

*Maryland Health and Higher
Educational Facilities Authority*

2006 ANNUAL REPORT

THE AUTHORITY

Maryland is extremely proud of its healthcare institutions, colleges and universities and noncollegiate schools. The strength of these institutions is the foundation of our state's future.

The mission of the Maryland Health and Higher Educational Facilities Authority is to assist non-profit educational institutions and hospitals and related healthcare organizations in financing the construction and acquisition of capital projects. In the pursuit of our goals, we strive to keep abreast of opportunities to reduce the cost of capital in order to meet the changing needs of our borrowing institutions.

The Authority is empowered to perform a variety of functions on behalf of its constituents, including the following:

- *Issuing fixed and variable rate bonds and notes, including commercial paper and auction rate securities.*
- *Financing construction, renovation and equipping of facilities for nonprofit hospitals, colleges, universities, noncollegiate schools, retirement communities, nursing homes, assisted living facilities and other long-term care facilities.*
- *Enter into leases and subleases of projects and contracts for the operation and management of projects for institutions.*
- *Make loans to participating institutions to finance projects, including hospital facilities, ambulatory care centers and other outpatient facilities, parking garages, research facilities, academic buildings, dormitories, dining halls, libraries and athletic facilities.*
- *Establish and administer pooled loan programs to reduce financing costs and provide enhanced access to the capital markets.*

As a public instrumentality providing financing for key institutional projects, the Maryland Health and Higher Educational Facilities Authority plays a vital role in improving the health and well being of the residents of our State.

THE AUTHORITY

AUTHORITY MEMBERS

SHEILA K. RIGGS, *Chairman*

Term as member expires July 1, 2008; resident of Baltimore City; former Chairman of the Board - Greater Baltimore Medical Center and Maryland Institute College of Art; Director- Provident Bank of Maryland; and former Secretary of the Board of Trustees- Bryn Mawr School.

PAUL B. MERITT, *Vice Chairman*

Term as member expired July 1, 2004*; resident of Baltimore County; Vice President- Mercantile-Safe Deposit and Trust Company; member- Maryland Capital Debt Affordability Committee and Maryland Commission on State Debt.

NANCY K. KOPP, *Ex Officio*

Resident of Montgomery County; Treasurer of the State of Maryland; Chair- Maryland Capital Debt Affordability Committee; and College Savings Plans of MD: Vice Chair- Board of Trustees of the Maryland State Retirement and Pension System; member- Maryland Board of Public Works; Board of Trustees of the Maryland Teachers & State Employees Supplemental Retirement Plans; Board of State Canvassers; Governor's Salary Commission; Hall of Records Commission; Procurement Advisory Council; Board of Revenue Estimates; Maryland State Employees Surety Bond Committee; and Maryland Agricultural Land Preservation Foundation.

CATHERINE ASHLEY-COTLEUR, PH.D., *Member*

Term as member expires July 1, 2007; resident of Washington County; Associate Professor- College of Business, Frostburg State University; member- American Marketing Association; and United States Association of Small Business and Entrepreneurship; and Executive Board Member- International Council of Small Business.

PAIGE T. DAVIS, *Member*

Term as member expired July 1, 2003*; resident of Baltimore City; retired Vice President- The Variable Annuity Marketing Company; retired Regional Manager- The Variable Annuity Life Insurance Company; Vice Chairman- Morgan State University Foundation; and member- Board of Trustees- Mercy Health Services.

THOMAS E. DOBYNS, J.D., *Member*

Term as member expired July 1, 2006*; resident of Montgomery County; Principal- Thomas Dobyngs Attorney at Law, Chevy Chase, Maryland; member- Health Law Forum Committee and Affordable Housing and Community Development Law Forum Committee of the American Bar Association; Health Law Section of the District of Columbia Bar; Health Law Section of the Maryland State Bar Association; Habitat for Humanity; and Society of St. Andrew.

CECIL E. FLAMER, *Member*

Term as member expired July 1, 2004*; resident of Baltimore County; Senior Vice President & Chief Administrative Officer- Brown Capital Management; retired Partner- Ernst & Young LLP; Director and Treasurer- Downtown Partnership, Inc.; member- Board of Sponsors of Loyola College in Maryland; Trustee - Maryland Historical Society; Director and immediate Past President- Enoch Pratt Free Library Board of Directors; former Trustee and Chairman- Enoch Pratt Free Library Board of Trustees; former member, Vice-Chair and Treasurer- National Aquarium in Baltimore; former Director and Chairman- Baltimore City Board of Finance; and Maryland Small Business Development Financing Authority; and former Director- Morgan State University Foundation.

WILLARD HACKERMAN, *Member*

Term as member expired July 1, 2005*; resident of Baltimore City; President and Chief Executive Officer- The Whiting Turner Contracting Company; Trustee Emeritus- The Johns Hopkins University; member- Johns Hopkins Medicine Board of Visitors; and University of Maryland School of Medicine Board of Visitors; Director- THE ASSOCIATED: Jewish Community Federation of Baltimore; former Member- Maryland Higher Education Commission; and former Vice Chairman- Maryland Economic Development Committee.

FREDERICK W. MEIER, JR., *Member*

Term as member expired July 1, 2005*; resident of Baltimore City; Senior Advisor- Lord Baltimore Capital Corporation; former Executive Vice President, First Maryland Bancorp; President and Director- Rodney Trust Company; Director- Provident Bancshares Corporation; Attransco; and Empresas Navieras, S.A.(Chile); member- Investment Committee and former Vice President and Trustee- The Baltimore Museum of Art; member- Baltimore City Board of Finance; Honorary Trustee and former President of Board of Trustees- The Boys' Latin School of Maryland; former Member of Board of Governors- The Center Club; and former Director- Forestal San Jose (Chile); Jugos del Sur (Argentina); and NORDEN A/S (Denmark).

* *By the terms of the Authority's enabling act, members continue to serve until their successors are appointed.*

AUTHORITY STAFF

ANNETTE ANSELMINI

Executive Director

EDWARD GOLAS, JR.

Chief Operating Officer

CONSTANCE McCREADY

Controller

LENA PRINCE

Senior Account Manager

MARY JANE LUPUS

Account Manager

KATHY RECH

Account Manager

STEPHANIE BURRELL

Administrative Assistant

AUTHORITY CONSULTANTS

McKENNON SHELTON & HENN LLP

Bond Counsel

KILLARNEY ADVISORS, INCORPORATED

Financial Advisor

PUBLIC FINANCIAL MANAGEMENT, INC.

Financial Advisor

PRICEWATERHOUSECOOPERS LLP

Independent Auditors

REPORT OF INDEPENDENT AUDITORS



To the Members of the Maryland Health
and Higher Educational Facilities Authority:

In our opinion, the accompanying balance sheet and the related statements of revenues, expenses, and changes in fund net assets and cash flows present fairly, in all respects, the financial position of the Maryland Health and Higher Educational Facilities Authority (the Authority") as of June 30, 2006 and the changes in its financial position and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit of these statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The Management's Discussion and Analysis on pages 4 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "PRICEWATERHOUSE COOPERS LLP".

September 26, 2006
Baltimore, MD

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

This discussion and analysis of the financial performance of the Maryland Health and Higher Educational Facilities Authority (the "Authority") is supplementary information required by the Government Accounting Standards Board. It introduces the basic financial statements and provides a brief overview of the Authority's financial activities. It should be read in conjunction with the financial statements that follow this discussion.

The Authority is a public instrumentality of the State of Maryland which assists non-profit educational institutions and hospitals and related healthcare organizations in financing the acquisition and construction of capital projects.

The Authority does not receive an appropriation from the State of Maryland and is funded from fees charged to participating borrowers and interest earnings on investments.

Overview of the Financial Statements

The three basic statements presented within the financial statements are as follows:

- **Balance Sheet-** This statement presents information reflecting the Authority assets, liabilities and net assets. Assets represent the total of liabilities and net assets.
- **Statement of Revenues, Expenses and Changes in Fund Net Assets-** This statement reflects the operating revenues and expenses, as well as non-operating revenues and expenses during the fiscal year. Operating revenue is generated from application and administrative fees charged to borrowers. Operating expense includes staff salaries and other expenses, as well as professional fees. The change in net assets is similar to net profit or loss for any other business enterprise.
- **Statement of Cash Flows-** The statement of cash flows is presented using the direct method of reporting which reflects cash flows from operating, financing and investing activities. Cash collections and payments are reflected in this statement to arrive at the net increase or decrease in cash for the fiscal year.

Summary of Activities

- During fiscal year 2006 the Authority sold 18 issues totaling more than \$960 million. The proceeds were used to purchase land; construct and acquire new facilities; renovate existing facilities; purchase equipment; and refund prior debt.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

- Operating revenues increased by approximately \$116,000 due to the higher volume of new issues resulting in higher administrative fees. The Authority funds its operations using a combination of administrative fees, application fees and investment income. Administrative fees are a maximum one tenth of one percent of the par amount of debt issued and the application fee is \$5,000. The Authority waived 75% of its annual administrative fee chargeable to borrowing institutions in 2006 and 2005.
- Operating expenses increased by approximately \$106,000 due to inflation and the increased level of bond issuance activity.
- The Authority had approximately \$6,181,145,000 of conduit debt outstanding at June 30, 2006. This is an approximately \$636,795,000 increase from June 30, 2005. A schedule of debt outstanding is included in the supplemental information to these financial statements. All bonds issued by the Authority are limited obligations payable solely from amounts payable by participating institutions under the loan or lease agreements executed in connection with the issuance of the bonds or revenues of the project financed. The Authority has no outstanding debt constituting a general obligation of the Authority or a pledge of its faith and credit.

Financial Highlights

The following summarizes the financial position and results of operations of the Authority for the fiscal years ended June 30, 2006 and 2005 (in thousands of dollars):

| | <u>June 30, 2006</u> | <u>June 30, 2005</u> |
|----------------------------------|----------------------|----------------------|
| ASSETS | \$ 14,974 | \$ 14,659 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | \$ 78 | \$ 118 |
| NET ASSETS | 14,896 | 14,541 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 14,974 | \$ 14,659 |

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

| | June 30, 2006 | June 30, 2005 |
|--|---------------|---------------|
| OPERATING REVENUES | \$ 1,638 | \$ 1,522 |
| OPERATING EXPENSES | 1,633 | 1,527 |
| OPERATING INCOME (LOSS) | 5 | (5) |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Net income from investments | 599 | 560 |
| Net increase (decrease) in fair value of investments | (249) | (147) |
| INCREASE IN NET ASSETS | 355 | 408 |
| Net assets, beginning of year | 14,541 | 14,133 |
| Net assets, end of year | \$ 14,896 | \$14,541 |

Summary of Financings

During fiscal year 2006, the Authority issued (in thousands of dollars):

| | |
|-------------------------------|-------------------|
| Public Offerings | \$ 898,020 |
| Private Placements | 50,453 |
| Pooled Loan Program- Series D | 14,200 |
| | <u>\$ 962,673</u> |

The following is a list of the issues during fiscal year 2006:

HEALTHCARE FINANCINGS:

\$33,675,000 Union Hospital of Cecil County, Series 2005

A public offering for construction of a new four-story addition to the hospital to provide for 48 new inpatient beds and a new heating, ventilation and air conditioning system, mechanical system and pumping station; renovation of the second and third floors of the Hospital's existing south wing inpatient units and the third floor of the north wing inpatient units; expansion of the existing critical care unit; fit out of existing shell space for a new pharmacy; construction of a 450-space parking deck and expansion and improvement of existing surface lots, construction of a 224-space surface staff parking lot and related improvements; electrical switch gear and storm water management improvements; and various capital equipment and facility renovations.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

\$51,700,000 Upper Chesapeake Hospitals, Series 2005

A public offering to finance additional facilities and renovations at the Medical Center's campus and the facilities of Harford Memorial Hospital. Major features of the 2005 Project include: a new bedtower at the facilities of the Medical Center, which will expand the Medical Center's emergency department and labor and delivery unit and provide additional medical surgical capacity; expansion of the Medical Center's existing inpatient surgical suite from four operating rooms to eight and creation of connections between the new space and the operating room areas in the former Harford Surgery Pavilion to improve operating efficiencies and surgeon convenience; cosmetic renovation of all inpatient units at the facilities of Harford Memorial; upgrading of the Harford Memorial Central Plant with new chillers, emergency power switches and domestic hot water system; refurbishing of the public areas at the facilities of Harford Memorial, including its lobby, outpatient waiting areas, signage, and front façade. This issue also refinanced a loan under the Authority's pooled loan program.

\$149,700,000 University of Maryland Medical System, Series 2005

A public offering for the advance refunding of the Authority's University of Maryland Medical System Issue, Series 2000 and North Arundel Hospital Issue, Series 2000.

\$78,000,000 Adventist HealthCare, Series 2005A

\$64,950,000 Adventist HealthCare, Series 2005B

A public offering to finance (i) the refinancing of the outstanding revenue bonds issued to finance projects at Shady Grove Adventist Hospital, Washington Adventist Hospital, Shady Grove Adventist Nursing and Rehabilitation Center; (ii) construction and equipping of a new, approximately four story, 208,000 square foot addition to Shady Grove Adventist Hospital, including related sitework and infrastructure improvements; (iii) renovation of approximately 70,000 square feet of the existing facility at Shady Grove Adventist Hospital to include a new Surgery Department and new Medical/Oncology Nursing, Medical Nursing, Surgical Nursing and Ortho/Neuro Medical/Surgical Units, expanded Emergency and Obstetrics Departments and an expanded Neonatal Intensive Care Unit; (iv) infrastructure improvements at Shady Grove Adventist Hospital, including a new power plant and an electrical service building, as well as a new road and entranceway to access the main entrance to the hospital; and (v) routine capital projects of Shady Grove Nursing and Rehabilitation Center and Adventist Rehabilitation Hospital of Maryland.

\$15,000,000 Anne Arundel Medical Center Lease (2006)

A private placement to finance (i) relocation of the Medical Center's pediatric unit; (ii) renovation of the second floor of the Clatanoff Pavilion to accommodate a neonatal intensive care unit, operating rooms, recovery rooms and support space; (iii)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

renovation of interior space on the first floor of the acute care pavilion to house pain management programs and a rapid admissions unit; and (iv) construction of an approximately 500 space surface parking lot.

\$142,910,000 Peninsula Regional Medical Center, Series 2006

A public offering to finance (i) a new five-story (including below grade ground floor) tower containing approximately 191,000 square feet to house a new emergency trauma center, a pediatric inpatient unit with adjacent outpatient center, an enlarged critical care unit, two medical/surgical inpatient units and an education and conference center; (ii) an approximately 22,000 square foot, three-story expansion of the Medical Center's existing cancer center; (iii) an approximately 2,700 square foot two-story expansion of the main entrance to the existing heart center; (iv) renovations to approximately 80,000 square feet of space in existing structures, including reconstruction and new equipment for the pharmacy, the laboratory, clinical, surgical and diagnostic imaging service areas, and the rapid admit and discharge unit; and (v) a new heliport and four-deck, approximately 400-space parking garage, additional surface parking and other miscellaneous renovations, site improvements and equipment acquisitions; the bond proceeds were also used to refund the Authority's Project and Refunding Revenue Bonds, Peninsula Regional Medical Center Issue, Series 1993.

\$3,952,807 Chester River Hospital Center Lease (2006)

A private placement to finance the acquisition and installation of a CT Scanner, a Picture Archiving and Communication System (PACS), a MRI Magnet and other hospital renovations and equipment.

\$75,000,000 Frederick Memorial Hospital, Series 2006A & B

A public issue to finance (i) renovation of existing hospital facilities for women and children's services, pre-natal care, administration, rehabilitation services and other areas as part of Phase IV of Project 2000; (ii) addition of a four level bay for approximately 300 cars along side and connected to the existing parking garage; (iii) renovation of current administrative space; (iv) renovations (including internal relocations) affecting pharmacy; (v) acquisition of furniture, information systems and imaging equipment and addition of a service elevator; and (vi) miscellaneous interior renovations, equipment and furnishings. Bond proceeds were also used to refund a portion of the Authority's Revenue Bonds, Frederick Memorial Hospital Issue, Series 1993.

EDUCATIONAL INSTITUTION FINANCINGS:

\$95,560,000 Villa Julie College, Series 2005

A public offering to finance a portion of the cost of (i) construction of a two-story, approximately 60,000 square foot academic facility consisting of graduate and

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

undergraduate classrooms and administrative space and acquisition of related land; (ii) construction of three, four-story, approximately 60,000 square foot dormitory buildings consisting of 200 beds each with a student lounge on each floor and acquisition of related land; (iii) acquisition and renovation of an approximately 38,000 square foot building to house classrooms, student health services and administrative space; (iv) purchase of an approximately 60,000 square foot academic facility; (v) construction of an approximately 40,000 square foot dining and student services division and meeting space, and acquisition of related land; and (vi) acquisition and installation of furniture, fixtures, lockers, equipment, machinery, and bleachers and other infrastructure improvements. The issue was also used to refinance loans to the college under the Authority's pooled loan program.

\$62,995,000 Loyola College in Maryland, Series 2006A

A public offering to finance (i) construction of an Intercollegiate Athletic Complex, including (a) a home-game field with stadium seating for approximately 6,000 people, (b) a building to house offices, locker rooms and training facilities for student athletes and related personnel, (c) two practice fields, including one with a running track around it, and (d) surface parking for approximately 350 vehicles; (ii) construction of residence halls to accommodate approximately 350 students; and (iii) renovation of the existing 75,000 square foot library building and construction of a new 25,000 square foot addition to the library.

\$30,740,000 Maryland Institute College of Art, Series 2006

A public offering to finance the construction of a nine-story, approximately 100,000 square foot, residence hall for 215 students, as well as a multi-purpose performance space and student affairs offices.

\$46,150,000 Loyola College in Maryland, Series 2006B

A public offering to advance refund the Authority's Revenue Bonds, Loyola College Issue, Series 1996A.

RETIREMENT LIVING FACILITIES:

\$29,940,000 Pickersgill, Series 2005A (Tax-Exempt)

\$7,510,000 Pickersgill, Series 2005B (Taxable)

A public offering to finance the expansion and renovation of the institution's existing assisted living and skilled nursing care areas. In addition to upgrading the existing facilities the 2005 Project will increase the number of assisted living beds from 109 to 136 and reduce the number of licensed skilled nursing beds from 60 to 41 and add parking for approximately 34 cars. Proceeds of the Series 2005B bonds will be used

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

to refund the Authority's Refunding Revenue Bonds, Pickersgill Issue, Series 1997A and 1997B.

\$29,000,000 King Farm Presbyterian Retirement Community (2005)

A private placement to finance the acquisition of property and pre-opening marketing expenses, engineering and architectural design work, and other pre-opening development costs for a continuing care retirement community to consist of approximately 250 independent living apartments, 35 assisted living units and 45 comprehensive care (skilled nursing) units in an approximately 65,000 square foot, seven-story, mid-rise apartment building.

NON-COLLEGIATE SCHOOL FINANCINGS:

\$2,500,000 Mt. Airy Christian Academy, Series 2005

A private placement to finance the construction of a 30,000 square foot three-story education wing.

\$30,000,000 Gilman School, Series 2006

A public issue to finance (i) refurbishment and renovation of the current upper school building known as "Carey Hall"; (ii) demolition of an existing building known as "the Cottage"; and (iii) construction of a new two-story Student Academic Center which will house, among other things, a 400 seat dining facility.

POOLED LOAN PROGRAM, SERIES D FINANCINGS:

\$6,500,000 The Children's Home

This loan financed the construction of a 16-bed diagnostic and treatment facility and shelter; relocation of the existing driveway and service road; and site work to create a storm water management system.

\$7,700,000 Annapolis Area Christian School

This loan financed (i) construction of a 60,000 square foot athletic and recreation center to include two gymnasiums, various athletics rooms, cafeteria, kitchen, student center, school store, classrooms, and various offices; and (ii) site preparation, including athletic fields and portable seating/bleachers, parking, extension of the driveway and landscaping.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Subsequent Bond Activity

Subsequent to June 30, 2006 the following bonds were issued:

\$80,365,000 Edenwald, Series 2006A & B

\$35,000,000 Mercy Medical Center, Series 2006

\$2,500,000 College of Notre Dame of Maryland Lease (2006)

\$5,420,000 Pooled Loan Program Series D, on behalf of Mosaic
Community Services, Inc and The North Baltimore Center, Inc.

Requests For Information

This financial report is designed to provide interested parties with a general overview of the Authority's finances. If you have questions about this report or need additional financial information, please contact:

Maryland Health and Higher Educational Facilities Authority
Attention: Executive Director
401 East Pratt Street, Suite 1224
Baltimore, MD 21202

Telephone: (410) 837-6220
Fax: (410) 685-1611
Email: webmaster@mhhefa.org

BALANCE SHEET

June 30, 2006
(in thousands of dollars)

ASSETS

Current assets

| | | |
|---------------------------------------|----|-------|
| Cash and cash equivalents | \$ | 38 |
| Non-capital investments at fair value | | 6,219 |
| Interest receivable | | 223 |
| Administrative fees receivable | | 4 |
| Prepaid pension and other prepayments | | 52 |

| | | |
|-----------------------------|--|--------------|
| Total current assets | | 6,536 |
|-----------------------------|--|--------------|

Non-current assets

| | | |
|---|--|-------|
| Non-capital investments at fair value | | 8,390 |
| Capital assets (net of accumulated depreciation of \$227) | | 48 |

| | | |
|---------------------|----|---------------|
| TOTAL ASSETS | \$ | 14,974 |
|---------------------|----|---------------|

LIABILITIES AND NET ASSETS BALANCES

Current liabilities

| | | |
|---------------------------------------|----|----|
| Accounts payable and accrued expenses | \$ | 78 |
|---------------------------------------|----|----|

| | | |
|----------------------------------|--|-----------|
| Total current liabilities | | 78 |
|----------------------------------|--|-----------|

NET ASSETS

| | | |
|---|--|----|
| Invested in capital assets, net of related debt | | 48 |
|---|--|----|

Unrestricted net assets

| | | |
|------------------------------|--|--------|
| Designated for operations | | 3,266 |
| Designated for contingencies | | 11,582 |

| | | |
|-------------------------|--|---------------|
| TOTAL NET ASSETS | | 14,896 |
|-------------------------|--|---------------|

| | | |
|---|----|---------------|
| TOTAL LIABILITIES AND NET ASSETS | \$ | 14,974 |
|---|----|---------------|

The accompanying notes are an integral part of these financial statements

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS**

For the year ended June 30, 2006
(in thousands of dollars)

OPERATING REVENUES

| | |
|---------------------------------|--------------|
| Annual administrative fees | \$ 1,553 |
| Application fees | 85 |
| TOTAL OPERATING REVENUES | 1,638 |

OPERATING EXPENSES

| | |
|---|--------------|
| Salaries | 589 |
| Employees' insurance, pension and other fringe benefits | 97 |
| Payroll taxes | 38 |
| Professional fees | 681 |
| Office rent | 115 |
| Office supplies and expenses | 82 |
| Depreciation | 31 |
| TOTAL OPERATING EXPENSES | 1,633 |

| | |
|------------------|---|
| OPERATING INCOME | 5 |
|------------------|---|

NON-OPERATING REVENUES (EXPENSES)

| | |
|--------------------------------|-------|
| Net income from investments | 599 |
| Unrealized loss on investments | (249) |

| | |
|------------------------|-----|
| INCREASE IN NET ASSETS | 355 |
|------------------------|-----|

| | |
|-------------------------------|------------------|
| Net assets, beginning of year | 14,541 |
| Net assets, end of year | \$ 14,896 |

The accompanying notes are an integral part of these financial statements

STATEMENT OF CASH FLOWS

For the year ended June 30, 2006
(in thousands of dollars)

CASH FLOWS PROVIDED BY OPERATING ACTIVITIES

| | | |
|---|----|-------|
| Cash received from administrative and other fees | \$ | 1,704 |
| Cash payments to employees and employee benefits | | (726) |
| Cash payments to suppliers for goods and services | | (908) |
| Net cash flow from operating activities | | 70 |

CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES

| | | |
|---|--|------|
| Purchases of capital assets | | (22) |
| Net cash flow from capital and financing activities | | (22) |

CASH FLOWS FROM INVESTING ACTIVITIES

| | | |
|---------------------------------------|--|----------|
| Investment income | | 715 |
| Purchases of investments | | (14,354) |
| Sales and maturities of investments | | 13,623 |
| Net cash used by investing activities | | (16) |

Net increase in cash and cash equivalents 32

Cash and cash equivalents, beginning of year 6

Cash and cash equivalents, end of year \$ 38

RECONCILIATION OF OPERATING INCOME TO NET CASH USED OPERATING ACTIVITIES

Operating income \$ 5

ADJUSTMENTS TO RECONCILE OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

| | | |
|---------------------------------------|--|------|
| Depreciation | | 31 |
| Administrative fees receivable | | 66 |
| Prepaid expenses | | 8 |
| Accounts payable and accrued expenses | | (40) |

Net cash provided by operating activities \$ 70

The accompanying notes are an integral part of these financial statements

NOTES TO FINANCIAL STATEMENTS

NOTE 1: ORGANIZATION AND ACCOUNTING POLICIES

Organization

The Maryland Health and Higher Educational Facilities Authority (the "Authority") was established to assist certain non-profit educational institutions, hospitals and related healthcare institutions in the financing and refinancing of projects approved by the Authority. Income of the Authority is derived from fees from institutions that have had financing provided by the Authority. Neither the State of Maryland, nor any subdivision thereof, nor the Authority shall be obligated to pay principal or interest on bonds and notes issued by the Authority except from payments from participating institutions and revenues of the related projects. Neither the faith and credit nor the taxing power of the State of Maryland, of any subdivision thereof or of the Authority is pledged to the payment of the principal or interest on bonds and notes outstanding. The Authority is exempt from federal and state income taxes. The Authority has no taxing power.

The Authority issues indebtedness on behalf of participating institutions. This indebtedness is generally in the form of bonds, notes or financing leases. Funds related to these financings are held in trust by various financial institutions. In general, bonds mature serially in varying annual installments. Certain issues include term bonds payable from annual sinking fund requirements. Notes represent temporary financings to provide institutions with interim construction funds until permanent financings are arranged through the sale of long-term bonds or obligations expected to be paid with proceeds of refunding obligations (commercial paper). The Authority may hold legal title to or a mortgage on the buildings and other assets financed by the bonds and utilized by the institutions. The lease and loan payments receivable by third party trustees from the institutions generally correspond to the amortization of the respective bond and note issues. Title to any buildings and other assets revert to the institutions upon final payment of the respective bond issues. Under the Authority's capital lease financings, institutions may borrow funds to finance eligible equipment purchases. Funds disbursed to participating institutions are payable by the individual institutions and leases are collateralized by security interests in the equipment purchased. Information pertaining to outstanding indebtedness is included in the supplemental information attached to these financial statements.

Accounting Policies

Reporting Entity- The Authority's reporting entity has been defined in accordance with Governmental Accounting Standards Board ("GASB") Statement 14. The financial statements include all operations for which the Authority is financially accountable.

Basis of Presentation, Revenue and Expense Recognition- The accompanying financial statements are prepared on the accrual basis of accounting. Revenues are recognized when earned and expenses recorded when liabilities are incurred. The

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

Authority applies all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Statements and Interpretations of the Financial Accounting Standards Board ("FASB"), Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure. In addition, the Authority has elected to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents- Cash and cash equivalents consist of short term, highly liquid investments that are readily convertible to known amounts of cash and have original maturities of three months or less. Cash and cash equivalents are carried at cost which approximates market value.

Investments- Investments are reported at fair market value with net unrealized gains and losses reported as non-operating revenue in the statement of revenues, expenses and changes in fund net assets. Market values of investment securities are based on quoted market prices. Interest income is accrued on coupon securities from the last coupon date or purchase date and for securities (e.g., U.S. Treasury Bills) on the effective yield method. Realized gains and losses are recorded on the specific identification method and are computed as the difference between the proceeds of the sale and the original cost of the investments sold. Investments are purchased to mature based on cash flow needs, however, investments may be liquidated in the event there are unanticipated cash flow needs.

Net Assets- represent the residual interest in the Authority's assets after liabilities are deducted. For external accounting and reporting purposes, net assets are classified in the following categories:

Invested in capital assets, net of related debt- capital assets, net of accumulated depreciation and outstanding principal balances of debt, if applicable, attributable to the acquisition, construction or improvement of those assets.

Unrestricted net assets- net assets that are not subjected to externally imposed stipulations. Unrestricted net assets may be designated for specific purposes by action of management or the Authority or may otherwise be limited by contractual agreements with outside parties. The Authority's unrestricted net assets include an internal designation for operating expenses, maintained at two times the annual operating expenses of the Authority. At June 30, 2006, the designation was \$3,266,000. The Authority has also designated a portion of net assets to fund contingencies which is subject to a 1% limitation on the total bonds outstanding at July 1, 2006. At June 30,

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

2006, the designated amount was \$11,582,000 which does not exceed the limitation of \$60,685,507.

Invested in Capital Assets- are recorded at cost and defined as assets with an individual cost of more than \$500 and an estimated useful life of more than one year. Depreciation is calculated on a straight line basis over the asset's estimated useful life.

Estimated useful lives are as follows:

| | |
|-------------------------------------|---------------|
| • Furniture, fixtures and equipment | 3 to 15 years |
| • Computer equipment | 3 to 5 years |
| • Office equipment | 3 to 10 years |
| • Automobiles | 5 years |
| • Leasehold improvements | 7 years |

Compensated Absences- Vacation benefits are earned by employees of the Authority based on time in service. The rights to such vacation benefits are vested and recorded as a liability for amounts due to employees for future absences. Sick leave is also earned and accumulated by employees. However, sick leave does not vest and is not paid unless sickness causes the employee to be absent.

Use of Estimates- The preparation of these financial statements in conformity with accounting principles generally accepted in the United States of America requires management, where necessary, to make estimates and assumptions that affect the amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2: INVESTMENTS

The composition of the Authority's investments, at fair value, at June 30, 2006, is as follows (in thousands of dollars):

| | | |
|---|-----------|---------------|
| Commercial Paper | \$ | 676 |
| U.S. Treasury Notes and Bonds | | 3,257 |
| Obligations of U.S. Government Corporations and Agencies | | 10,630 |
| Money Market Accounts | | 46 |
| Total Market Value | \$ | 14,609 |
| Amortized Cost | \$ | 14,653 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

The amortized cost and market values of investments are as follows
(in thousands of dollars):

| | <i>AMORTIZED COST</i> | <i>GROSS UNREALIZED LOSSES</i> | <i>GROSS UNREALIZED GAINS</i> | <i>MARKET VALUE</i> |
|---|---------------------------|--|---------------------------------------|-------------------------|
| U.S. Treasury securities and obligations of U.S. government corporations and agencies | \$ 13,977 | \$ (44) | \$0 | \$ 13,933 |
| Other investments | 676 | 0 | 0 | 676 |
| Total | \$ 14,653 | \$ (44) | \$0 | \$ 14,609 |

The amortized cost and market value of investments at June 30, 2006, by contractual maturity, are shown below (in thousands of dollars). Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without penalties.

| | <i>MARKET VALUE</i> | <i>AMORTIZED COST</i> |
|--|-------------------------|---------------------------|
| Due in one year or less | \$ 6,219 | \$ 6,125 |
| Due after one year through five years | 8,390 | 8,528 |
| Due after five years through ten years | 0 | 0 |
| Due after ten years | 0 | 0 |
| | \$ 14,609 | \$ 14,653 |

NOTE 3: COMMITMENTS AND CONTINGENCIES

The Authority has a lease commitment for office space through December 31, 2007. At June 30, 2006, the minimum rental commitments for office space over the next five years and in the aggregate, are as follows:

| | |
|------|-------------------|
| 2007 | \$ 85,563 |
| 2008 | 42,782 |
| 2009 | 0 |
| 2010 | 0 |
| 2011 | 0 |
| | \$ 128,345 |

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows (in thousands of dollars):

| | | |
|--|----|-----|
| Capital assets beginning of year | \$ | 253 |
| Additions | | 22 |
| Retirements | | 0 |
| <hr/> | | |
| Capital assets end of year | | 275 |
| Less accumulated depreciation end of year | | 227 |
| <hr/> | | |
| Capital assets net of depreciation end of year | \$ | 48 |

The Authority recognized \$31 thousand of depreciation expense during fiscal year 2006

NOTE 5: PENSION PLAN

The Authority's employees participate in the State Retirement and Pension System of Maryland. The Authority's contribution is based upon a percentage of annual gross wages paid to employees. Employees of the Authority also make a contribution for benefits; the percentage of contributions, as determined by the State Retirement and Pension System of Maryland, is 5.0%, 5.2% and 2.9% of gross wages for 2006, 2005 and 2004, respectively. The Authority's pension expense for 2006, 2005 and 2004 amounted to \$29,513, \$28,792 and \$15,400, respectively. The State Retirement and Pension System of Maryland plan information is publicly available.

NOTE 6: CONDUIT DEBT

The following is a summary of conduit debt activity for the year ended June 30, 2006 (in thousands of dollars):

| | |
|---|-------------|
| Bonds outstanding as of June 30, 2005 | \$5,544,350 |
| Plus: Bonds issued during FY 2006 | 962,673 |
| Less: Redemptions and refundings during FY 2006 | (325,878) |
| <hr/> | |
| Bonds outstanding as of June 30, 2006 | \$6,181,145 |

POOLED LOAN PROGRAM- SERIES 1985A/1985B

During fiscal year 1986, the Authority issued \$175,000,000 of its Revenue Bonds, Pooled Loan Program Issue backed by letters of credit. The Series 1985A/1985B pooled loan program was established in order to fund a revolving loan pool for loans to finance and refinance the acquisition, construction and equipping of projects pursuant to separate loan agreements. As of June 30, 2006, there was \$137,883,367 of outstanding loans receivable under the Program to seven different institutions. During the year ended June 30, 2006, \$3,709,533 of new loans were drawn and \$6,877,715 of loan principal was repaid. Commitments to advance funds under outstanding loan agreements totaled \$2,953,348 at June 30, 2006.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

POOLED LOAN PROGRAM- SERIES D

The Series D pooled loan program, which is backed by a letter of credit, was established to refinance a prior pooled loan program funded with commercial paper with convertible seven-day demand convertible bonds and to provide an alternative source of funding to assist institutions to finance and refinance a portion of the costs of acquisition, construction and equipping of projects and to provide an alternative source of funding. As of June 30, 2006, there were \$195,370,000 of outstanding loans receivable under this program to twenty-eight institutions. During the year ended June 30, 2006, \$14,200,000 of new loans were drawn and \$54,585,000 of loan principal was repaid.

More detailed information regarding the outstanding and defeased conduit debt of the Authority may be found in the supplemental information to the financial statements.

NOTE 7: THE JOHNS HOPKINS MEDICAL INSTITUTIONS PARKING SYSTEM

The Authority has issued \$139,155,000 in various series of its revenue bonds (the "JHMI Parking Revenue Bonds") and other indebtedness to finance and refinance the facilities of The Johns Hopkins Medical Institutions Parking System (the "Parking System"). Unlike other conduit debt relationships, the JHMI Parking Revenue Bonds and other indebtedness are payable solely from revenues of the Parking System. As of June 30, 2006, debt outstanding related to the Parking System was \$127,619,000.

The Johns Hopkins Hospital (the "Hospital"), The Johns Hopkins University (the "University"), Johns Hopkins Bayview Medical Center, Inc. ("Bayview Medical Center"), The Johns Hopkins Health System Corporation (together with the Hospital, the University and Bayview Medical Center, the "Sponsoring Institutions") and the Authority have entered into a Use Agreement (the "Use Agreement") under which the Authority has acquired legal title to the parking garages, surface lots and other the assets of the Parking System. The land on which the facilities are located has been leased by the Hospital to the Authority under a ground lease (the "Ground Lease"). Under the Use Agreement, the Parking System must be operated solely for the use of patients, visitors, employees, physicians, students and others using certain facilities of the Sponsoring Institutions at the East Baltimore Campus of the Hospital and the campus of Bayview Medical Center and must be operated as a stand alone financial enterprise on a self-sufficient basis. In accordance with the Use Agreement, the Authority employs a professional management company reasonably acceptable to the Parking Management Committee maintained by the Hospital and the University, The Parking Management Committee has the responsibility for making recommendations regarding (a) the management, operation, maintenance and repair of the Parking System, (b) the establishment of rates and charges of the Parking System, (c) necessary or desirable improvements to the Parking System, and (d) allocating spaces in the Parking System among users. At such time as the Parking Revenue Bonds have been paid or defeased, the Ground Lease will terminate and any receipts of the Parking System and amounts on deposit in the funds and accounts created by the bond documents shall vest in The Johns Hopkins Health System Corporation.

Under the terms of the use agreement, the professional management company is responsible for the preparation of audited financial statements of the Parking System within 120 days of the end of each fiscal year. As of June 30, 2006, the Parking System had total assets of \$131,909,000 and total liabilities of \$131,596,000. In prior years this

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

information had been presented on the face of the Authority's financial statements. The Johns Hopkins Medical Institutions Parking System is not included in these these financial statements as the Authority does not appoint the Parking System's governing board, is not able to impose its will on that organization and there is no potential for the Parking System to provide financial benefits to, or impose financial burdens on the Authority. The format has been changed because there is no requirement to include the Parking System on the face of the Authority's financial statements.

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Supplemental Information

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The Authority is including the following supplemental information to provide information relating to funds held by third party trustees and escrow agents for the Authority's conduit financings.

Trustees are appointed under the terms of the financing documents. Trustee responsibilities include, but are not limited to: creation of funds to be held for bonds, application of bond proceeds, deposit of revenues, and payment of principal and interest.

The Authority maintains books of accounts for the Debt Principal Account Group and the required Trusteed Funds of each of the issues of bonds and notes outstanding. Trusteed Funds are maintained by third party trustees in accordance with the requirements of the respective bond and note issue documents. The financial statements included in the supplemental information combine the accounts of all bond, note and lease issues outstanding during the year. Interfund activity is eliminated in combination.

The following is a description of the funds held in by third party trustees:

Construction Funds- Account for the receipt and disbursement of monies held to pay for project costs, including construction and equipment purchases of participating institutions. All Construction, Cost of Issuance and Capitalized Interest Accounts are included as Construction Funds.

Program Funds- Account for the receipt and disbursement of monies specified as Program Funds in the Pooled Loan Program Series 1985A & B documents.

Debt Service Funds- Account for the receipt and disbursement of monies for the payment of interest and principal on bonds and notes. All Debt Service and Bond Funds are included as Debt Service Funds.

Debt Service Reserve Funds- Account for the receipt and disbursement of monies held in reserve in compliance with certain bond resolutions and indentures. The fund balances are generally required to be maintained at amounts established under the resolution or indenture. At June 30, 2006, the fund balances of all issues requiring Debt Service Reserve Funds were in compliance with their respective bond resolutions and indentures.

Project Reserve Funds- Account for the receipt and disbursement of monies held in reserve for improvements, major repairs, operations and arbitrage/rebate. The fund balances are established by the bond indentures and resolutions of certain issues. At June 30, 2006, the fund balances of all issues requiring Project Reserve Funds were in compliance with their respective bond indentures and resolutions. All Renewal and Replacement, Additional Facilities, Loan Reserve, Depreciation Reserve and Arbitrage Rebate Funds are included as Project Reserve Funds.

Redemption Funds- Account for the accumulation of monies not required by other funds for the eventual redemption or repurchase of bonds.

Debt Principal Account Group- Account for the portions of bonds, notes, and lease obligations payable and the principal and lease payments receivable from the institutions. The terms of the lease and loan agreements between the Authority and the institutions require payments in amounts necessary to service the interest and principal of the related bonds, notes and lease obligations outstanding. The principal and lease payments receivable from the institutions represent the minimum amount necessary, when combined with balances available within trusteed funds, to liquidate the principal portion of the related bonds, notes and lease obligations outstanding.

SUPPLEMENTAL INFORMATION- COMBINED BALANCE SHEET OF FUNDS HELD BY THIRD PARTY TRUSTEES

| June 30, 2006 (in thousands of dollars) | CONSTRUCTION FUNDS | PROGRAM FUNDS |
|---|-------------------------------|--------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 0 | \$ 0 |
| Investments at fair value | 475,524 | 15,626 |
| Interest receivable | 1,761 | 134 |
| Due from other funds | 0 | 147 |
| Accounts receivable | 0 | 0 |
| Due from others | 138 | 0 |
| Principal and lease payments receivable | 0 | 0 |
| TOTAL ASSETS | 477,423 | 15,907 |
| LIABILITIES AND NET ASSETS | | |
| LIABILITIES | | |
| Accounts payable and accrued expenses | \$ 43,386 | \$ 203 |
| Advance payments and deposits from institutions | 0 | 0 |
| Bonds payable from Debt Service Funds | 0 | 0 |
| Interest payable | 0 | 0 |
| Due to other funds | 4,935 | 149 |
| Bonds, notes and lease obligations payable | 0 | 0 |
| TOTAL LIABILITIES | 48,321 | 352 |
| RESTRICTED NET ASSETS | | |
| Reserved for debt service | 0 | 0 |
| Reserved for loans under Pooled Loan Program | 0 | 15,555 |
| Designated for specific projects | 429,102 | 0 |
| Designated for operations | 0 | 0 |
| TOTAL NET ASSETS BALANCES | 429,102 | 15,555 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 477,423 | \$ 15,907 |

| <i>DEBT SERVICE FUNDS</i> | <i>DEBT SERVICE RESERVE FUNDS</i> | <i>PROJECT RESERVE FUNDS</i> | <i>REDEMPTION FUNDS</i> | <i>DEBT PRINCIPAL ACCOUNT GROUP</i> | <i>TOTAL</i> |
|--|--|---|------------------------------------|--|---------------------|
| \$ 973 | \$ (3) | \$ 0 | \$ 0 | \$ 0 | \$ 970 |
| 210,645 | 214,200 | 7,995 | 9,481 | 0 | 442,321 |
| 725 | 1,767 | 30 | 160 | 0 | 2,682 |
| 5,056 | 0 | 0 | 0 | 0 | 5,056 |
| 16,333 | 0 | 0 | 0 | 0 | 16,333 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 6,181,145 | 6,181,145 |
| 233,732 | 215,964 | 8,025 | 9,641 | 6,181,145 | 6,648,507 |
| \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 |
| 2,804 | 0 | 0 | 0 | 0 | 2,804 |
| 66,080 | 0 | 0 | 0 | 0 | 66,080 |
| 66,629 | 0 | 0 | 0 | 0 | 66,629 |
| 0 | 119 | 0 | 0 | 0 | 119 |
| 0 | 0 | 0 | 0 | 6,181,145 | 6,181,145 |
| 135,513 | 119 | 0 | 0 | 6,181,145 | 6,316,777 |
| 98,219 | 215,845 | 0 | 9,641 | 0 | 323,705 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 8,025 | 0 | 0 | 8,025 |
| 98,219 | 215,845 | 8,025 | 9,641 | 0 | 331,730 |
| \$ 233,732 | \$ 215,964 | \$ 8,025 | \$ 9,641 | \$ 6,181,145 | \$ 6,648,507 |

SUPPLEMENTAL INFORMATION- COMBINED STATEMENT OF CHANGES IN FUND BALANCES HELD BY THIRD PARTY TRUSTEES

| For the year ended June 30, 2006 (in thousands of dollars) | CONSTRUCTION FUNDS | PROGRAM FUNDS |
|--|-------------------------------|--------------------------|
| Net assets, June 30, 2005 | \$ 324,753 | \$ 12,454 |
| ADDITIONS | | |
| Proceeds from sale of bonds and notes: | | |
| Gross proceeds | 911,860 | 0 |
| Underwriters' discount | (3,720) | 0 |
| Original issuance discount | (472) | 0 |
| Insurance premium | (9,601) | 0 |
| Swap termination payment | (4,480) | 0 |
| Payments and contributions received from and on behalf of institutions | 3,937 | 0 |
| Lease and loan payments | 0 | 0 |
| Debt service- interest | 0 | 0 |
| Transfer from escrow agent | 0 | 0 |
| Unrealized gain/(loss) on investments | (1,163) | (157) |
| Income from investments | 17,757 | 555 |
| Issuance premium | 6,857 | 0 |
| Total additions | 920,975 | 398 |
| DEDUCTIONS | | |
| Project and financing costs | 418,982 | 876 |
| Loans to institutions | 0 | 3,562 |
| Principal (including July 1, 2006 installments funded at June 30, 2006) | 28,423 | 0 |
| Interest | 282 | 0 |
| Required payments to institutions | 0 | 0 |
| Transfers to escrow deposit agents for defeased issues | 218,398 | 0 |
| Total deductions | 666,085 | 4,438 |
| INTERFUND TRANSFERS | (150,541) | 7,141 |
| Net Assets balances, June 30, 2006 | \$ 429,102 | \$ 15,555 |

| <i>DEBT SERVICE FUNDS</i> | <i>DEBT SERVICE RESERVE FUNDS</i> | <i>PROJECT RESERVE FUNDS</i> | <i>REDEMPTION FUNDS</i> | <i>TOTAL</i> |
|--|--|---|------------------------------------|---------------------|
| \$ 37,811 | \$ 212,942 | \$ 8,130 | \$ 17,007 | \$ 275,890 |
| 119,172 | 20,415 | 0 | 0 | 139,587 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 |
| 414 | 0 | 6,191 | 0 | 6,605 |
| 135,701 | 0 | 0 | 0 | 135,701 |
| 223,832 | 0 | 0 | 0 | 223,832 |
| 75 | 0 | 0 | 0 | 75 |
| 191 | (4,609) | 0 | (103) | (4,521) |
| 4,660 | 9,109 | 317 | 572 | 14,658 |
| 0 | 0 | 0 | 0 | 0 |
| 484,045 | 24,915 | 6,508 | 469 | 515,937 |
| 107 | 0 | 6 | 0 | 113 |
| 0 | 0 | 0 | 0 | 0 |
| 327,331 | 0 | 0 | 0 | 327,331 |
| 254,009 | 0 | 0 | 0 | 254,009 |
| 577 | 0 | 6,607 | 0 | 7,184 |
| 3,070 | 11,790 | 0 | 0 | 14,860 |
| 585,094 | 11,790 | 6,613 | 0 | 603,497 |
| 161,457 | (10,222) | | (7,835) | 143,400 |
| \$ 98,219 | \$ 215,845 | \$ 8,025 | \$ 9,641 | \$ 331,730 |

SUPPLEMENTAL INFORMATION- CONDUIT DEBT OUTSTANDING

| As of June 30, 2006, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars): | <i>FINAL MATURITY</i> | <i>AMOUNT ISSUED</i> | <i>BONDS AND NOTES PAYABLE JULY 1, 2006</i> | <i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2006</i> |
|--|------------------------------|-----------------------------|--|--|
| PUBLIC OFFERINGS | | | | |
| The Johns Hopkins University, Series 1983, dated January 1, 1983 | 2013 | \$ 52,870 | \$ 2,040 | \$ 2,170 |
| Pooled Loan Program, Series 1985A and 1985B, dated December 1, 1985 | 2035 | 175,000 | 0 | 175,000 |
| The Johns Hopkins Hospital, Series 1990, dated January 1, 1990 | 2019 | 90,169 | 0 | 51,832 |
| University of Maryland Medical System, Series 1991B, dated January 1, 1991 | 2022 | 38,670 | 0 | 27,315 |
| Union Hospital of Cecil County, Series 1992, dated July 1, 1992 | 2022 | 14,145 | 370 | 1,270 |
| Doctors Community Hospital, Series 1993, dated July 1, 1993 | 2024 | 65,165 | 1,870 | 59,090 |
| Montgomery General Hospital, Series 1993, dated July 1, 1993 | 2023 | 21,230 | 575 | 16,180 |
| Greater Baltimore Medical Center, Series 1993, dated July 1, 1993 | 2019 | 76,425 | 2,945 | 55,365 |
| Frederick Memorial Hospital, Series 1993, dated July 1, 1993 | 2028 | 55,060 | 1,090 | 9,395 |
| Edenwald, Series 1993, dated July 1, 1993 | 2014 | 25,740 | 0 | 13,570 |
| Kennedy Krieger Institute, Series 1993D, dated July 1, 1993 | 2023 | 12,200 | 0 | 9,700 |
| Washington County Hospital, Series 1994, dated January 1, 1994 | 2009 | 12,415 | 0 | 1,835 |
| The Johns Hopkins Medical Institutions Parking Facilities, Series 1996, dated January 1, 1996 | 2026 | 42,425 | 775 | 30,170 |
| Mercy Medical Center, Series 1996, dated January 1, 1996 | 2026 | 30,000 | 655 | 25,545 |
| Loyola College, Series 1996A, dated October 1, 1996 | 2026 | 49,810 | 0 | 43,135 |
| Loyola College, Series 1996B, dated October 1, 1996 | 2013 | 14,900 | 0 | 8,800 |
| The Johns Hopkins Health System (Bayview Campus), Series 1996, dated July 1, 1997 | 2027 | 14,440 | 315 | 11,980 |
| The Johns Hopkins University, Series 1997, dated January 1, 1997 | 2027 | 14,985 | 320 | 12,810 |
| Stella Maris, Series 1997, dated January 1, 1997 | 2021 | 21,985 | 785 | 17,810 |
| Bradford Oaks Nursing & Rehab Center, Series 1997, dated July 10, 1997 | 2027 | 13,780 | 0 | 11,945 |
| Broadmead, Series 1997, dated July 1, 1997 | 2017 | 11,995 | 540 | 8,220 |
| Kennedy Krieger, Series 1997, dated November 1, 1997 | 2022 | 13,670 | 455 | 11,480 |
| Catholic Health Initiatives, Series 1997B, (St. Joseph Medical Center), dated November 25, 1997 | 2015 | 30,500 | 0 | 18,600 |
| Charlestown Community, Series 1998A, dated January 1, 1998 | 2026 | 40,960 | 0 | 38,700 |
| Charlestown Community, Series 1998B, dated January 1, 1998 | 2026 | 25,285 | 0 | 19,900 |
| Calvert Memorial Hospital, Series 1998, dated January 1, 1998 | 2026 | 27,860 | 600 | 23,815 |
| The Johns Hopkins University, Series 1998, dated April 2, 1998 | 2020 | 192,510 | 6,915 | 142,390 |
| JHM/Howard County General Hospital Acquisition, Series 1998, dated June 1, 1998 | 2030 | 133,910 | 2,255 | 125,420 |
| PUMH of Maryland, Inc. (Heron Point of Chestertown), Series 1998A & B, dated June 15, 1998 | 2026 | 35,115 | 0 | 33,700 |

**SUPPLEMENTAL INFORMATION- CONDUIT DEBT OUTSTANDING
(CONTINUED)**

| As of June 30, 2006, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars): | <i>FINAL MATURITY</i> | <i>AMOUNT ISSUED</i> | <i>BONDS AND NOTES PAYABLE JULY 1, 2006</i> | <i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2006</i> |
|--|------------------------------|-----------------------------|--|--|
| Green Acres School, Series 1998, dated August 5, 1998 | 2028 | \$ 4,460 | \$ 95 | \$ 3,880 |
| Anne Arundel Medical Center, Series 1998, dated July 1, 1998 | 2033 | 69,840 | 1,145 | 65,535 |
| Maryland Institute College of Art, Series 1998, dated July 15, 1998 | 2029 | 17,950 | 0 | 15,660 |
| Upper Chesapeake Hospitals, Series 1998A & B dated July 1, 1998 | 2038 | 110,605 | 0 | 97,185 |
| Union Hospital of Cecil County, Series 1998, dated July 1, 1998 | 2029 | 17,675 | 285 | 15,400 |
| College of Notre Dame of Maryland, Series 1998, dated September 1, 1998 | 2023 | 11,995 | 0 | 9,780 |
| Memorial Hospital at Easton, Series 1998, dated October 1, 1998 | 2019 | 33,470 | 1,100 | 26,530 |
| Memorial Hospital at Easton, Series 1999, dated April 1, 1999 | 2009 | 4,260 | 455 | 1,510 |
| Medlantic/Helix, Series 1998A, dated December 1, 1998 | 2038 | 166,605 | 0 | 166,605 |
| Medlantic/Helix, Series 1998B, dated December 1, 1998 | 2038 | 116,910 | 0 | 110,420 |
| Kaiser Permanente, 1998 Series A, dated December 1, 1998 | 2015 | 12,825 | 0 | 12,825 |
| Charity Obligated Group - DCNHC Western MD Health Sys., Series 1999A, dated February 4, 1999 | 2029 | 24,665 | 0 | 21,705 |
| The Johns Hopkins Hospital, Series 1999, dated January 1, 1999 | 2038 | 52,515 | 0 | 52,515 |
| Roland Park Place, Series 1999, dated May 1, 1999 | 2024 | 34,195 | 1,015 | 31,080 |
| Loyola College, Series 1999, dated June 1, 1999 | 2039 | 33,355 | 0 | 33,355 |
| Glen Meadows Retirement Community, Series 1999A & B, dated August 25, 1999 | 2029 | 20,410 | 330 | 18,750 |
| Catholic Health Initiatives, Series 2000 A, dated March 1, 2000 | 2024 | 23,455 | 0 | 8,010 |
| Mercy Ridge, Series 2000, dated March 1, 2000 | 2031 | 69,305 | 0 | 28,200 |
| The Bullis School, Series 2000, dated November 28, 2000 | 2030 | 20,400 | 400 | 19,260 |
| The Johns Hopkins University, Series 2001A, dated March 15, 2001 | 2013 | 20,355 | 380 | 17,890 |
| Collington Episcopal Life Care, Series 2001, dated May 9, 2001 | 2023 | 48,355 | 0 | 42,525 |
| The McLean School, Series 2001, dated May 30, 2001 | 2031 | 9,080 | 155 | 8,500 |
| Roland Park Country School, Series 2001, dated June 7, 2001 | 2026 | 7,500 | 0 | 5,015 |
| The Johns Hopkins Hospital, Series 2001, dated August 29, 2001 | 2034 | 101,355 | 0 | 93,845 |
| The Johns Hopkins Medical Institutions Parking Facilities, Series 2001, dated August 29, 2001 | 2034 | 28,030 | 490 | 27,540 |
| The Johns Hopkins University, Series 2001B, dated August 30, 2001 | 2041 | 85,775 | 0 | 85,775 |
| Trinity School, Series 2001, dated October 31, 2001 | 2026 | 9,000 | 0 | 8,365 |
| University of Maryland Medical System, Series 2001, dated December 5, 2001 | 2034 | 100,000 | 755 | 98,485 |
| Greater Baltimore Medical Center, Series 2001, dated December 6, 2001 | 2034 | 52,830 | 0 | 52,830 |
| Mercy Medical Center, Series 2001, dated December 12, 2001 | 2031 | 49,480 | 0 | 49,480 |

**SUPPLEMENTAL INFORMATION- CONDUIT DEBT OUTSTANDING
(CONTINUED)**

| As of June 30, 2006, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars): | <i>FINAL MATURITY</i> | <i>AMOUNT ISSUED</i> | <i>BONDS AND NOTES PAYABLE JULY 1, 2006</i> | <i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2006</i> |
|--|-----------------------|----------------------|---|---|
| Maryland Institute College of Art, Series 2001, dated December 19, 2001 | 2036 | \$ 25,000 | \$ 0 | \$ 25,000 |
| University of Maryland Medical System, Series 2002A, dated January 30, 2002 | 2032 | 57,655 | 1,265 | 53,360 |
| The Johns Hopkins University, Series 2002A, dated February 13, 2002 | 2032 | 106,725 | 0 | 106,725 |
| Board of Child Care, Series 2002, dated May 8, 2002 | 2032 | 39,280 | 1,450 | 33,995 |
| Carroll County General Hospital, Series 2002, dated June 13, 2002 | 2037 | 91,760 | 1,120 | 90,265 |
| Hebrew Home of Greater Washington, Series 2002, dated June 19, 2002 | 2032 | 13,140 | 0 | 12,680 |
| Holton Arms School, Series 2002, dated June 20, 2002 | 2032 | 21,000 | 0 | 21,000 |
| Frederick Memorial Hospital, Series 2002, dated July 15, 2002 | 2035 | 71,715 | 0 | 71,715 |
| Union Hospital of Cecil County, Series 2002, dated October 15, 2002 | 2032 | 24,000 | 435 | 22,470 |
| Carnegie Institution of Washington, Series 2002, dated October 23, 2002 | 2037 | 30,000 | 0 | 30,000 |
| Adventist HealthCare, Series 2003A, dated February 15, 2003 | 2025 | 22,925 | 0 | 22,925 |
| Adventist HealthCare, Series 2003B, dated February 27, 2003 | 2033 | 39,560 | 0 | 37,140 |
| The Johns Hopkins Hospital, Series A, dated March 6, 2003 | 2013 | 54,310 | 0 | 15,160 |
| Kennedy Krieger, Series 2003, dated April 27, 2003 | 2033 | 24,490 | 520 | 23,890 |
| Sheppard Pratt, Series 2003A, dated May 1, 2003 | 2036 | 45,590 | 1,605 | 42,450 |
| Sheppard Pratt, Series 2003B, dated May 1, 2003 | 2028 | 45,550 | 0 | 45,550 |
| Mercy Ridge, Series 2003A, B, C & D, dated June 1, 2003 | 2035 | 41,430 | 0 | 30,430 |
| Beth Tfiloh Dahan Community School, Series 2003, dated June 25, 2003 | 2025 | 7,000 | 0 | 6,710 |
| Mercy Medical Center, Series 2003, dated August 21, 2003 | 2022 | 42,365 | 1,405 | 38,065 |
| The Johns Hopkins Hospital, Series 2003, dated September 1, 2003 | 2034 | 101,425 | 0 | 101,425 |
| University of Maryland Medical System, Series 2004A, B, C & D, dated January 22, 2004 | 2032 | 253,860 | 10,815 | 227,510 |
| MedStar Health, Series 2004, dated February 3, 2004 | 2033 | 170,350 | 0 | 170,350 |
| Anne Arundel Health System, Series 2004A, B & C, dated February 19, 2004 | 2034 | 139,245 | 2,855 | 133,795 |
| LifeBridge Health System, Series 2004A & B, dated March 15, 2004 | 2034 | 203,190 | 7,575 | 188,235 |
| Friends School of Baltimore, Series 2004, dated April 1, 2004 | 2029 | 7,500 | 0 | 7,500 |
| Shore Health System, Series 2004, dated April 8, 2004 | 2029 | 25,920 | 0 | 25,920 |
| The Johns Hopkins University, Series 2004A, dated April 21, 2004 | 2038 | 92,505 | 0 | 92,505 |
| The Johns Hopkins Medical Institutions Parking Facilities, Series 2004, dated April 26, 2004 | 2034 | 35,665 | 80 | 35,585 |
| Suburban Hospital, Series 2004, dated June 3, 2004 | 2029 | 72,445 | 2,570 | 69,125 |
| Calvert Health System, Series 2004, dated July 8, 2004 | 2039 | 32,925 | 0 | 32,925 |

**SUPPLEMENTAL INFORMATION- CONDUIT DEBT OUTSTANDING
(CONTINUED)**

| As of June 30, 2006, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars): | <i>FINAL MATURITY</i> | <i>AMOUNT ISSUED</i> | <i>BONDS AND NOTES PAYABLE JULY 1, 2006</i> | <i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2006</i> |
|--|-----------------------|----------------------|---|---|
| Goucher College, Series 2004, dated August 18, 2004 | 2034 | \$ 21,855 | \$ 0 | \$ 21,855 |
| Adventist HealthCare, Series 2004A & B, dated September 14, 2004 | 2035 | 85,985 | 0 | 82,085 |
| Annapolis Life Care, Series 2004, dated September 16, 2004 | 2034 | 15,860 | 400 | 15,045 |
| French International School, Series 2004, dated September 30, 2004 | 2034 | 14,000 | 0 | 14,000 |
| The Johns Hopkins Medical Institutions Parking Facilities, Series 2004B, dated December 1, 2004 | 2038 | 33,035 | 190 | 32,845 |
| Indian Creek School, Series 2004 dated December 23, 2004 | 2029 | 14,300 | 0 | 14,300 |
| Civista Medical Center, Series 2005, dated February 17, 2005 | 2037 | 59,000 | 0 | 59,000 |
| The Johns Hopkins University, Series 2005A, dated March 3, 2005 | 2036 | 69,265 | 0 | 69,265 |
| Bryn Mawr School, Series 2005, dated March 10, 2005 | 2030 | 6,500 | 0 | 6,500 |
| Rambam School, Series 2005, dated April 27, 2005 | 2025 | 2,700 | 0 | 2,700 |
| Stone Ridge School, Series 2005, dated June 22, 2005 | 2035 | 12,000 | 200 | 11,800 |
| The Johns Hopkins Medical Institutions Utilities, Series 2005A & B, dated June 29, 2005 | 2037 | 48,845 | 0 | 48,845 |
| Union Hospital of Cecil County, Series 2005 dated July 14, 2005 | 2040 | 33,675 | 0 | 33,675 |
| Pickersgill, Series 2005 dated September 15, 2005 | 2035 | 37,000 | 0 | 37,000 |
| Upper Chesapeake Hospitals, Series 2005 dated September 21, 2005 | 2038 | 51,700 | 0 | 51,700 |
| University of Maryland Medical System, Series 2005 dated October 10, 2005 | 2031 | 149,700 | 2,575 | 147,125 |
| Villa Julie College, Series 2005 dated December 15, 2005 | 2030 | 95,560 | 590 | 94,970 |
| Adventist HealthCare, Series 2005A & B dated December 20, 2005 | 2035 | 142,590 | 0 | 142,590 |
| Loyola College, Series 2006A dated January 4, 2006 | 2045 | 62,995 | 0 | 62,995 |
| Maryland Institute College of Art Series 2006 dated January 5, 2006 | 2040 | 30,740 | 0 | 30,740 |
| Loyola College, Series 2006B dated February 2, 2006 | 2026 | 46,150 | 0 | 46,150 |
| Peninsula Regional Medical Center, Series 2006 dated February 2, 2006 | 2036 | 142,910 | 490 | 142,420 |
| Frederick Memorial Hospital, Series 2006 dated May 24, 2006 | 2035 | 75,000 | 0 | 75,000 |
| Gilman School, Series 2006 dated June 1, 2006 | 2036 | 30,000 | 0 | 30,000 |
| Public Offerings Outstanding | | 5,929,764 | 65,250 | 5,322,607 |
| PRIVATE PLACEMENTS AND LIMITED OFFERINGS | | | | |
| Pooled Loan Program, Series D (1994), dated January 1, 1994 | 2039 | 394,926 | 4,090 | 195,370 |
| University Physicians, Series 1994, dated June 8, 1994 | 2014 | 14,250 | 350 | 7,800 |
| Greater Baltimore Medical Center, Series 1995, dated July 1, 1995 | 2025 | 10,000 | 540 | 7,665 |
| Capitol College, Series 1995, dated July 1, 1995 | 2020 | 8,000 | 125 | 6,025 |
| Augsburg Lutheran, Series 1997, dated January 1, 1997 | 2022 | 9,300 | 235 | 7,945 |

**SUPPLEMENTAL INFORMATION- CONDUIT DEBT OUTSTANDING
(CONTINUED)**

| As of June 30, 2006, the principal amount of bonds and notes outstanding was as follows (in thousands of dollars): | <i>FINAL MATURITY</i> | <i>AMOUNT ISSUED</i> | <i>BONDS AND NOTES PAYABLE JULY 1, 2006</i> | <i>BONDS AND NOTES PAYABLE SUBSEQUENT TO JULY 1, 2006</i> |
|--|------------------------------|-----------------------------|--|--|
| The Johns Hopkins Hospital, Series B, dated January 1, 1997 | 2027 | \$ 3,404 | \$ 360 | \$ 1,140 |
| Doctors' Community Hospital, Series 1997, dated July 1, 1997 | 2017 | 7,800 | 355 | 5,125 |
| The Norwood School, Series 1998, dated November 1, 1998 | 2025 | 10,505 | 0 | 3,755 |
| Woodbourne Center, Series 1998, dated November 1, 1998 | 2020 | 3,115 | 50 | 1,250 |
| Doctors' Community Hospital, Series 1997 (2nd delivery), dated January 1, 1997 | 2017 | 6,115 | 380 | 3,770 |
| Washington Episcopal School, Series 1999, dated January 28, 1999 | 2029 | 11,768 | 17 | 10,962 |
| Washington Episcopal School, Series 1999 (Taxable), dated January 26, 1999 | 2029 | 632 | 1 | 512 |
| Barnesville School, Series 1999, dated March 9, 1999 | 2024 | 3,790 | 0 | 2,520 |
| Charles E. Smith Jewish Day School, 1999 Issue, dated June 1, 1999 | 2029 | 12,600 | 9 | 4,391 |
| The Boys Latin School of Maryland, Series 1999, dated August 1, 1999 | 2019 | 6,700 | 0 | 5,420 |
| Landon School, Series 1999, dated November 1, 1999 | 2024 | 11,000 | 0 | 9,800 |
| The Johns Hopkins University, Commercial Paper, Series A, Date of Delivery | 2005 | 200,000 | 0 | 124,256 |
| The Johns Hopkins University, Commercial Paper, Series B, Date of Delivery | 2005 | 200,000 | 0 | 83,819 |
| St. Anne's Day School, dated November 8, 2001 | 2026 | 5,000 | 0 | 3,876 |
| Community Support Services, dated December 10, 2001 | 2031 | 2,660 | 0 | 1,359 |
| St. John's Episcopal Day School, dated December 21, 2001 | 2032 | 7,000 | 9 | 6,831 |
| Memorial Hospital of Easton Lease, dated December 21, 2001 | 2006 | 4,500 | 0 | 390 |
| Seyern School, 2002A, dated February 2, 2002 | 2027 | 17,000 | 36 | 1,324 |
| The Johns Hopkins Hospital, Series 2003C dated March 6, 2003 | 2013 | 14,515 | 0 | 6,300 |
| The Johns Hopkins Health System, Commercial Paper, Series A | 2022 | 75,165 | 3,940 | 70,330 |
| The Johns Hopkins Health System, Commercial Paper, Series B | 2024 | 101,240 | 1,290 | 99,460 |
| The Johns Hopkins Health System, Commercial Paper, Series C | 2023 | 60,000 | 0 | 60,000 |
| Frederick Memorial Hospital Lease, dated June 23, 2004 | 2010 | 5,367 | 72 | 3,709 |
| Chesapeake Academy, Series 2004, dated September 29, 2004 | 2026 | 2,600 | 6 | 2,582 |
| Washington County Hospital Association Lease, dated April 19, 2005 | 2012 | 2,812 | 0 | 2,414 |
| Mt. Airy Christian Academy dated August 26, 2005 | 2010 | 2,500 | 0 | 2,500 |
| King Farm Presbyterian Retirement Center, Series 2005 A&B dated September 29, 2005 | 2008 | 29,000 | 0 | 27,344 |
| Anne Arundel Health System Lease (2006) dated January 25, 2006 | 2011 | 15,000 | 0 | 7,567 |
| Chester River Hospital Center Lease (2006) dated February 4, 2006 | 2013 | 3,953 | 0 | 3,912 |
| Private Placements and Limited Offerings Outstanding | | 1,262,217 | 11,865 | 781,423 |
| Total Outstanding | | \$7,191,981 | \$77,115 | \$6,104,030 |

SUPPLEMENTAL INFORMATION- DEFEASED ISSUES

The Authority has issued bonds in prior years for the purpose of refunding bond issues that were outstanding. The proceeds of the refunding bonds were deposited into irrevocable escrow trusts. The trusts are held by independent trustees and are invested in obligations of the United States Government which mature and bear interest in such amounts and at such times as will be sufficient to pay the principal and interest of the defeased bonds upon maturity or redemption.

Defeased Bonds Outstanding at June 30, 2006 are as follows
(in thousands of dollars):

| | | |
|--|----|----------------|
| *Catholic Health Initiatives Issue, Series 2000A | \$ | 12,415 |
| Good Samaritan Hospital Issue, Series 1993 | | 17,655 |
| Helix Health Issue, Series 1997 | | 118,585 |
| Howard County General Hospital Issue, Series A | | 3,525 |
| Howard County General Hospital Issue, Series 1993 | | 47,270 |
| The Johns Hopkins Hospital Redevelopment Issue, 1979 Series | | 14,680 |
| *The Johns Hopkins Medical Institutions Parking Issue, Series 1996 | | 8,880 |
| The Johns Hopkins University Issue, Series 1999 | | 77,805 |
| Loyola College Issue, Series 1996A | | 43,135 |
| North Arundel Hospital Issue, Series 2000 | | 15,000 |
| North Charles General Hospital Issue, Series A | | 1,900 |
| Pickersgill Issue, Series 1997A | | 620 |
| University of Maryland Medical System, Series 2000 | | 120,490 |
| | \$ | <u>481,960</u> |

*Partially defeased