

Continuing Disclosure Narrative

Certain Information on

SINGING RIVER HEALTH SYSTEM

The information contained herein has been obtained from Singing River Health System as well as other sources believed to be reliable by the Underwriters.

INTRODUCTION

General Overview

Singing River Health System ("Health System") is a county-owned community health system and a public instrumentality of Jackson County, Mississippi ("Jackson County") under Sections 41-13-10 *et seq.*, Mississippi Code of 1972, as amended and supplemented from time to time ("Act"). The Health System operates two acute care hospitals (collectively, "the Hospitals" and each respectively, a "Hospital Facility"), one located in Pascagoula, Mississippi and known as Singing River Hospital ("Singing River Hospital") and the second located in Ocean Springs, Mississippi and known as Ocean Springs Hospital ("Ocean Springs Hospital"). In addition to the Hospitals and related affiliates, the Health System is the sole corporate member of SRHS Ambulatory Services, Inc. ("SRHSAS") and its physician-based joint ventures. It also operates as the sole corporate member of Grand Bay Medical Center, Inc. ("GBMC"), an outpatient adult and pediatric primary care facility located in Grand Bay, Alabama. The Health System is owned by Jackson County, and all real property included in the Hospitals is owned by Jackson County.

Hospitals

Singing River Hospital and Ocean Springs Hospital are the Health System's two acute care facilities. Below is a brief description of each.

Singing River Hospital. Singing River Hospital is an acute care hospital offering a wide array of inpatient and outpatient services including general/medical and surgical services as well as specialty services such as cardiac and oncology services. Singing River Hospital operates 435 licensed beds, comprised of 355 general medical/surgical beds, 30 intensive care unit ("ICU") beds, 30 psychiatric beds, and 20 comprehensive rehab beds. The average daily census for Singing River Hospital in 2011 was 123.

Singing River Hospital consists of a 425,487 square foot building located on the Health System's campus in Pascagoula, Mississippi. Singing River Hospital is located in the southeastern part of Mississippi, approximately 16 miles east of the Health System's Ocean Springs Hospital and 25 miles east of Biloxi Regional Medical Center, the nearest competing acute care provider on the Mississippi Gulf Coast. Singing River Hospital is approximately ten miles west of the Alabama State line and 30 miles west of the nearest competing acute care provider in Alabama, which is located in Mobile County. Also situated on the campus are the Regional Cancer Center and the J. F. Turner Heart Center, which includes a Heart Failure Clinic, cardiologists' offices and an array of cardiac services.

In fiscal year 2011, Singing River Hospital had total operating revenues of \$185,083,152. This represents 49.5% of the Health System's total operating revenues.

Ocean Springs Hospital. Ocean Springs Hospital is an acute care hospital offering a wide array of inpatient and outpatient services with specialty services that include cardiac services, orthopedic services, and state of the art diagnostic technology. Ocean Springs Hospital is currently licensed for 136 beds, comprised of 112 acute care beds and 24 ICU beds. The average daily census for Ocean Springs Hospital in 2011 was 96.

Ocean Springs Hospital consists of a 260,000 square foot building located in Ocean Springs, Mississippi, which is approximately 8 miles from its nearest competing acute care provider, Biloxi Regional Medical Center. Also situated on the campus is Ocean Springs Surgical and Endoscopy Center, a for-profit, multi-specialty ambulatory surgery center, which is owned 51% by SRHSAS.

Ocean Springs Hospital applied for and received a Certificate of Need in 2007 from the Mississippi State Department of Health for the addition of 20 observation beds. In addition to the additional beds, this Certificate of Need will allow for the expansion of the surgical area of the Hospital Facility to update and expand its surgical capabilities. Construction on the new tower to accommodate the expansion has begun and was financed with the proceeds of the Series 2009A Bonds. Construction is expected to be completed by January 2014.

In fiscal year 2011, Ocean Springs Hospital had total operating revenues of \$180,031,046. This represents 48.1% of the Health System's total operating revenues.

Together, the two hospitals comprised 98% of the Health System's total operating revenues in fiscal year 2011.

HEALTH SYSTEM SERVICES

General Services

The Health System provides a comprehensive range of healthcare services including medical and surgical care, cardiology, oncology, neurology, obstetrics and gynecology, intensive care and emergency services. These services are complemented by a complete range of diagnostic and therapeutic services including laboratory, radiology, diagnostic imaging, ultrasound and other specialized services.

Surgical specialties are available in the following areas:

- oncologic surgery
- orthopedic surgery
- urologic surgery
- cardiothoracic surgery
- general surgery
- plastic surgery
- neurosurgery
- bariatric surgery
- gynecologic surgery

Outpatient surgery services, which enable patients to return home the same day they have a procedure, are available at the Hospitals, as well as in two separate state-of-the-art freestanding multi-specialty centers that the Health System owns in conjunction with qualified physician investors.

The Health System provides a full range of diagnostic and therapeutic services to support inpatient, outpatient, and emergency services. The following are some of the major diagnostic and therapeutic services offered in the Health System:

- radiation oncology
- magnetic resonance imaging ("MRI")
- computerized topographic ("CT") scanning
- nuclear medicine
- positron emission tomography ("PET") scanning
- cardiac catheterization
- electrophysiology
- electroencephalography
- electrocardiology ("EKG")
- physical/occupational therapy
- aquatic therapy
- speech therapy
- pulmonary function testing
- stress testing
- pain management
- wound care
- hyperbaric oxygen therapy

GOVERNANCE

The Health System was established by and is owned by Jackson County pursuant to the Act. The Health System is governed by the Health System Board of Trustees.

Board of Trustees of the Health System (the “System Board”)

System Board. The Health System is governed by the System Board consisting of seven (7) members appointed by Jackson County’s Board of Supervisors and two (2) other members, which are the chief of staff and chief of staff elect for the Health System. Each of the five members of Jackson County’s Board of Supervisors has the right to nominate one Trustee from his or her district or from Jackson County at large, and each nomination must be approved by a majority of Jackson County’s Board of Supervisors. Appointments exceeding five (5) in number shall be from Jackson County at large. Members of the System Board serve for staggered five-year terms. System Board terms for the chief of staff and chief of staff elect coincide with their term of service for the Health System.

The System Board holds regular monthly meetings as well as periodically scheduled special meetings that are arranged from time-to-time as appropriate. Four members of the System Board represented in person constitutes a quorum for the transaction of business.

The members of the System Board, their principal occupations, the year of their respective initial appointments and the year in which their respective terms expire, all as of October 1, 2011, are as follows:

Singing River Health System

Board of Trustees

Name	Occupation	Initial Appointment	Current Term Expires
Michael J. Heidelberg President	Real Estate Appraiser	July 1998	July 2013
Michael D. Tolleson Vice President	Certified Public Accountant	January 2001	January 2016
Allen L. Cronier Secretary-Treasurer	Retired Engineering Specialist Northrop Grumman Ship Systems	December 2002	January 2014
Tommy L. Leonard Member	Manager Huntington-Ingalls Incorporated	July 2009	June 2014
Ira S. Polk, Jr. Member	Retired Mayor City of Moss Point	January 2010	January 2015
Lawrence H. Cospers Member	Retired Business Owner Local Color Gallery	January 2007	January 2012
Morris G. Strickland Member	Owner Eagle Enterprises	January 2008	January 2013
Joseph P. Vice, M.D. Chief of Staff	Physician	October 2010	September 2012
Eric D. Washington, M.D. Chief of Staff Elect	Physician	October 2011	September 2013

Conflicts of Interest. The System Board requires, as a matter of policy, full disclosure of any potential conflict of interest by the members of the System Board, as well as management. Upon such disclosure, the policy calls for the determination by the System Board of the material significance of such conflict and any appropriate action or consequence. The System Board is not aware of any conflict of interest that currently exists with regards to voting members. As a result of potential conflicts of interest that exist due to the current chief of staff and chief of staff elect having service contracts with the Health System (predating their election as chief of staff and chief of staff elect, respectively), both the chief of staff and chief of staff elect have formally elected to forego their right to serve as voting members; however, they are both afforded the opportunity of attending and actively participating in all System Board meetings.

MEDICAL STAFF

Per the Medical Staff Bylaws, the medical staff's of both Ocean Springs Hospital and Singing River Hospital function as one combined Singing River Health System Medical Staff.

There are three categories of privileges within the Medical Staff bylaws structure, as follows:

- Active
- Associate
- Consulting

Active Medical Staff members include physicians who routinely utilize the Health System's services and facilities and participate in the medical activities of the Hospitals and/or the SRHS Clinics. Active Medical Staff members must be Board Certified or equivalent. Active Medical Staff members account for approximately 97% of the admissions to the Health System's Hospitals. Associate Medical Staff members are limited to 15 patient encounters in any one fiscal year and Consulting Staff members do not have admitting privileges.

- As of September 30, 2011, the current composition of the Health System's medical staff is as follows:

Singing River Health System Medical Staff

As of September 30, 2011			
Physicians	Singing River Hospital	Ocean Springs Hospital	Total
Active	161	185	346
Associate	15	56	71
Consulting	29	54	83
All Other*	48	34	82
Total	253	329	582**

* "All Other" includes Honorary, Locum Tenens, and Community Based staff.

** Of the noted 582 medical staff members, 314 have duplicative admitting privileges between the Hospitals and 103 have admitting privileges that are specific to either Singing River Hospital or Ocean Springs Hospital. The remaining 165 medical staff members comprise the Consulting and All Other categories and do not have admitting privileges within the Health System.

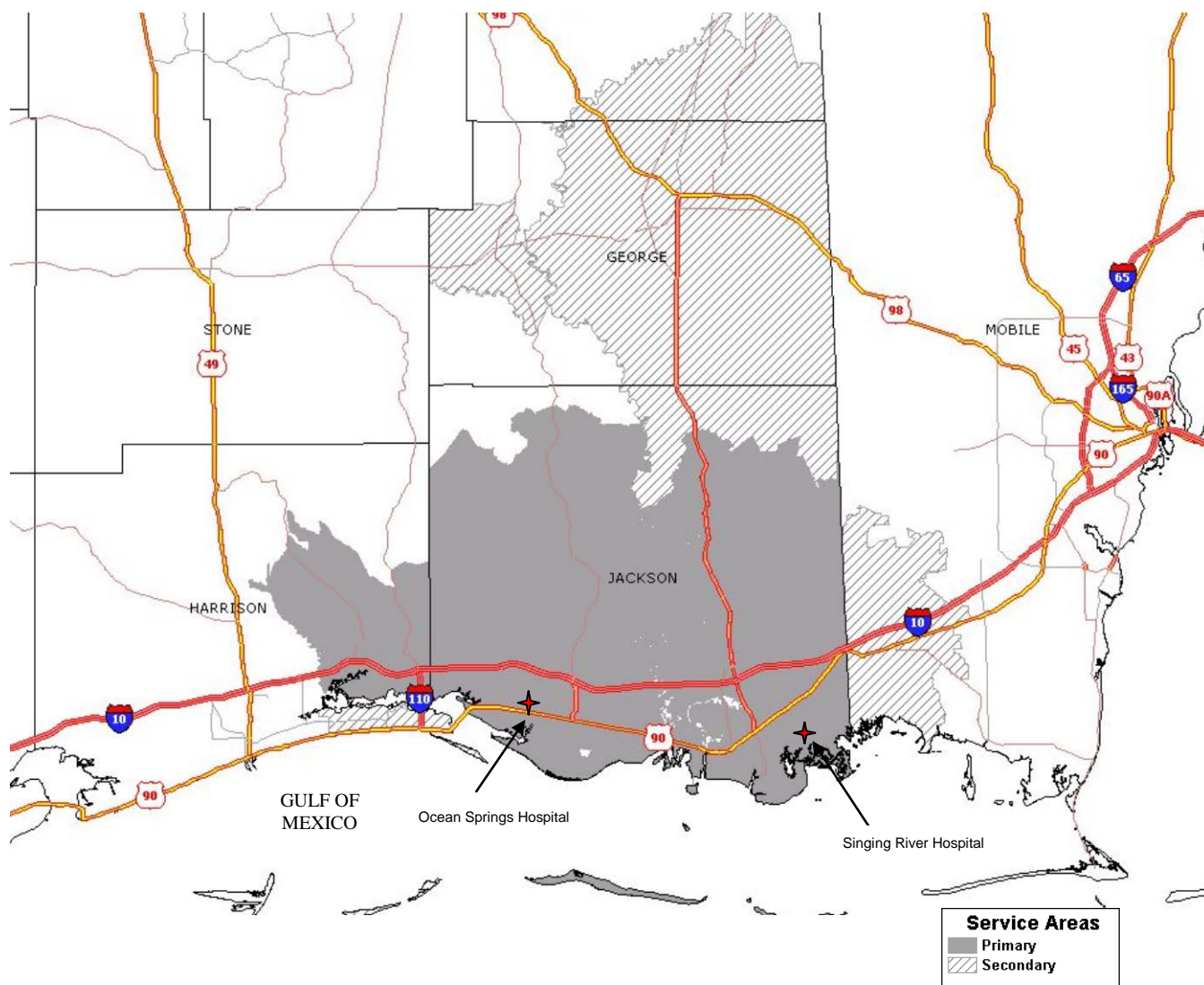
Source: Health System records.

SERVICE AREA AND COMPETITION

Description of Service Area

The Health System's Primary Service Area, which accounted for approximately 74% of all discharges for the fiscal year ended September 30, 2011, consists of Jackson County and eastern Harrison County, Mississippi. Both Ocean Springs Hospital and Singing River Hospital are located in Jackson County, which is the easternmost county on the Mississippi Gulf Coast. Ocean Springs Hospital is located near the western boundary of Jackson County and Singing River Hospital is positioned toward the eastern boundary of Jackson County. The Hospitals are approximately 16 miles apart.

Map of Primary and Secondary Service Areas



SELECTED STATISTICAL AND FINANCIAL INFORMATION

Summary of Utilization Statistics

The Health System's licensed bed capacity by category as of the following fiscal years is as follows:

Singing River Health System Licensed Bed Capacity

	Singing River Hospital		
	2009	2010	2011
General Medical/Surgical Beds	355	355	355
Intensive Care Beds	30	30	30
Psychiatric Beds	30	30	30
Comprehensive Rehab Beds	<u>20</u>	<u>20</u>	<u>20</u>
Total	435	435	435

	Ocean Springs Hospital		
	2009	2010	2011
General Medical/Surgical Beds	112	112	112
Intensive Care Beds	<u>24</u>	<u>24</u>	<u>24</u>
Total	136	136	136

Source: Health System records.

The Health System's historical utilization data is provided in the following table:

**Singing River Health System
Utilization Data**

	Fiscal Year Ending September 30,			Five Months Ended February 28/29,	
	2009	2010	2011	2011	2012
Singing River Health System					
Admissions	17,589	18,426	18,824	7,901	7,543
Average Length of Stay	4.2	4.2	4.0	4.2	4.1
Patient Days	78,650	82,352	80,254	34,825	33,268
Average Daily Census	216	225	219	231	219
Cancer Center Visits	18,215	18,300	18,659	6,173	9,214
Deliveries	1,778	1,668	1,632	651	621
24-Hour Observation Days	5,731	4,731	4,778	1,892	1,903
Outpatient Surgeries (ASCs)	8,849	9,651	9,668	4,046	3,824
Total Surgeries	10,141	10,193	9,283	3,910	3,906
Cardiac Surgeries	217	177	179	85	88
Other Cardiac Procedures	5,076	5,484	5,599	2,307	2,260
Laboratory	780,924	828,203	853,807	337,873	347,054
Radiology	141,417	151,366	149,451	62,047	63,454
Non-Invasive Cardiology	23,439	26,106	27,236	10,869	11,081
Pathology	27,793	28,122	25,556	10,478	11,196
Physical Therapy/Occupational Therapy	215,599	227,101	279,816	108,566	126,593
Wound Care	26,940	27,403	18,206	7,374	6,812

Source: Health System records.

Sources of Patient Service Revenues

The following table summarizes the percentage of gross revenue by payer for the fiscal years ended September 30, 2009 through 2011, and for the five (5) month periods ended February 28, 2011 and February 29, 2012.

**Singing River Health System
Summary of Gross Revenue by Payer**

Payer	Fiscal Year Ended September 30,			Five Months Ended February 28/29	
	2009	2010	2011	2011	2012
Medicare	47%	47%	45%	45%	47%
Medicaid	10	11	13	13	12
Blue Cross	18	17	18	18	16
Commercial	14	14	15	15	15
Self-Pay	11	11	9	9	10
Total	100%	100%	100%	100%	100%

Source: Health System records.

**Singing River Health System
Summary of Financial Results**

(\$'s in millions)	Fiscal Year Ended September 30,			Five Months Ended February 28/29,	
Operating Revenues	2009	2010	2011	2011	2012
Net Patient Service Revenue ¹	\$339.0	\$362.8	\$376.7	\$150.3	\$151.2
Other Revenue	<u>9.8</u>	<u>4.1</u>	<u>8.4</u>	<u>2.3</u>	<u>4.1</u>
Total Operating Revenues	348.8	366.9	385.1	152.6	155.3
Less: Total Operating Expenses	338.4	366.1	373.0	149.1	150.6
Net Operating Income	\$10.4	\$.8	\$12.1	\$3.5	\$4.7
Nonoperating Revenues (Expenses)					
Interest Expense	\$(2.7)	\$(2.3)	\$(3.1)	\$(.9)	\$(1.4)
Investment Income	4.4	2.9	.5	.3	.6
Other	<u>(.6)</u>	<u>(.9)</u>	<u>(1.0)</u>	<u>.3</u>	<u>.2</u>
Net Non-Operating Revenues (Expenses)	1.1	(1.0)	(3.6)	(.3)	(.6)
Increase in Net Assets	\$11.5	\$.6	\$8.5	\$3.2	\$4.1

¹Bad debts are shown as deductions from net patient service revenue.

Source: Health System records.

The Summary of Financial Results table above does not include the accounts and results of operations of SRHSAS, which is not a member of the obligated group, for the five-month periods ended February 28, 2011 and February 29, 2012. Accordingly, the five-month periods are not comparable to the fiscal year end financial results.

Liquidity

The following table sets forth the Health System's unrestricted cash and investment balances and days of cash on hand ratio for each of the fiscal years ended September 30, 2009, 2010 and 2011.

(\$'s in thousands)	Fiscal Year Ended September 30,		
	2009	2010	2011
Cash and cash equivalents	\$4,410.8	\$10.4	\$107.2
Unrestricted funds	70,294.9	60,779.4	53,952.7
Total unrestricted cash and investments	\$74,705.7	\$60,789.8	\$54,059.9
Daily operating expenses ¹	\$860.0	\$925.3	\$942.5
Days of cash on hand	86.9	65.7	57.4

¹Represents total operating expenses less interest, depreciation, amortization and bad debt expense divided by 365.

Debt-to-Capitalization

The following table sets forth the Health System's outstanding indebtedness and debt-to-capitalization ratio for each of the fiscal years ended September 30, 2009, 2010 and 2011.

(\$'s in thousands)	Fiscal Year Ended September 30,		
	2009	2010	2011
Series 2011 Bonds			\$36,610.0
Series 2009A Bonds	\$35,000.0	\$34,835.0	34,220.0
Series 2009B Bonds	0.0	48,210.0	44,445.0
Series 2008A Bonds	44,000.0	0.0	0.0
Capital Leases	2,728.0	2,618.1	2,374.9
Notes Payable	2,571.9	2,003.3	1,438.8
Unamortized discounts, net of premiums	(1,298.1)	(1,305.6)	(1,220.5)
Unamortized bond premium			1,219.0
Deferred loss amounts on refundings	(2,804.6)	(6,981.8)	(6,087.5)
Total Debt	\$80,197.2	\$79,379.0	\$112,999.7
Unrestricted Net Assets	\$172,784.5	\$199,127.7	\$203,173.3
Debt	80,197.2	79,379.0	112,999.7
Total Capitalization	\$252,981.7	\$278,506.9	\$316,173.0
Debt-to-Capitalization	31.7%	28.5%	35.7%

Debt Service Coverage

The table below represents the annual debt service coverage for each of the fiscal years ended September 30, 2009, 2010 and 2011.

(\$'s in thousands)	Fiscal Year Ending September 30,		
	2009	2010	2011
Net income	\$11,494	\$575	\$8,487
Plus: Interest	1,921	2,031	2,703
Plus: Depreciation	<u>17,570</u>	<u>19,379</u>	<u>21,121</u>
Income available for debt service	\$30,985	\$21,985	\$32,311
Maximum annual debt service*	<u>\$7,274</u>	<u>\$8,576</u>	<u>\$16,985</u>
Debt service coverage	4.26	2.56	1.90

*Includes the actual debt service on bonds outstanding in the individual year represented.

OTHER INFORMATION

Accreditations, Licenses and Memberships

The Hospitals are accredited by the Joint Commission for Accreditation of Healthcare Organizations (JCAHO). The Health System received full accreditation in 2008 at its Singing River Hospital, Ocean Springs Hospital, and Hospice of Light facilities.

The Health System also maintains active membership or affiliations with the following organizations: American Hospital Association, Mississippi Hospital Association, Voluntary Hospitals of America, American Association of Blood Banks, American College of Radiology, American College of Surgeons for Cancer and Trauma services and College of American Pathologists for laboratory services. The Health System also is subject to federal, state, and local regulation and periodic inspection and the review of adequacy of fire prevention methods and other building standards, as well as State hospital requirements and Medicaid and Medicare conditions of participation.

Employees

The Health System strives to be an employer of choice and is committed to providing a total compensation program to retain, attract, reward, and inspire qualified and competent employees. This commitment supports the goals and objectives of the organization, as well as helps the Health System employees provide for themselves, their families and their future.

The Health System employed approximately 2,766 employees as of September 30, 2011, none of which are represented by a labor organization.

Awards and Recognitions

The Health System is committed to providing outstanding patient care and demonstrates that goal by being recognized with a number of awards and certifications. A few of these are:

- Solucient Top 100 Performance Improvement Leaders
- Information and Quality Healthcare – Quality Provider in South Mississippi
- American Association of Cardiovascular and Pulmonary Rehabilitation (AACVPR) Recertification – SRH Cardiac and Pulmonary Rehabilitation
- Hosted 2007 Action Learning Lab in coordination with the American Hospital Association's Health Research and Educational Trust (HRET), one of only two sites nation wide
- Mississippi Hospital Association Maggie Awards for Public Relations and Marketing – 2006 Annual Report and Your Update, 2007 Community Report and Invitation Produced Externally
- VHA Leadership Award for Clinical Excellence for the Care of the Heart Failure Patient
- Information & Quality Healthcare Quality Achievement Award, Pneumococcal Vaccination Project
- American College of Surgeons Commission on Cancer Accreditation
- Surgical Review Corporation Center of Excellence – SRH Bariatric Surgery
- CARF Accreditation – Inpatient Rehabilitation Program
- Fully accredited imaging services by the American College of Radiology

Professional and General Liability Insurance

Since October 1, 2003, the Health System has maintained a program of self-insurance for professional liability and comprehensive general liability risks. The program is funded through a trust fund which is maintained by an independent trustee. The Health System administers the risk and claims management functions of the self-insurance program with assistance from outside consultants as necessary. The self-insurance program covers, with respect to professional liability claims, both the Health System and all employed physicians, as well as any claims resulting from vicarious liability for the hospital-based Medical Staff. Additionally, the Health System

carries Director's and Officer's independent contractor coverage for any medical staff providing services on hospital committees. Claims identified prior to the inception of the self-insurance program are covered by the prior commercial insurance policy carried by the Health System.

Pension Plan

The Health System maintains a pension plan, which is a single-employer plan that includes employees of the Health System. The pension plan is a single-employer, defined benefit pension plan covering all full-time employees with 10 years of service who work at least 36 to 40 hours a week. The benefits are based on years of service and the employee's compensation during the last 10 years of employment. The plan is not subject to the Employee Retirement Income Security Act of 1974.

The funding status of accumulated plan benefits reflects adequate funding of the retirement plan as of October 1, 2010.

Effective October 1, 2011, the Health System froze the defined benefit pension plan to new entrants and instituted a defined contribution plan for new hires.

Insurance and Sovereign Immunity

The Health System, organized as a public community hospital, is subject to the Mississippi Tort Claims Act, which requires such public institutions to be appropriately insured for professional liability or to be self-insured for professional liability under the Mississippi Tort Claims Board. Under the applicable provisions of the Mississippi Tort Claims Act, such public institutions are subject to a liability cap of \$500,000 per claim. The Health System elected to become self-insured effective October 1, 2003, and received approval from the Mississippi Tort Claims Board for the self-insurance program prior to October 1, 2003. A requirement of the self-insurance program was to establish a trust fund account at a local bank in an amount determined by the Mississippi Tort Claims Board through actuarial studies. The Health System fulfilled that requirement by making a deposit with Merchants & Marine Bank in Pascagoula, Mississippi, in the amount of \$1,300,000, with the balance in the trust account being reported to the Mississippi Tort Claims Board on a periodic basis by the bank. The Health System manages the risk and claims functions of the self-insurance program through risk managers within the Health System and using outside consultants as necessary. In addition to professional liability, the Health System obtains commercial insurance for plant and equipment, vehicles, officers and directors' insurance and other similar policies, providing a full insurance program for all risks in addition to the professional liability as described. Additionally, the Health System provides a health insurance program for employees managed by a third-party administrator, and also provides worker's compensation coverage for employees with another third-party administrator. Both health insurance and worker's compensation coverage are funded by the Health System.

The Mississippi Tort Claims Act provides the exclusive remedy for a party injured by a governmental entity's tortious acts or omissions. *Miss. Dep't of Transp. v. Cargile*, 847 So. 2d 258 (Miss. 2003). Under the Mississippi Tort Claims Act, Sections 11-46-1 et seq. of the Mississippi Code of 1972 as amended ("the Tort Claims Act"), statutory immunity is waived up to \$500,000, attorney's fees and punitive damages are not allowed unless otherwise specifically authorized by law; trial of claims arising under the Tort Claims Act are conducted without a jury; and governmental entity employees acting within the course and scope of their employment are not individually liable for any claims under the Tort Claims Act. The Tort Claims Act also established the Tort Claims Board to review, and approve or reject, every political subdivision's plan of liability insurance or self-insurance established to cover the risks of claims under the Tort Claims Act. A governmental entity may purchase liability insurance in excess of the maximum liability and immunity will then be waived to the extent of the excess liability insurance. Any two or more political subdivisions may also enter into agreement to pool liabilities through insurance or self-insurance reserves.

Under existing law, the defense of sovereign immunity would not be available to the Issuer, or Jackson County or the Health System against a claim for payment, when due, of principal of or interest on the Mississippi Development Bank Special Obligation Bonds, Series 2009A, Mississippi Development Bank Special Obligation Refunding Bonds, Series 2009B-1, and Mississippi Development Bank Taxable Special Obligation Bonds, Series 2009B-2.

Litigation

The Health System, as is the case with all hospitals, is subject to professional liability lawsuits as well as other general liability actions as a normal part of its business operation. Most liability actions now pending or threatened, are being handled under the self-insurance program that became effective October 1, 2003. There are a few remaining lawsuits that are covered by the “claims made” policy in effect for the fiscal year ended September 30, 2003, none of which are material.

Medical malpractice claims have been asserted against the Health System by various claimants, and additional claims could be asserted. However, there is no litigation pending or threatened, to the knowledge of Health System management, except

- (i) litigation proceedings or claims in which the probable ultimate recoveries and the estimated costs of defense, will be entirely within the limits of the Tort Claim Escrow Account or the applicable insurance limits, and
- (ii) litigation, proceedings or other types of claims, which, if adversely determined, in the opinion of Health System management, would not have a material adverse effect on the Health System’s operations or financial condition.

Accordingly, the Health System records an estimated reserve for asserted and unasserted claims each year. The current value of said reserve is \$1,399,586. These opinions of Health System management are based on consultation with defense counsel handling such litigation.