

MATERIAL EVENT NOTICE

Related to

**HARRIS COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
MEDICAL FACILITIES REVENUE BONDS
(BAYLOR COLLEGE OF MEDICINE)
SERIES 1999A (See Appendix A for Maturity and CUSIP No*. Schedule)**

**HARRIS COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
HOSPITAL REVENUE BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 2007A-1 due November 15, 2047, CUSIP No*: 414152 SH2, 414152 SS8
Series 2007A-2 due November 15, 2047, CUSIP No*: 414152 SJ8
Series 2007B due November 15, 2047 CUSIP No*: 414152 RQ3**

**HARRIS COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
HOSPITAL REVENUE REFUNDING BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 2008A due November 15, 2047, CUSIP No*: 414152 SA7,
Series 2008B due November 15, 2047, CUSIP No*: 414152 SB5, and
Series 2008C due November 15, 2047, CUSIP No*: 414152 SC3**

**HARRIS COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
MEDICAL FACILITIES REVENUE REFUNDING BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 2008D (See Appendix A for Maturity and CUSIP No*. Schedule)**

**HARRIS COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
MEDICAL FACILITIES REVENUE REFUNDING BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 2008E due November 15, 2035, CUSIP No*: 414008 AA0**

This Notice is provided by Baylor College of Medicine (the “College”) and is being filed in accordance with continuing disclosure undertakings entered into in connection with one or more series of the above-captioned bonds.

The following covenant defaults under its Master Indenture occurred as of June 30, 2009: (1) breach of the College’s agreement to cause the Obligated Group to maintain a Historical/Pro Forma Debt Service Coverage Ratio of at least 1.0 in each fiscal year, and (2) breach of the College’s agreement to prevent the Capitalization Ratio for the Obligated Group from exceeding 0.70 as of the end of each fiscal year. Capitalized terms not herein defined have the meanings assigned to them in the Master Indenture.

The College has taken and intends to take the following corrective action in respect of these covenant defaults:

- The College has engaged a management consultant, Navigant, to recommend changes in its revenue producing activities and expenses which the College may implement in order to comply with its financial covenants;
- The College has adopted a revised operating budget to reduce its operating deficit for the current fiscal year;
- The College has entered discussions with other parties concerning a possible joint undertaking to complete, own and/or operate its hospital and clinic project; and

- The College has entered discussions with William Marsh Rice University toward a possible combination that would result in a change in control and limited financial subsidy.

The College intends to continue the corrective action described above or other action until it re-establishes compliance with its financial covenants. There can be no assurance that any such action will be successful.

The information in this Material Event Notice is provided solely to comply with the College's contractual commitment to provide notice of covenant defaults in connection with one or more series of the above-captioned bonds. This Material Event Notice is not made by the College in connection with a purchase or sale of bonds and accordingly is not intended to contain all information material to a decision to purchase or sell bonds.

For further information please contact Mr. Jim Friou, Director of Treasury Services, Baylor College of Medicine, One Baylor Plaza, T-100 MS: 203, Houston, TX 77030-3411, by phone (713) 798-4375 or Mr. Michael Lee, Assistant Treasurer, Baylor College of Medicine, One Baylor Plaza, T-100 MS: 203, Houston, TX 77030-3411 by phone (713) 798-5627.

The date of this Notice is August 13, 2009.

*NOTE: The College shall not be responsible for use of the CUSIP number selected, nor is any representation made as to its correctness in this notice or as printed on any bond. The CUSIP number is included solely for the convenience of the bondholders.

APPENDIX A

**HARRIS COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION
MEDICAL FACILITIES REVENUE BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 1999A**

<u>Maturity</u> <u>(November 15)</u>	<u>CUSIP No.*</u>
2009	41415MAH7
2010	41415MAJ3
2011	41415MAK0
2012	41415MAL8
2013	41415MAM6
2014	41415MAN4
2015	41415MAP9
2015	41415MAQ7
2016	41415MAV6

**HARRIS COUNTY CULTURAL EDUCATION FACILITIES FINANCE CORPORATION
MEDICAL FACILITIES REVENUE REFUNDING BONDS
(BAYLOR COLLEGE OF MEDICINE)
Series 2008D**

<u>Maturity</u> <u>(November 15)</u>	<u>CUSIP No.*</u>
2009	414008AC6
2010	414008AD4
2011	414008AE2
2012	414008AF9
2013	414008AG7
2014	414008AH5
2015	414008AJ1
2015	414008AK8
2016	414008AL6
2017	414008AM4
2018	414008AN2
2019	414008AP7
2023	414008AQ5
2028	414008AR3
2032	414008AS1