

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$28,465,000

Michigan State Hospital Finance Authority

Hospital Revenue Bonds, Series 2005A

Marquette General Hospital Obligated Group

Provide nine-digit CUSIP* numbers if available, to which the information relates:

59465HAU0

59465HAV8

59465HAW6

59465HAX4

59465HAY2

59465HAZ9

59465HBA3

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
(Exactly as it appears on the Official Statement Cover)

Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 47 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

Municipal Secondary Market Disclosure Information Cover Sheet

This cover sheet should be sent with all submissions made to the Municipal Securities Rulemaking Board, Nationally Recognized Municipal Securities Information Repositories, and any applicable State Information Depository, whether the filing is voluntary or made pursuant to Securities and Exchange Commission rule 15c2-12 or any analogous state statute.

See www.sec.gov/info/municipal/nrmsir.htm for list of current NRMSIRs and SIDs

IF THIS FILING RELATES TO A SINGLE BOND ISSUE:

Provide name of bond issue exactly as it appears on the cover of the Official Statement
(please include name of state where issuer is located):

\$37,000,000

Michigan State Hospital Finance Authority

Hospital Revenue Bonds, Series 2006

Marquette General Hospital Obligated Group

Provide nine-digit CUSIP* numbers if available, to which the information relates:

59465HDX1

IF THIS FILING RELATES TO ALL SECURITIES ISSUED BY THE ISSUER OR ALL SECURITIES OF A SPECIFIC CREDIT OR ISSUED UNDER A SINGLE INDENTURE:

Issuer's Name (please include name of state where Issuer is located): _____

Other Obligated Person's Name (if any): _____
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Provide six-digit CUSIP* number(s), if available, of Issuer: _____

*(Contact CUSIP's Municipal Disclosure Assistance Line at 212.438.6518 for assistance with obtaining the proper CUSIP numbers.)

TYPE OF FILING:

Electronic (number of pages attached) 47 Paper (number of pages attached) _____

If information is also available on the Internet, give URL: www.firstriver.com

WHAT TYPE OF INFORMATION ARE YOU PROVIDING? (Check all that apply)

A. Annual Financial Information and Operating Data pursuant to Rule 15c2-12
(Financial information and operating data should not be filed with the MSRB.)

Fiscal Period Covered: July 2006 – June 2007 (FY2007)

B. Audited Financial Statements or CAFR pursuant to Rule 15c2-12

Fiscal Period Covered: July 2006 – June 2007 (FY2007)

C. Notice of a Material Event pursuant to Rule 15c2-12 (Check as appropriate)

- | | |
|--|--|
| 1. <input type="checkbox"/> Principal and interest payment delinquencies | 6. <input type="checkbox"/> Adverse tax opinions or events affecting the tax-exempt status of the security |
| 2. <input type="checkbox"/> Non-payment related defaults | 7. <input type="checkbox"/> Modifications to the rights of security holders |
| 3. <input type="checkbox"/> Unscheduled draws on debt service reserves reflecting financial difficulties | 8. <input type="checkbox"/> Bond calls |
| 4. <input type="checkbox"/> Unscheduled draws on credit enhancements reflecting financial difficulties | 9. <input type="checkbox"/> Defeasances |
| 5. <input type="checkbox"/> Substitution of credit or liquidity providers, or their failure to perform | 10. <input type="checkbox"/> Release, substitution, or sale of property securing repayment of the securities |
| | 11. <input type="checkbox"/> Rating changes |

D. Notice of Failure to Provide Annual Financial Information as Required

E. Quarterly or Monthly Financial Information and Operating Data
(Financial information and operating data should not be filed with the MSRB.)

Period Covered: _____

F. Other Secondary Market Information (Specify): _____

I hereby represent that I am authorized by the issuer or obligor or its agent to distribute this information publicly:

Issuer Contact:

Name _____ Title _____
Employer _____
Address _____ City _____ State _____ Zip Code _____
Telephone _____ Fax _____
Email Address _____ Issuer Web Site Address _____

Dissemination Agent Contact, if any:

Name Shelley J. Aronson Title President
Employer First River Advisory L.L.C.
Address 2640 Override Drive City Ann Arbor State MI Zip Code 48104
Telephone (734) 761-3624 Fax (734) 761-3614
Email Address aronson@firstriver.com Relationship to Issuer Dissemination Agent

Obligor Contact, if any:

Name Michael J. Beckstrom, C.P.A. Title Chief Financial Officer
Employer Marquette General Hospital
Address 420 West Magnetic Street City Marquette State MI Zip Code 49855
Telephone (906) 225-3450 Fax (906) 225-3800
Email Address mbeckstrom@mgf.org Obligor Web Site Address www.mgf.org

Investor Relations Contact, if any:

Name _____ Title _____
Telephone _____ Email Address _____

MARQUETTE GENERAL HOSPITAL

COMPLIANCE CERTIFICATE FOR THE TERM LOAN AGREEMENT

October 30, 2007

U.S. Bank National Association
One US Bank Plaza, 7th Street & Washington Avenue
St. Louis, Missouri 63101
Attention: Healthcare/Non-Profit Division

Ladies and Gentlemen:

Reference is hereby made to the Term Loan Agreement dated as of December 15, 2004, by and between Marquette General Hospital, Inc. ("Borrower"), the Lenders from time to time party thereto, and U.S. Bank National Association, as Agent for the Lenders, as the same may from time to time be amended, modified, extended, renewed or restated (the "Term Loan Agreement"; all capitalized terms used and not otherwise defined herein [including all capitalized terms used in Schedule 1 attached hereto] shall have the respective meanings ascribed to them in the Loan Agreement).

Borrower, on its behalf, and on behalf of the Obligated Group, hereby certifies to Agent and Lenders that as of the date hereof:

- (a) all of the representations and warranties made by Borrower and/or any other Obligor in the Loan Agreement and/or in any other Transaction Document are true and correct in all material respects on and as of the date of this Certificate as if made on and as of the date of this Certificate;
- (b) no Default or Event of Default has occurred and is continuing; and
- (c) the audited financial statements of the Obligated Group delivered to you with this letter are true, correct and complete in all material respects and have been prepared in accordance with GAAP.

Very truly yours,

MARQUETTE GENERAL HOSPITAL, INC. for itself and as Obligated Group Agent on behalf of the Obligated Group



By: Michael J. Beckstrom, Chief Financial Officer

MARQUETTE GENERAL HOSPITAL

COMPLIANCE CERTIFICATE FOR THE REIMBURSEMENT AGREEMENT

October 30, 2007

U.S. Bank National Association
One US Bank Plaza, 7th Street & Washington Avenue
St. Louis, Missouri 63101
Attention: Healthcare/Non-Profit Division

Ladies and Gentlemen:

Reference is hereby made to that certain Reimbursement Agreement dated as of December 1, 2004 (the "Reimbursement Agreement"), by and between Marquette General Hospital, Inc., on its own behalf and as Obligated Group Agent on behalf of the Obligated Group (as such terms are defined in the Reimbursement Agreement) (the "Obligor") and U.S. Bank National Association (the "Bank"), as the same may from time to time be amended, modified, extended, renewed or restated. All capitalized terms used and not otherwise defined herein shall have the respective meanings ascribed to them in the Reimbursement Agreement.

Obligor hereby certifies to the Bank that as of the date hereof:

- (a) a review of the activities of the Obligor has been made under my supervision with a view to determining whether the Obligor has fulfilled all of its obligations under the Reimbursement Agreement and the other Credit Documents;
- (b) the Obligor has fulfilled its obligations under the Credit Documents and all representations made therein continue to be true and correct in all material respects;
- (c) no Event of Default under or within the meaning of the Reimbursement Agreement has occurred and continuing;
- (d) the audited financial statements of Obligor delivered to you with this Certificate are true, correct and complete in all material respects and have been prepared in accordance with generally accepted accounting principles;
- (e) Schedule I to this Certificate contains computations evidencing the Obligor's compliance with the financial covenants set forth in Section 4.23 of the Reimbursement Agreement as of and for the fiscal year ended June 30, 2007, in each case calculated in accordance with the requirements of the Reimbursement Agreement and the Master Indenture; and

(f) any other financial or other details, information and material as you have requested to evidence such compliance delivered herewith are true and correct.

Very truly yours,

MARQUETTE GENERAL HOSPITAL, INC. for itself and as Obligated Group Agent on behalf of the Obligated Group

A handwritten signature in black ink, appearing to read "Michael J. Beckstrom", written over a solid horizontal line.

By: Michael J. Beckstrom, Chief Financial Officer

MARQUETTE GENERAL HOSPITAL

SCHEDULE I

TO THE COMPLIANCE CERTIFICATE FOR THE REIMBURSEMENT AGREEMENT

<i>Debt Service Coverage Ratio, FY2007</i>		
<i>Master Indenture §501(b)(ii) and Reimbursement Agreement §4.23(a)</i>		
Excess of Revenue over Expenses		\$2,211,794
Depreciation Expense		\$13,521,667
Interest Expense		\$3,988,110
Less: Net Unrealized Investment Gains		(\$414,788)
Net Income Available for Debt Service	NIADS	\$19,306,783
Maximum Annual Debt Service Requirements ¹	MADS	\$7,147,422
Debt Service Coverage Ratio	NIADS / MADS	2.70
¹ The provisions of Section 505(b)(i) of the Master Indenture are no longer applied to the calculation of Debt Service Requirements on the Additional Bank Loan. The Additional Bank Loan has been restructured so that Maximum Annual Debt Service Requirements on the Additional Bank Loan, the Series 2004 VRDOs, the Series 2005A Bonds, the Series 2006 Bonds, and the ICCH Bonds Guaranty do not exceed \$7.2 million, as required by the Bond Insurer.		

<i>Liquidity Ratio, FY2007</i>		
<i>Master Indenture §501(e) and Reimbursement Agreement §4.23(b)</i>		
Cash and Cash Equivalents		\$14,088,083
Board-Designated Assets for Capital Improvements		\$57,315,042
Less: Outstanding Principal Balance of Short-Term Indebtedness		\$0
Liquid Assets	LA	\$71,403,125
Operating Expenses		\$283,208,377
Less: Depreciation and Amortization		(\$13,521,667)
Daily Operating Expenses ¹	DOE	\$738,868
Days' Cash on Hand	LA / DOE	96.6
¹ Calculated without deducting interest expense, as permitted by the Master Indenture. The definition in the Master Indenture differs from the conventional definition, including those used in the Official Statements relating to the Series 2005 Bonds and the Series 2006 Bonds.		

<i>Debt-to-Capitalization Ratio, FY2007 Reimbursement Agreement §4.23(c)</i>		
Current Portion of Long-Term Debt		\$3,517,592
Long-Term Debt		\$77,867,715
Total Indebtedness	D	\$81,385,307
Unrestricted Net Assets	NA	\$110,361,928
Debt-to-Capitalization Ratio	$D / (D + NA)$	0.42

<i>Average Age of Trade Accounts Payable, FY2007 Master Indenture §501(d)</i>		
Trade Accounts Payable at FYE	AP	\$10,010,606
Average Daily Trade Accounts Payable	ADAP	\$425,451
Average Age of Trade Accounts Payable (days)	$AP / ADAP$	23.5

**MARQUETTE GENERAL HOSPITAL
420 WEST MAGNETIC STREET
MARQUETTE, MI 49855**

SUPPLEMENTAL OFFICER'S CERTIFICATE

DATED: OCTOBER 30, 2007

This Officer's Certificate is delivered to Assured Guaranty Corporation for the purpose of certifying compliance by Marquette General Hospital (the Corporation), for itself and as the sole Member of the Obligated Group, with certain relevant provisions of the Loan Agreement between the Corporation and the Michigan State Hospital Finance Authority (the Issuer), dated as of August 1, 2006, and with Supplemental Indenture Number 5 between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of August 1, 2006. All capitalized terms used herein are as defined in the Loan Agreement, in the Trust Indenture between the Issuer and Wells Fargo Bank, N.A., as Bond Trustee, dated as of August 1, 2006 relating to the Series 2006 Bonds, in the Master Indenture and Security Agreement between the Corporation and Wells Fargo Bank, N.A., as Master Trustee, dated as of December 1, 2004, or in Supplemental Indenture Number 5 to the Master Indenture. The undersigned certifies that:

1. pursuant to Section 5.10(f)(ii) of the Loan Agreement, neither the Corporation nor the Obligated Group (currently the same) are in default of any of their obligations or covenants under the Master Indenture, Supplemental Indenture Number 5 or the related financing documents;
2. pursuant to Section 901(b) of Supplemental Indenture Number 5, as of June 30, 2007, the Obligated Group had at least 75 Days Cash On Hand, as demonstrated in the following calculation:

<i>Days Cash On Hand, FY2007 Supplemental Indenture Number 5 §901(b)</i>		
Cash and Cash Equivalents		\$14,088,083
Board-Designated Assets for Capital Improvements		\$57,315,042
Less: Outstanding Principal Balance of Short-Term Indebtedness		\$0
Liquid Assets	LA	\$71,403,125
Operating Expenses		\$283,208,377
Less: Depreciation and Amortization		(\$13,521,667)
Daily Operating Expenses ¹	DOE	\$738,868
Days' Cash on Hand	LA / DOE	96.6
¹ Calculated without deducting interest expense, as permitted by the Master Indenture. The definition in the Master Indenture differs from the conventional definition, including those used in the Official Statements relating to the Series 2005 Bonds and the Series 2006 Bonds.		

3. pursuant to Section 901(f) of Supplemental Indenture Number 5, as of June 30, 2007, the aggregate long-term debt to capitalization ratio of the Obligated Group did not exceed 65% of the Obligated Group's total unrestricted net assets, as demonstrated in the following calculation:

<i>Debt-to-Capitalization Calculation at June 30, 2007 Per Section 901(f) of Supplemental Indenture Number 5 (\$000s omitted, except for Debt-to-Capitalization)</i>		
Current Portion of Long-Term Debt		\$3,518
Long-Term Debt		\$77,868
Total Indebtedness	D	\$81,385
Unrestricted Net Assets	NA	\$110,362
Debt-to-Capitalization Ratio	D / (D + NA)	42.4%

4. Pursuant to Section 5.10(f)(vi) of the Loan Agreement, the Obligated Group provides notice that A. Gary Muller, FACHE, will assume the position of Chief Executive Officer as of November 5, 2007. Mr. Muller's biographical information is attached.



Michael J. Beckstrom, Chief Financial Officer

Note to editors: this bio accompanies press release announcing the new CEO of Marquette General Health System, Marquette Michigan. Contact: Mary Tippet, 906-225-4770, fax 906-225-3031.

A. Gary Muller, FACHE **CEO, Marquette General Health System**

Biography and career highlights

President and Chief Executive Officer, West Jefferson Medical Center, Marrero, Louisiana, a 462-bed, public hospital and health system with 2100 employees, in the New Orleans metropolitan area. From 1998-2007, during Muller's leadership, West Jefferson was named to *U.S. News & World Report's* list of America's Best Hospitals in 2001, 2002, and 2003; the *Health Careers U.S.A.* Employer of Choice list in 2002 and the *New Orleans City Business Magazine* Top Ten New Orleans Employers of Choice out of more than 10,000 businesses from 2002-2006.

Regional Vice-President, North Broward Hospital District, Ft. Lauderdale, Florida.

- From 1996-98, Muller provided leadership for North Broward's Coral Springs Medical Center, a 200-bed public hospital. During this time, he established a sports medicine program and pediatric emergency department services.
- From 1993-1996, Muller provided leadership of the hospital and physician practices at North Broward's Imperial Point Medical Center, a 210-bed public hospital. During this time, he developed centralized outpatient services, an AIDS specialty unit, and the Center for Healing Arts.

Vice-President, AvMed-Santa Fe Healthcare, Gainesville, Florida. From 1991-1993, In this private, non-profit integrated organization, Muller managed the operation of four hospitals and a wellness company. He oversaw the development of a heart care center, outpatient surgery center, and physician recruitment programs.

President, Bay Medical Center, Panama City, Florida. From 1979-1991, Muller oversaw the operation of a 353-bed public hospital. He initiated a Community Advisory Board, added 72 acute care beds, a medical office complex, open-heart surgery, an outpatient center, and Foundation for fund development.

Professional societies and community relations involvement highlights

- Fellow, American College of Healthcare Executives (FACHE)
- Louisiana Hospital Association—Former Chairperson
- Florida Hospital Association—Former Chairperson
- Premier, Inc.—Group Purchasing Committee Member
- New Orleans Metropolitan Hospital Council—Board Member
- Catholic Charities of New Orleans—Board Member
- Program for All-inclusive Care for the Elderly (PACE)—Initial Chairperson
- Association of Voluntary Hospitals of Florida—Former Chairperson
- American Hospital Association—Former House of Delegates Member, and Former Regional Policy Board Member
- Bay County Chamber of Commerce—Past President
- Crosby Total Quality Management College—Graduate
- University of Florida College of Health Professions—Advisory Board Member

Education

MBA—Health and Hospital Administration, University of Florida, Gainesville Florida

BS—Business Administration, Louisiana State University, Baton Rouge, Louisiana

MARQUETTE GENERAL HOSPITAL

ANNUAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2007 (FY2007)

Unless otherwise noted, all data apply to the Fiscal Year ended June 30, 2007, or are accurate as of June 30, 2007, as appropriate. OS-2005 pages refer to the Official Statement relating to the Series 2005 Securities, dated April 21, 2005; OS-2006 pages refer to the Official Statement relating to the Series 2006 Securities, dated August 15, 2006. The source of all data, unless otherwise specified, is the Corporation's records.

SERVICE VOLUMES AND UTILIZATION

<i>Historical Adult Medical/Surgical and Pediatrics Utilization (excludes newborns) [OS-2005 Page A-51] [OS-2006 Page A-52]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds ¹	279	279	279	279	279
Available Beds ¹	197	197	197	197	197
Admissions	9,158	9,419	9,476	9,029	8,987
Change over Previous Period	(2.8)%	(0.6)%	5.0%	0.5%	2.0%
Patient Days	37,741	38,676	39,967	38,989	43,035
Average Daily Census	103.4	106.0	109.5	106.5	117.9
Average Length of Stay	4.1	4.1	4.2	4.3	4.8
Occupancy Rate ² (%)	52.5	53.8	55.6	54.1	59.9
¹ Corrects information previously reported by the Corporation					
² Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Obstetrics Utilization</i>					
<i>[OS-2005 Page A-52]</i>					
<i>[OS-2006 Page A-53]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	0	0	0	0	0
Available Beds	12	12	12	12	12
Admissions	874	851	805	802	779
Change over Previous Period	2.7%	5.7%	0.4%	3.0%	(6.9)%
Patient Days	2,173	2,131	2,091	2,023	2,225
Births	722	715	644	669	640
Average Daily Census	6.0	5.8	5.7	5.5	6.1
Average Length of Stay	2.5	2.5	2.6	2.5	2.9
Occupancy Rate ¹ (%)	49.6	48.7	47.7	46.1	50.8
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Neonatal Intensive Care Utilization</i>					
<i>[OS-2005 Page A-53]</i>					
<i>[OS-2006 Page A-54]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	10	10	10	10	10
Available Beds	10	10	10	10	10
Admissions	204	182	175	152	166
Change over Previous Period	12.1%	4.0%	15.1%	(8.4)%	(2.4)%
Patient Days	3,735	3,153	3,034	2,717	2,799
Average Daily Census	10.2	8.6	8.3	7.4	7.7
Average Length of Stay	18.3	17.3	17.3	17.9	16.9
Occupancy Rate ¹ (%)	102.3	86.4	83.1	74.2	76.7
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Rehabilitation (CIRU) Utilization</i>					
<i>[OS-2005 Page A-54]</i>					
<i>[OS-2006 Page A-55]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	0	0	0	0	0
Available Beds	20	20	20	20	20
Admissions	257	274	308	410	413
Change over Previous Period	(6.2)%	(11.0)%	(24.9)%	(0.7)%	6.7%
Patient Days	2,532	2,579	2,869	3,663	3,405
Average Daily Census	6.9	7.1	7.9	10.0	9.3
Average Length of Stay	9.9	9.4	9.3	8.9	8.2
Occupancy Rate ¹ (%)	34.7	35.3	39.3	50.0	46.6
¹ Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Total Acute Care Utilization</i> <i>(Adult Medical/Surgical, Pediatrics, Obstetrics, NICU and Rehabilitation;</i> <i>excludes newborns)</i> <i>[OS-2005 Page A-55]</i> <i>[OS-2006 Page A-56]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds ¹	289	289	289	289	289
Available Beds ¹	239	239	239	239	239
Admissions	10,493	10,726	10,764	10,393	10,345
Change over Previous Period	(2.2)%	(0.4)%	3.6%	0.5%	1.4%
Patient Days	46,181	46,539	47,961	47,392	51,464
Average Daily Census	126.5	127.5	131.4	129.5	141.0
Average Length of Stay	4.4	4.3	4.5	4.6	5.0
Occupancy Rate ² (%)	52.9	53.3	55.0	54.2	59.0
¹ Corrects information previously reported by the Corporation ² Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Behavioral Health Services Inpatient Utilization</i>					
<i>[OS-2005 Page A-56]</i>					
<i>[OS-2006 Page A-57]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds ¹	51	51	51	51	51
Available Beds ¹	51	51	51	51	51
Admissions	1,583	1,963	1,747	1,659	1,510
Change over Previous Period	(19.4)%	12.4%	5.3%	9.9%	(1.9)%
Patient Days	10,339	12,672	11,884	12,558	11,217
Average Daily Census	28.3	34.7	32.6	34.3	30.7
Average Length of Stay	6.5	6.5	6.8	7.6	7.4
Occupancy Rate ² (%)	55.5	68.1	63.8	67.3	60.3
¹ Corrects information previously reported by the Corporation					
² Based on Available Beds					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Historical Total Inpatient Utilization</i> (Acute Care plus BHS; excludes newborns) [OS-2005 Page A-57] [OS-2006 Page A-58]					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Days in Period	365	365	365	366	365
Licensed Beds	340	340	340	340	340
Available Beds ¹	290	290	290	290	290
Admissions	12,076	12,689	12,511	12,052	11,855
Change over Previous Period	(4.8)%	1.4%	3.8%	1.7%	0.9%
Patient Days	56,520	59,211	59,845	59,950	62,681
Avg. Daily Census	154.8	162.2	164.0	163.8	171.7
Avg. Length of Stay	4.7	4.7	4.8	5.0	5.3
Occupancy Rate ² (%)	53.4	55.9	56.5	56.5	59.2
¹ Corrects information previously reported by the Corporation					
² Based on Available Beds					

<i>Certain Outpatient Volume Indicators</i> [OS-2005 Page A-58] [OS-2006 Page A-59]					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
ED Visits	28,632	26,773	20,874	19,531	18,996
Change over Previous Period	6.9%	28.3%	6.9%	2.8%	1.4%
Ambulance Runs	2,488	2,570	3,222	3,160	2,973
Change over Previous Period	(3.2)%	(20.2)%	2.0%	6.3%	8.0%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Surgical and Other Procedures</i>					
<i>[OS-2005 Page A-58]</i>					
<i>[OS-2006 Page A-59]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Inpatient Surgeries	4,051	4,468	4,821	4,923	5,165
Outpatient Surgeries	4,778	5,068	5,015	4,998	4,852
Total	8,829	9,536	9,836	9,921	10,017
Change over Previous Period	(7.4)%	(3.1)%	(0.9)%	(1.0)%	4.4%
Percent Outpatient	54.1%	53.1%	51.0%	50.4%	48.4%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Ancillary Services</i>						
<i>(Volumes of Services Denoted by Italics are Delivered Exclusively to Outpatients)</i>						
<i>[OS-2005 Page A-59]</i>						
<i>[OS-2006 Page A-60]</i>						
		<i>Fiscal Years Ended June 30</i>				
		<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
<i>Laboratory</i>	Main Laboratory ¹	976,694	944,440	886,630	837,055	834,752
	<i>PMC Laboratory¹</i>	13,025	26,607	32,362	28,247	26,308
	<i>Blood Bank²</i>	13,057	13,042	12,631	13,074	11,670
<i>Imaging</i>	Radiology ^{1,3}	36,530	36,108	36,521	45,753	49,842
	Ultrasound ^{1,3}	17,806	16,702	19,046	28,003	27,094
	CT Scanning ^{1,3}	17,158	15,952	14,591	14,358	13,023
	Nuclear Medicine ^{1,3}	9,982	10,468	11,140	11,264	11,787
	MRI ^{1,3}	8,105	8,257	10,565	11,270	10,721
	Special Procedures (Interventional Radiology) ^{1,3}	9,913	9,769	8,594	6,174	5,630
	<i>PMC Imaging Center^{1,3}</i>	10,259	10,619	9,728	7,481	0
<i>Rehabilitation Services</i>	Physical Therapy ⁴	17,609	17,399	17,178	17,781	18,393
	Occupational Therapy ⁴	17,032	19,121	19,277	20,059	17,850
	Return to Work Therapy ⁴	3,258	3,287	2,478	2,575	2,888
	Communications Rehab ⁴	2,919	2,546	2,564	2,655	2,877
	<i>Audiology¹</i>	1,258	1,344	1,208	1,291	2,287
	<i>Escanaba Rehabilitation⁴</i>	5,508	5,992	4,662	5,270	4,087
	<i>Sawyer Rehabilitation⁴</i>	1,763	1,873	1,773	1,777	2,082
<i>Cardiac Services</i>	Cardiac Imaging ⁵	2,932	2,950	3,466	3,169	3,025
	Cardiac Rehabilitation ^{1,3}	23,312	19,628	16,503	14,495	16,009
	Cardiographic Services ^{1,3}	16,616	17,134	17,995	45,234	47,345
	<i>Outpatient Cardiac^{6,7}</i>	N/A	2,567	2,952	2,739	1,959

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Ancillary Services</i>						
<i>(Volumes of Services Denoted by Italics are Delivered Exclusively to Outpatients)</i>						
<i>[OS-2005 Page A-59]</i>						
<i>[OS-2006 Page A-60]</i>						
		<i>Fiscal Years Ended June 30</i>				
		<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
<i>Dialysis</i>	<i>Marquette Center^{8,9}</i>	9,773	10,145	8,001	8,591	8,880
	<i>Eastern UP Center^{8,10}</i>	999	1,183	1,787	1,961	1,408
	<i>Western UP Center^{8,11}</i>	2,841	5,375	4,465	3,719	3,045
<i>Other</i>	<i>Endoscopy¹</i>	5,683	5,445	4,940	4,749	5,849
	<i>Neurophysiology¹</i>	6,857	6,788	6,622	5,581	5,618
	<i>Perfusion⁵</i>	223	256	300	328	487
	<i>Pulmonary Function¹</i>	2,713	3,028	3,543	3,658	3,668
	<i>Respiratory Care^{3,4}</i>	36,795	37,917	92,327	90,816	115,783
	<i>Radiology Oncology^{1,3}</i>	13,278	14,423	14,348	18,080	19,443
¹ Procedures ² Donors ³ Reflects change in counting methodology initiated during FY2006Q4; FY2006 figures have been adjusted so that they are consistent with FY2007 figures ⁴ Hours ⁵ Patients ⁶ Visits ⁷ Service volumes not tracked after FY2006 ⁸ Runs ⁹ Includes acute dialysis runs ¹⁰ Service discontinued in March 2007 ¹¹ Service discontinued in December 2006						

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Certain Ancillary Services Provided Exclusively to Outpatients</i>					
<i>[OS-2005 Page A-61]</i>					
<i>[OS-2006 Page A-62]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Main Laboratory ¹	631,880	587,350	531,138	507,776	482,451
PMC Laboratory ¹	12,673	25,713	31,208	27,139	25,320
Radiology ^{1,3}	19,220	17,614	13,978	18,114	19,466
Ultrasound ^{1,3}	10,534	10,464	10,210	15,962	14,953
CT Scanning ^{1,3}	11,842	11,010	8,517	10,104	8,778
Nuclear Medicine ^{1,3}	8,428	10,460	9,096	9,373	9,508
MRI ^{1,3}	6,988	7,118	8,850	9,724	8,928
Special Procedures (Interventional Radiology) ^{1,3}	5,086	4,527	2,111	1,977	1,627
Physical Therapy ⁴	10,454	9,775	9,033	9,005	9,329
Cardiac Imaging ⁵	1,189	1,129	1,411	1,275	1,281
Endoscopy ¹	4,451	4,158	3,755	3,598	4,498
Neurophysiology ¹	5,150	4,881	4,527	3,814	3,952
Radiology Oncology ^{1,3}	12,671	13,474	13,196	16,412	17,437
¹ Procedures					
² Service volumes not tracked after FY2006					
³ Reflects change in counting methodology initiated during FY2006Q4; FY2006 figures have been adjusted so that they are consistent with FY2007 figures					
⁴ Hours					
⁵ Patients					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>MGHH&H Volumes</i> <i>[OS-2005 Page A-61]</i> <i>[OS-2006 Page A-62]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Home Care Admissions	2,014	2,258	2,314	2,212	2,113
Home Care Visits ¹	N/A	48,601	51,850	50,321	57,437
Private Duty Hours ²	N/A	41,982	47,708	43,642	47,396
¹ Service volumes not tracked after FY2006					
² Service discontinued in April 2006					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Physician Practice Volumes</i> <i>(in Relative Value Units)</i> <i>[OS-2005 Page A-62]</i> <i>[OS-2006 Page A-63]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Family Care Doctors ¹	51,837	49,695	42,140	41,213	37,953
Iron River Clinic ¹	7,717	8,729	7,361	8,872	8,940
Kingsford Clinic ¹	23,656	20,090	17,011	16,108	16,135
Doctor's Park Family Physicians ¹	35,871	38,576	31,101	36,701	37,471
Gladstone Clinic ¹	11,631	12,733	9,796	4,750	0
Lakewood Clinic ¹	3,614	3,844	3,256	3,441	3,374
Negaunee Clinic ¹	3,081	2,605	2,349	2,314	2,271
Trenary Clinic ¹	1,919	2,028	1,613	1,595	1,665
Grand Marais Clinic ¹	382	406	323	320	334
Stephenson Clinic ²	0	0	0	2,095	2,281
Neurology Associates ¹	30,735	27,796	23,720	22,644	23,609
Pediatric Specialists ¹	14,998	13,802	11,806	10,983	10,630
Chippewa Medical Associates ¹	18,855	13,897	7,957	10,614	8,920
Respiratory Medicine ¹	19,003	16,921	14,439	13,215	13,462
UP Hematology/Oncology ¹	34,939	31,836	29,550	28,087	28,618
UP Internal Medicine ¹	33,159	30,895	26,646	27,486	21,804
North Shore Internal Medicine ¹	4,621	5,609	4,751	4,599	4,182
Infectious Diseases ¹	17,296	16,658	13,788	13,201	11,250
Neurosurgery ³	20,506	0	0	0	0
Behavioral Health	54,022	65,448	64,009	68,365	62,912
Occupational Medicine ¹	4,127	4,292	3,858	3,101	2,846
Total RVUs	391,969	365,860	315,474	319,704	298,657
¹ Reflects change in counting methodology initiated during FY2006Q4; FY2006 figures have been adjusted so that they are consistent with FY2007 figures ² The Stephenson Clinic was discontinued shortly before the end of FY2004 ³ The Neurosurgery Clinic commenced operation in January 2007					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

FINANCIAL INFORMATION

<i>Payor Mix by Gross Revenue</i> <i>[OS-2005 Page A-67]</i> <i>[OS-2006 Page A-68]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Medicare	47.1%	47.2%	47.7%	47.5%	46.9%
Medicaid	10.1%	9.9%	9.8%	9.9%	9.3%
Blue Cross	24.8%	25.2%	23.7%	24.0%	25.5%
Self-Pay	1.9%	1.5%	1.3%	1.3%	1.0%
Commercial and Other	16.1%	16.2%	17.5%	17.3%	17.3%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Summary of Statements of Operations</i> (<i>\$000s omitted</i>) [OS-2005 Page A-69] [OS-2006 Page A-70]					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006¹</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Net Patient Service Revenue	262,867	258,954	249,059	229,689	217,393
Other Operating Revenue	<u>13,758</u>	<u>12,867</u>	<u>10,298</u>	<u>9,851</u>	<u>8,452</u>
Total Operating Revenue	276,625	271,822	259,357	239,540	225,845
Depreciation and Amortization	13,522	13,734	12,659	12,959	12,795
Interest	3,988	3,412	1,741	2,158	2,179
Provision for Bad Debts	6,435	5,933	5,429	4,981	4,293
Other Operating Expenses	<u>259,264</u>	<u>255,117</u>	<u>236,795</u>	<u>218,585</u>	<u>206,342</u>
Total Operating Expenses	283,208	278,195	256,623	238,683	225,610
Income from Operations	(6,583)	(6,373)	2,733	857	235
Net Nonoperating Revenue	<u>8,795</u>	<u>4,467</u>	<u>(1,181)</u>	<u>3,060</u>	<u>(1,615)</u>
Revenue over (under) Expenses ^{2,3}	2,212	(1,906)	1,553	3,917	(1,381)
Net Income Available for Debt Service	19,307	14,898	18,168	19,034	13,594

Note: Some figures might not add precisely due to rounding.

¹ Certain FY2006 figures have been changed to reflect the presentation in the FY2007 audited financial statements

² FY2007 and FY2006 Net Nonoperating Revenue includes net unrealized investment gains of \$415,000 and \$341,000, respectively. These amounts were deducted from the Net Income Available for Debt Service in accordance with Section (i)(A) of its definition in the Master Indenture.

³ FY2005 Net Nonoperating Revenue includes a loss on extinguishment of debt of \$2,215,000. This amount was added back to the Net Income Available for Debt Service in accordance with Section (i)(E) of its definition in the Master Indenture.

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Balance Sheet Summary</i> (<i>\$000s omitted</i>) <i>[OS-2005 Page A-73]</i> <i>[OS-2006 Page A-75]</i>					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006¹</i>	<i>2005</i>	<i>2004²</i>	<i>2003</i>
Cash and Cash Equivalents ³	14,088	26,037	21,895	14,269	8,663
Net Patient Accounts Receivable	39,918	35,109	33,026	32,743	35,491
Other Current Assets	<u>11,120</u>	<u>10,133</u>	<u>9,660</u>	<u>11,664</u>	<u>11,383</u>
Total Current Assets	65,127	71,279	64,581	58,676	55,538
Board-Designated Investments ³	57,315	56,041	45,189	33,352	26,405
Net Property and Equipment	121,845	120,466	116,043	109,277	110,255
Other Non-Current Assets	<u>38,130</u>	<u>33,130</u>	<u>46,609</u>	<u>31,285</u>	<u>30,603</u>
Total	282,417	280,916	272,423	232,590	222,802
Current Liabilities	33,775	39,237	46,394	42,904	36,965
Long Term Debt, net of Current Portion	77,868	69,585	67,151	34,310	33,190
Other Non-Current Liabilities	<u>59,766</u>	<u>35,479</u>	<u>42,238</u>	<u>20,264</u>	<u>22,665</u>
Unrestricted Net Assets ⁴	<u>111,009</u>	<u>136,614</u>	<u>116,639</u>	<u>135,112</u>	<u>129,982</u>
Total	282,417	280,916	272,423	232,590	222,802
Note: Some figures might not add precisely due to rounding. ¹ Certain FY2006 figures have been changed to reflect the presentation in the FY2007 audited financial statements. ² Certain FY2004 figures have been changed to reflect the presentation in the FY2005 audited financial statements. ³ Used in "Days' Cash on Hand" and "Cushion Ratio" calculations ⁴ FY2007 amount includes \$646,000 of temporarily restricted net assets.					

MUNICIPAL SECONDARY MARKET DISCLOSURE
Michigan State Hospital Finance Authority / Marquette General Hospital
Fiscal Year Ended June 30, 2007

<i>Liquid Assets and Capital Expenditures</i> (<i>\$000s omitted</i>) [OS-2005 Page A-74] [OS-2006 Page A-76]					
	<i>Fiscal Years Ended June 30</i>				
	<i>2007</i>	<i>2006</i>	<i>2005</i>	<i>2004</i>	<i>2003</i>
Cash and Cash Equivalents	14,088	26,037	21,895	14,269	8,663
Board-Designated Investments	<u>57,315</u>	<u>56,041</u>	<u>45,189</u>	<u>33,352</u>	<u>26,405</u>
Liquid Assets	<u>71,403</u>	<u>82,079</u>	<u>67,084</u>	<u>47,621</u>	<u>35,068</u>
Capital Expenditures	15,277	18,437	19,507	12,059	14,754
Note: Some figures might not add precisely due to rounding.					

CONSOLIDATED FINANCIAL STATEMENTS

Marquette General Health System
Years Ended June 30, 2007 and 2006
With Report of Independent Auditors

Marquette General Health System

Consolidated Financial Statements

Years Ended June 30, 2007 and 2006

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Report of Independent Auditors

The Board of Trustees
Marquette General Health System

We have audited the accompanying consolidated balance sheets of Marquette General Hospital, Inc. (d/b/a Marquette General Health System) (the System) as of June 30, 2007 and 2006, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the System's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also 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 audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Marquette General Health System at June 30, 2007 and 2006, and the consolidated results of its operations and changes in net assets and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

As discussed in Note 3 to the consolidated financial statements, in 2007 the System changed its method of accounting for retirement plans in connection with the required adoption of Statement of Financial Accounting Standards No. 158.

Ernst + Young LLP

September 14, 2007

Marquette General Health System

Consolidated Balance Sheets

	June 30	
	2007	2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,088,083	\$ 26,037,449
Assets limited as to use – required for current liabilities	356,327	287,438
Accounts receivable, net of allowances for uncollectible accounts of \$6,220,000 and \$5,781,000 in 2007 and 2006, respectively	39,918,384	35,108,502
Inventories	7,924,963	7,449,181
Third-party settlement receivables	611,672	–
Prepaid expenses	2,227,093	2,396,676
Total current assets	65,126,522	71,279,246
Assets limited as to use, net of current portion:		
Board-designated for capital improvements	57,315,042	56,041,089
Under the following agreements:		
Bond agreements	6,067,087	3,388,124
Self insurance for professional liability and workers' compensation	17,690,368	16,990,017
	81,072,497	76,419,230
Property and equipment:		
Land and land improvements	10,952,464	10,585,589
Buildings	150,558,962	147,911,869
Equipment	139,018,569	129,836,144
Construction in progress	6,937,822	5,609,879
	307,467,817	293,943,481
Less accumulated depreciation	185,622,941	173,477,465
	121,844,876	120,466,016
Other assets:		
Deferred financing costs, net of amortization	2,460,309	537,715
Intangible pension asset	–	2,946,132
Interest rate swap	336,694	–
Other	11,575,513	9,268,053
	14,372,516	12,751,900
Total assets	\$ 282,416,411	\$280,916,392

	June 30	
	2007	2006
Liabilities and net assets		
Current liabilities:		
Accounts payable and other liabilities	\$ 11,707,784	\$ 10,849,747
Current portion of employee compensation and benefits	18,060,887	16,463,005
Third-party settlement liabilities	–	5,949,240
Accrued interest payable	489,060	414,652
Current portion of long-term debt	3,517,592	5,560,435
Total current liabilities	<u>33,775,323</u>	<u>39,237,079</u>
Professional liability and workers' compensation reserves	3,808,432	4,234,111
Accrued employee compensation and benefits, net of current portion	2,876,474	3,033,728
Accrued pension liability	53,080,860	28,154,280
Interest rate lock	–	57,390
Long-term debt, net of current portion	77,867,715	69,585,306
Total long-term liabilities	<u>137,633,481</u>	<u>105,064,815</u>
Net assets:		
Unrestricted	110,361,928	136,614,498
Temporarily restricted	645,679	–
Total net assets	<u>111,007,607</u>	<u>136,614,498</u>

Total liabilities and net assets

\$ 282,416,411 \$280,916,392

See accompanying notes.

Marquette General Health System

Consolidated Statements of Operations and Changes in Net Assets

	Years Ended June 30	
	2007	2006
Unrestricted revenues and other support:		
Net patient service revenue	\$ 262,867,004	\$258,954,111
Other operating revenue	13,758,196	12,867,492
Total revenue	276,625,200	271,821,603
Expenses:		
Salaries and wages	113,565,309	112,179,551
Supplies and other services	104,358,868	100,524,714
Employee health and welfare benefits	41,339,431	42,412,333
Depreciation and amortization	13,521,667	13,733,725
Provision for uncollectible accounts	6,434,992	5,932,597
Interest and amortization of deferred finance costs	3,988,110	3,411,950
Total expenses	283,208,377	278,194,870
Operating loss	(6,583,177)	(6,373,267)
Nonoperating income (expense):		
Net realized investment gains	8,756,896	4,406,633
Net unrealized investment gains	414,788	341,349
Loss on disposal of assets	(376,713)	(280,639)
	8,794,971	4,467,343
Excess of revenue over (under) expenses	2,211,794	(1,905,924)
Gain on interest rate hedging instruments	394,084	1,581,984
Contribution received for property acquisitions	154,557	881,455
Change in minimum pension liability	5,929,170	19,417,830
Increase in unrestricted net assets prior to adoption of accounting principle	8,689,605	19,975,345
Cumulative effect of adoption of accounting principle	(34,942,175)	-
(Decrease) increase in unrestricted net assets	(26,252,570)	19,975,345
Increase in temporarily restricted net assets	645,679	-
(Decrease) increase in net assets	(25,606,891)	19,975,345
Net assets at beginning of year	136,614,498	116,639,153
Net assets at end of year	\$ 111,007,607	\$136,614,498
<i>See accompanying notes.</i>		

Marquette General Health System

Consolidated Statements of Cash Flows

	Years Ended June 30	
	2007	2006
Operating activities		
(Decrease) increase in unrestricted net assets	\$ (25,606,891)	\$ 19,975,345
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization, including amortization of deferred finance costs	13,707,606	13,795,180
Net unrealized investment gains	(414,788)	(341,349)
Gain on hedging interest rate instruments	(394,084)	(1,581,984)
Loss on disposal of assets	376,713	280,639
Net periodic pension cost	13,782,183	14,731,762
Pension contributions	(14,922,476)	(10,469,643)
Change in minimum pension liability	(5,929,170)	(19,417,830)
Cumulative effect of adoption of accounting principle	34,942,175	-
Provision for uncollectible accounts	6,434,992	5,932,597
Increase in temporarily restricted net assets	(645,679)	-
Changes in operating assets and liabilities:		
Accounts receivable	(11,244,874)	(8,015,300)
Inventories, prepaid expenses, and other assets	(2,613,659)	(1,274,106)
Accounts payable and other liabilities	858,037	1,004,294
(Increase) decrease in assets limited as to use	(4,307,368)	3,184,579
Third-party settlement liabilities	(6,560,912)	(2,205,123)
Employee compensation and related liabilities	1,440,628	1,107,745
Accrued interest payable	74,408	53,694
Professional liability and workers' compensation reserves	(425,679)	(330,150)
Net cash provided by operating activities	(1,448,838)	16,430,350
Investing activities		
Capital expenditures – net	(15,277,240)	(18,437,285)
Net cash used in investing activities	(15,277,240)	(18,437,285)
Financing activities		
Increase in temporarily restricted net assets	645,679	-
Proceeds from long-term debt	37,000,000	8,000,000
Principal payments of long-term debt	(30,547,949)	(1,452,592)
Increase in deferred financing costs	(2,108,533)	-
Principal payments of capital leases	(212,485)	(398,183)
Net cash provided by financing activities	4,776,712	6,149,225
Net increase in cash and cash equivalents	(11,949,366)	4,142,290
Cash and cash equivalents at beginning of year	26,037,449	21,895,159
Cash and cash equivalents at end of year	\$ 14,088,083	\$ 26,037,449

() Denotes use of cash and cash equivalents.

See accompanying notes.

Marquette General Health System

Notes to Consolidated Financial Statements

June 30, 2007 and 2006

1. Significant Accounting Policies

Organization and Nature of Operations

Marquette General Hospital, Inc. (d/b/a Marquette General Health System) (the System) is a Michigan nonstock corporation providing health care services in Michigan's Upper Peninsula.

The System owns all of the outstanding shares of common stock of Rampart EMS, Inc. and subsidiaries (Rampart). Rampart provides ambulance services for portions of the southern Upper Peninsula of Michigan. Marquette General Foundation (Foundation) is a Michigan nonstock corporation whose sole corporate member is the System. The Foundation receives and administers funds for charitable purposes to promote and support the healthcare mission of the System. All intercompany accounts and transactions are eliminated in preparation of the consolidated financial statements.

The System owns all of the outstanding shares of common stock of Klinitek, Inc. (Klinitek). Klinitek is in the business of developing computer software for health care applications. All intercompany accounts and transactions are eliminated in preparation of the consolidated financial statements.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles which requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash Equivalents

Cash equivalents consist of highly liquid financial instruments with an original maturity of three months or less when purchased.

Allowance for Uncollectible Accounts

Accounts receivable consist of amounts due for health care services provided. Amounts are written off to bad debt as they are deemed uncollectible, and an allowance for uncollectible accounts is provided based on a review of current payor status and historical collection experience.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Inventories

Inventories consist of medical supplies, durable medical equipment, and pharmaceutical items valued at the lower of cost (average cost) or market.

Income Taxes

The System is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the Internal Revenue Code (IRC). Rampart is a nonprofit, tax-exempt organization as described under Section 501(c)(3) of the IRC. Klinitek is a taxable organization and records a provision for income taxes to the extent required based on its separate earnings and IRC regulations. The Foundation is a nonprofit, tax-exempt organization and is a Type 1 supporting organization as defined by the IRC.

Financial Instruments

The System's financial instruments include cash and cash equivalents, accounts receivable, investments, accounts payable, and long-term debt. Management's estimate of the fair value of these financial instruments approximates the carrying amounts at June 30, 2007, except for certain long-term debt arrangements, which use discounted cash flow analyses based on the System's estimated borrowing rate for similar financing arrangements.

Net Patient Service Revenue

Net patient service revenue is reported at estimated net realizable amounts from patients, third-party payors, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations. Adjustments to recorded estimates are likely in the future and could be material. The System's net patient service revenue was decreased by \$58,000 in 2007 and \$32,000 in 2006, to reflect changes in the estimated settlements for certain prior years.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

The System provides care to patients under payment arrangements with Medicare, Medicaid, and Blue Cross. Net patient service revenue subject to the provisions of these third-party contracts is approximately 43%, 6%, and 26%, respectively. Services provided under these arrangements are paid at predetermined rates and/or reimbursable costs as defined. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. The System believes it is in compliance with all applicable laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action.

Charity and Other Uncompensated Care

In furtherance of the System's mission, quality medical services are provided regardless of race, creed, sex, national origin, handicap, or ability to pay. In addition to providing services to the financially disadvantaged at no cost or at a discounted charge, the System participates in state programs designed for the indigent whereby the System is reimbursed less than its costs for services. The following is management's estimate of charity and other uncompensated care services provided for the years ended June 30:

	<u>2007</u>	<u>2006</u>
	<i>(Unaudited)</i>	
Charity care costs	\$ 377,000	\$ 578,000
Costs in excess of reimbursement from state programs for services to the financially disadvantaged	10,724,000	9,744,000
Cost of services associated with uncollectible accounts	4,418,000	3,996,000
Total charity and other uncompensated care	<u>\$15,519,000</u>	<u>\$14,318,000</u>

Excess of Revenue Over Expenses

Included in the excess of revenue over expenses in the accompanying consolidated statements of operations and changes in net assets are all changes in unrestricted net assets, other than contributions received for property acquisitions, gain or loss on hedging instruments, and minimum pension liability.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Property and Equipment

Property and equipment are stated at cost. Depreciation, including amortization of amounts recorded under capital leases, is computed using the straight-line method over the estimated useful lives of the related assets, which range from three to forty years. Costs of maintenance and repairs are charged to expense when incurred.

Deferred Financing Costs

Financing costs incurred in connection with outstanding debt are being amortized over the life of the related debt using the straight-line method, which approximates the effective interest rate method.

Assets Limited as to Use

Assets limited as to use by the Board of Trustees are primarily designated for capital improvements. The funds are invested primarily in U.S. Treasury bills and notes and equity and fixed income securities and are stated at fair value.

Assets limited as to use under bond agreements are stated at fair value and are held by a trustee pursuant to the provisions of the Michigan State Hospital Finance Authority loan agreements.

Assets limited as to use relating to self-insurance for professional liability, workers' compensation, and general liability claims are held by a trustee. These funds are used to pay professional liability, workers' compensation, and general liability claims. Such funds are primarily invested in equity and fixed income securities and are stated at fair value.

Unrealized appreciation or depreciation in the aggregate fair value of investments represents the change during the year in the difference between the current quoted market price and the original cost of investments. Realized gain or loss on investments is the difference between proceeds received and the specific cost of investments sold.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Contributions

Unconditional promises to give cash and other assets to the System are reported at fair value at the date the promise is received. Such unconditional gifts are recorded as other operating revenue unless provided for property acquisitions, in which case it is recorded as an other increase in net assets. Conditional promises to give and indications of intentions are reported at fair value at the date the gift is received. The gifts are reported as either temporarily or permanently restricted support if they are received with donor stipulations that limit the use of donated assets.

When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified as unrestricted net assets and reported on the statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reported as unrestricted contributions in the accompanying statements of operations. Earnings from the investments of contributions and bequests are reflected in unrestricted net assets when earned unless otherwise restricted by the donor.

The System received unconditional promises to give cash and other assets with a fair value of \$413,669 in 2007 and none in 2006.

Reclassifications

Certain amounts reported in 2006 have been reclassified to conform to the 2007 presentation.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

2. Assets Limited as to Use

Assets limited as to use are stated at fair value. The composition of assets limited as to use was as follows at June 30:

	2007	2006
Board designated for capital improvements		
Cash and cash equivalents	\$ 4,740,072	\$ 9,304,297
Government fixed income securities	24,752,150	22,676,820
Equity securities	27,822,820	24,059,972
	57,315,042	56,041,089
Under bond agreements		
Cash and cash equivalents	501,176	298,242
Government fixed income securities	5,922,238	3,377,320
	6,423,414	3,675,562
Self-insurance for professional liability and workers' compensation		
Cash and cash equivalents	371,958	404,053
Government fixed income securities	9,997,680	9,386,863
Equity securities	7,320,730	7,199,101
	17,690,368	16,990,017
	\$81,428,824	\$76,706,668

Gross unrealized gains and losses were \$4,042,688 and \$998,900 at June 30, 2007 (\$4,171,000 and \$1,542,000 at June 30, 2006).

In previous years, the System's investments were classified as other-than-trading. As such, unrealized gains and losses that were considered temporary were excluded from excess revenue over expenses. During 2007, the System determined that substantially all its investment portfolio was more appropriately classified as trading, with unrealized gains and losses included in excess of revenue over expenses. Therefore, certain amounts in the accompanying 2006 consolidated financial statements have been reclassified to reflect this change in classification. These reclassifications did not impact the increase in net assets previously reported.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

3. Pension Plan

The System maintains a defined-benefit pension plan (the Plan), which covers substantially all employees hired prior to January 1, 2006. The System's funding policy is to contribute amounts to the Plan sufficient to meet the minimum funding requirements set forth in the Employee Retirement Income Security Act of 1974, plus such additional amounts as the System may determine to be appropriate from time to time.

Effective June 30, 2007 the System adopted the recognition and disclosure requirements of SFAS No. 158 *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. Adjustments to pension liability to reflect funded status are charged or credited to unrestricted net assets. The effect of adopting SFAS No. 158 increased the minimum pension liability and decreased unrestricted net assets in the amount of \$34,942,000 at June 30, 2007

The following table summarizes the funded status and other information related to the Plan as of June 30:

	2007	2006
Change in projected benefit obligation		
Benefit obligation at beginning of year	\$ 169,454,983	\$ 178,819,572
Service cost	9,908,478	9,740,156
Interest cost	11,321,077	10,201,039
Actuarial loss (gain)	897,434	(26,548,561)
Benefits paid	(3,087,927)	(2,757,223)
Benefit obligation at end of year	\$ 188,494,045	\$ 169,454,983
Change in plan assets		
Fair value of plan assets at beginning of year	\$ 108,803,021	\$ 94,649,178
Actual return on assets	14,775,615	6,441,423
Employer contributions	14,922,476	10,469,643
Benefits paid	(3,087,927)	(2,757,223)
Fair value of plan assets at end of year	\$ 135,413,185	\$ 108,803,021
Reconciliation of funded status		
Funded status	\$ (53,080,860)	\$ (60,651,962)
Unrecognized prior service cost	-	2,946,132
Unrecognized loss	-	44,415,721
Net accrued pension liability	\$ (53,080,860)	\$ (13,290,109)
Amounts recognized in the consolidated balance sheets		
Accrued pension liability included in the consolidated balance sheets	\$ (53,080,860)	\$ (28,154,280)
Unrecognized amounts:		
Net loss	38,508,535	-
Unrecognized prior service cost	2,422,509	-
Intangible pension asset	-	2,946,132
Additional minimum pension liability recorded as an adjustment to unrestricted net assets	-	11,918,039
Net amount recognized	\$ (12,149,816)	\$ (13,290,109)

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

3. Pension Plan (continued)

Components of net periodic pension cost for the year ended June 30 are as follows:

	<u>2007</u>	<u>2006</u>
Service cost	\$ 9,908,478	\$ 9,740,156
Interest cost	11,321,077	10,201,039
Expected return on plan assets	(9,808,040)	(9,715,615)
Amortization of unrecognized prior service cost	523,623	523,623
Amortization of net loss	1,837,045	3,982,559
Net periodic pension cost	<u>\$13,782,183</u>	<u>\$14,731,762</u>

Accumulated adjustments to unrestricted net assets at June 30, 2007 include amounts related to net actuarial loss and unrecognized prior service costs that have not yet been recognized in net periodic benefit costs. Expected amortization of unrecognized amounts of \$2,283,319 will be recognized in fiscal 2008.

The actuarial assumptions used in determining the funded status information and net periodic cost shown above were as follows:

	<u>2007</u>	<u>2006</u>
Weighted-average discount rate	6.43%	6.75%
Expected return on plan assets	8.0	8.0
Rate of compensation increase	4.0	4.0

The System's estimate of total contributions to the pension plan for the next fiscal year is \$26,396,000.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

3. Pension Plan (continued)

The benefits expected to be paid in each of the next five fiscal years, and in aggregate for the following five years are as follows:

2008	\$ 3,883,357
2009	4,576,657
2010	5,399,269
2011	6,272,959
2012	7,234,249
2013 to 2017	\$55,032,952

The investment policy, as established by the Board of Trustees, is to assist the Marquette General Hospital Plan Finance Committee with supervising and monitoring the investment of the Marquette General Hospital Retirement Fund's assets. The investment policy objectives include: meeting and funding the liabilities of the Defined-Benefit Pension Plan; providing long-term growth of principal without undue risk, through capital appreciation, income, and System contributions; and focusing on consistent long-term capital appreciation and income.

The target allocation and actual allocation of plan assets by type of asset at the end of each year is as follows:

	Target	2007	2006
Equity	55-65%	53%	53%
Bonds and notes	35-45	37	38
Cash equivalents	0	10	9

Effective January 1, 2006, new employees are not eligible to participate in the defined benefit pension plan, but are eligible, subject to the vesting requirement of the plan, for participation in the 401(k) defined-contribution plan along with all existing employees. Effective January 1, 2006, the System began matching contributions in this plan, of up to 4% of compensation.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

4. Professional Liability, Workers' Compensation, and General Liability Reserves

The System is self-insured up to certain levels of risk for professional liability, workers' compensation, and general liability claims. Effective June 1, 1997, the System purchased excess professional liability insurance. The current level of excess insurance covers losses over the retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its professional liability claims. Prior to June 1, 1997, the System was completely self-insured for its professional liability claims. Insurance coverage has been obtained for workers' compensation claims in excess of \$500,000 per occurrence. Effective March 29, 2005, the System became self-insured up to certain levels of risk for its general liability claims. Also on that date, the System purchased excess general liability insurance. The current level of excess insurance covers losses over the retention of \$2,000,000 per occurrence and \$6,000,000 annual aggregate for its general liability claims. Prior to March 29, 2005, the System was covered by a commercial insurance policy for general liability claims. The System is insured under an umbrella policy for professional liability, workers' compensation, and general liability claims up to \$8,000,000 per occurrence and \$8,000,000 annual aggregate.

The System, with the assistance of an independent actuary, estimates a range of loss for these claims based on its past experience along with relevant industry data. This estimate includes provisions for known claims and unreported incidents. The System has accrued the present value of what it believes to be the most likely amount of loss in the range, discounted at 5% per annum. Trusts have been established to which contributions are made based upon these estimates. The trust agreements restrict trust assets to the payment of claims and the cost of trust administration.

It is management's belief that adequate provision has been made at June 30, 2007 and 2006, for all professional liability, workers' compensation, and general liability claims incurred to date. Management further believes that the ultimate disposition of these claims, after consideration of recorded reserves, will not have a material adverse effect on the consolidated financial position of the System.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt

Long-term debt consisted of the following at June 30:

	2007	2006
Michigan State Hospital Finance Authority Hospital Revenue Bonds, Series 2006	\$37,000,000	\$ —
Michigan State Hospital Finance Authority Hospital Revenue Bonds, Series 2005A	28,890,691	28,988,283
City of Marquette Hospital Finance Authority Variable Rate Demand Hospital Revenue Bonds, Series 2004A	8,110,000	10,645,000
Term Loan	7,384,615	35,300,000
Obligations under capital leases	—	212,458
	81,385,306	75,145,741
Less current portion	3,517,592	5,560,435
	\$77,867,714	\$69,585,306

In fiscal 2007, the Michigan State Hospital Finance Authority issued Hospital Revenue Bonds, Series 2006, totaling \$37,000,000. The Bonds bear interest as determined by an auction rate and are to be repaid in annual amounts ranging from \$4,000,000 in June 2015 to \$5,325,000 in June 2022. Proceeds were used to repay certain amounts outstanding on the Term Loan and for various property acquisitions.

In May 2005, the Michigan State Hospital Finance Authority issued Hospital Revenue Bonds, Series 2005A, totaling \$28,465,000 (unamortized premium of \$425,692 and \$523,283 at June 30, 2007 and 2006, respectively). Proceeds were used to finance construction projects and certain capital equipment.

Series 2005A Bonds, totaling \$12,015,000 that mature through May 15, 2014, are not subject to redemption, bear interest at 5.0%, and are due in annual amounts ranging from \$2,175,000 in 2010 to \$2,645,000 in 2014. Bonds maturing thereafter (the Term Bonds), totaling \$16,450,000, are redeemable at a price of par plus accrued interest. The Term Bonds are subject to mandatory annual redemption at par commencing May 15, 2020 through May 15, 2034. The Term Bonds bear interest at fixed rates of 5.0% and are to be repaid in annual amounts ranging from \$760,000 in 2020 to \$1,510,000 in 2034.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

In December 2004, the City of Marquette Hospital Finance Authority issued Variable Rate Demand Hospital Revenue Bonds, Series 2004A, totaling \$12,000,000. The 2004 Bonds bear interest as determined by a remarketing agent (3.83% and 4.05% at June 30, 2007 and 2006, respectively) and are to be repaid in annual amounts ranging from \$2,620,000 in July 2007 to \$2,790,000 in July 2009. The 2004 Bonds are secured by a five-year letter of credit and contain an option to convert to a fixed interest rate. Proceeds were used to refund amounts outstanding on the Michigan State Hospital Finance Authority Healthcare Equipment Loan Program Bonds and for various capital purchases.

In December 2004, the System secured a Term Loan totaling \$27,300,000. In October 2005, the System obtained an additional \$8,000,000 on the Term Loan. In August 2006, the system paid 27,300,000 towards the Term Loan, using proceeds from the Series 2006 Bonds. In May 2007, the System entered into a Term Loan Amendment which altered the amounts of future principal payments. The remaining Term Loan outstanding is payable in annual amounts ranging from \$800,000 in December 2007 to \$1,900,000 in December 2011. The Term Loan bears interest at a fixed rate of 3.8% through March 2006 and thereafter at a variable rate, as defined. Proceeds were used to refund amounts outstanding on the 1996 Series D Bonds.

During fiscal 2005, the System entered into a rate lock agreement, in anticipation of refinancing the Term Loan, which has been deemed effective as a cash flow hedge for accounting purposes as defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The rate lock agreement is based on a notional amount of \$31,000,000, and allows the System to mitigate interest rate fluctuations from the date of the transaction through the issuance of tax-exempt refunding bonds in fiscal 2007. This rate lock agreement was terminated in August 2006 for \$648,000, which is being amortized over the life of the Series 2006 Bonds.

During fiscal 2006, the System entered into a fixed payor interest rate swap agreement which has been deemed effective as a cash flow hedge for accounting purposes as defined in SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. The interest rate swap agreement is based on a notional amount of \$37,000,000, and allows the System to offset the changes in overall cash flows due to the repricing of debt obligations from the date of transaction through the fiscal 2022 termination date.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

5. Long-Term Debt (continued)

To secure rental payments, the System pledged to Bank One Corporation (the trustee) the gross revenues of the System. The System entered into an agreement guaranteeing the payment of the principal, redemption premiums, if any, and interest on the Bonds. To secure its obligations under the guarantee, the System granted the trustee a first mortgage lien on the existing hospital facilities. As additional security, the System granted a security interest in personal property, accounts receivable, and other intangible property of the System. This security was released in connection with the defeasance of the 1996 Series D Bonds, but such security was granted to Wells Fargo Bank, N.A., as Master Trustee, in connection with the issuance of the Term Loan and the debt instruments issued thereafter.

Future maturities of long-term debt during the four years subsequent to fiscal 2008 are as follows: 2009 – \$3,697,592; 2010 – \$6,808,575; 2011 – \$4,254,844; 2012 – \$4,477,965; and thereafter – \$58,628,738.

The System made interest payments of approximately \$3,988,000 and \$3,412,000 for the years ended June 30, 2007 and 2006, respectively. At June 30, 2007 and 2006, the carrying value of long-term debt approximated fair value.

6. Commitments

The System has several operating lease commitments, principally for office and storage space. The following is a schedule of future minimum rental payments required under these operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2007:

Years ending June 30:	
2008	\$ 1,434,149
2009	517,453
2010	381,338
2011	227,355
2012	27,350
Thereafter	—
	<u>\$ 2,587,645</u>

Lease expense for all operating leases amounted to approximately \$2,227,000 and \$2,165,000 in 2007 and 2006, respectively.

Marquette General Health System

Notes to Consolidated Financial Statements (continued)

6. Commitments (continued)

The System has entered into certain purchase commitments with vendors for the construction of building additions and acquisition of equipment totaling \$1,841,000 and \$4,967,000 as of June 30, 2007 and 2006, respectively.

7. Related-Party Transactions

The System provides healthcare services to enrollees of U.P. Health Plan, an affiliated organization. Net patient service revenue for services rendered to plan participants totaled \$4,692,888 and \$5,638,000 for the years ended June 30, 2007 and 2006, respectively.

8. Guaranteed Debt

In 2004, the System guaranteed the payment of hospital revenue bonds totaling \$2,540,000 issued by the City of Iron River Hospital Finance Authority for Iron County Community Hospitals, Inc. Management believes that it is unlikely that the System will have to fulfill this guarantee, and therefore, no liability is recorded with respect to this guarantee at June 30, 2007.