Texas
77002-2770

April 22, 2015

The Bank of New York Mellon Trust Company, National Association,
as Trustee
601 Travis, 16th Floor
Houston, Texas 77002

Ladies and Gentlemen:

We have been engaged by William Marsh Rice University (the "Issuer") to serve as Bond Counsel in connection with the issuance by the Issuer of its Rice University Taxable Bonds Series 2015 in the original aggregate principal amount of $700,000,000 (the "Bonds"). The Bonds are issued pursuant to a Trust Indenture dated as of April 1, 2015 (the "Indenture") between the Issuer and The Bank of New York Mellon Trust Company, National Association, as trustee (the "Trustee"). Capitalized terms not otherwise defined herein have the meanings assigned to such terms in the Indenture. The Bonds are payable solely from the Trust Estate created under the Indenture.

We have acted as Bond Counsel for the purpose of rendering the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon the transcript of proceedings described below, without undertaking to verify the same by independent investigation. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the offer and sale of the Bonds. Our role in connection with the Offering Memorandum prepared for use in connection with the offer and sale of the Bonds has been limited as described therein.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the authorization and issuance of the Bonds and the bonds being defeased and refunded with proceeds of the Bonds (the "Refunded Bonds") on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; a report of BondResource Partners, LP verifying the sufficiency of the deposits made with the escrow agent for the defeasance and redemption of the Refunded Bonds; customary certificates of agents and representatives of the Issuer, the Trustee, and certain other parties; and other certified showings relating to the authorization and issuance of the Bonds and the defeasance and redemption of the Refunded Bonds.

BASED UPON THE FOREGOING AND SUBJECT TO THE MATTERS SET FORTH BELOW, WE ARE OF THE OPINION THAT, UNDER EXISTING LAW:

1. The Indenture has been duly authorized, executed and delivered by the Issuer and, assuming the due authorization, execution and delivery thereof by the Trustee, is a valid and binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms; and

2. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding obligations of the Issuer, secured by and payable solely from the Trust Estate pledged under the Indenture. We note that the obligations of the Issuer to make payments to the Trustee under the Indenture are general unsecured obligations of the Issuer.

We express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

It is to be understood that the rights of the holders of the Bonds and the enforceability of the Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

This opinion speaks only as of its date and only in connection with the Bonds, and may not be applied to any other transaction. The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

Very truly yours,

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THE ACADEMIC SEAL OF RICE UNIVERSITY

SCIENCE

LETTERS

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