

## NOTICE

Related to

**HARRIS COUNTY HEALTH FACILITIES DEVELOPMENT CORPORATION  
MEDICAL FACILITIES REVENUE BONDS  
(BAYLOR COLLEGE OF MEDICINE)  
Series 2005B due November 15, 2035, CUSIP No. 41415MBB9**

This Notice is provided by Baylor College of Medicine (the "College") and is being filed with the Nationally Recognized Municipal Securities Information Repositories (the "NRMSIRs") and the State Information Depository for the State of Texas, provided to financial media, and posted to the web sites of the College and the Broker-Dealer in connection with the Harris County Health Facilities Development Corporation Medical Facilities Revenue Bonds (Baylor College of Medicine) Series 2005B (the "Bonds"). Capitalized terms used but not defined in this report shall have the meanings given those terms in the Official Statement dated July 20, 2005, relating to the Bonds (the "Official Statement").

Under the terms of the Series 2005B Bond Indenture and the Auction Agent Agreement entered into with respect to the Bonds, the Bonds bear interest at Auction Rates. The Auction Rate for the Bonds of each subseries is the lowest rate submitted in a qualifying bid in the Auction for such Bonds that allows for the sale of all of the Bonds offered at the Auction for which holders have submitted sell orders in the Auction.

The United States Securities and Exchange Commission (the "SEC") has recently released guidance regarding certain aspects of the bidding on auction rate securities and may, in the future, release further guidance. If the SEC issues such further guidance, then the College will supplement this Notice to the extent it determines is necessary or advisable in light of such guidance.

The College intends to submit or to direct Citigroup Global Markets Inc. ("Citigroup") (the broker-dealer with respect to the Bonds) to submit, on the College's behalf, bids in the Auctions to purchase the Bonds. It should be noted that the interests of the College in bidding (or directing Citigroup to bid on the College's behalf) in Auctions for Bonds are different from and, in fact, may be contrary to the interests of an investor, because the College is seeking to establish the lowest interest rate on the Bonds while an investor generally seeks the highest interest rate on the Bonds.

The College intends to take and has taken the following steps:

- Submit a bid in each of the Auctions, commencing on May 29, 2008, with the final Auction having been September 4, 2008, to purchase all of the Bonds offered in the Auction at the Designated Rate (as defined below). The results of prior Auctions are detailed in Appendix A hereto.
- The College shall submit a "hold order" in each Auction with respect to any Bonds offered at the Auction that were previously purchased by the College. **The application of "hold orders" could lead to the application of the All-Hold Rate, equal to 65% of One Month LIBOR, which may be a below market rate.**
- Following any Auction which results in the College's bid becoming the Auction Rate for the Bonds offered at the Auction and at any time until the next succeeding Auction for such Bonds, any holder of any outstanding such Bonds may sell all or any portion of such Bonds to Citigroup, Citigroup will purchase, on behalf of the College, all such Bonds at a price equal to 100% of principal amount plus accrued but unpaid interest thereon.

- Within two (2) business days following each Auction in which the College bids (or directs Citigroup to bid) to purchase Bonds on its behalf, the College will provide notice to the NRMSIRs detailing information regarding bidding in such Auction, including the amount of Bonds offered for sale in the Auction; the number and aggregate dollar amount of bids made; the number of bidders other than Citigroup (for its own account) or the College; the number, interest rate(s) and amounts of bids, if any, made by Citigroup (for its own account) or the College; the clearing rate; and the high, low, and median bids received. This information and historical information regarding prior auctions will also be made available on the College's public website at <https://www.bcm.edu/pdf/ars.pdf> and on Citigroup's public website at [https://www.smithbarney.com/products\\_services/fixed\\_income/auction\\_rate\\_securities/](https://www.smithbarney.com/products_services/fixed_income/auction_rate_securities/).

If in any Auction there are no bids to purchase Bonds at an interest rate that is equal to or lower than the Designated Rate, then (1) the College will become the owner of any Bonds offered at the Auction for which a bid or sale order has been submitted in the Auction and (2) the Auction Rate for such Bonds will be reset to a rate equal to the Designated Rate and all of such Bonds (whether or not owned by the College and whether or not offered by their respective owners for sale in such Auction) subject to such Auction will bear interest at that rate.

**THE BONDS HAVE BEEN CALLED FOR REDEMPTION ON SEPTEMBER 12, 2008. THE COLLEGE HAS PROVIDED FUNDS TO THE BOND TRUSTEE TO REDEEM THE BONDS BY THE SALE OF \$55,000,000 HARRIS COUNTY CULTURAL EDUCATION FACILITIES REVENUE REFUNDING BONDS (BAYLOR COLLEGE OF MEDICINE) SERIES 2008E WHICH CLOSED ON AUGUST 27, 2008. THE LAST AUCTION OF THE BONDS TOOK PLACE ON SEPTEMBER 4, 2008. THERE WILL NOT BE AN AUCTION ON SEPTEMBER 11, 2008.**

The College is providing notification to the NRMSIRs via this notice that September 4, 2008 has been the last auction.

The College has agreed to indemnify Citigroup for certain liabilities in connection with its submission of bids on behalf of the College, including liabilities that may arise under federal and state securities laws.

As used herein, the "*Designated Rate*" means, with respect to any date, a rate equal to the sum of (i) the most recently published SIFMA Municipal Swap Index (as published by The Securities Industry and Financial Markets Association) and (ii) 0.50% per annum (that is, 50 basis points.)

The date of this Notice is September 4, 2008.

## NRMSIRs

The foregoing Notice will be disseminated to the following NRMSIRs:

**Bloomberg Municipal Repository**

100 Business Park Drive

Skillman, New Jersey 08558

Phone: (609) 279-3225

Fax: (609) 279-5962

<http://www.bloomberg.com/markets/rates/municontacts.html> Email:

[Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

**DPC Data Inc.**

One Executive Drive

Fort Lee, NJ 07024

Phone: (201) 346-0701

Fax: (201) 947-0107

<http://www.MuniFILINGS.com> Email:

[nrmsir@dpdata.com](mailto:nrmsir@dpdata.com)

**Interactive Data Pricing and Reference Data, Inc.** Attn: NRMSIR

100 William Street, 15<sup>th</sup> Floor

New York, New York 10038

Phone: (212) 771-6999

Fax: (212) 771-7390

<http://www.interactivedata-prd.com>

Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

**Standard & Poor's Securities Evaluations, Inc.** 55 Water Street,  
45<sup>th</sup> Floor

New York, NY 10041

Phone: (212) 438-4595

Fax: (212) 438-3975

<http://www.disclosuredirectory.standardandpoors.com/> Email:

[nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

## APPENDIX A

### **Details of Results of Auctions in Which the College Has Bid:**

Date of Auction:	May 29, 2008
College Bid:	Purchase all Bonds at rate of 2.12% per annum
Clearing Rate:	2.12% per annum
Results of Auction:	College purchased \$31,075,000 of Bonds; Remainder of Bonds subject to "hold orders" from other bidders
Date of Auction:	June 5, 2008
College Bids:	"Hold order" for \$31,075,000 of Bonds at 1.98% per annum; Purchase \$18,925,000 of Bonds at 1.98% per annum
Clearing Bid:	1.98% per annum
Results of Auction:	College held \$31,075,000 of Bonds and purchased an additional \$25,000 of Bonds; Remainder of Bonds subject to "hold orders" from other bidders
Date of Auction:	June 12, 2008
College Bids:	"Hold order" for \$31,100,000 of Bonds at 2.14% per annum; Purchase \$15,900,000 at 2.14% per annum
Clearing Bid:	2.14% per annum
Results of Auction:	College held \$31,100,000 of Bonds and purchased an additional \$950,000 of Bonds; Remainder of Bonds subject to "hold orders" from other bidders
Date of Auction:	June 19, 2008
College Bids:	"Hold order" for \$32,050,000 of Bonds at 2.16% per annum; Purchase \$17,950,000 at 2.16% per annum
Clearing Bid:	2.16% per annum
Results of Auction:	College held \$32,050,000 of Bonds and purchased an additional \$675,000 of Bonds; Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: June 26, 2008

College Bids: "Hold order" for \$32,725,000 of Bonds at 2.05% per annum;  
Purchase \$17,275,000 at 2.05% per annum

Clearing Bid: 2.05% per annum

Results of Auction: College held \$32,725,000 of Bonds and purchased an additional \$3,700,000 of Bonds;  
Remainder of Bonds subject to "hold orders" from other bidders, other than \$25,000 of Bonds purchased by a bidder other than the College at a rate below the clearing bid

Date of Auction: July 3, 2008

College Bids: "Hold order" for \$36,425,000 of Bonds at 1.90% per annum;  
Purchase \$13,575,000 at 1.90% per annum

Clearing Bid: 1.90% per annum

Results of Auction: College held \$36,425,000 of Bonds at 1.90% per annum and purchased an additional \$375,000 of Bonds;  
Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: July 10, 2008

College Bids: "Hold order" for \$36,800,000 of Bonds at 1.86 % per annum;  
Purchase \$13,200,000 at 1.86 % per annum

Clearing Bid: 1.86 % per annum

Results of Auction: College held \$36,800,000 of Bonds at 1.86 % per annum and purchased an additional \$100,000 of Bonds;  
Remainder of Bonds subject to "hold orders" from other bidders, other than \$100,000 of Bonds purchased by a bidder other than the College at a rate below the clearing bid

Date of Auction: July 17, 2008

College Bids: "Hold order" for \$36,900,000 of Bonds at 1.99% per annum;  
Purchase \$13,100,000 at 1.99 % per annum

Clearing Bid: 1.598% per annum, the All-Hold Rate as described above

Results of Auction: College held \$36,900,000 of Bonds at 1.598 % per annum;  
Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: July 24, 2008  
 College Bids: "Hold order" for \$36,900,000 of Bonds at 2.85% per annum;  
 Purchase \$13,100,000 at 2.85% per annum  
 Clearing Bid: 2.85% per annum  
 Results of Auction: College held \$36,900,000 of Bonds at 2.85% per annum; and purchased an  
 additional \$625,000 of Bonds;  
 Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: July 31, 2008  
 College Bids: "Hold order" for \$37,525,000 of Bonds at 2.74% per annum;  
 Purchase \$12,475,000 at 2.74% per annum  
 Clearing Bid: 2.74% per annum  
 Results of Auction: College held \$37,525,000 of Bonds at 2.74% per annum; and purchased an  
 additional \$1,250,000 of Bonds;  
 Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: August 7, 2008  
 College Bids: "Hold order" for \$38,775,000 of Bonds at 2.30% per annum;  
 Purchase \$11,225,000 at 2.30% per annum  
 Clearing Bid: 2.30% per annum  
 Results of Auction: College held \$38,775,000 of Bonds at 2.30% per annum; and purchased an  
 additional \$75,000 of Bonds;  
 Remainder of Bonds subject to "hold orders" from other bidders other  
 than \$25,000 of Bonds purchased by a bidder other than the College at a  
 rate below the clearing bid.

Date of Auction: August 14, 2008  
 College Bids: "Hold order" for \$38,850,000 of Bonds at 2.16% per annum;  
 Purchase \$11,150,000 at 2.16% per annum  
 Clearing Bid: 2.16% per annum  
 Results of Auction: College held \$38,850,000 of Bonds at 2.16% per annum; and purchased  
 and additional \$275,000 of Bonds;  
 Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: August 21, 2008  
 College Bids: "Hold order" for \$39,125,000 of Bonds at 2.16% per annum;  
 Purchase \$10,875,000 at 2.16% per annum

Clearing Bid: 2.16% per annum

Results of Auction: College held \$39,125,000 of Bonds at 2.16% per annum; and purchased and additional \$100,000 of Bonds; Remainder of Bonds subject to "hold orders" from other bidders

Date of Auction: August 28, 2008

College Bids: "Hold order" for \$39,225,000 of Bonds at 2.34% per annum; Purchase \$10,775,000 of Bonds at 2.34% per annum

Clearing Bid: 2.34% per annum

Results of Auction: College held \$39,225,000 of bonds at 2.34% per annum and purchased an additional \$350,000 of Bonds; remainder of Bonds subject to "hold orders" from other bidders.

Date of Auction: September 4, 2008

College Bids: "Hold order" for \$39,575,000 of Bonds at 2.13% per annum; Purchase \$10,425,000 of Bonds at 2.13% per annum

Clearing Bid: 1.616% per annum, the All-Hold Rate as described above

Results of Auction: College held \$39,585,000 of bonds at 1.616% per annum; remainder of Bonds subject to "hold orders" from other bidders

Issuer Name:	Harris County Health Facilities Development Corporation		
Borrower Name:	Baylor College of Medicine		
Principal Amount Issued:	\$50,000,000		
Principal Amount Outstanding:	\$50,000,000		
Securities:	Frequency: 7 Day (Th)		
CUSIP:	41415MBB9		
Auction Date:	09/04/2008		
1. Amount of Securities for sale in the Auction:	\$50,000,000		
2. Aggregate Dollar Amount of Bids:	\$101,000,000		
3. High Bid:	8.000%		
4. Low Bid:	2.130%		
5. Median Bid:	2.500%		
6. Clearing Rate:	1.616%		
7. Total Number of Bids:	4		
a. Number of Bids (other than dealer/issuer):	1		
b. Bid(s) Made by Participating Dealer, if any:			
Number:	1		
Interest Rate:	8.000%	Amount:	\$50,000,000
c. Bid(s) Made by Participating Dealer on Behalf of Issuer/Borrower, if any:			
Number:	2		
Interest Rate:	2.130%	Amount:	\$10,425,000
Interest Rate:	0.000%	Amount:	\$39,575,000

#### IMPORTANT DISCLOSURES

You should fully familiarize yourself with the role that broker-dealers, such as Citigroup Global Markets Inc. ("CGMI"), play in the auction process for auction rate securities and the limitations on the ability to resell auction rate securities. For a discussion of those issues and of CGMI's material practices and procedures with respect to auction rate securities, and other special considerations affecting auction rate securities, please visit our disclosure page.

Before investing in any auction rate security, you should read and understand the information disclosed in the Official Statement or Prospectus with respect to that specific auction rate security.

This transmission and any market data or any other material referenced herein is not a recommendation by CGMI, its subsidiaries or affiliates. Citigroup Inc. and its affiliates provide a vast array of financial services in addition to investment banking, including among others corporate banking, to a large number of corporations globally. You should assume that Citigroup or its affiliates receive compensation for those services from such corporations. CGMI including its parent, subsidiaries and/or affiliates (the "Firm"), may make a market in financial products that may be mentioned in the aforementioned material. For financial products in which the Firm is not a market maker, the Firm usually provides bids and offers and may act as principal in connection with such transactions. In addition, the Firm or its employees may own these securities, including derivatives, or other financial products or may be a director of any company referenced herein.

The Firm may also perform or solicit investment banking or other services and may have been a manager or co-manager of a public

offering of securities for any issuer referenced herein. Although information has been obtained from and is based upon sources CGMI believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. The opinions and commentary contained herein do not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. Please consult your tax adviser prior to purchasing securities subject to special tax treatment.

All opinions and estimates constitute CGMI's judgment as of the date of the material and are subject to change without notice. This material is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or other financial products. Any price indications contained herein are not firm bids or offers either as to price or size and are provided solely for your information. Nothing herein shall form the basis of or be relied on in connection with any contract or commitment whatsoever. Neither GCMI nor any other person accepts any liability whatsoever for any loss (howsoever arising and whether direct or consequential) from any use of the information contained herein or otherwise arising in connection herewith.

This material is distributed in the United Kingdom by Citigroup Global Markets Limited, Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB, UK. This material is directed exclusively at market professional and institutional investor customers in the United Kingdom and is not for distribution to private customers in the United Kingdom, as defined by the rules of the Financial Services Authority, who should not rely on this material.

Moreover, any investment or service to which the material may relate will not be made available to such private customers. This material may relate to investments or services of a person outside of the United Kingdom or to other matters which are not regulated by the Financial Services Authority and further details as to where this may be the case are available upon request in respect of this material.

If this material is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc, it has also approved this publication. This material was prepared by CGMI, and if distributed in Japan by Nikko Citigroup Limited, is being so distributed under license. This material is made available in Australia, to wholesale clients through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832), and to retail clients through Smith Barney Citigroup Australia Pty Limited (ABN 19 009 145 555), both Licensed Securities Dealers and Participating Organisations of the Australian Stock Exchange Limited. It is made available in New Zealand through Citigroup Global Markets New Zealand Limited, a member firm of the New Zealand Stock Exchange. Citigroup Global Markets (Pty) Limited is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at Citibank Plaza, 145 West Street (corner Maude Street), Sandown, Sandton, 2196, Republic of So

Citigroup Global Markets Inc. is a member of the Securities Investor Protection Corporation (SIPC). (C) Citigroup Global Markets Inc., 2004. All rights reserved. Smith Barney is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of Citicorp and its affiliates and are used and registered throughout the world. CitiFx is a service mark of Citicorp. Any unauthorized use, duplication or disclosure is prohibited by law and may result in prosecution.

Nikko is a service mark of Nikko Cordial Corporation.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation;

(ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested.