

**ANNE ARUNDEL HEALTH SYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATING BALANCE SHEET**  
**FOR THE TWELVE MONTHS ENDING JUNE 30, 2010**

	<u>Anne Arundel Health System, Inc.</u>	<u>Anne Arundel Medical Center, Inc. and Subsidiaries</u>	<u>Anne Arundel Health Care Enterprises, Inc.</u>	<u>Real Estate Holding Company, Inc. and Subsidiary</u>	<u>Cottage Insurance Company, Ltd.</u>	<u>AAHS Research Institute, Inc.</u>	<u>Physician Enterprise LLC</u>	<u>Anne Arundel Medical Center Foundation, Inc.</u>	<u>Consolidating and Eliminating Entries</u>	<u>Anne Arundel Health System, Inc. and Subsidiaries</u>
<b>Assets</b>										
<b>Current Assets:</b>										
Cash	\$162,150	\$34,576,613	\$3,100	\$1,534,813	\$0	\$13,719	\$194,869	\$880,436	\$0	\$37,365,701
Short-term investments	-	2,076,878	-	-	-	-	-	(1,400,841)	-	676,037
Current portion of assets whose use is limited	-	3,892,851	-	-	2,729,740	-	-	-	-	6,622,592
Patient receivables, net	-	53,472,526	-	-	-	-	2,414,909	-	-	55,887,435
Current portion of pledges receivable, net	-	-	-	-	-	-	-	4,736,097	-	4,736,097
Inventories	-	7,806,490	87,942	-	-	-	-	-	-	7,894,431
Prepaid expenses and other current assets	-	52,838,590	1,402,331	1,067,572	40,454	101,795	1,570	15,486	(49,620,814)	5,846,984
<b>Total current assets</b>	<b>162,150</b>	<b>154,663,948</b>	<b>1,493,373</b>	<b>2,602,385</b>	<b>2,770,194</b>	<b>115,515</b>	<b>2,611,348</b>	<b>4,231,178</b>	<b>(49,620,814)</b>	<b>119,029,277</b>
Property and equipment	-	507,829,608	8,282,741	146,751,102	-	106,592	-	246,897	-	663,216,940
Less: accumulated depreciation and amortization	-	(169,162,423)	(3,231,947)	(24,731,872)	-	(99,322)	-	(206,064)	-	(197,431,628)
<b>Net property and equipment</b>	<b>-</b>	<b>338,667,185</b>	<b>5,050,794</b>	<b>122,019,230</b>	<b>-</b>	<b>7,270</b>	<b>-</b>	<b>40,833</b>	<b>-</b>	<b>465,785,312</b>
<b>Other assets:</b>										
Investments	-	173,194,089	-	-	-	-	-	4,170,094	-	177,364,183
Investments in joint ventures	-	-	1,664,314	-	-	-	-	-	-	1,664,314
Pledges receivable, net	-	-	-	-	-	-	-	10,572,529	-	10,572,529
Assets whose use is limited	-	125,133,050	-	-	21,228,276	-	-	-	-	146,361,326
Assets whose use is limited - Foundation Endowment Investments	-	-	-	-	-	-	-	11,769,174	-	11,769,174
Deferred debt issue costs, net	-	7,623,527	-	479,839	-	-	-	-	-	8,103,366
Beneficial interest in net assets of AAMC Foundation, Inc.	-	28,849,036	-	-	-	-	-	-	(28,849,036)	-
Investment in subsidiaries and other assets	336,414,769	9,512,355	-	129,666	7,310,000	-	1,224,402	305,550	(343,172,517)	11,724,226
<b>Total assets</b>	<b>\$336,576,920</b>	<b>\$837,643,190</b>	<b>\$8,208,481</b>	<b>\$125,231,120</b>	<b>\$31,308,470</b>	<b>\$122,784</b>	<b>\$3,835,750</b>	<b>\$31,089,359</b>		<b>\$952,373,707</b>

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**FOR THE TWELVE MONTHS ENDING JUNE 30, 2010**

	<u>Anne Arundel Health System, Inc.</u>	<u>Anne Arundel Medical Center, Inc. and Subsidiaries</u>	<u>Anne Arundel Health Care Enterprises, Inc.</u>	<u>Real Estate Holding Company, Inc. and Subsidiary</u>	<u>Cottage Insurance Company, Ltd.</u>	<u>AAHS Research Institute, Inc.</u>	<u>Physician Enterprise LLC</u>	<u>Anne Arundel Medical Center Foundation, Inc.</u>	<u>Consolidating and Eliminating Entries</u>	<u>Anne Arundel Health System, Inc. and Subsidiaries</u>
<b>Liabilities and net assets</b>										
Current liabilities:										
Accounts payable and due to affiliates	\$0	\$22,852,936	\$7,821,374	28,754,408	\$63,999	\$2,595,580	\$9,797,534	\$1,592,559	(\$49,100,988)	\$24,377,402
Accrued salaries, wages and benefits	-	19,011,667	657,824	-	-	-	2,829,264	-	-	22,498,755
Other accrued expenses	-	18,148,467	2,347	533,713	3,100,000	-	-	647,763	-	22,432,290
Current portion of long-term debt	-	3,209,960	-	862,227	-	-	-	-	(519,827)	3,552,360
Advances from third-party payors	-	14,813,387	-	-	-	-	-	-	-	14,813,387
<b>Total current liabilities</b>	<b>-</b>	<b>78,036,416</b>	<b>8,481,545</b>	<b>30,150,348</b>	<b>3,163,999</b>	<b>2,595,580</b>	<b>12,626,798</b>	<b>2,240,322</b>	<b>(49,620,814)</b>	<b>87,674,194</b>
Long-term debt, less current portion and unamortized original issue discount/premium	-	345,174,937	-	99,692,322	-	-	-	-	(6,757,748)	438,109,511
Other long-term liabilities	-	73,144,059	-	-	15,356,499	-	1,512,522	-	0	90,013,081
<b>Total liabilities</b>	<b>-</b>	<b>496,355,412</b>	<b>8,481,545</b>	<b>129,842,670</b>	<b>18,520,498</b>	<b>2,595,580</b>	<b>14,139,320</b>	<b>2,240,322</b>	<b>(56,378,562)</b>	<b>615,796,786</b>
Net assets:										
Unrestricted	308,138,725	312,849,583	(273,064)	(4,611,550)	12,787,971	(2,472,796)	(10,303,570)	1,026,908	(309,003,483)	308,138,725
Temporarily restricted	16,690,195	16,690,195	-	-	-	-	-	16,690,195	(33,380,390)	16,690,195
Permanently restricted	11,748,000	11,748,000	-	-	-	-	-	11,131,933	(22,879,933)	11,748,000
<b>Total net assets</b>	<b>336,576,920</b>	<b>341,287,778</b>	<b>(273,064)</b>	<b>(4,611,550)</b>	<b>12,787,971</b>	<b>(2,472,796)</b>	<b>(10,303,570)</b>	<b>28,849,036</b>	<b>(365,263,806)</b>	<b>336,576,920</b>
<b>Total liabilities and net assets</b>	<b>\$336,576,920</b>	<b>\$837,643,190</b>	<b>\$8,208,481</b>	<b>\$125,231,120</b>	<b>\$31,308,470</b>	<b>\$122,784</b>	<b>\$3,835,750</b>	<b>\$31,089,359</b>	<b>(\$421,642,368)</b>	<b>\$952,373,707</b>

**ANNE ARUNDEL HEALTH SYSTEM, INC. AND SUBSIDIARIES**  
**CONSOLIDATING STATEMENT OF REVENUES AND EXPENSES**  
**FOR THE TWELVE MONTHS ENDING JUNE 30, 2010**

	<u>Anne Arundel Health System, Inc.</u>	<u>Anne Arundel Medical Center, Inc. and Subsidiaries</u>	<u>Anne Arundel Health Care Enterprises, Inc.</u>	<u>Anne Arundel Real Estate Holding Company, Inc. and Subsidiary</u>	<u>Cottage Insurance Company, Ltd.</u>	<u>AAHS Research Institute, Inc.</u>	<u>Physician Enterprise LLC</u>	<u>Anne Arundel Medical Center Foundation, Inc.</u>	<u>Consolidating and Eliminating Entries</u>	<u>Anne Arundel Health System, Inc. and Subsidiaries</u>
Net Patient Service Revenue	\$0	\$420,751,321	\$0	\$0	\$0	\$0	\$34,512,335	\$0	\$0	\$455,263,656
Other Operating Revenue	1,122,754	8,858,637	5,404,463	14,147,941	4,885,000	381,539	863,352	-	(15,162,313)	20,501,373
Net Operating Revenue	1,122,754	429,609,958	5,404,463	14,147,941	4,885,000	381,539	35,375,687	-	(15,162,313)	475,765,029
Operating Expenses										
Salaries & Wages	-	163,669,928	2,462,453	-	-	1,060,622	25,198,001	703,612	(1,764,234)	191,330,382
Employee Benefits	-	31,546,384	502,526	-	-	254,549	2,574,091	169,324	(423,873)	34,623,001
Medical Supplies & Drugs	-	90,441,699	76,741	3,706	-	17,781	2,030,376	12,404	-	92,582,707
Purchased Services	1,154,246	64,461,110	2,792,059	8,522,933	2,846,739	337,491	9,456,987	935,233	(12,860,619)	77,646,179
Professional Fees	-	9,061,473	-	-	-	14,215	-	-	-	9,075,688
Depreciation & Amortization	-	20,892,329	920,465	5,160,636	-	25,871	291,750	3,328	-	27,294,379
Interest	-	11,846,465	-	1,383,448	-	-	-	-	(113,588)	13,116,325
Provision for Bad Debts	-	17,961,217	-	-	-	-	1,290,947	-	-	19,252,164
Total Operating Expenses	1,154,246	409,880,604	6,754,244	15,070,723	2,846,739	1,710,529	40,842,152	1,823,901	(15,162,313)	464,920,824
Operating Income (Loss)	(31,492)	19,729,354	(1,349,781)	(922,781)	2,038,261	(1,328,990)	(5,466,465)	(1,823,901)	-	10,844,205
Other Income (Loss)										
Investment Income (Loss), Net	-	6,133,657	-	18,371	1,651,958	-	-	26,664	-	7,830,650
Income from Joint Venture and Other, Net	26,988,574	780,553	451,092	-	-	-	-	-	(26,988,574)	1,231,645
Loss from Extinguishment of Debt	-	(1,966,626)	-	-	-	-	-	-	-	(1,966,626)
Change in Unrealized Gains (Losses) on Trading Securities, net	-	18,321,289	-	-	1,409,891	-	-	103,561	-	19,834,741
Mark-to-Market Adj for Contracts Under SFAS 133	-	(10,817,533)	-	-	-	-	-	-	-	(10,817,533)
Total Other Income (Loss), Net	26,988,574	12,451,340	451,092	18,371	3,061,849	-	-	130,225	(26,988,574)	16,112,877
<b>Excess (Deficit) of Revenues Over Expenses</b>	<b>\$26,957,082</b>	<b>\$32,180,694</b>	<b>(\$898,689)</b>	<b>(\$904,410)</b>	<b>\$5,100,110</b>	<b>(\$1,328,990)</b>	<b>(\$5,466,465)</b>	<b>(\$1,693,676)</b>	<b>(\$26,988,574)</b>	<b>\$26,957,083</b>