

REMARKETING CIRCULAR DATED SEPTEMBER 14, 2016

**REMARKETING – NOT A NEW ISSUE
BOOK-ENTRY ONLY**

**Expected Ratings:
Moody's: "Aa2/VMIG 1"
S&P: "AA-/A-1+"
(See "RATINGS")**

**\$40,570,000
THE GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY
VARIABLE RATE REVENUE ANTICIPATION CERTIFICATES
(SOUTHEAST GEORGIA HEALTH SYSTEM PROJECT)
SERIES 2008B**

CUSIP: 380037 FL0

Dated: Date of Original Issuance

Price: 100%

Due: August 1, 2038

The Glynn-Brunswick Memorial Hospital Authority (the "Authority") issued its Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the "Series 2008B Certificates") pursuant to a Trust Indenture, dated as of September 1, 2008 (the "Series 2008B Certificate Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Series 2008B Certificate Trustee"). The Series 2008B Certificates are limited obligations of the Authority and are payable from the revenues pledged therefor, including amounts payable by the Authority and Southeast Georgia Health System, Inc. (formerly known as "Kings Bay Community Hospital, Inc.") ("SEGHS") pursuant to a promissory note (the "Series 2008B Master Note") issued pursuant to a Master Trust Indenture, dated as of April 1, 1996 (the "Master Indenture"), between the Authority, SEGHS and the other Obligated Issuers (as defined in the Master Indenture) and U.S. Bank National Association, as master trustee. Security for the Series 2008B Master Note includes the pledge by the Obligated Issuers of their Net Revenues (as defined in the Master Indenture). The Series 2008B Certificates were also originally secured by a direct-pay letter of credit issued by Branch Banking and Trust Company (the "BB&T Letter of Credit"). The Series 2008B Indenture permits the Authority to provide a Substitute Letter of Credit (as defined in the Indenture). The Authority has elected to replace the BB&T Letter of Credit with an irrevocable, direct-pay letter of credit (the "Letter of Credit") to be issued by



(the "Bank") pursuant to a Reimbursement Agreement, dated as of September 1, 2016 (the "Reimbursement Agreement"), between the Bank and SEGHS. The Letter of Credit will expire, unless earlier terminated, renewed or extended on September 21, 2021. The Letter of Credit may be replaced by a Substitute Letter of Credit in accordance with the Series 2008B Certificate Indenture.

The Series 2008B Certificates are subject to mandatory purchase on September 21, 2016, the date that the Letter of Credit will be issued (the "Mandatory Purchase Date"). The Series 2008B Certificates will be remarketed by

TD SECURITIES

("TD Securities") on the Mandatory Purchase Date, and TD Securities will act as the remarketing agent thereafter (the "Remarketing Agent"), unless TD Securities is replaced as remarketing agent in accordance with the Series 2008B Indenture.

The Series 2008B Certificates will continue bearing interest at the Weekly Rate from the Mandatory Purchase Date until converted to another interest rate mode in accordance with the Series 2008B Indenture. The Weekly Rate will be determined each Wednesday by the Remarketing Agent in accordance with the Series 2008B Certificate Indenture. The Weekly Rate set by the Remarketing Agent on the Mandatory Purchase Date will be effective from such date to and including September 28, 2016. Interest on the Series 2008B Certificates will be paid on the first Business Day (as defined in the Series 2008B Certificate Indenture) of each month.

The Series 2008B Certificates were issued in fully registered form in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Series 2008B Certificates were issued in book-entry form and were registered in the name of Cede & Co., as the nominee for The Depository Trust Company (“DTC”). Payment of the principal and purchase price of the Series 2008B Certificates will be made by the Series 2008B Certificate Trustee directly to Cede & Co., as the nominee of DTC, as registered owner of the Series 2008B Certificates. Payment of principal and purchase price of and interest on the Series 2008B Certificates will be made by DTC to beneficial owners through its participants.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND PURCHASE PRICE OF AND INTEREST ON THE SERIES 2008B CERTIFICATES. THE AUTHORITY HAS NO TAXING POWER.

THIS COVER PAGE IS FOR QUICK REFERENCE ONLY. INVESTORS SHOULD READ THIS ENTIRE REMARKETING CIRCULAR AND THE OFFICIAL STATEMENT DATED AUGUST 28, 2008 TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

Certain legal matters relating to the Substitution of the Letter of Credit will be passed upon by Murray Barnes Finister LLP Bond Counsel to the Obligated Issuers. Certain legal matters will be passed upon for the Obligated Issuers by Christy Jordan, Esq., their General Counsel. Certain legal matters will be passed upon for the Bank by Holland & Knight LLP, counsel to the Bank.

TABLE OF CONTENTS

INTRODUCTION.....	1
General.....	1
The Authority and Kings Bay.....	1
Professionals Involved in the Remarketing.....	1
THE AUTHORITY.....	1
Assets and Operations.....	1
THE SERIES 2008B CERTIFICATES.....	1
Book Entry Only System.....	1
Remarketing Agent.....	1
THE LETTER OF CREDIT.....	2
General.....	2
SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT.....	3
THE BANK.....	4
ANNUAL DEBT SERVICE REQUIREMENTS.....	5
INVESTMENT CONSIDERATIONS.....	5
Payment of the Purchase Price.....	5
The Remarketing Agent.....	6
Taxation of Series 2008B Certificates.....	6
Acceleration.....	6
CONTINUING DISCLOSURE.....	6
Prior Compliance.....	6
EMMA.....	6
CERTAIN RELATIONSHIPS.....	7
RATINGS.....	7
FINANCIAL STATEMENTS.....	7
Exhibit A – Official Statement	
Exhibit B – Description of Obligated Group	
Exhibit C – Financial Statements of SEGHS	
Exhibit D – Form of Letter of Credit	
Exhibit E – Book-Entry Only System	

INTRODUCTION

General

The Glynn-Brunswick Hospital Authority (the “Authority”) previously prepared an Official Statement, dated August 28, 2008 (the “Official Statement”) in connection with the original issuance of its Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the “Series 2008B Certificates”). The Official Statement is attached hereto as Exhibit A and is incorporated by reference herein except (a) for Appendices A, B, D, G and H, which are replaced with Exhibits B, C, D and E to this Remarketing Circular and the information herein under the caption “THE BANK” and (b) as otherwise provided in this Remarketing Circular.

The Authority and Kings Bay

Kings Bay Community Hospital, Inc. changed its name to Southeast Georgia Health System, Inc. (“SEGHS”). The Authority leased all of its interest in the Brunswick Campus, the Camden Campus and two skilled nursing facilities to SEGHS pursuant to a Lease and Transfer Agreement, dated as of May 1, 2015 (the “Lease”). The Lease terminates, if not earlier terminated, renewed or extended, on April 30, 2055. See Exhibit B for information regarding the Obligated Group.

Professionals Involved in the Remarketing

Certain legal matters relating to the Substitution of the Letter of Credit will be passed upon by Murray Barnes Finister LLP Bond Counsel to the Obligated Issuers. Certain legal matters will be passed upon for the Obligated Issuers by Christy Jordan, Esq., their General Counsel. Certain legal matters will be passed upon for the Bank by Holland & Knight LLP, counsel to the Bank.

The Authority has not engaged a financial advisor in connection with the provisions of the Substitute Letter of Credit and the remarketing of the Series 2008B Certificates.

THE AUTHORITY

Assets and Operations

As stated above, the Authority no longer operates the Brunswick Campus or the skilled nursing facilities. They are operated by SEGHS pursuant to the Lease.

THE SERIES 2008B CERTIFICATES

Book Entry Only System

See Exhibit E for information regarding DTC and the book-entry system of registration.

Remarketing Agent

The Authority and SEGHS have appointed TD Securities (USA) LLC as the remarketing agent for the Series 2008B Bonds.

THE LETTER OF CREDIT

General

The following description of the Letter of Credit should not be considered a full statement thereof. Reference is hereby made to the Letter of Credit, a form of which is attached as Exhibit D to this Remarketing Circular, for the detailed terms and provisions thereof.

The Series 2008B Certificates will be secured by an irrevocable, direct-pay Letter of Credit (the "Letter of Credit") issued by TD Bank, N.A. (the "Bank"), pursuant to a Reimbursement Agreement, dated as of September 1, 2016 (the "Reimbursement Agreement"), between the Bank and SEGHS. The Letter of Credit will be issued in an initial Available Amount equal to \$40,662,576 (the "Available Amount") representing a \$40,200,000 principal portion (the "Principal Component") and a \$462,576 interest portion to cover 35 days' interest on the Certificates at the Maximum Rate (the "Interest Component"), as such amount is reduced and reinstated from time to time pursuant to the terms of the Letter of Credit. The Letter of Credit may be drawn to pay principal of, interest on or purchase price (consisting of the principal amount of and accrued and unpaid interest on the Series 2008B Certificates that are tendered for purchase pursuant to the Indenture (a "Liquidity Advance")) when remarketing proceeds are not available for such purpose, of the Series 2008B Certificates. The Letter of Credit is initially scheduled to expire on September 21, 2021 (such date and any later date to which the Letter of Credit may from time to time be extended, as provided in the Letter of Credit, is herein referred to as the "Scheduled Termination Date"), unless earlier terminated as provided in the Letter of Credit.

The Letter of Credit shall terminate, effective immediately, on the earliest to occur of any of the following: (a) 3:00 p.m. (prevailing Eastern Time) on the Expiration Date, (b) the close of business on the second business day following a conversion of the interest rate on the Certificates to a Long-Term Rate pursuant to the Indenture, (c) the date on which the Bank honors a draft drawn on the Letter of Credit following the occurrence of an Event of Default under the Indenture and an acceleration, (d) the date the Letter of Credit is surrendered to the Bank by the Trustee for cancellation following acceptance by the Trustee of a Substitute Letter of Credit, (e) the date on which the Bank honors a draft drawn on the Letter of Credit to purchase the Certificates following a mandatory purchase of the Certificates pursuant to the Indenture, and (f) the date on which the Series 2008B Certificates are paid in full or defeased pursuant to the Indenture.

Reduction and Reinstatement of the Letter of Credit

Drawings may be made under the Letter of Credit in order to pay principal of and interest on the Series 2008B Certificates when due and in connection with a Liquidity Advance when remarketing proceeds are not available for such purpose pursuant to the terms of the Indenture. Multiple drawings may be made on the Letter of Credit, provided that drawings shall not in the aggregate exceed the Available Amount, as the Available Amount may be reduced or reinstated pursuant to the Letter of Credit.

The Interest Component shall be reduced in an amount equal to any draw to pay interest on the Series 2008B Certificates. The Interest Component shall automatically be reinstated by an amount equal to the amount of such drawing (other than a Liquidity Advance) for the purpose of paying interest on the Series 2008B Certificates. The Principal Component shall be reduced in an amount equal to any draw to pay principal on (including the purchase price of) the Series 2008B Certificates. The Bank will reinstate amounts drawn under the Letter of Credit pursuant to a Liquidity Advance, as to the Principal Component and the Interest Component, to the extent that money is received by the Bank (other than from drawings on the Letter of Credit) reimbursing amount drawn pertaining to such Liquidity Advance; provided, however, the Available Amount shall be automatically and permanently reduced in an amount equal to the principal portion of any unreimbursed Liquidity Advance outstanding after 180 days from the initial date of such Liquidity Advance. Such unreimbursed Liquidity Advance shall convert to a term loan in accordance with the Reimbursement Agreement and the Series 2008B Certificates relating to such unreimbursed Liquidity Advance shall be delivered to the Trustee for cancellation.

No drawing on the Letter of Credit shall be honored in an amount exceeding the amount available to be drawn under such Letter of Credit at the time of such drawing, and, pursuant to the Indenture, no drawing shall be

made in order to pay the principal of, interest on or purchase price of the Series 2008B Certificates owned or pledged by SEGHS pursuant to the Reimbursement Agreement.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The Letter of Credit is being issued pursuant to the Reimbursement Agreement, under which SEGHS will be obligated, among other things, to reimburse the Bank, with interest, for each drawing under the Letter of Credit.

The Reimbursement Agreement contains various representations, warranties and covenants of SEGHS and established various events of default thereunder. The following summarizes certain provisions of the Reimbursement Agreement, to which document, in its entirety, reference is made for the complete provisions thereof. Capitalized terms used below which are not otherwise defined herein shall have the meanings ascribed to such terms in the Reimbursement Agreement.

The Reimbursement Agreement contains covenants of SEGHS regarding payments to the Bank, compliance with the terms of the Reimbursement Agreement, the Series 2008B Certificates and the Transaction Documents, financial and business information about SEGHS and the Obligated Group, notice of certain events, maintenance of books and records, access to books and records and amendments to the Reimbursement Agreement and the Transaction Documents. The Bank may enforce or grant waivers of such covenants in its discretion, without the consent of the holders of the Series 2008B Certificates.

The Bank may, by notice to the Trustee, declare that an "Event of Default" has occurred under the Reimbursement Agreement and deliver a notice to the Trustee directing the Trustee to accelerate the Series 2008B Certificates whereupon the Letter of Credit will be drawn upon and expire as provided therein. Furthermore, the Bank will have any rights and remedies available to it under the Reimbursement Agreement, the Letter of Credit, the Transaction Documents and all other agreements or instruments relating to the issuance and sale of and security for the Series 2008B Certificates and such other rights as may be available to it pursuant to law or equity.

The following constitutes an "Event of Default" under the Reimbursement Agreement:

- (a) If SEGHS defaults in any payment of the Obligations when and as the same shall become due under the terms hereof (whether at maturity or by reason of acceleration or notice of prepayment or otherwise); or
- (b) If the Obligated Group or any member thereof defaults in the performance or observance of any covenant or agreement contained in the Reimbursement Agreement or any of the Transaction Documents (other than those contained in subsection (a) above) and fails to cure the same within thirty (30) days, provided that such thirty (30) day period may be extended by the Bank if as determined in the Bank's discretion the default can be cured in a longer period of time, the Obligated Group is diligently attempting to cure the default and the Bank will not be materially adversely affected by such extension; or
- (c) The occurrence of an "Event of Default" or a default (which is not cured within applicable time periods, if any) under any of the Transaction Documents, or any current or future agreement between the Bank or any affiliate or subsidiary of the Bank and the Obligated Group or any member thereof; or
- (d) If the Obligated Group or any member thereof defaults, beyond any period of grace provided with respect thereto, in the payment of principal when due, whether by acceleration or otherwise, or interest or other amount payable in respect of any other Indebtedness, or in the performance of any other agreement, term or condition contained in any agreement under which any such obligation is created, if the effect of such default is to cause, or permit the holder or holders of such obligation (or a trustee for such holder or holders) to cause, such obligation to become due prior to its stated maturity; or

(e) If any representation or warranty made by the Obligated Group or any member thereof in the Letter of Credit Documents or in any writing furnished by the Obligated Group or any member thereof in connection with the Obligations or pursuant to the Reimbursement Agreement shall have been false, misleading or incomplete in any material respect on the date as of which made; or

(f) Liquidation or dissolution of any member of the Obligated Group or suspension of the business of, or the filing by any member of the Obligated Group of a voluntary petition in bankruptcy or a voluntary petition or an answer seeking reorganization, arrangement, readjustment of its debts or for any other relief under the United States Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing, or any other action of any member of the Obligated Group indicating its consent to, approval of, or acquiescence in any such petition or proceeding; or the application for, or the appointment of, a receiver or a trustee for any member of the Obligated Group, the application for, or the consent to or acquiescence in, an assignment for the benefit of creditors of any member of the Obligated Group of its inability to pay its debts as they mature; or

(g) Filing of an involuntary petition against any member of the Obligated Group in bankruptcy or seeking reorganization, arrangement, readjustment of its debts or for any other relief under the Bankruptcy Code, as amended, or under any other insolvency act or law, state or federal, now or hereafter existing; or the involuntary appointment of a receiver or trustee for any member of the Obligated Group or for all or a substantial part of the property of any member of the Obligated Group; the issuance of a warrant of attachment, execution or similar process against any substantial part of the property of any member of the Obligated Group and the continuance of any of such events or conditions for ninety (90) days undismissed or undischarged; or

(h) If a final judgment, which with other outstanding final judgments against any member or group of members of the Obligated Group exceed an aggregate of \$500,000, shall be rendered against any member or members of the Obligated Group (separately or collectively) and if within thirty (30) days after entry thereof, such judgment shall not have been discharged or execution thereof stayed pending appeal, or if within thirty (30) days after the expiration of any such stay such judgment shall not have been discharged; or

(i) If any right to income or other form of equity interest in any member of the Obligated Group shall be transferred, whether by operation of law or otherwise, or shall become subject to a lien, security interest or encumbrance, whether by attachment or otherwise, voluntary or involuntary, in favor of any entity other than the Bank; or

(j) Downgrade of the unenhanced credit ratings of any debt of the Obligated Group secured on a parity with the Master Note by Moody's below "Baa2" or by S&P below "BBB", respectively.

THE BANK

TD Bank, N.A. (the "Bank") is a national banking association organized under the laws of the United States, with its main office located in Wilmington, Delaware. The Bank is an indirect, wholly-owned subsidiary of The Toronto-Dominion Bank ("TD") and offers a full range of banking services and products to individuals, businesses and governments throughout its market areas, including commercial, consumer and trust services and indirect automobile dealer financing. The Bank operates banking offices in Connecticut, Delaware, the District of Columbia, Florida, Maine, Maryland, Massachusetts, New Hampshire, New Jersey, North Carolina, New York, Pennsylvania, Rhode Island, South Carolina, Vermont and Virginia. As of June 30, 2016, the Bank had consolidated assets of \$255.7 billion, consolidated deposits of \$214.9 billion and stockholder's equity of \$34.3 billion, based on regulatory accounting principles.

Additional information regarding the foregoing, and the Bank and TD, is available from the filings made by TD with the U.S. Securities and Exchange Commission (the “SEC”), which filings can be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. In addition, the SEC maintains a website at <http://www.sec.gov>, which contains reports, proxy statements and other information regarding registrants that file such information electronically with the SEC.

The information concerning TD and the Bank contained herein is furnished solely to provide limited introductory information and does not purport to be comprehensive. Such information is qualified in its entirety by the detailed information appearing in the documents and financial statements referenced herein.

The Letter of Credit has been issued by the Bank and is the obligation of the Bank and not TD.

The Bank will provide copies of the publicly available portions of the most recent quarterly Call Report of the Bank delivered to the Comptroller of the Currency, without charge, to each person to whom this document is delivered, on the written request of such person. Written requests should be directed to:

TD Bank, N.A.
1701 Route 70 East
Cherry Hill, New Jersey 08034
Attn: Corporate and Public Affairs

Information regarding the financial condition and results of operations of the Bank is contained in the quarterly Call Reports of the Bank delivered to the Comptroller of the Currency and available online at <https://cdr.ffiec.gov/public>. General information regarding the Bank may be found in periodic filings made by TD with the SEC. TD is a foreign issuer that is permitted, under a multijurisdictional disclosure system adopted by the United States, to prepare certain filings with the SEC in accordance with the disclosure requirements of Canada, its home country. Canadian disclosure requirements are different from those of the United States. TD’s financial statements are prepared in accordance with International Financial Reporting Standards, and may be subject to Canadian auditing and auditor independence standards, and thus may not be comparable to financial statements of United States companies prepared in accordance with United States generally accepted accounting principles.

The delivery hereof shall not create any implication that there has been no change in the affairs of TD or the Bank since the date hereof, or that the information contained or referred to in this Appendix B is correct as of any time subsequent to its date.

NEITHER TD NOR ANY OTHER SUBSIDIARY OF TD OTHER THAN THE BANK IS OBLIGATED TO MAKE PAYMENTS UNDER THE LETTER OF CREDIT.

The Bank is responsible only for the information contained in this section of the Remarketing Circular and did not participate in the preparation of, or in any way verify the information contained in, any other part of the Remarketing Circular. Accordingly, the Bank assumes no responsibility for and makes no representation or warranty as to the accuracy or completeness of information contained in any other part of the Remarketing Circular.

ANNUAL DEBT SERVICE REQUIREMENTS

The long-term debt of the Obligated Issuers is included in the audited financial statements referred to below under the caption “FINANCIAL STATEMENTS.” The Obligated Issuers have not incurred any additional long-term debt since the end of the fiscal year ending April 30, 2016.

INVESTMENT CONSIDERATIONS

Payment of the Purchase Price

The payment of the purchase price on the 2008B Certificates will be secured by the Letter of Credit. If for whatever reason (including the deterioration of the Bank’s credit) the Series 2008B are tendered for purchase and

the Bank cannot pay the purchase price, the Obligated Issuers are required under the terms of the Series 2008B Indenture to pay the purchase price. It is unlikely that the Obligated Issuers will have sufficient cash to pay the purchase price.

The Remarketing Agent

The Remarketing Agent's responsibilities include determining the interest rate on the Series 2008B Certificates. The Remarketing Agent has been appointed by the Authority and SEGHS and will be paid by them. As a result, the interests of the Remarketing Agent may differ from the owners of the Series 2008B Certificates.

Taxation of Series 2008B Certificates

Bond Counsel has not reexamined any matters upon which its original opinion was based, including the certifications and representations of fact made as of the date thereof. Furthermore, except for the provision of the Letter of Credit, Bond Counsel has not undertaken any investigation of any change in law or facts since the date of issuance of the Series 2009B Certificates which might affect the original or continuing exclusion of interest on the Series 2008B Certificates from gross income for federal income tax. There can be no assurance that the interest on the Series 2008B Certificates will continue to be excludable from gross income for federal income tax purposes.

Acceleration

The Obligated Issuers incurred a loan from Branch Banking and Trust Company (the "BB&T Loan"). The Obligated Issuers made certain financial covenants in connection with the BB&T Loan. In the event that the Obligated Issuers breach those financial covenants, BB&T may accelerate amount owing under the loan. Such an acceleration would have a material adverse effect on the Obligated Issuer's financial condition.

CONTINUING DISCLOSURE

Prior Compliance

In connection with its issuance of prior certificates, the Authority entered into written continuing disclosure undertakings (the "Other Disclosure Agreements") pursuant to the requirements of the Rule to provide periodic disclosure of operating and financial data, notices of material events, and certain additional information. The Other Disclosure Agreements are similar to the form of Continuing Disclosure Agreement executed in connection with the issuance of the Certificate and attached as Appendix F to the Official Statement (together with the "Other Disclosure Certificates, the "Disclosure Certificates"). During the preceding five year period, the Authority failed to comply with the following requirements: (a) the Authority was late in filing annual financial and operating statistics twice and quarterly financials and utilization statistics on various occasions; (b) the Authority failed to include the number of family care visits in its annual filing required for one issue; (c) the management's discussion and analysis did not include all of the required information; (d) the Authority failed to file its operating budget on four occasions; (e) the Authority did not file event notices relating to rating changes for the bond insurer on one of its issues and for BB&T on two of its issues; (f) the Authority did not file failure to file notices relating to the foregoing; (g) certain of the information did not get posted for the Certificates (but was posted for the Series 2008A Certificates); and (h) the Authority did not timely file an event notice with respect to a change in the CEO. The Authority was timely in filing its annual audited financial statements each of the last five years. The Authority put procedures in place in 2015 to ensure that such information will be filed timely in the future.

SEGHS assumed the Authority's obligations under the Disclosure Agreements pursuant to the Lease.

EMMA

All filings will be made to the MSRB's Electronic Municipal Market Access system.

CERTAIN RELATIONSHIPS

TD Bank, N.A. is providing the Letter of Credit and TD Securities (USA) LLC will be the Remarketing Agent.

RATINGS

Moody's Investor Services, Inc. is expected to assign the Series 2008B Certificates a rating of "Aa2/VMIG 1" and S&P Global Ratings is expected to assign the Series 2008B Certificates a rating of "AA-/A-1+".

Reference is made to the applicable rating agency for an explanation of its rating, its rankings on its scale or ratings and any rating agency statement as to the outlook for the maintenance of such rating. Any desired explanation of the significance of such rating should be obtained the rating agency furnishing the same. Generally, rating agencies base their ratings on the information and materials furnished to the agencies an on investigations, studies and assumptions made by the agencies. There is no assurance that such ratings of the Series 2008B Certificates will continue for any given period of time or that one or both will not be lowered or withdrawn entirely if, in the judgement of the applicable rating agency, circumstances so warrant. Any such change or withdrawal of either of such ratings could have an adverse effect on the market price of the Series 2008B Certificates. No one has undertaken any responsibility to oppose any such change or withdrawal.

FINANCIAL STATEMENTS

The consolidated financial statements of SEGHS for the fiscal year ending April 30, 2016 have been posted on EMMA and are by this reference thereto incorporated herein. The consolidated financial statements include entities that are not Obligated Issuers. However, the Obligated Issuers account for 97.32% of total assets, 100.2% of total revenues and 100% of total expenses. The latter two numbers equal or exceed 100% because certain revenue from the Foundation is included in as revenue of the Obligated Group and is then eliminated in the final consolidated totals. The consolidated financial statements include a consolidating schedules.

Dixon Hughes Goodman LLP, have not been engaged to perform and have not performed, since the date of their report included herein, any procedures on the financial statements addressed in that report. Dixon Hughes Goodman LLP, also has not performed any procedures relating to this Remarketing Circular.

EXHIBIT A
OFFICIAL STATEMENT

OFFICIAL STATEMENT**NEW ISSUE
BOOK ENTRY ONLY****RATINGS: Moody's: Aa2/VMIG 1
Standard & Poor's: A-1+
(See "RATINGS")**

In the opinion of Bond Counsel, under existing law and subject to certain conditions hereinafter described, interest on the Series 2008B Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax on corporations, and (c) is exempt from present State of Georgia income taxation. The opinion of Bond Counsel contains greater detail, and is subject to exceptions. See "TAX EXEMPTION."

\$40,570,000

**THE GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY
VARIABLE RATE REVENUE ANTICIPATION CERTIFICATES
(SOUTHEAST GEORGIA HEALTH SYSTEM PROJECT)
SERIES 2008B**



**SOUTHEAST GEORGIA
HEALTH SYSTEM**

CUSIP: 380037 FLO**Price: 100%****Dated: Date of Delivery****Due: August 1, 2038**

The Glynn-Brunswick Memorial Hospital Authority is issuing two series of its Revenue Anticipation Certificates: (1) the \$106,865,000, Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008A (the "Series 2008A Certificates"), and (2) the \$40,570,000 Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the "Series 2008B Certificates"). The Series 2008B Certificates are being issued (a) to pay costs of financing and refinancing certain improvements to the Authority's hospital and health care facilities (the "Project"), and (b) to pay costs of issuance related to the Series 2008B Certificates. This Official Statement is solely for use in the offering of the Series 2008B Certificates. The Series 2008A Certificates have been offered pursuant to a separate offering document.

The Series 2008B Certificates will be issued pursuant to a Trust Indenture dated as of September 1, 2008 (the "Series 2008B Certificate Indenture"), between the Authority and U.S. Bank National Association, as trustee (the "Series 2008B Certificate Trustee"). The Series 2008B Certificates are limited obligations of the Authority payable from the revenues pledged therefor, including amounts payable by the Authority and Kings Bay Community Hospital, Inc. ("Kings Bay"), a related organization, under a promissory note (the "Series 2008B Master Note") issued pursuant to a Master Trust Indenture dated as of April 1, 1996 (the "Master Indenture"), between the Authority and Kings Bay, as Members of the Obligated Group (as defined in the Master Indenture), and U.S. Bank National Association, as successor Master Trustee. Security for the payment of the Series 2008B Master Note includes the pledge by the Authority of its Net Revenues, as defined in the Master Indenture, derived from the operation of the health care facilities owned and operated by the Members of the Obligated Group. The Series 2008B Certificates also will be payable from an irrevocable direct-pay Letter of Credit (the "Letter of Credit") issued by

BB&T

(the "Bank") pursuant to the terms of a Letter of Credit and Reimbursement Agreement dated as of September 1, 2008 (the "Reimbursement Agreement"), between the Bank, the Authority and Kings Bay. The Letter of Credit will expire, unless earlier terminated or unless renewed or extended, on September 9, 2015. The Letter of Credit may be replaced by a substitute irrevocable letter of credit under the terms and conditions set forth in the Series 2008 Certificate Indenture, as described herein.

The Series 2008B Certificates will initially bear interest at the Weekly Rate determined weekly and payable on the first Business Day of each month, commencing on October 1, 2008, all as more fully described herein. The Weekly Rate will be determined by BB&T Capital Markets, a division of Scott & Stringfellow, Inc., as Remarketing Agent, in the manner more fully described herein and in the Series 2008B Certificate Indenture. Subject to the satisfaction of certain conditions described in the Series 2008B Certificate Indenture, the Authority may from time to time change the method of determining the interest rate on the Series 2008B Certificates to a Long-Term Rate, as more fully described herein.

The Series 2008B Certificates are being issued in fully registered form in denominations of \$100,000 each and integral multiples of \$5,000 in excess thereof. The Series 2008B Certificates will be issued in book-entry form registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"). Payment of the principal and purchase price of and interest on the Series 2008B Certificates will be made by the Series 2008B Certificate Trustee directly to Cede & Co., as nominee for DTC, as registered owner of the Series 2008B Certificates, to be subsequently disbursed to Participants (as defined herein) and thereafter to Beneficial Owners (as defined herein) of the Series 2008B Certificates, all as further described herein. Beneficial Owners of the Series 2008B Certificates will not receive physical bond certificates.

NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF GEORGIA OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2008B CERTIFICATES OR OTHER COSTS INCIDENTAL THERETO. THE AUTHORITY HAS NO TAXING POWER. THE SERIES 2008B CERTIFICATES ARE NOT SECURED BY A PLEDGE OF LIEN ON ANY REAL OR PERSONAL PROPERTY.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2008B Certificates are offered when, as, and if issued by the Authority subject to the approving opinion of Murray Barnes Finister LLP, Atlanta, Georgia, Bond Counsel to the Authority. Certain legal matters will be passed on for the Authority and Kings Bay Community Hospital, Inc. by their counsel, Gilbert, Harrell, Sumerford & Martin, P.C., Brunswick, Georgia, for the Underwriter by its counsel, Hunton & Williams LLP, Richmond, Virginia, and for the Bank by its counsel, Moore & Van Allen, PLLC, Charlotte, North Carolina. Kaufman, Hall & Associates, Inc., Northfield, Illinois, is acting as the Authority's financial advisor. The Series 2008B Certificates in definitive form are expected to be delivered through The Depository Trust Company in New York, New York on or about September 9, 2008.

BB&T CAPITAL MARKETS**Dated: August 28, 2008.**

* Expected.

The Series 2008B Certificates are exempt from registration under the Securities Act of 1933 and the securities laws of the State of Georgia.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations should not be relied upon as having been authorized by the Authority or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Series 2008B Certificates by any person in any state in which it is unlawful for such person to make such offer, solicitation or sale.

The information contained in this Official Statement has been obtained from the Depository Trust Company, the Authority, Kings Bay and other sources that are deemed reliable, but the Underwriter does not guarantee the accuracy or completeness of the information.

The information and expressions of opinion herein speak as of the date hereof except where otherwise noted and are subject to change without notice. Neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change since the date hereof in the affairs of the Authority or the Obligated Group.

TABLE OF CONTENTS

INTRODUCTION	1
General	1
The Authority and Kings Bay	1
Purposes of the Series 2008B Certificates.....	1
Security and Sources of Payment	2
Description of the Series 2008B Certificates	2
Tax Exemption	3
Professionals Involved in the Offering.....	3
Continuing Disclosure	3
Other Information.....	3
THE AUTHORITY.....	4
Creation and Powers.....	4
Assets and Operations	4
THE SERIES 2008B CERTIFICATES	4
General	4
Book Entry Only System.....	5
Interest Rates, Interest Payment Dates and Accrual Periods	6
Weekly Rate Period.....	6
Conversion Option	7
Mandatory Tender for Purchase of Certificates	9
Demand Purchase Option	9
Funds For Purchase of Certificates.....	10
Use of Moneys in Certificate Fund	10
Non-Presentation Series 2008B Certificates	11
Redemption of Series 2008B Certificates	11
Defaults and Remedies	13
Remarketing Agent	16
SECURITY FOR AND SOURCES OF PAYMENT.....	16
General	16
Pledge of Net Revenues	16
Limited Obligations.....	17
The Series 2008B Master Note.....	17
The Master Indenture	17
The Letter of Credit.....	18
Enforceability of Remedies	18
THE LETTER OF CREDIT.....	18
General	18
Drawings on Letter of Credit.....	19
Reduction and Reinstatement of the Letter of Credit	19
Substitute Letter of Credit	19
SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT	21
Affirmative and Negative Covenants	21
Covenant To Redeem Certificates.....	21
Tender Advances.....	22
Events of Default under Reimbursement Agreement	23
MASTER INDENTURE RATE COVENANT	23
ESTIMATED SOURCES AND USES OF FUNDS.....	24
THE PROJECT	24
ANNUAL DEBT SERVICE REQUIREMENTS	25
CERTAIN BONDHOLDERS' RISKS	25
Hospital Regulation.....	25
Dependence on Governmental Revenues.....	25
Managed Care and Other Third Party Payor Programs	26
Indigent Care	26
Licensure and Other State Regulation; Accreditation	26
Malpractice Insurance and Litigation	26

Competition, Capital Investments, Antitrust	26
Economic Developments.....	27
Bankruptcy and Creditors' Rights; Enforcement of Bond Documents; Equity.....	27
CONTINUING DISCLOSURE.....	28
Requirements of Rule 15c2-12.....	28
Disclosure To Be Provided.....	28
Limited Information.....	30
Prior Disclosure Compliance.....	30
Additional Disclosure.....	30
Texas Municipal Advisory Council.....	31
LEGAL MATTERS.....	31
Litigation; Validation	31
TAX EXEMPTION	31
General	31
Georgia Income Taxation.....	32
Subsequent Events.....	32
Reliance on Opinion of Counsel to Kings Bay.....	32
Form of Opinion.....	32
Reliance on Opinion of Counsel to Kings Bay.....	32
APPROVING OPINIONS	32
CERTAIN RELATIONSHIPS.....	33
FINANCIAL ADVISOR	33
UNDERWRITING.....	33
RATINGS	33
FINANCIAL STATEMENTS	34
CERTIFICATION	35

APPENDIX A – Description of the Obligated Group
APPENDIX B – Financial Statements of the Obligated Group, the Foundation and CHSI (which are not members of the Obligated Group)
APPENDIX C – Summary of Certain Documents and Definitions of Certain Terms
APPENDIX D – Form of Letter of Credit
APPENDIX E – Form of Opinion of Bond Counsel
APPENDIX F – Form of Disclosure Agreement
APPENDIX G – Book-Entry Only System
APPENDIX H – Certain Information Concerning Branch Banking and Trust Company

OFFICIAL STATEMENT

\$40,570,000

**THE GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY
VARIABLE RATE REVENUE ANTICIPATION CERTIFICATES
(SOUTHEAST GEORGIA HEALTH SYSTEM PROJECT)
SERIES 2008B**

INTRODUCTION

General

This Official Statement (the “Official Statement”) furnishes information in connection with the issuance and the sale by The Glynn-Brunswick Memorial Hospital Authority (the “Authority”) of its \$40,570,000 Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the “Series 2008B Certificates”). The Authority will simultaneously issue its \$106,865,000 Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008A, (the “Series 2008A Certificates”). The Series 2008A Certificates and the Series 2008B Certificates (together the “Series 2008 Certificates”) are being issued, for the purposes set for below in “Purposes of the Series 2008 Certificates,” pursuant to the provisions of the Hospital Authorities Law of the State of Georgia, O.C.G.A. Sec. 31-7-70 *et seq.* (the “Hospital Authorities Act”), and the Revenue Bond Law, O.C.G.A. Sec. 36-82-60, *et seq.* (the “Revenue Bond Act”). The Series 2008B Certificates are being issued pursuant to a Trust Indenture dated as of September 1, 2008 (the “Series 2008B Certificate Indenture”), between the Authority and U.S. Bank National Association, as Trustee (the “Series 2008B Certificate Trustee”). Security for the payment of the Series 2008B Certificates is in “SECURITY AND SOURCES OF PAYMENT.”

The Series 2008A Certificates are not being offered hereby but will be offered pursuant to a separate offering document.

Certain capitalized terms used herein are defined in Appendix C. Capitalized terms used but not defined herein shall have the meanings assigned to them in the Master Indenture and the Series 2008B Certificate Indenture.

This Introduction is not a summary of this Official Statement and is intended only for quick reference. It is only a brief description of and guide to, and is qualified in its entirety by reference to, more complete and detailed information contained in the entire Official Statement, including the cover page and the Appendices, and the documents summarized or described herein.

The Authority and Kings Bay

The Authority, a public body corporate and politic created and existing under the Hospital Authorities Act, is authorized under the provisions thereof to issue the Series 2008B Certificates for the purposes described herein. Kings Bay Community Hospital, Inc. (“Kings Bay”) is a Georgia non-profit corporation that is controlled by the Authority. The Authority owns and operates Southeast Georgia Regional Medical Center, a 300-bed acute care hospital in Brunswick, Georgia (the “Brunswick Campus”). Kings Bay owns and the Authority operates Camden Medical Center, a 40-bed acute care hospital in St. Marys, Georgia (the “Camden Campus”). These facilities and the Authority’s other healthcare facilities (collectively, the “Healthcare Facilities”) are further described in Appendix A.

Purposes of the Series 2008B Certificates

The proceeds of the Series 2008B Certificates are being used (1) to pay the costs of certain improvements and additions (collectively, the “Project”) to the Healthcare Facilities, and (2) to pay costs of issuance related to the Series 2008B Certificates.

Security and Sources of Payment

The Series 2008B Certificates are payable from and secured by the Trust Estate created in the Series 2008B Certificate Indenture. The Trust Estate in the Series 2008B Certificate Indenture consists of (1) the Series 2008B Master Note (hereinafter defined), (2) moneys and securities held from time to time in any of the Funds, (3) all amounts derived from the exercise by the Series 2008B Certificate Trustee of any rights or remedies under the Series 2008B Certificate Indenture or under the Series 2008B Master Note, and (4) any and all other property from time to time hereafter pledged by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Series 2008B Certificate Indenture. The Series 2008B Certificates are secured on a parity basis with the Series 2008A Certificates and certificates previously issued by the Authority and certificates or other Obligations issued in the future by the Authority or other Members of the Obligated Group. To secure payment of the Series 2008B Certificates, the Authority and Kings Bay will execute and deliver a promissory note (the "Series 2008B Master Note") obligating themselves as Members of the Obligated Group to pay the principal and purchase price of, redemption premium (if any) and interest on the Series 2008B Certificates. The Series 2008B Master Note is being issued pursuant to a Master Trust Indenture, dated as of April 1, 1996 (as supplemented and amended, the "Master Indenture"), between the Authority and Kings Bay (the parties comprising the "Obligated Group" under and within the meaning of the Master Indenture) and U.S. Bank National Association, as successor master trustee (the "Master Trustee"), as amended and supplemented by various supplemental master trust indentures, including the Seventeenth Supplemental Master Trust Indenture, dated as of September 1, 2008, between the Obligated Group and the Master Trustee. The Obligated Group has pledged its "Net Revenues" to the Master Trustee as security for the obligations issued from time to time under the Master Indenture, including the Series 2008B Master Note. See "SECURITY AND SOURCES OF PAYMENT."

Under the Master Indenture, the Members of the Obligated Group, as it may exist from time to time, have jointly and severally guaranteed the payment of all Obligations issued under the Master Indenture. The Master Indenture permits other parties to become Members of the Obligated Group under certain circumstances and permits Members of the Obligated Group to be released from their Obligations under the Master Indenture under certain circumstances. See Appendix C – "SUMMARY OF CERTAIN DOCUMENTS AND DEFINITIONS OF CERTAIN TERMS – The Master Indenture."

The Series 2008B Certificates are also secured by and payable from an irrevocable direct-pay letter of credit (the "Letter of Credit") issued by Branch Banking and Trust Company (the "Bank"). See "SECURITY AND SOURCES OF PAYMENT – The Letter of Credit."

Description of the Series 2008B Certificates

Redemption. The Series 2008B Certificates are subject to optional redemption prior to their stated maturity. See "THE SERIES 2008B CERTIFICATES – Redemption of Series 2008B Certificates."

Tender. The Series 2008B Certificates are subject to optional and mandatory tender for purchase. See "THE SERIES 2008B CERTIFICATES – Mandatory Tender for Purchase of Certificates and Demand Purchase Option."

Denominations. The Series 2008B Certificates are issued initially in denominations of \$100,000 each and multiples of \$5,000 in excess thereof.

Registration, Transfers and Exchanges. The Series 2008B Certificates will be issued in book-entry form. When in book-entry form, ownership of Series 2008B Certificates held by The Depository Trust Company, New York, New York ("DTC") or its nominee, Cede & Co., on behalf of the beneficial owners thereof (the "Beneficial Owners"), may be transferred or exchanged in accordance with the rules of DTC. See "THE SERIES 2008B CERTIFICATES – Book-Entry Only System" and Appendix G. When not in book-entry form, ownership of any Series 2008B Certificate may be transferred upon surrender of such Series 2008B Certificate to the Series 2008B Trustee, together with an assignment duly executed by the registered owner or his attorney or legal representative. When not in book-entry form, the Series 2008B Certificates are exchangeable for a like aggregate principal amount of Series 2008B Certificates of the same maturity in denominations of \$100,000 or multiples of \$5,000 in excess thereof.

Payments. Interest on the Series 2008B Certificates will be payable on October 1, 2008 and on the first Business Day of each month thereafter unless and until converted to bear interest at a Long-Term Rate. Principal on the Series 2008B Certificates will be payable on August 1, 2038, subject to earlier redemption as provided in “THE SERIES 2008B CERTIFICATES – Redemption of Series 2008B Certificates.” The Series 2008B Certificates will be issued in book-entry form. When in book-entry form, payment of the principal and purchase price of and interest on the Series 2008B Certificates will be made by the Series 2008B Certificate Trustee directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to Participants (as hereinafter defined) and thereafter to Beneficial Owners of the Series 2008B Certificates. See “THE SERIES 2008B CERTIFICATES – Book-Entry Only System” and Appendix G.

Tax Exemption

In the opinion of Bond Counsel, under existing law and subject to certain conditions hereinafter described, interest on the Series 2008B Certificates (a) is not included in gross income for federal income tax purposes, (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the federal alternative minimum tax on corporations, and (c) is exempt from present State of Georgia income taxation. See Appendix E for the form of opinion Bond Counsel proposes to deliver in connection with the issuance of the Series 2008B Certificates. For a more complete discussion of such opinion and certain tax consequences incident to the ownership of the Series 2008B Certificates, including certain exceptions to the tax treatment of interest, see “TAX EXEMPTION.”

Professionals Involved in the Offering

Murray Barnes Finister LLP, Atlanta, Georgia, is serving as Bond Counsel to the Authority.

Certain legal matters will be passed on for the Authority and Kings Bay by their counsel, Gilbert, Harrell, Sumerford & Martin, P.C., Brunswick, Georgia, for the Underwriter by its counsel, Hunton & Williams LLP, Richmond, Virginia, and for the Bank by its counsel, Moore & Van Allen, PLLC, Charlotte, North Carolina.

Kaufman, Hall & Associates, Inc., Northfield, Illinois, is acting as the Authority’s financial advisor.

U.S. Bank National Association, Atlanta, Georgia will act as Series 2008B Certificate Trustee and Master Trustee. The principal corporate trust office of the Certificate Trustee is 1349 West Peachtree Street, NW, Suite 1050, Atlanta, Georgia 30309.

See also “FINANCIAL STATEMENTS.”

Continuing Disclosure

The Authority has a covenant to provide certain continuing disclosure for the benefit of the owners of the Series 2008 Certificates. See “CONTINUING DISCLOSURE.”

Other Information

This Official Statement and the Appendices hereto contain brief descriptions of, among other matters, the Obligated Group, the Series 2008B Certificates, the Letter of Credit, the Reimbursement Agreement, the Master Indenture, the Series 2008B Certificate Indenture, the Series 2008B Master Note and the security and sources of payment for the Series 2008B Certificates. Such descriptions and information do not purport to be comprehensive or definitive. The summaries of various constitutional provisions and statutes, the Master Indenture, the Series 2008B Certificate Indenture, the Letter of Credit, the Reimbursement Agreement, the Series 2008B Master Note and other documents are intended as summaries only and are qualified in their entirety by reference to such laws and documents, and references herein to the Series 2008B Certificates are qualified in their entirety to the forms thereof included in the Series 2008B Certificate Indenture. Copies of the documents are available upon request from

Mr. Michael Scherneck, Vice President/Chief Financial Officer, Southeast Georgia Health System, 2415 Parkwood Drive, Brunswick, Georgia 31521.

THE AUTHORITY

Creation and Powers

The Authority is a body corporate and politic created on March 1, 1961 pursuant to the Hospital Authorities Act and resolutions of Glynn County, Georgia (the “County”) and the City of Brunswick, Georgia (the “City”). Under the Hospital Authorities Act, the Authority is empowered, among other things, to acquire, construct, equip, enlarge, improve, maintain and operate hospital facilities; to issue revenue anticipation certificates for the purpose of carrying out its powers; and to mortgage, pledge, or otherwise convey its revenue from any source as security for the payment of its revenue anticipation certificates. Neither the City nor the County is obligated to pay debt service on the Series 2008B Certificates or any other indebtedness of the Authority.

Assets and Operations

The Authority owns and operates the Brunswick Campus. Kings Bay owns and the Authority operates the Camden Campus. The Authority and Kings Bay are the only members of the Obligated Group. See Appendix A for additional information regarding the Authority and its facilities and operations.

THE SERIES 2008B CERTIFICATES

General

The following is a summary of certain provisions of the Series 2008B Certificates. Reference is made to the Series 2008B Certificates and to the Series 2008B Certificate Indenture for a more detailed description of such provisions. *Certain capitalized terms used but not defined herein are defined in Appendix C.* This Official Statement provides information with respect to the Series 2008B Certificates when bearing interest at a Weekly Rate only and should not be relied upon in connection with the purchase of Series 2008B Certificates when bearing interest at Long-Term Rates.

The Series 2008B Certificates will be dated the date of initial authentication and delivery thereof and will mature on August 1, 2038. Interest on the Series 2008B Certificates is payable on each Interest Payment Date, commencing October 1, 2008. The Series 2008B Certificates shall bear interest from the Interest Payment Date next preceding their date of authentication unless such authentication date (i) is prior to the first Interest Payment Date following the date of issuance of the Series 2008B Certificates, in which event interest shall accrue such issuance date, (ii) is after a Record Date and before the subsequent Interest Payment Date, in which event interest shall accrue from such subsequent Interest Payment Date, or (iii) is an Interest Payment Date, in which event interest shall accrue from such authentication date; provided, that if interest on the Series 2008B Certificates is in default, the Series 2008B Certificates shall bear interest from the last date to which interest has been paid. Both the principal of and interest on the Series 2008B Certificates shall be payable in lawful money of the United States of America.

When in book-entry form, payment of the principal and purchase price of and interest on the Series 2008B Certificates will be made by the Series 2008B Certificate Trustee under the Series 2008B Certificate Indenture directly to Cede & Co., as nominee of DTC, and will subsequently be disbursed to Participants (as defined in Appendix G) and thereafter to Beneficial Owners (as defined in Appendix G) of the Series 2008B Certificates. See below “Book-Entry Only System” and Appendix G. The Series 2008B Certificates shall be issued in Minimum Denominations, which means \$100,000 and \$5,000 multiples in excess thereof (except that to the extent that less than \$100,000 in principal amount of Series 2008B Certificates is outstanding, “Minimum Denominations” shall mean such lesser amount and except that the Authority may excuse its right to optionally redeem Series 2008B Certificates pursuant to Section 301(a) of the Series 2008B Certificate Indenture in amounts less than the Minimum Denominations, provided that such redemption does not cause any owner of Series 2008B Certificates to own a Series 2008B Certificate in an amount less than the Minimum Denomination); provided that, if the Series 2008B Certificates have been converted to a Long-Term Rate that will be in effect until the final maturity of the Series

2008B Certificates and upon such conversion the Series 2008B Certificates have at least an Investment Grade Rating, then during such Long-Term Rate Period “Minimum Denominations” shall mean \$5,000 and integral multiples thereof.

When not in book-entry form, interest on the Series 2008B Certificates will be paid to the respective owners of the Series 2008B Certificates by check or draft by first class mail mailed as of the close of business on the Record Date next preceding the Interest Payment Date to their addresses as they appear on the registration books kept by the Series 2008B Certificate Trustee on the Record Date; provided, however, if the owner of Series 2008B Certificates in an aggregate principal amount of at least \$500,000 shall provide in writing wire transfer instructions to the Series 2008B Certificate Trustee prior to any Record Date, then interest on such Series 2008B Certificates will be paid by wire transfer on the Interest Payment Date succeeding such Record Date and on succeeding Interest Payment Dates in accordance with such instructions until revoked in writing. When not in book-entry form, the principal or redemption price of the Series 2008B Certificates will be payable by check or draft upon presentation of the Series 2008B Certificates at the principal corporate trust office of the Series 2008B Certificate Trustee.

In the event of a default by the Authority in the payment of interest due on a Series 2008B Certificate on an Interest Payment Date, such defaulted interest will be payable to the person in whose name such Series 2008B Certificate is registered at the close of business on the fifth Business Day next preceding the date of payment of such defaulted interest.

Book Entry Only System

The Series 2008B Certificates are being issued in book-entry only form under the procedures of The Depository Trust Company (“DTC”). While the Series 2008B Certificates are in the book-entry-only form, the method and procedures of their payment and matters pertaining to transfers and exchanges of the Series 2008B Certificates will be governed by the rules and procedures of the book-entry-only system. See Appendix G for a description of the DTC book-entry-only system.

DTC may discontinue providing its services as depository with respect to the Series 2008B Certificates at any time by giving reasonable notice to the Authority or the Series 2008B Certificate Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section and in Appendix G concerning DTC and DTC’s book-entry system has been obtained from DTC. Neither the Obligated Group, the Underwriter nor the Remarketing Agent guarantees the accuracy or completeness of such information.

NEITHER THE AUTHORITY NOR THE SERIES 2008B CERTIFICATE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, BENEFICIAL OWNERS OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS FOR (1) SENDING TRANSACTION STATEMENTS; (2) MAINTAINING, SUPERVISING OR REVIEWING, OR THE ACCURACY OF, ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT OR OTHER NOMINEES OF SUCH BENEFICIAL OWNERS; (3) PAYMENT OR THE TIMELINESS OF PAYMENT BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNER, OF ANY AMOUNT DUE IN RESPECT OF THE PRINCIPAL OF OR INTEREST ON BOOK-ENTRY SERIES 2008B CERTIFICATES; (4) DELIVERY OR TIMELY DELIVERY BY DTC TO ANY DTC PARTICIPANT, OR BY ANY DTC PARTICIPANT OR OTHER NOMINEES OF BENEFICIAL OWNERS TO ANY BENEFICIAL OWNERS, OF ANY NOTICE OR OTHER COMMUNICATION THAT IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE SERIES 2008B CERTIFICATE INDENTURE TO BE GIVEN TO HOLDERS OR OWNERS OF BOOK-ENTRY SERIES 2008B CERTIFICATES, OR (5) ANY ACTION TAKEN BY DTC OR ITS NOMINEE AS THE REGISTERED OWNER OF THE BOOK-ENTRY SERIES 2008B CERTIFICATES.

Interest Rates, Interest Payment Dates and Accrual Periods

Interest on the Series 2008B Certificates will initially be payable at the Weekly Rate, as set forth in the Series 2008B Certificate Indenture. The Authority may (a) change the interest rate determination method (the "Interest Rate Determination Method") from time to time from the Weekly Rate to the Long-Term Rate and vice versa and (b) change the interest rate applicable during a Long-Term Rate Period (as defined below) to the interest rate applicable during another Long-Term Rate Period, on dates established for the conversion of the interest rate pursuant to the Series 2008B Certificate Indenture (each a "Conversion Date"), all as more fully described below. A change in the interest rate determination method will result in the Series 2008B Certificates becoming subject to mandatory tender for purchase on the effective date of such change. See "Mandatory Tender for Purchase of Certificates." While the Series 2008B Certificates bear interest at the Weekly Rate, interest shall be computed on the basis of a year of 365 or 366 days, as appropriate, for the number of days elapsed. While the Series 2008B Certificates bear interest at the Weekly Rate, the Interest Payment Date shall be the first Business Day of each month, commencing on October 1, 2008 and each Conversion Date (each an "Interest Payment Date").

When bearing interest at the Weekly Rate, Series 2008B Certificates shall bear interest at the Weekly Rate for (i) the period from and including their date of issuance to and including the next succeeding Wednesday, (ii) the period from and including the Conversion Date on which the Interest Rate Determination Method is changed to the Weekly Rate to and including the next succeeding Wednesday, and (iii) in each case, each succeeding period from and including the first Thursday following a Rate Computation Date to and including the next succeeding Wednesday or a Conversion Date, if earlier (a "Weekly Rate Period").

Weekly Rate Period

The Series 2008B Certificates shall bear interest from their date of original issuance at the rate set by the Underwriter prior to the issuance of the Series 2008B Certificates in the manner set forth in (a) below. Thereafter, for each Weekly Rate Period (or portion thereof), the interest rate on the Series 2008B Certificates shall be determined as follows:

(a) On each Rate Computation Date, the Remarketing Agent shall determine that interest rate which, if borne by the Series 2008B Certificates, would, in its judgment having due regard to prevailing financial market conditions and the yields at which comparable securities are then being sold, be the lowest interest rate necessary, but which would not exceed the interest rate necessary, to enable the Remarketing Agent to sell the Series 2008B Certificates at par plus accrued interest, and the interest rate so determined shall be the interest rate on the Series 2008B Certificates for the next succeeding Weekly Rate Period; provided, however, such Weekly Rate may be adjusted by the Remarketing Agent on any date during such Weekly Rate Period if such an adjustment is needed in order to enable the Remarketing Agent to remarket a Series 2008B Certificate which has been tendered for purchase in accordance with "Demand Purchase Option." Such determination or adjustment shall be based on the knowledge of the Remarketing Agent of actual sales or pricing during the immediately preceding 105 days of securities which in the judgment of the Remarketing Agent are comparable to the Series 2008B Certificates and prevailing market conditions, or the marketing efforts with, or solicitation of proposals from, not less than three institutional or money fund investors or other entities or individuals who customarily purchase tax-exempt variable rate demand bonds or other tax-exempt securities in denominations of \$100,000 or more. Any such adjustment of the Weekly Rate occurring during a Weekly Rate Period shall apply to all of the Series 2008B Certificates Outstanding at the time that such adjustment is made, and shall be effective beginning on the date immediately following the date on which such rate is announced by the Remarketing Agent and thereafter to the beginning of the next Weekly Rate Period. On the same Business Day the Remarketing Agent shall give telegraphic or telephonic notice, promptly confirmed in writing, to the Series 2008B Certificate Trustee and the Authority specifying the interest rate so determined.

(b) If on or as of any Rate Computation Date, (1) no Person is serving as the Remarketing Agent, (2) the Remarketing Agent fails to establish the Weekly Rate in accordance with the procedure described in the preceding paragraph, or (3) the Weekly Rate established in accordance with the procedure described in the preceding paragraph is held to be invalid or unenforceable, then the Weekly Rate for the next succeeding Weekly Rate Period shall be the same as for the Weekly Rate Period ending on or

immediately after such Rate Computation Date; provided, however, if the Weekly Rate has been determined pursuant to the provisions of the first part of this sentence for two consecutive Weekly Rate Periods or if such Rate Computation Date is the first Rate Computation Date that occurs with any conversion or deemed conversion from a Long-Term Rate to the Weekly Rate, then the Weekly Rate for the next succeeding Weekly Rate Period shall be the greater of: (1) the Securities Industry and Financial Markets Association Municipal Swap Index plus 0.30%, or (2) 75% of LIBOR (the "Alternate Weekly Rate"). On the same Business Day the Weekly Rate is determined pursuant to these provisions, the Remarketing Agent or the Series 2008B Certificate Trustee, as the case may be, shall give telegraphic or telephonic notice, promptly confirmed in writing, to the Series 2008B Certificate Trustee and the Authority specifying the interest rate so determined.

(c) Notwithstanding the foregoing, the Weekly Rate shall never exceed a rate which would cause the net effective interest rate for the Series 2008B Certificates as of any date, computed in accordance with applicable usury law, to exceed 12% per annum (the "Maximum Rate"). All calculations of the Weekly Rate shall be rounded to the nearest .01%.

(d) The determination of the Weekly Rate by the Remarketing Agent shall be conclusive and binding upon the owners of the Series 2008B Certificates, the Authority, the Bank and the Series 2008B Certificate Trustee.

Conversion Option

(a) The Interest Rate Determination Method may be changed from the Weekly Rate to a Long-Term Rate, from a Long-Term Rate to the Weekly Rate or from a Long-Term Rate to a new Long-Term Rate on any Conversion Date by the Authority giving written notice of such change (a "Conversion Notice") to the Remarketing Agent and the Series 2008B Certificate Trustee with a copy to any Paying Agent, each Rating Agency, if any, and the Bank, if any. The Conversion Notice must be received by the Remarketing Agent and the Series 2008B Certificate Trustee at least twenty-five (25) days prior to the proposed Conversion Date.

Each Conversion Notice shall state (1) that the Authority elects to change the Interest Rate Determination Method to a new Interest Rate Determination Method, or from the interest rate applicable during a Long-Term Rate Period to a new interest rate during a new Long-Term Rate Period, (2) the proposed Conversion Date, (3) the Interest Rate Determination Method to be in effect from and after such Conversion Date, (4) whether a Letter of Credit is to be in effect from and after such Conversion Date, and, if so, the terms of such Letter of Credit, and (E) if a Long-Term Rate is to be in effect from and after such Conversion Date, and if redemption premiums different from those set forth in "Redemption of Series 2008B Certificates – Optional Redemption" are to be applicable as described in "Long-Term Rate Period," the redemption premiums to be applicable during such Long-Term Rate Period. If the Interest Rate Determination Method in effect prior to the Conversion Date is the Weekly Rate, then the Conversion Date may be any Business Day and if such Interest Rate Determination Method is a Long-Term Rate, the Conversion Date must be the Business Day immediately succeeding the last day of the Long-Term Rate Period.

(b) Each Conversion Notice given to the Remarketing Agent and the Series 2008B Certificate Trustee shall be accompanied by an opinion of Bond Counsel to the effect that the change in the Interest Rate Determination Method or the change from a Long-Term Rate to a new Long-Term Rate will not cause the interest on the Series 2008B Certificates to be included in the gross income of the Holders thereof for federal income tax purposes and that such change is permitted under the Series 2008B Certificate Indenture.

The Authority shall deliver to the Remarketing Agent and the Series 2008B Certificate Trustee, by 10:00 a.m., prevailing Eastern Time, on the proposed Conversion Date a supplemental opinion of Bond Counsel to the effect that the change in the Interest Rate Determination Method or the change from a Long-Term Rate to a new Long-Term Rate is permitted under the Series 2008B Certificate Indenture and, under the laws existing on such Conversion Date, the change will not cause the interest on the Series 2008B Certificates to be included in the gross income of the Holders thereof for federal income tax purposes.

(c) The Series 2008B Certificate Trustee shall give written notice to the Holders of a Conversion Date by first-class mail, postage prepaid, at least fifteen (15) days prior to the proposed Conversion Date. Such notice shall state (1) that the Interest Rate Determination Method is being changed to another Interest Rate Determination Method or the interest rate applicable during a Long-Term Rate Period is being changed to a new interest rate during a new Long-Term Rate Period, (2) the proposed Conversion Date and (3) that the Series 2008B Certificates shall be purchased by the Series 2008B Certificate Trustee on the proposed Conversion Date as described under “Mandatory Tender for Purchase Certificates.”

(d) If (1) the Authority fails to deliver to the Remarketing Agent and the Series 2008B Certificate Trustee by 10:00 a.m., prevailing Eastern Time, on the proposed Conversion Date any supplemental opinion of Bond Counsel as described under (b) above, or (2) an Event of Default shall have occurred and be continuing under the Series 2008B Certificate Indenture, the Interest Rate Determination Method for the Series 2008B Certificates shall not be changed on the proposed Conversion Date and the Series 2008B Certificate Trustee shall immediately notify by telephone the Bank, if any, the Remarketing Agent and any Paying Agent that the Interest Rate Determination Method for the Series 2008B Certificates shall not be changed on the proposed Conversion Date.

Notwithstanding any other provision in the Series 2008B Certificate Indenture to the contrary, no conversion of the Interest Rate Determination Method to a Long-Term Rate shall occur if the Authority, not later than 10:00 a.m., Local Time, on the Business Day immediately preceding the applicable Rate Computation Date, directs the Remarketing Agent and the Series 2008B Certificate Trustee not to change the Interest Rate Determination Method to a Long-Term Rate by written notice, with a copy to any Paying Agent, each Rating Agency, if any, and the Bank.

If a proposed conversion of the Interest Rate Determination Method is cancelled pursuant to the provisions of either of the two preceding paragraphs, all Series 2008B Certificates shall nevertheless be tendered for purchase on the proposed Conversion Date and shall be purchased on the proposed Conversion Date. The Series 2008B Certificates shall continue to bear interest in accordance with the Interest Rate Determination Method in effect prior to the proposed Conversion Date and, in the case of a proposed change from a Long-Term Rate, for a Long-Term Rate Period ending on the first day that is a day immediately preceding a Business Day and that occurs on or after the day that is the same number of days after the proposed Conversion Date as the number of days in the immediately preceding Long-Term Rate Period (but in no event later than the maturity of the Series 2008B Certificates); provided, however, that the rate of interest that the Series 2008B Certificates will bear shall be determined on the proposed Conversion Date.

Failure to mail the notice described in (c) above, or any defect therein, shall not affect the validity of any interest rate or change in the Interest Rate Determination Method on any of the Series 2008B Certificates or the requirement that the Series 2008B Certificates shall be tendered as described under “Mandatory Tender for Purchase of Certificates” or extend the period for tendering any of the Series 2008B Certificates for purchase, and the Series 2008B Certificate Trustee shall not be liable to any Holder by reason of its failure to mail such notice or any defect therein.

No conversion to a Long-Term Rate shall be permitted unless the Series 2008B Certificate Trustee and the Remarketing Agent shall have received, at least two (2) Business Days prior to the proposed Conversion Date, a copy of a continuing disclosure agreement imposing obligations upon the Authority to comply with the requirements of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”), with respect to the Series 2008B Certificates, together with such disclosure documents as the Remarketing Agent shall require in order to comply with the Rule, if the Rule will be applicable upon such conversion.

The Interest Rate Determination Method may not be converted to a Long-Term Rate unless the interest component of the Letter of Credit to be in effect immediately following such conversion, if any, provides for payment of at least 183 days of interest on the Series 2008B Certificates at such Long-Term Rate. If a rating for the Series 2008B Certificates is to be maintained after any such conversion, the Series 2008B Certificate Trustee and the Remarketing Agent must receive, prior to the effective date of such conversion, written confirmation from each Rating Agency, if any, that such rating will not be reduced or withdrawn.

Mandatory Tender for Purchase of Certificates

The Series 2008B Certificates are subject to mandatory purchase on the following dates (each, a “Mandatory Purchase Date”), at a purchase price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to but not including the date of purchase:

- (a) each proposed Conversion Date;
- (b) (1) each Substitution Date designated by the Authority as described in “THE LETTER OF CREDIT – Substitute Letter of Credit” whether or not a Substitute Letter of Credit is delivered to the Series 2008B Certificate Trustee on such Substitution Date, or (2) on the fifteenth (15th) day next preceding the stated expiration or termination date of the Letter of Credit, unless by the fortieth (40th) day next preceding such stated expiration or termination date the Authority provides to the Series 2008B Certificate Trustee (A) evidence satisfactory to the Series 2008B Certificate Trustee that the term of such Letter of Credit has been extended, or (B) notice from the Authority pursuant to “THE LETTER OF CREDIT – Substitute Letter of Credit” of its intention to provide a Substitute Letter of Credit and designating a Substitution Date on or prior to the fifteenth (15th) day next preceding such stated expiration or termination date;
- (c) while the Series 2008B Certificates bear interest at the Weekly Rate, any Business Day designated by the Authority, with the consent of the Bank and the Remarketing Agent; and
- (d) on the first Business Day that is at least twenty (20) days after the Series 2008B Certificate Trustee receives written notice from the Bank that an “Event of Default” under the Reimbursement Agreement has occurred and is continuing and directing a mandatory purchase of the Series 2008B Certificates.

If a Substitute Letter of Credit will be delivered in connection with the Mandatory Purchase Date, the purchase price shall be paid with the proceeds of a draw on the existing Letter of Credit.

Notice of a Conversion Date shall be given in the manner described in “Conversion Option.” Notice of a Substitute Letter of Credit shall be given in the manner described in “THE LETTER OF CREDIT – Substitute Letter of Credit.” The Series 2008B Certificate Trustee shall give written notice of any other Mandatory Purchase Date by first-class mail to all registered owners of the Series 2008B Certificates addressed to each such registered owner at his registered address and placed in the mails not less than fifteen (15) days prior to such Mandatory Purchase Date. Such notice shall state: (i) that the Series 2008B Certificates will be purchased by the Series 2008B Certificate Trustee on the Mandatory Purchase Date and (ii) the Mandatory Purchase Date. Any notice to the registered owners mailed as provided above shall be conclusively presumed to have been given, whether or not the registered owners receive the notice.

Demand Purchase Option

While the Series 2008B Certificates bear interest at the Weekly Rate, any Series 2008B Certificate (or portion thereof in a Minimum Denomination) shall be purchased, on the demand of the registered owner thereof, in Minimum Denominations, on any Business Day at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date (as defined below), upon: (a) delivery to the Remarketing Agent at its principal office of telephonic notice, followed by written notice within two Business Days (which may be delivered by telecopy, and which shall be satisfactory to the Remarketing Agent, and a copy of which shall be delivered to the Series 2008B Certificate Trustee), which (1) states the name of the registered owner and the principal amount of such Series 2008B Certificate (and, if only a portion thereof is to be purchased, the amount of such portion) and (2) states the date on which such Series 2008B Certificate shall be purchased, which date shall be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Remarketing Agent (the “Purchase Date”); and (b) delivery of such Series 2008B Certificate (with an appropriate transfer of registration form executed in blank acceptable to the Series 2008B Certificate Trustee) at the principal corporate trust office of the Series 2008B Certificate Trustee at or prior to 10:00 a.m., prevailing Eastern Time, on the Purchase Date;

provided, however, that such Series 2008B Certificate (or portion thereof) shall be so purchased only if the Series 2008B Certificate so delivered to the Series 2008B Certificate Trustee shall conform in all respects to the description thereof in the aforesaid notice. Delivery of a notice to the Remarketing Agent to tender a Series 2008B Certificate (or portion thereof) or Series 2008B Certificates for purchase and delivery of the Series 2008B Certificate or Series 2008B Certificates described therein to the Series 2008B Certificate Trustee shall each constitute irrevocable acts on the part of the owner of such Series 2008B Certificate or Series 2008B Certificates. If less than all of the principal amount of a Series 2008B Certificate is purchased, the holder must retain Series 2008B Certificates in Minimum Denominations and a replacement Series 2008B Certificate in the remaining principal amount shall be issued to the registered owner tendering his Series 2008B Certificate.

While the Series 2008B Certificates are held in a book-entry system, a purchase notice described in the preceding paragraph may be delivered by a Beneficial Owner. Such purchase notice must be delivered as set forth in the preceding paragraph and must identify the DTC Participant through which the Beneficial Owner maintains its interest. Upon delivery of such notice, the Beneficial Owner must make arrangements to have its beneficial ownership interest in the Series 2008B Certificate being tendered (or portion thereof) transferred to the Series 2008B Certificate Trustee at or prior to 10:00 a.m., prevailing Eastern Time, on the Purchase Date, but need not otherwise comply with the requirement of delivery of the Series 2008B Certificate (or portion thereof) being tendered to the Series 2008B Certificate Trustee set forth in the preceding paragraph.

Funds For Purchase of Certificates

Funds for the payment of the purchase price of the Series 2008B Certificates shall be derived from the following sources in the order of priority indicated:

- (a) proceeds of the remarketing of such Series 2008B Certificates on deposit in the Certificate Purchase Account of the Certificate Fund established in the Series 2008B Certificate Indenture;
- (b) moneys representing proceeds of a drawing under the Letter of Credit;
- (c) any other Available Moneys; and
- (d) any other revenues and moneys furnished by the Authority.

Series 2008B Certificates to be purchased on the Purchase Date or the Mandatory Purchase Date must be delivered to the Series 2008B Certificate Trustee not later than 10:00 a.m. prevailing Eastern Time on the Purchase Date or Mandatory Purchase Date. Any Series 2008B Certificate subject to purchase on the Purchase Date or the Mandatory Purchase Date that is not tendered by 10:00 a.m. prevailing Eastern Time on the Purchase Date or Mandatory Purchase Date will be deemed tendered, and to the extent there shall be on deposit with the Series 2008B Certificate Trustee on the Purchase Date or Mandatory Purchase Date an amount sufficient to pay the purchase price thereof, such Series 2008B Certificate shall cease to be Outstanding, no further interest thereon shall thereafter accrue and such Series 2008B Certificate shall constitute and represent only the right to the payment of the purchase price that was payable on the Purchase Date or Mandatory Purchase Date.

Use of Moneys in Certificate Fund

There is created and established in the Series 2008B Certificate Indenture a trust fund designated the "Certificate Fund." There are created and established within the Certificate Fund three accounts, designated the "Certificate Purchase Account," the "Letter of Credit Account" and the "Authority Payments Account." The Certificate Fund is subject to a lien and charge in favor of the Holders of the Series 2008B Certificates and the Bank.

Except for (a) moneys in the Certificate Purchase Account, which shall be used to pay the purchase price of Series 2008B Certificates, (b) proceeds of a drawing under the Letter of Credit to pay the purchase price of Series 2008B Certificates, and (c) Available Moneys and other revenues and moneys furnished by the Authority to the Series 2008B Certificate Trustee to pay the purchase price of Series 2008B Certificates, moneys in the Certificate Fund shall be used solely for the payment of the principal of, redemption premium, if any, and interest on the Series

2008B Certificates whether on an Interest Payment Date, at maturity, upon acceleration or at redemption prior to maturity or to repay the Bank for draws under the Letter of Credit to pay such principal of, redemption premium, if any (provided that, with respect to the source described in clause (a) below, only if and to the extent the Letter of Credit covers redemption premium), and interest on the Series 2008B Certificates. In addition, moneys in the Certificate Fund used for such payments of principal of, redemption premium, if any, and interest on the Series 2008B Certificates shall be used in the following priority:

- (a) moneys representing proceeds of a drawing under the Letter of Credit;
- (b) other Available Moneys; and
- (c) other revenues and moneys furnished by the Authority to the Series 2008B Certificate Trustee.

Non-Presentation Series 2008B Certificates

In the event any Series 2008B Certificates shall not be presented for payment when the principal thereof becomes due, whether at maturity, upon acceleration, upon call for redemption, upon demand for purchase, or otherwise, if there shall have been deposited with the Series 2008B Certificate Trustee for that purpose, or left in trust if previously so deposited, funds sufficient to pay the principal thereof, and redemption premium, if any, together with all interest unpaid and due thereon, to the due date thereof, for the benefit of the holder thereof, all liability of the Authority to the holder thereof for the payment of the principal thereof, redemption premium, if any, and interest thereon, shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Series 2008B Certificate Trustee to hold such fund or funds, without liability for interest thereon, for benefit of the Holder of such Series 2008B Certificate, who shall thereafter be restricted exclusively to such fund or funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, the Series 2008B Certificate.

Redemption of Series 2008B Certificates

Optional Redemption. While the Series 2008B Certificates bear interest at the Weekly Rate, they shall be subject to optional redemption prior to maturity at the option of the Authority, with the prior written consent of the Bank, in whole on any Business Day or in part (in Minimum Denominations) on any Interest Payment Date at a redemption price equal to 100% of the principal amount being redeemed plus interest accrued to the redemption date.

While the Series 2008B Certificates bear interest at the Long-Term Rate, they shall be subject to redemption prior to maturity at the option of the Authority, with the prior written consent of the Bank, if any, in whole on any Business Day or in part (in Minimum Denominations) on any Interest Payment Date occurring after the applicable period of Call Protection (as defined below) set forth below at a redemption price (expressed as a percentage of principal amount being redeemed) plus interest accrued to the redemption date as follows; provided, however, if a Letter of Credit is in effect, such redemption premium shall be paid only from Available Moneys on deposit in the Certificate Fund, unless such Letter of Credit provides for payment of such redemption premium:

Length of Period from the Interest Payment Date immediately succeeding the Conversion Date to the end of the Long-Term Rate Period	Redemption Prices as a Percentage of Principal Amount (measured from and including the Interest Payment Date immediately succeeding the Conversion Date)	Call Protection (Length of time (measured from the Interest Payment Date immediately succeeding the Conversion Date) before Series 2008B Certificates may be called)
Greater than 15 years	After 10 years (less one day) at 101%, declining by 0.5% every year to 100%	10 years (less one day)

Length of Period from the Interest Payment Date immediately succeeding the Conversion Date to the end of the Long-Term Rate Period	Redemption Prices as a Percentage of Principal Amount (measured from and including the Interest Payment Date immediately succeeding the Conversion Date)	Call Protection (Length of time (measured from the Interest Payment Date immediately succeeding the Conversion Date) before Series 2008B Certificates may be called)
Less than or equal to 15 years and greater than 10 years	After 7 years (less one day) at 101%, declining by 0.5% every year to 100%	7 years (less one day)
Less than or equal to 10 years and greater than 7 years	After 5 years (less one day) at 101%, declining by 0.5% every year to 100%	5 years (less one day)
Less than or equal to 7 years and greater than 4 years	After 3 years (less one day) at 100 ½%, declining by 0.5% after a year to 100%	3 years (less one day)
Less than or equal to 4 years	After 2 years (less one day) at 100%	2 years (less one day)

Special Optional Redemption. The Series 2008B Certificates are subject to special optional redemption, in whole or in part at any time, at a redemption price equal to the principal amount of the Series 2008B Certificates to be redeemed, plus accrued interest to the date of redemption, but without premium, in the event that the Healthcare Premises are damaged or destroyed or taken by eminent domain in whole or in part as to render the Healthcare Premises or such portion thereof, in the judgment of the Authority, unsatisfactory for its intended use for a period of time longer than one year.

Purchase in Lieu of Redemption. When Series 2008B Certificates are subject to optional redemption pursuant to “Optional Redemption” or “Special Optional Redemption”, Series 2008B Certificates paid by the Authority or paid from a draw or claim under the Letter of Credit or otherwise paid by or on behalf of the Bank may be purchased in lieu of redemption on the applicable redemption date at a purchase price equal to the redemption price, if the Series 2008B Certificate Trustee has received a written request on or before said purchase date from the Authority or the Bank, as the case may be, specifying that the moneys provided or to be provided by such party shall be used to purchase Series 2008B Certificates in lieu of redemption. No purchase of Series 2008B Certificates by the Authority or the Bank pursuant to the Series 2008B Certificate Indenture or advance or use of any moneys to effectuate any such purchase shall be deemed to be a payment or redemption of the Series 2008B Certificates or any portion thereof, and such purchase shall not operate to extinguish or discharge the indebtedness evidenced by such Series 2008B Certificates. Series 2008B Certificates purchased pursuant to this Section “Purchase in Lieu of Redemption” shall not be remarketed by the Remarketing Agent except in accordance with the Series 2008B Certificate Indenture. If a Letter of Credit is in effect on the date any Series 2008B Certificate is to be purchased in lieu of redemption under this Section “Purchase In Lieu of Redemption”, no such Series 2008B Certificate may be purchased unless the entire purchase price for such Series 2008B Certificate constitutes Available Moneys.

Notice of Redemption. Notice of the call for any redemption, identifying the Series 2008B Certificates or portions thereof being called and the date on which they shall be presented for payment, shall be given by the Series 2008B Certificate Trustee by first-class mail to each registered owner of each Series 2008B Certificate addressed to such registered owner at his registered address and placed in the mails not less than thirty (30) nor more than sixty (60) days prior to the date fixed for redemption; provided, however, that failure to give such notice, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2008B Certificate with respect to which no such failure or defect has occurred.

If required by law or applicable regulation, notice of redemption shall also be given by the Series 2008B Certificate Trustee, by first-class mail, to all organizations registered with the Securities and Exchange Commission as securities depositories, and to at least one information service of national recognition which disseminates redemption information with respect to tax-exempt securities. Failure to give notice described in this paragraph, or

any defect therein, shall not affect the validity of any proceedings for the redemption of any Series 2008B Certificates with respect to which the notice specified in the foregoing paragraph is correctly given.

In the case of an optional redemption under “Optional Redemption” or “Special Optional Redemption,” the redemption notice may state that (i) it is conditioned upon the deposit of moneys by the Authority, in an amount equal to the amount necessary to effect the redemption, with the Series 2008B Certificate Trustee no later than the scheduled redemption date or (ii) the Authority retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is rescinded. In the case of a Conditional Redemption subject to the deposit of moneys, the failure of the Authority to make funds available in part or in whole on or before the scheduled redemption date shall not constitute an Event of Default under the Series 2008B Certificate Indenture and any Series 2008B Certificates subject to such Conditional Redemption shall remain outstanding. Any Conditional Redemption subject to rescission may be rescinded in whole or in part at any time on or prior to the scheduled redemption date if an Authorized Authority Representative instructs the Series 2008B Certificate Trustee in writing to rescind the redemption notice. Any Series 2008B Series 2008B Certificates subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default under the Series 2008B Certificate Indenture. If a Conditional Redemption for which notice has been sent to Holders will not occur, either because the Authority has not made funds available to effect such redemption on or before the scheduled redemption date or the Authority has rescinded such notice, the Series 2008B Certificate Trustee shall give Immediate Notice to DTC if all of the Series 2008B Certificates are held under the DTC book-entry system or the affected Holders of any Series 2008B Certificates that are not held under the DTC book-entry system that the redemption did not occur and that the Series 2008B Certificates called for redemption and not so paid remain Outstanding.

In the case of an optional redemption of Series 2008B Certificates bearing interest at Long-Term Rates pursuant to “Optional Redemption,” if a redemption premium will be payable in connection with such optional redemption, a Letter of Credit is in effect and such Letter of Credit does not provide for the payment of such redemption premium, then such redemption shall be a Conditional Redemption and the redemption notice shall state that such redemption is conditioned upon the deposit of Available Moneys by the Authority, in an amount equal to such redemption premium, with the Series 2008B Certificate Trustee no later than the scheduled redemption date.

Selection of Series 2008B Certificates for Redemption. In the event of a partial redemption of Series 2008B Certificates, the Series 2008B Certificate Trustee (or, while the Series 2008B Certificates are held in the DTC book-entry system, DTC) shall select 2008B Certificates for redemption in accordance with the following criteria: (a) the Series 2008B Certificate Trustee (or DTC) shall first select for redemption Series 2008B Certificates pledged to the Bank under the Reimbursement Agreement (“Pledged Certificates”), and (b) thereafter, the Series 2008B Certificate Trustee (or DTC) shall select Series 2008B Certificates for redemption by lot (or, in the case of DTC, pursuant to its rules and procedures). In no event shall the Series 2008B Certificate Trustee select a Series 2008B Certificate or Series 2008B Certificates for redemption if such redemption will result in any Holder owning Series 2008B Certificates with a principal amount that is less than a Minimum Denomination; provided that, if a redemption cannot be effected to result in Minimum Denominations for all Holders, the Series 2008B Certificate Trustee shall select Series 2008B Certificates for redemption such that one Holder owns a Series 2008B Certificate or Series 2008B Certificates with a principal amount that is less than a Minimum Denomination, which Series 2008B Certificate or Series 2008B Certificates shall be deemed to be authorized.

Defaults and Remedies

Defaults. Any of the following will constitute an Event of Default under the Series 2008B Certificate Indenture:

- (a) Default in the due and punctual payment of any interest on any Series 2008B Certificate Outstanding;
- (b) Default in the due and punctual payment of the principal of and redemption premium, if any, on any Series 2008B Certificate, whether at the stated maturity thereof, or upon proceedings for redemption thereof, or upon the maturity thereof by acceleration;

(c) Default in the due and punctual payment of the purchase price of any Series 2008 Certificate due pursuant to “Mandatory Tender for Purchase of Certificates” or “Demand Purchase Option”;

(d) Default in the payment of any other amount required to be paid under the Series 2008B Certificate Indenture or the performance or observance of any other of the covenants, agreements or conditions contained in the Series 2008B Certificate Indenture, or in the Series 2008B Certificates issued under the Series 2008B Certificate Indenture, and continuance thereof for a period of 30 days after written notice specifying such failure and requesting that it be remedied, shall have been given to the Authority by the Series 2008B Certificate Trustee, which may give such notice in its discretion and shall give such notice at the written request of bondholders of not less than 10% in aggregate principal amount of the Series 2008B Certificates then Outstanding, unless the Series 2008B Certificate Trustee, or the Series 2008B Certificate Trustee and bondholders of an aggregate principal amount of Series 2008B Certificates not less than the aggregate principal amount of Series 2008B Certificates the bondholders of which requested such notice, as the case may be, shall agree in writing to an extension of such period prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period but can reasonably be expected to be fully remedied, the Series 2008B Certificate Trustee shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Authority within such period and is being diligently pursued;

(e) The occurrence of an “Event of Default” under the Master Indenture;

(f) Receipt by the Series 2008B Certificate Trustee of written notice from the Bank that an “Event of Default” has occurred and is continuing under the Reimbursement Agreement accompanied by a demand by the Bank that the Series 2008B Certificate Trustee declare the Series 2008B Certificates to be immediately due and payable;

(g) The occurrence of an Event of Bankruptcy of the Authority; and

(h) The occurrence of an Event of Bankruptcy of the Bank.

The term “default” as used in clauses (a), (b), (c) and (d) above shall mean default by the Authority in the performance or observance of any of the covenants, agreements or conditions on its part contained in the Series 2008B Certificate Indenture, or in the Series 2008B Certificates Outstanding hereunder, exclusive of any period of grace required to constitute an “Event of Default” as hereinabove provided. Upon the occurrence of an Event of Default under the Reimbursement Agreement, the Bank has the option of requiring a mandatory tender or an acceleration of the Series 2008B Certificates. A mandatory tender required by the Bank will not be an Event of Default under the Series 2008B Certificate Indenture.

Acceleration.

(a) Upon the occurrence and during the continuation of an Event of Default, the Series 2008B Certificate Trustee may, and in certain events shall, declare the principal of all Outstanding Series 2008B Certificates secured by the Series 2008B Certificate Indenture and interest accrued thereon immediately due and payable, and such principal and interest shall thereupon become and be immediately due and payable. Such declarations shall be made as follows: Upon the occurrence and continuation of an Event of Default described in clause (a), (b), (c) or (h) of “Defaults and Remedies – Defaults,” the Series 2008B Certificate Trustee shall declare the Series 2008B Certificates immediately due and payable as set forth above. Upon the occurrence and continuation of an Event of Default described in clause (d), (e) or (g) of “Defaults and Remedies – Defaults,” the Series 2008B Certificate Trustee may, and upon the written request of the holders of a majority in aggregate principal amount of Series 2008B Certificates Outstanding hereunder, shall, but, in any case, only with the prior written consent of the Bank so long as the Bank has not wrongfully dishonored, and not otherwise cured, a draw under the Letter of Credit, declare the Series 2008B Certificates immediately due and payable as set forth above. Upon the occurrence and continuation of an Event of Default described in clause (f) of “Defaults and Remedies – Defaults,” so long as the Bank has not wrongfully dishonored a draw under the Letter of Credit, the Series 2008B Certificate Trustee shall,

at the direction of the Bank, declare the Series 2008B Certificates immediately due and payable. In each case, the Series 2008B Certificate Trustee shall declare such an Event of Default and acceleration of the Series 2008B Certificates by notice in writing delivered to the Authority and the Bank. Upon any such declaration, the Authority shall forthwith pay to the Holders of the Series 2008B Certificates the entire unpaid principal of, redemption premium, if any, and accrued interest on the Series 2008B Certificates. Interest shall cease to accrue on the Series 2008B Certificates.

(b) Upon the acceleration of the maturity of the Series 2008B Certificates, by declaration or otherwise, the Series 2008B Certificate Trustee shall, without requirement of the indemnification, immediately draw upon the Letter of Credit for the aggregate unpaid principal amount of the Series 2008B Certificates and all interest accrued thereon which shall be applied as set forth in the Series 2008B Certificate Indenture.

(c) Notwithstanding the foregoing, if on the next day following the occurrence of an Event of Default under “Defaults and Remedies – Defaults” and the acceleration of the principal of and interest on the Series 2008B Certificates, and the accompanying immediate drawing on the Letter of Credit, Authority advises the Series 2008B Certificate Trustee and the Registered Owners that it will provide a Substitute Letter of Credit, the effectiveness of the declaration of acceleration shall be suspended for a period of sixty days during which the Authority may deliver to the Series 2008B Certificate Trustee a Substitute Letter of Credit meeting the requirements described in “THE LETTER OF CREDIT – Substitute Letter of Credit.” If during such 60-day period a Substitute Letter of Credit shall be so delivered, the declaration of acceleration shall be of no force or effect. If the Authority fails to deliver a Substitute Letter of Credit as hereinbefore described, the declaration shall be effective as of the sixtieth day following the initial declaration of acceleration.

Waivers of Defaults. The Series 2008B Certificate Trustee, with the written consent of the Bank, may in its discretion waive any Event of Default under the Series 2008B Certificate Indenture and its consequences and rescind any declaration of maturity of principal and shall do so, with the written consent of the Bank, upon the written request of the holders of a majority in principal amount of all Series 2008B Certificates Outstanding hereunder; provided, however, that (i) there shall not be waived any Event of Default described in clause (a), (b) or (c) of “Defaults and Remedies – Defaults,” unless prior to such waiver or rescission all arrears of principal (due otherwise than by declaration) and interest and all expenses of the Series 2008B Certificate Trustee and Paying Agent, shall have been paid or provided for, and (ii) there shall not be waived any Event of Default described in clause (f) in “Defaults and Remedies - Defaults,” unless prior to such waiver or rescission (A) the Bank has rescinded or revoked in writing the Event of Default under the Reimbursement Agreement and (B) the Series 2008B Certificates Trustee has received written evidence from the Bank that the amount available to be drawn under the Letter of Credit has been reinstated in full. In case of any such waiver or rescission, the Authority, Trustee and the bondholders shall be restored to their former positions and rights hereunder respectively; but no such waiver or rescission shall extend to any subsequent or other default, or impair any right subsequent thereon.

Rights of Bank. For all purposes of Events of Default and Remedies under the Series 2008B Certificate Indenture (other than receipt of payments), the Bank shall, so long as the Letter of Credit shall be in effect and the Bank shall not have wrongfully dishonored any draw under the Letter of Credit (any dishonor for a reason permitted by the Letter of Credit or pursuant to any administrative or judicial order, ruling, finding or decision shall not be deemed “wrongful” for purposes hereof), be deemed the holder and registered owner of all Series 2008B Certificates. As such, the Bank may take all actions permitted by the Series 2008B Certificate Indenture to be taken by the holders or registered owners of the Series 2008B Certificates with respect to remedies permitted by the Series 2008B Certificate Indenture, to the exclusion of the actual holders and registered owners of the Series 2008B Certificates.

Whenever the Series 2008B Certificate Trustee shall make any payment to any Series 2008B Certificateholder with funds drawn under Letter of Credit pursuant to the Series 2008B Certificate Indenture, the Series 2008B Certificate Trustee shall make such payments as agent for the Bank and not as agent for the Authority, and the Bank and its assigns shall thereafter, to the extent of the amount so paid, be subrogated to the rights thereon of the Series 2008B Certificateholders to whom such payment was made.

Remarketing Agent

The Authority has appointed BB&T Capital Markets, a division of Scott & Stringfellow, Inc., as remarketing agent for the Series 2008B Certificates. The Remarketing Agent is required to use its best efforts to remarket the Series 2008B Bonds at par plus accrued interest, if any, any Series 2008B Certificates tendered for purchase pursuant to “Demand Purchase Option” or “Mandatory Tender for Purchase of Certificates.”

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by the Series 2008B Certificate Indenture by giving at least 60 days’ notice to the Authority, the Paying Agent and the Series 2008B Certificate Trustee; provided that such resignation shall not be effective until a successor is appointed and accepts such appointment. The Remarketing Agent may be removed at any time, at the direction of the Authority (with the prior written consent of the Bank), by an instrument, signed by the Authority filed with the Remarketing agent and the Series 2008B Certificate Trustee; provided that such removal shall not be effective until a successor is appointed and accepts such appointment.

SECURITY FOR AND SOURCES OF PAYMENT

General

The Series 2008B Certificates are payable from and secured by the Trust Estate created in the Series 2008B Certificate Indenture. The Trust Estate in the Series 2008B Certificate Indenture consists of (1) the Series 2008B Master Note, (2) all amounts from time to time on deposit in the Funds established under the Series 2008B Certificate Indenture, subject to the provisions of such Series 2008B Certificate Indenture permitting the application of such amounts for the purposes and on the terms and conditions set forth in such Series 2008B Certificate Indenture, (3) all amounts derived from the exercise by the Series 2008B Certificate Trustee of any rights or remedies hereunder or under the Series 2008B Master Note, and (4) any and all other property from time to time hereafter pledged by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Series 2008B Certificate Indenture.

Pledge of Net Revenues

To secure payment of the Series 2008B Master Note (and therefore the Series 2008B Certificates) and all other Obligations under the Master Indenture, the Obligated Group Members have in the Master Indenture pledged its Net Revenues. Net Revenues are defined as the Gross Revenues less contractual allowances, free care, discounts and allowances for bad debts (whether or not such bad debts are characterized as expenses for the purposes of current audit guidelines), all determined in accordance with generally accepted accounting principles. Gross Revenues is defined as all revenues, income, receipts and money received in any period by or on behalf of the Obligated Group including, but without limiting the generality of the foregoing, (a) revenues derived from the Obligated Group’s operations, (b) gifts, grants, bequests, donations and contributions to the Members of the Obligated Group exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose and (c) proceeds derived from (i) insurance except to the extent the use thereof is otherwise required by this Indenture, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) medical or hospital expense reimbursement or insurance programs or agreements, (vi) condemnation awards, except to the extent that the use thereof if otherwise required by this Indenture, (vii) contract rights and other rights and assets now or hereafter owned, held or possessed by or on behalf of the Members of the Obligated Group. Anything herein to the contrary notwithstanding, there shall not be included in Gross Revenues, (a) the proceeds of borrowing and interest earned thereof if and to the extent such interest is required to be excluded by the terms of the borrowing; and (b) revenues, income, receipts and money received by the Members of the Obligated Group as agent for and on behalf of someone other than the Members of the Obligated Group. The Authority (1) has certified that it has made no pledge of any Net Revenues other than that securing payment of the Series 2008B Master Note and other Obligations under the Master Indenture and (2) has covenanted not to make any pledge of any Net Revenues except as provided in the Master Indenture.

Payment of the Series 2008B Certificates is not secured by any lien on or security interest in any of the real or personal property of the Authority or Kings Bay.

Limited Obligations

Neither the State of Georgia nor any political subdivision thereof shall, in any event, be liable for the payment of the principal of, redemption premium, if any, or interest on the Series 2008B Certificates, or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever that may be undertaken by the Authority, and none of the Series 2008B Certificates or the agreements or obligations of the Authority shall be construed to constitute a debt or pledge of the faith and credit of the State of Georgia or any political subdivision thereof within the meaning of any constitutional or statutory provision whatsoever. The Series 2008B Certificates do not directly, indirectly or contingently obligate the State of Georgia or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for the payment thereof. The Authority has no taxing power. The Series 2008B Certificates are not secured by a lien on or pledge of any real or personal property.

The Series 2008B Master Note

The Authority and Kings Bay will execute and deliver the Series 2008B Master Note under which the Members of the Obligated Group will be obligated to make payments in such amounts and at such times as shall be necessary to pay the principal of, redemption premium (if any) and interest on the Series 2008B Certificates.

The Master Indenture

The Series 2008B Master Note will be issued as an Obligation under the Master Indenture. Under the Master Indenture, the Members of the Obligated Group (as it may exist from time to time) have jointly and severally unconditionally guaranteed to the holder of any Obligation issued under the Master Indenture the due and punctual payment of the principal of and interest on any such Obligation and all other amounts due and payable under the Master Indenture when and as the same shall become due and payable, whether at stated maturity or by declaration of acceleration, call for redemption or otherwise according to the terms thereof; provided, however, in the event that any Cross Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law, then the liability of a Member of the Obligated Group under such Cross Guarantee shall be reduced to the maximum amount permissible under the applicable fraudulent conveyance or similar law.

The Master Indenture permits Members of the Obligated Group to issue additional Obligations from time to time under certain circumstances and subject to the terms of the Master Indenture. In addition, the Master Indenture permits the Members to incur certain other types of indebtedness, including certain guarantees under the circumstances, and to the extent, permitted by the Master Indenture.

As security for their obligation to pay amounts due under the Series 2008B Master Note and any other Obligations, the Members have granted to the Master Trustee a security interest in their Net Revenues. See Appendix C or "SECURITY FOR AND SOURCES OF PAYMENT - Pledge of Net Revenues" for the definition of Net Revenues.

The Members have agreed that they shall deposit daily, insofar as practical, all of their Gross Revenues into the Revenue Fund established by the Master Trustee and held by one or more Depositories in accordance with the Master Indenture. Upon the occurrence of an Event of Default under the Master Indenture, Net Revenues on deposit in the Revenue Fund shall be transferred from the Depositories to the Master Trustee and shall be applied in accordance with the Master Indenture. Prior to an Event of Default, the Members of the Obligated Group may expend the Gross Revenues in any manner they choose, subject to the limitations set forth in the Master Indenture. The enforcement of the pledge of the Net Revenues may be limited by a number of factors. See "Enforceability of Remedies."

The Members will be solely responsible for the payment of the Series 2008B Master Note and other Obligations secured under the Master Indenture from time to time and for performance of the covenants and agreements set forth in the Master Indenture. Subject to certain conditions, the Master Indenture permits additional entities to become Obligated Members thereunder. The Master Indenture also permits Members (including current

Members of the Obligated Group) to withdraw from the Obligated Group under specified conditions, whereupon such withdrawing Members will cease to be bound by the Master Indenture.

See Appendix C - "SUMMARY OF CERTAIN DOCUMENTS AND DEFINITIONS OF CERTAIN TERMS – The Master Indenture" for more information regarding the Master Indenture, including a discussion of the conditions under which entities will be permitted to join or withdraw from the Obligated Group, the provisions regarding the incurrence of, and security for, additional Master Indenture Obligations or other Indebtedness and the various financial and operating covenants of, and agreements to be performed by, the Obligated Group. See also "MASTER INDENTURE RATE COVENANT" for a description of the Obligated Group's Rate Covenant in the Master Indenture.

The Letter of Credit

The Series 2008B Certificates are also secured by the Letter of Credit. For information about the Letter of Credit and the Reimbursement Agreement, see "THE LETTER OF CREDIT" and "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT."

Enforceability of Remedies

The realization of any rights upon a default will depend upon the exercise of various remedies specified by the Series 2008B Certificate Indenture and the Master Indenture. These remedies may require judicial actions, which are often subject to discretion and delay and which may be difficult to pursue. The enforceability of rights or remedies with respect to the Series 2008B Certificates and the Series 2008B Master Note may be limited by state and federal laws, rulings, and decisions affecting remedies and by bankruptcy, insolvency, or other laws affecting creditors' rights or remedies heretofore or hereafter enacted. Under existing law (including particularly federal bankruptcy law), certain remedies specified by the Series 2008B Certificate Indenture or the Master Indenture may not be readily available or may be limited. A court may decide not to order specific performance of the covenants contained in the Series 2008B Certificate Indenture or the Master Indenture. See "CERTAIN BONDHOLDER RISKS." See also "THE SERIES 2008B CERTIFICATES – Rights of Bank."

THE LETTER OF CREDIT

General

The Series 2008B Certificates will be secured by an irrevocable, direct-pay Letter of Credit (the "Letter of Credit") to be issued by Branch Banking and Trust Company (the "Bank"), on the issuance date of the Series 2008B Certificates pursuant to the terms of a Letter of Credit and Reimbursement Agreement dated as of September 1, 2008 (the "Reimbursement Agreement"), between the Bank, the Authority and Kings Bay. The Letter of Credit when issued will be in the stated amount of \$41,036,833 (the "Stated Amount"), of which (a) an aggregate amount not exceeding \$40,570,000 (the "Principal Component") may be drawn upon with respect to the payment of principal of the Series 2008B Certificates or the principal component of the purchase price of the Series 2008B Certificates tendered for purchase on any Purchase Date or Mandatory Purchase Date and (b) an aggregate amount not exceeding \$466,833 (the "Interest Component") may be drawn upon in respect of the payment of up to 35 days' interest or the portion of the purchase price corresponding to interest on the Series 2008B Certificates at an assumed per annum interest rate of 12% based on a 365-day year. The Letter of Credit may be drawn upon with respect to the Series 2008B Certificates or the interest component of the purchase price thereon; provided, however, that the amount available to be drawn under the Letter of Credit with respect to interest on the Series 2008B Certificates or the interest component of the purchase price of the Series 2008B Certificates will in no event exceed the actual amount of interest accrued on the Series 2008B Certificates. The Letter of Credit will expire on the earlier to occur of any of the following (the "Termination Date"): (a) 3:00 p.m. (prevailing Eastern Time) on September 9, 2015 (the "Expiration Date"); (b) the close of business on the second business day following a conversion of the interest rate on the Series 2008B Certificates to a Long-Term Rate; (c) the date on which the Bank honors a draft drawn under the Letter of Credit pursuant to the Series 2008B Certificate Indenture following the occurrence of an Event of Default thereunder and an acceleration; (d) the date the Letter of Credit is surrendered to the Bank by the Series 2008B Certificate Trustee for cancellation following acceptance by the Series 2008B Certificate Trustee of a Substitute Letter of Credit; (e) the date on which the Bank honors a draft drawn under the Letter of Credit to

purchase the Series 2008B Certificates following the Series 2008B Certificate Trustee's receipt of written notice from the Bank directing a mandatory purchase of the Series 2008B Certificates pursuant to (d) of "THE SERIES 2008B CERTIFICATES — Mandatory Tender for Purchase of Certificates"; or (f) the date on which the Bank receives from the Series 2008B Certificate Trustee a certificate certifying that the principal amount on and interest on the Series 2008B Certificates have been paid, redeemed or defeased pursuant to the Series 2008B Certificate Indenture.

The initial terms of the Letter of Credit are stated to expire, subject to earlier termination as provided in clauses (b) through (f) of the preceding paragraph, on the Expiration Date. Pursuant to the Reimbursement Agreement, not earlier than 150 days before the Expiration Date, the Authority and Kings Bay may request the Bank in writing to extend the term of the Letter of Credit for purposes of the Reimbursement Agreement and the Letter of Credit. If the Authority and Kings Bay shall make such a request, the Bank shall, within sixty (60) days following receipt of the request, notify the Authority and Kings Bay in writing whether or not the Bank will extend the Expiration Date and, if the Bank does so elect, the conditions of such extension (including conditions relating to legal documentation and pricing, such as fees for renewal and drawings).

Drawings on Letter of Credit

Except with respect to any Series 2008B Certificate held by the Authority, a member of the Obligated Group, or the Bank, or an Affiliate of any of the foregoing, the Series 2008B Certificate Trustee shall draw moneys under the Letter of Credit in accordance with the terms thereof to the extent necessary:

- (a) To make timely payments of principal of, redemption premium, if any (if the Letter of Credit provides for payment of such redemption premium), and interest on the Series 2008B Certificates;
- (b) To pay the purchase price for any Series 2008B Certificates tendered pursuant to "Demand Purchase Option" or "Mandatory Tender for Purchase of Certificates" whenever and to the extent moneys are not available therefor from the sources set forth in "THE SERIES 2008B CERTIFICATES — Funds of Purchase of Certificates"; and
- (c) To pay all unpaid principal of and accrued interest on the Series 2008B Certificates upon declaration of acceleration.

Reduction and Reinstatement of the Letter of Credit

The Bank's obligation under the Letter of Credit will be reduced immediately following the Bank's honoring any draft drawn under the Letter of Credit by an amount equal to the amount of such draft. In connection with a drawing to pay the principal of the Series 2008B Certificates upon the acceleration, redemption or stated maturity thereof, the Interest Component of the Stated Amount will be automatically and permanently reduced by the amount of interest that would accrue on the amount of such drawing (computed at a rate of 12% per annum based on a 365-day year) for a period of 35 days. Amounts drawn under the Letter of Credit to pay interest on the Series 2008B Certificates will be reinstated immediately following such drawing except for any portion of such drawing honored with respect to interest accrued on the Series 2008B Certificates upon the acceleration, redemption or stated maturity thereof. At such time as the Series 2008B Certificate Trustee receives written notice from the Bank that the Bank has been reimbursed for a drawing under the Letter of Credit to pay the purchase price of the Series 2008B Certificates, the amount so drawn will be reinstated. Drawings made under the Letter of Credit to pay the principal of Series 2008B Certificates in connection with a redemption will not be reinstated.

Substitute Letter of Credit

The Authority may elect to provide a Substitute Letter of Credit by giving written notice to the Series 2008B Certificate Trustee, the Remarketing Agent, and the Bank not less than twenty-five (25) days prior to the Substitution Date specified in such notice, stating: (i) its election to provide a Substitute Letter of Credit and specifying the Substitution Date, (ii) the name and a brief description of the bank that will issue the Substitute Letter of Credit, (iii) the expiration date of the Substitute Letter of Credit, (iv) whether the Series 2008B Certificates will

be rated by a Rating Agency upon delivery of the Substitute Letter of Credit, (v) if the Series 2008B Certificates will be rated by a Rating Agency upon delivery of the Substitute Letter of Credit, the expected ratings, and (vi) if the Series 2008B Certificates will not be rated upon delivery of the Substitute Letter of Credit, the long-term and short-term senior debt or bank deposit ratings of the bank which will issue the Substitute Letter of Credit by an entity which could be a Rating Agency. The Substitute Letter of Credit must be delivered to the Series 2008B Certificate Trustee not later than 10:00 a.m. prevailing Eastern Time on the Substitution Date, together with the following:

(a) an opinion of counsel not unacceptable to the Series 2008B Certificate Trustee to the effect that (i) the Substitute Letter of Credit is a legal, valid and binding obligation of the bank issuing the Substitute Letter of Credit (or, in the case of a branch or agency of a foreign commercial bank, the branch or agency issuing the same), (ii) registration of the Substitute Letter of Credit is not required under the Securities Act of 1933, as amended, and (iii) if required by any Rating Agency, payments of principal, purchase price, redemption premium, if any, or interest on the Series 2008B Certificates with the proceeds of a draw under the Substitute Letter of Credit will not constitute avoidable preferential payments under Section 547 of the Bankruptcy Code recoverable from Holders of the Series 2008B Certificates pursuant to Section 550 of the Bankruptcy Code. In the case of a Substitute Letter of Credit issued by a branch or agency of a foreign commercial bank, there shall also be delivered an opinion of counsel not unacceptable to the Series 2008B Certificate Trustee and licensed to practice law in the jurisdiction in which the head office of such bank is located to the effect that the Substitute Letter of Credit is the legal, valid and binding obligation of such bank enforceable in such jurisdiction in accordance with its terms;

(b) an opinion of Bond Counsel to the effect that delivery of such Substitute Letter of Credit is authorized under the Series 2008B Certificate Indenture and complies with the terms thereof and that the delivery of such Substitute Letter of Credit will not have an adverse effect on the exclusion of interest on the Series 2008B Certificates from gross income for federal income tax purposes;

(c) evidence that the reimbursement agreement or other similar agreement between the Authority and the issuer of the Substitute Letter of Credit contains the same redemption schedule as set forth in “SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT — Covenant to Redeem Certificates;” and

(d) the written consent of the Remarketing Agent, which consent shall not unreasonably be withheld.

A Substitute Letter of Credit must be an irrevocable direct-pay letter of credit (other than the Letter of Credit as supplemented and amended from time to time), issued by a commercial bank organized or licensed under the laws of the United States or any state of the United States or a branch or agency of a foreign commercial bank located in the United States and subject to regulation by state or federal banking regulatory authorities, in favor of the Series 2008B Certificate Trustee for the benefit of the owners of the Series 2008B Certificates, the terms of which are in all material respects the same as the Letter of Credit (except for any appropriate revisions in the forms of certificates attached thereto), with a term of at least one year following the effective date thereof (or, if sooner, a term of at least fifteen days following maturity of the Series 2008B Certificates); provided, however, that if such Substitute Letter of Credit is provided in connection with a conversion of the Interest Rate Determination Method to a Long-Term Rate, the term of such Letter of Credit shall be at least equal to the length of the Long-Term Rate Period. An amendment to any Letter of Credit for the sole purpose of extending the term thereof or increasing the interest component thereof in connection with an increase in the Maximum Rate shall not be deemed to be a Substitute Letter of Credit.

In the event the Substitute Letter of Credit and the items specified in (a) through (d) above are not delivered to the Series 2008B Certificate Trustee by 10:00 a.m. prevailing Eastern Time on the Substitution Date, the Series 2008B Certificate Trustee shall not accept delivery of the Substitute Letter of Credit and no substitution shall be deemed to have occurred. During any Long-Term Rate Period, the Series 2008B Certificate Trustee shall not accept any Substitute Letter of Credit. The Series 2008B Certificate Trustee may accept a Substitute Letter of Credit on the first day of any Long-Term Rate Period.

Upon receipt of the notice from the Authority required under the first paragraph of this Section “Substitute Letter of Credit,” the Series 2008B Certificate Trustee shall give written notice of the Substitution Date by first-class mail to all registered owners of the Series 2008B Certificates addressed to each such registered owner at its registered address and placed in the mails not less than fifteen (15) days prior to such Substitution Date. Such notice shall state: (i) the Substitution Date, (ii) the expiration date of the Letter of Credit for which the Substitute Letter of Credit is to be substituted, (iii) the expiration date of the Substitute Letter of Credit, (iv) the name of the bank that is issuing the Substitute Letter of Credit and include a brief description of such bank, including the long-term and short-term senior debt or bank deposit ratings of such bank, and (v) that the Series 2008B Certificates are subject to mandatory tender for purchase on the Substitution Date in accordance with “Mandatory Tender for Purchase of Certificates.”

The purchase price of the Certificates on the Substitution Date shall be paid with proceeds from a draw on the existing Letter of Credit.

SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT

The following is a summary of certain provisions of the Reimbursement Agreement. The following summary is qualified in its entirety by reference to the Reimbursement Agreement, a copy of which is available for inspection the principal corporate trust office of the Series 2008B Certificate Trustee. The parties to the Reimbursement Agreement may, subject to certain conditions, amend the provisions thereof without the consent of or notice to any other parties, including the Series 2008B Certificate Trustee or the holders of the Series 2008B Certificates.

Affirmative and Negative Covenants

The Authority and Kings Bay have agreed, unless the Bank otherwise consents, to pay the Bank certain fees and expenses and to comply with certain affirmative and negative covenants set forth in the Reimbursement Agreement including, without limitation, affirmative covenants relating to provision of financial information and notice of certain events.

No information is being provided with respect to such covenants, the violation of which could result in a mandatory tender or default on and acceleration of the Series 2008B Certificates. See “Mandatory Tender for Purchase of Certificates” and “Defaults and Remedies” in “THE SERIES 2008B CERTIFICATES.”

Covenant To Redeem Certificates

In the Reimbursement Agreement, the Authority and Kings Bay have covenanted to redeem portions of the Series 2008B Certificates prior to their maturity date at redemption prices equal to 100% of the principal amount thereof on the date of such redemption, in the following principal amounts and on the first Business Day of August in the years set forth below:

<u>August</u>	<u>Amount</u>
2012	\$ 120,000
2014	125,000
2016	125,000
2017	10,000
2018	10,000
2019	5,000
2020	5,000
2021	15,000
2022	10,000
2023	10,000
2024	10,000
2025	10,000
2026	10,000
2027	10,000
2028	10,000
2029	15,000
2030	15,000
2031	10,000
2032	10,000
2033	10,000
2034	10,000
2035	9,530,000
2036	9,835,000
2037	10,160,000
2038	<u>10,490,000</u>
	\$40,570,000

Such schedule may be amended with the consent of the Bank, so there can be no assurance the Series 2008B Certificates will be redeemed in accordance with the foregoing schedule.

Tender Advances

The proceeds of the amount of each drawing under the Letter of Credit to pay the purchase price corresponding to principal and interest of the Series 2008B Certificates shall constitute a “Tender Advance” provided that certain representations and warranties of the Authority and Kings Bay in the Reimbursement Agreement are correct on the date of such Tender Advance and no event of default under the Reimbursement Agreement has occurred.

In addition to other amounts payable by the Authority and Kings Bay under the Reimbursement Agreement, the Authority and Kings Bay are also required to pay interest on each Tender Advance to the Bank at a fluctuating interest rate per annum in effect from time to time as provided in the Reimbursement Agreement.

The Reimbursement Agreement provides that all Series 2008B Certificates (or portions thereof) the purchase price of which was provided pursuant to draw on the Letter of Credit will be pledged to the Bank, pursuant to the Reimbursement Agreement, to secure the obligations of the Authority and Kings Bay under the Reimbursement Agreement. The Series 2008B Certificate Indenture provides that all Series 2008B Certificates (or portions thereof) the purchase price of which was provided pursuant to a draw on the Letter of Credit, shall be registered in the name of the Bank and held by the Bank, or its designee (including the Series 2008B Certificate Trustee) as agent and bailee of the Bank, pending remarketing, and no such Series 2008B Certificate will be released from the pledge thereof until the Bank has been reimbursed for the amounts due pursuant to the Reimbursement Agreement and reinstates the Letter of Credit in the amount of any drawing thereunder relating to such Series 2008B Certificate.

Events of Default under Reimbursement Agreement

The Reimbursement Agreement sets forth a number of events of default, including but not limited to the failure of the Authority or Kings Bay to reimburse the Bank for any drawing under the Letter of Credit when due, the occurrence of any event of default under Series 2008B Certificate Indenture or the Master Indenture, failure of the Authority or Kings Bay to observe or perform any other covenant, restriction or agreement contained in the Reimbursement Agreement beyond applicable cure periods, any breach of any representation or warranty of the Authority or Kings Bay made in the Reimbursement Agreement. The Bank may waive any event of default under the Reimbursement Agreement and the Authority and Kings Bay may alter or amend the events of default set forth in the Reimbursement Agreement without notice to or the consent of the holders of the Series 2008B Certificates.

At any time after the occurrence of and during the continuation of an event of default under the Reimbursement Agreement, the Bank may proceed under the Reimbursement Agreement and under the Series 2008B Certificate Indenture (as described in “Mandatory Tender for Purchase of Certificates” and “Events of Default and Remedies” in “THE SERIES 2008B CERTIFICATES”).

MASTER INDENTURE RATE COVENANT

The Obligated Group has made the following covenant in the Master Indenture with respect to the collection of rates, fees and charges:

The Obligated Group has covenanted in the Master Indenture that it will fix, charge and collect, or cause to be fixed, charged and collected, subject to applicable requirements or restrictions imposed by law, rates, fees and charges for the use of and for the services furnished or to be furnished by the Obligated Group which will be sufficient in each Fiscal Year (a) to produce Total Income Available for Debt Service equal to at least 110% (or 100% if a Consultant certifies that the 110% coverage cannot be met due to government regulations) of Maximum Annual Debt Service for such and any subsequent Fiscal Year, and (b) together with any other moneys that shall be available to the Obligated Group, to enable the Obligated Group to discharge their obligations as they shall become due and payable for such Fiscal Year.

The Obligated Group has further covenanted that, from time to time and as often as shall be necessary, it will revise, or cause to be revised, subject to applicable requirements or restrictions imposed by law, the rates, fees and charges as may be necessary or proper in order to comply with the requirements of the first paragraph of this Section. The Obligated Group has further covenanted that if in any Fiscal Year the Total Income Available for Debt Service shall be less than the amount required by the preceding paragraph, they will immediately employ a Consultant to examine the rates, fees and charges of the Obligated Group and the methods of the operation of the Property and to make such recommendations as to rates, fees and charges as the Consultant believes are appropriate to enable the Obligated Group to produce the Total Income Available for Debt Service as required by the Master Indenture. If in the judgment of the Consultant it is not possible for the Obligated Issuers to meet the requirement that the Total Income Available for Debt Service shall be at least equal to 110% of Maximum Annual Debt Service for such Fiscal Year and any subsequent Fiscal Year, the report of the Consultant shall so indicate and shall further indicate the projected ratio of Total Income Available for Debt Service to the Maximum Annual Debt Service anticipated if the recommendations of the Consultant are followed. The recommendations of the Consultant shall be filed with the Master Trustee.

The Obligated Group has covenanted that promptly upon the receipt of such recommendations, subject to applicable requirements or restrictions imposed by law, they shall revise their rates, fees and charges as shall be in conformity with such recommendations. If the Obligated Group complies with the provisions of the preceding paragraph, it shall be excused from compliance with the requirements of the first paragraph of this Section with respect to the amount of Total Income Available for Debt Service provided that the ratio equals or exceeds that which is projected and is at least 100%. This paragraph shall not be construed as in any way excusing the Obligated Group from taking any action or performing any duty required under any other section of the Master Indenture or be construed as constituting a waiver of any other Event of Default or be construed as excusing the Obligated Group from so fixing its rates, fees and charges which together with any other moneys that shall be available to the Obligated Group shall be sufficient to enable the Obligated Group to discharge its obligations as they shall become due and payable.

The Obligated Group may permit the rendering of service by, or the use of, the Healthcare Premises free of charge or at discounted or reduced rates (except as and incident to prepayment programs) to the extent necessary for retaining its eligibility for grants, loans, subsidies or payments from the United States of America or any instrumentality thereof or from the State of Georgia or any instrumentality thereof, or in compliance with any recommendation for free or discounted services that may be made by a Consultant, or to such further extent as may be consistent with the public charitable purposes of the Obligated Group and shall not prevent the Obligated Group from complying with the terms and provisions of the Master Indenture.

Additional covenants of the Obligated Group contained in the Master Indenture are discussed in Appendix C - "SUMMARY OF CERTAIN DOCUMENTS AND DEFINITIONS OF CERTAIN TERMS — The Master Indenture." The Authority and Kings Bay have also made certain affirmative and negative covenants in the Reimbursement Agreement. See "SUMMARY OF CERTAIN PROVISIONS OF THE REIMBURSEMENT AGREEMENT — Events of Default Under Reimbursement Agreement." As more fully discussed in "THE SERIES 2008B CERTIFICATES — Defaults and Remedies," violation by the Authority and Kings Bay of the covenants in the Master Indenture or the Reimbursement Agreement may lead to an Event of Default under the Series 2008B Certificate Indenture and may result in the exercise of remedies thereunder.

ESTIMATED SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources and uses of the Series 2008A Certificates and Series 2008B Certificates and certain other funds.

Sources of Funds:	
Proceeds of Series 2008A Certificates	\$ 106,865,000
Proceeds of Series 2008B Certificates	40,570,000
Less: OID	<u>[2,272,645]</u>
Total Sources of Funds	\$ 145,162,355
Uses of Funds:	
Payment of Bank Loan	\$ 94,000,000
Project Costs ⁽¹⁾	40,000,000
Costs of Issuance ⁽²⁾	1,645,399
Debt Service Reserve Fund for Series 2008A Certificates	<u>9,516,956</u>
Total Uses of Funds	\$ 145,162,355

⁽¹⁾ Only proceeds of the Series 2008B Certificates will be used to pay costs of the Project.

⁽²⁾ Includes fees for rating agency, Series 2008B Certificate Trustee, Master Trustee, legal, accounting and other professional fees, initial fees for the Letter of Credit, printing and engraving costs, underwriting discount and other costs of issuance.

THE PROJECT

The Project being financed with the proceeds of the Series 2008B Certificates includes:

1. Acquisition and renovation of the 200 bed skilled nursing facility contiguous to the Brunswick Campus. Approximately \$8,000,000.
2. Construction of additional labor, delivery, recovery and postpartum patient rooms and renovation of the existing Maternity Care center on the Brunswick Campus. Approximately \$6,429,000.
3. Replacement of utility infrastructure within the St. Simons Tower on the Brunswick Campus. Approximately \$10,146,000.

4. Miscellaneous renovations to the Brunswick Campus and medical equipment acquisitions. Approximately \$13,035,000.

The Authority does not have the required Certificates of Need (“CONs”) for all components of the Project. If the Authority does not obtain a CON for any component for which a CON is required, it would expect to be able to use proceeds of the Series 2008B Certificates fully for other components of the Project, including routine capital expenditures at both campuses.

The Authority is not obligated to complete the Project or any portion thereof.

ANNUAL DEBT SERVICE REQUIREMENTS

See “FINANCIAL INFORMATION — Long Term Debt” in Appendix A for a table showing debt service for the Series 2008 Certificates and all other Certificates of the Authority to be outstanding up the issuance of the Series 2008 Certificates.

CERTAIN BONDHOLDERS’ RISKS

Payment of the Series 2008B Certificates depends primarily on the ability of the Authority and other members of the Obligated Group to generate revenues sufficient to pay such debt service while paying operating expenses and other costs of the Healthcare Facilities. The generation of such revenues is subject to a large number of risks, including general business risks and the special risks of operating hospitals and other health care facilities.

Hospital Regulation

The operation of hospitals is extensively regulated by the federal and state governments. These regulations affect virtually every aspect of hospital operations, including (1) imposing procedures that increase costs (including complicated billing and other record keeping procedures), (2) requiring the providing of services free or below costs, (3) limiting the ability to make decisions based on economic best interest and (4) restricting the ability to pursue advantageous business opportunities with physicians and other health care providers. Such regulations are complex and subject to regular amendment and extension.

Significant federal restrictions include (1) the Physicians Self-Referral (“Stark”) and “Anti-Kickback” laws, which severally restrict financial relationships with and referrals by private physicians, (2) the Emergency Medical Treatment and Active Labor Act (“EMTALA”), imposing operating requirements on hospitals with emergency departments, and (3) the federal Health Insurance Portability and Accountability Act of 1996 (“HIPAA”). Compliance with HIPAA and related regulations has imposed substantial financial burdens on the Authority in such areas as electronic billing and other electronic transactions and in implementing procedures and altering facilities to promote the privacy and security of patient records.

Federal and state governments have a range of criminal, civil and administrative sanctions available to penalize and remediate violations of existing laws and regulations, including criminal fines, civil monetary penalties, repayment of erroneously paid claims, prison terms and exclusion from the Medicare, Medicaid, and/or other governmental programs. Because of the complexity and breadth of the regulations and the increased enforcement, there are numerous circumstances where alleged violations may trigger investigations, audits and inquiries that could result in expensive and prolonged enforcement actions against the Authority. Enforcement actions may be initiated and prosecuted by one or more government entities and/or private individuals, and in some circumstances more than one of the available penalties may be imposed for each violation. An exclusion from participation in Medicare, Medicaid or other governmental health programs likely would result in a loss of substantial revenues.

Dependence on Governmental Revenues.

The Authority receives more than 50% of its revenues from Medicare, Medicaid and other governmental health care programs. Receipt of such revenues subjects the Authority to regulation and risks of enforcement as

described above. Payments under such programs may be reduced or delayed by (1) administrative problems, (2) disputes over calculations and (3) alleged regulatory violations.

Congress and state governments in the past have imposed substantial restrictions on health care payments programs that have adversely affected the financial conditions of hospitals, and they may do so in the future.

Managed Care and Other Third Party Payor Programs.

The Authority receives a substantial portion of its income from a variety of non-governmental third party payors including Blue Cross and Champus. These payors provide payment on the basis of various negotiated rates and/or formulas and, like governmental programs, such payors constantly seek ways to reduce their payments. Certain private insurance companies contract with hospitals on a “preferred provider” basis and have introduced other plans designed to reduce revenues paid to hospitals. The economic power of large third party payors may compel the Authority to accept from them payment formulas that do not reimburse the full amount of the costs of providing the services covered.

Indigent Care

The Healthcare Facilities provide substantially all of the indigent care to residents of Glynn and Camden Counties. In recent years the Authority’s provision for uncollectible accounts has increased due to higher volumes of indigent care and uninsured and underinsured patients. The Authority receives no compensation from either Glynn or Camden Counties for indigent care provided by the Authority. Medicaid reimbursements will not cover the actual costs of providing indigent care. Further increases in the volume or cost of indigent care or decreases in the amount of Medicaid reimbursements for indigent care could have a material adverse effect on the financial condition of the Authority.

Licensure and Other State Regulation; Accreditation

The Healthcare Facilities are subject to numerous licensing, certifications and accreditation requirements imposed by the State of Georgia and various private entities, including The Joint Commission (formerly The Joint Commission on Accreditation of Healthcare Organizations). As a result, the Healthcare Facilities are subject to various inspections, surveys, audits and investigations, which may require affirmative actions by the Authority. While the Authority anticipates continued compliance with all applicable standards and regulations, such activities could impose additional costs on the Authority, adversely affect the ability to receive funds or limit the operation of all or a portion of the Healthcare Facilities.

Malpractice Insurance and Litigation

As operator of the Healthcare Facilities, the Authority faces substantial risks in terms of maintaining malpractice insurance, paying malpractice claims and defending lawsuits involving claims beyond those covered by insurance. As a result of its operations, the Authority is also subject to the risk of a variety of tort law claims involving its provision of services.

Hospital operators are also subject to class action lawsuits of the type filed in recent years against hospital systems in the United States involving such claims as overcharging patients and improper debt collection.

Competition, Capital Investments, Antitrust

Healthcare providers face a growing range of competition not only from other hospital facilities but from a variety of new types of non-traditional healthcare providers. Both federal regulation and Georgia’s Certificate of Need Law may restrict the Authority’s ability to respond to such competition.

Furthermore, providing inpatient and outpatient hospital services and other forms of healthcare is a capital intensive business frequently requiring extensive investment in additional facilities and expensive equipment in order to remain competitive. Operating costs include costs of pharmaceuticals, which may rise substantially.

Competition and pressure on wages also may exacerbate staffing problems, which also could be affected by scarcity of nurses and skilled technicians.

The Authority's activities also may be restricted by actual or threatened action by governmental entities or private parties under federal and state antitrust laws.

Economic Developments

Other economic developments that could adversely affect the Authority's operations include national or regional economic slowdown affecting the ability of employees and patients to provide or acquire healthcare insurance.

Bankruptcy and Creditors' Rights; Enforcement of Bond Documents; Equity

General. The Series 2008B Certificates are payable by the Authority solely from the Trust Estate under the Series 2008B Certificate Indenture. Enforcement of remedies under the Series 2008B Certificate Indenture, the Master Indenture and the Series 2008B Master Note may be limited or restricted by laws relating to bankruptcy and rights of creditors and by application of general principles of equity applicable to the availability of specific performance or other equitable relief and may be substantially delayed in the event of litigation or statutory remedy procedures.

Bankruptcy. In any bankruptcy proceedings for any member of the Obligated Group, payments made by such member during the 90-day (or one-year, for "insiders" as defined in 11 U.S.C. § 101) period immediately preceding the filing of such bankruptcy petition may be avoidable as preferential transfers to the extent such payments allow the recipients to receive more than they would have received in the event of any such debtor's liquidation. Such a bankruptcy filing would operate as an automatic stay of the commencement or continuation of any judicial or other proceeding against such member and its property and as an automatic stay of any act or proceeding to enforce a lien upon or to otherwise exercise control over its property as well as various other actions to enforce, maintain or enhance the rights of a trustee. If the Bankruptcy Court so ordered, the property of such debtor, including accounts receivable and proceeds thereof, could be used for its financial rehabilitation. The rights of the Series 2008B Certificate Trustee or Master Trustee to enforce claims for payment could be delayed during the pendency of the bankruptcy proceeding.

Any Member of the Obligated Group that is the subject of a bankruptcy petition could file a plan of reorganization for the adjustment of its debts in any such proceeding, which plan could include provisions modifying or altering the rights of creditors generally or any class of them, secured or unsecured. The plan, when confirmed by a court, bind all creditors who had notice or knowledge of the plan and, with certain exceptions, discharges all claims against the debtor to the extent provided for in the plan. No plan may be confirmed unless certain conditions are met, among which are conditions that the plan be feasible and that it shall have been accepted by each class of claims impaired thereunder. Each class of claims has accepted the plan if at least two-thirds in dollar amount and more than one-half in number of the class cast votes in its favor. Even if the plan is not so accepted, it may be confirmed if the court finds that the plan is fair and equitable with respect to each class of non-accepting creditors impaired thereunder and does not discriminate unfairly.

Effects on Enforcement of Bond Documents. In the event of bankruptcy of a Member of the Obligated Group, there is no assurance that certain covenants, including tax covenants, contained in the Series 2008B Certificate Indenture or other documents would survive. Accordingly, any Member of the Obligated Group as a debtor in possession or a bankruptcy trustee appointed by the Bankruptcy Court could take action that might adversely affect the exclusion of interest on the Series 2008B Certificates from gross income for federal income tax purposes. Because the Series 2008B Certificates and the other Obligations of the Obligated Group described herein are not secured by any liens or security interests on property of the Obligated Group, the Holders and Beneficial Owners of the Series 2008B Certificates will not have any claims for special protection in bankruptcy proceedings affecting revenue producing property and will be general creditors of the bankruptcy estate.

The legal right and practical ability of the Series 2008B Certificate Trustee and the Master Trustee to enforce rights and remedies may be limited by laws relating to bankruptcy, insolvency, reorganization, fraudulent conveyance or moratorium and by other similar laws affecting creditors' rights. Enforcement of such rights and remedies will depend upon the exercise of various remedies specified by such documents, which, in many instances, may require judicial actions that are subject to discretion and delay, that otherwise may not be readily available or that may be limited by certain legal or equitable principles.

Equity. The requirement that each Member of the Obligated Group make all payments required to pay debt service on the Series 2008 Certificates and on the other Obligations of the Obligated Group described herein, regardless of the use of the proceeds thereof, may be limited by broad equitable principles and provisions relating to charitable trusts that may not permit the use of a member's assets for such payments. The directors of any Member may be required to resist use of assets if they believe such use does not promote charitable purposes or threatens the member's financial condition. Payments made by a Member in such case may be recovered or avoided if the member received less than "fair consideration" for its promise to pay. This doctrine may effectively limit the obligation of each Member to pay all amounts due under the Master Notes and the Series 2008B Master Note and other Obligations under the Master Indenture when such Member did not receive the proceeds of such Obligation. Standards for judging such fairness of consideration may be affected by determinations under the Bankruptcy Code and/or state fraudulent transfer or conveyance statutes.

CONTINUING DISCLOSURE

Requirements of Rule 15c2-12

The Authority will execute a Continuing Disclosure Agreement (the "Disclosure Agreement"), in which it will undertake to file with all nationally recognized municipal securities information repositories ("NRMSIRs") and with any state information depository ("SID") certain annual financial information and notice of certain material events as more fully described below.

As of the date of this Official Statement, the Securities and Exchange Commission has recognized the following NRMSIRs:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, New Jersey 08558
Phone: (609) 279-3225
Fax: (609) 279-3225
Email: munis@bloomberg.com

DPC Data Inc.
One Executive Drive
For Lee, New Jersey 07024
Phone: (201) 346-0701
Fax: (201) 947-0107
Email: nrmsir@dpcdata.com

Standard & Poor's Securities Exchange, Inc.
55 Water Street, 45th Floor
New York, New York 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
Email: nrmsir_repository@sandp.com

Interactive Data Pricing and Reference Data, Inc.
Attn: NRMSIR
100 William Street, 15th Floor
New York, New York 10038
Phone: (212) 771-6999, (800) 689-8466
Fax: (212) 771-7390
Email: nrmsir@interactivedata.com

To date, no SID has been created for the State of Georgia.

Disclosure To Be Provided

The Authority has covenanted to provide annual financial and operating information (the "Annual Disclosure") as follows:

1. Audited financial statements of the Obligated Group (the "Audited Financial Statements"), prepared in accordance with generally accepted accounting principles. The Audited Financial Statements may

include affiliated entities that are not Members of the Obligated Group but that are consolidated with the Members of the Obligated Group under generally accepted accounting principles if (a) supplemental information is provided in sufficient detail to identify the information with respect to the Members of the Obligated Group is delivered with such financial statements, (b) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in the opinion of the accountant, is fairly stated in all material respects in relation to the Consolidated Financial Statements taken as a whole, and (c) such supplemental information is adequate for the purposes of, and is used for the purposes of, calculating compliance with the financial covenants under the documents securing payment of the Bonds and in the information provided in Section (2) below.

2. The financial and operating data with respect to the Obligated Group and the HealthCare Facilities as of the end of the Obligated Group's Fiscal Year, including financial and operating data of the type described in Appendix A under the heading entitled "Utilization and Patient Service Statistics" and the subheadings in "Financial Information" entitled "Certain Financial Ratios," "Summary of Revenues and Expenses and Assets and Liabilities" (which may be included in the Audited Financial Statements) and "Sources of Revenue;" and

3. A management's discussion to include the following:

- (a) Review of financial performance results compared to prior year's results and budget;
- (b) Investment performance, including any change in investment policy or asset allocation;
- (c) Schedule of any debt incurred, including short-term indebtedness, guarantees and off balance sheet transactions, which debt is in excess of 5% of the Obligated Group's property, plant and equipment;
- (d) Utilization trends and competitive environment; and
- (e) Profit and loss of all affiliates and joint ventures.

The Authority shall provide annually the Annual Disclosure within 120 days after the end of the Obligated Group's Fiscal Year, commencing with the Obligated Group's Fiscal Year ending September 30, 2008, to each NRMSIR and to the SID, if any is hereafter created in the State of Georgia, with a copy to the Series 2008B Certificate Trustee; provided, however, that if Audited Financial Statements are not available by 120 days after the end of such Fiscal Year, unaudited financial statements for such Fiscal Year may be furnished instead but must be replaced subsequently by the Audited Financial Statements within 15 days after such Audited Financial Statements become available for distribution.

The Authority shall notify each NRMSIR or the Municipal Securities Rulemaking Board and the appropriate SID, if any is hereafter created, in writing in a timely manner of the occurrence of any of the following events with respect to the Series 2008B Certificates, if material, and shall provide the Series 2008B Certificate Trustee with a copy of such notice:

1. principal and interest payment delinquencies;
2. non-payment related defaults;
3. unscheduled draws on debt service reserve reflecting financial difficulties;
4. unscheduled draws on any credit enhancement reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions or events affecting the tax-exempt status of the Series 2008 Certificates;

7. modification to rights of Certificate Holders;
8. bond calls;
9. defeasance of all or any portion of the Series 2008 Certificates;
10. release, substitution or sale of property securing repayment of the Series 2008 Certificates; and
11. rating changes.

The Authority may modify its obligations set forth above, provided that such modification complies with the Rule as it exists at the time of modification. The Authority may from time to time disclose certain information and data in addition to the Annual Disclosure, however, no obligation to continue to provide; or update, such additional information or data shall be incurred.

Failure by the Authority to comply with the Annual Disclosure provisions of the Disclosure Agreement shall not be an "Event of Default" under the Series 2008B Certificate Indenture giving rise to right to accelerate payments on the Series 2008B Certificates, but an owner of a Series 2008B Certificate, or the Series 2008B Certificate Trustee on its behalf, may bring a suit for specific performance. No assurance can be given as to the outcome of any such proceeding.

Limited Information.

The Authority is obligated to provide only limited information at specific times, and such information may not include all information necessary to determine the value of the Series 2008B Certificates.

Prior Disclosure Compliance.

In connection with its issuance of prior certificates, the Authority previously entered into written continuing disclosure undertaking (the "Prior Disclosure Agreement") pursuant to the requirements of the Rule to provide Operating and Financial Data and notices of material events. The Prior Disclosure Agreement is similar to the Disclosure Agreement. In 2003, the Authority provided its audited financial statements to the NRMSIRS as required by the Prior Disclosure Agreement. However, the Authority failed to provide its Operating and Financial Data as required by the Prior Disclosure Agreement. (There were no material events). The Authority, prior to the sale of its \$94,000,000 Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2004 (Auction Rate Securities), filed the information required by the Prior Disclosure Agreement. The Authority also put procedures in place to ensure that such information will be filed in the future. Otherwise the Authority has complied in all material respects with its obligations under the Prior Disclosure Agreement.

Additional Disclosure

In addition to the foregoing, the Authority has also covenanted in the Disclosure Agreement to provide the following additional disclosure:

1. Not later than 60 days after the end of each fiscal quarter of the Obligated Group, the Authority shall provide quarterly, unaudited financial statements and utilization statistics with comparables for the similar period of the prior years to the NRMSIRS, the SID, if any is hereafter created, and the Series 2008B Certificate Trustee.
2. Not later than 45 days after the beginning of each Fiscal Year of the Obligated Group, the Authority shall provide a copy of its budget to the NRMSIRS, the SID, if any is hereafter created and the Series 2008B Certificate Trustee.
3. The Authority shall provide notice to the NRMSIRS, the SID, if any is hereafter created, and the Series 2008B Certificate Trustee, of the following events:

- (a) Any change in the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of the Authority or Kings Bay within 45 days of such change;
- (b) Material litigation events;
- (c) Any change in payor contracts representing 10% or more of gross patient revenue;
- (d) Any redemption (other than mandatory sinking fund redemption) of any of the Series 2008 Certificates; and
- (e) The downgrading by any rating agency of the Obligated Group's underlying public rating to below "investment grade."

Texas Municipal Advisory Council

Any filing to the NRMSIRS under the Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

LEGAL MATTERS

Litigation; Validation

The Authority has caused proceedings to be instituted in the Superior Court of Glynn County, Georgia to validate the Series 2008 Certificates. No intervention in the proceedings occurred, and a final judgment confirming and validating the Series 2008 Certificates was obtained on August 4, 2008. Under Georgia law, a judgment of validation is final and conclusive with respect to the validity of the Series 2008 Certificates and the security therefor.

There is no controversy or litigation of any nature now pending against the Authority for which service has been perfected restraining or enjoining the issuance or delivery of the Series 2008 Certificates or questioning or affecting the validity of the Series 2008 Certificates or the proceedings and authority under which they are issued. There is no litigation pending for which service has been perfected that in any manner questions the power of the Authority to issue the Series 2008 Certificates and to secure the Series 2008 Certificates in accordance with the provisions of the Certificate Indentures, nor is there now pending any litigation which in any manner questions the powers of the Authority.

TAX EXEMPTION

General

In the opinion of Murray Barnes Finister LLP, Bond Counsel, under existing law, interest on the Series 2008B Certificates is not includable in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; provided, however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations.

In rendering its opinion that the interest on the Series 2008B Certificates is not includable in gross income for federal income tax purposes, Bond Counsel will (a) rely upon (i) representations of the Obligated Issuers, (ii) certified proceedings and other certifications of public officials furnished to them and (iii) certifications by officials of the Obligated Issuers relating to, among other things, the use of the proceeds of the Series 2008B Certificates, the design, scope, function, cost and economic life of the facilities financed with the Series 2008B Certificates, and the relationship of the facilities financed with the proceeds of the Series 2008B Certificates to the activities of the Kings Bay, without undertaking to verify the same by independent and (ii) assume the continued

compliance by the Authority with its covenants relating to the use of the proceeds of the Series 2008B Certificates and compliance with other requirements of the Code. The inaccuracy of any such representations or certifications or noncompliance with such covenants may cause interest on the Series 2008B Certificates to become includable in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2008B Certificates. Furthermore, in rendering its opinion that the interest on the Series 2008B Certificates not includable in gross income for federal income tax purposes, Bond Counsel will rely solely upon an opinion of Gilbert, Harrell, Summerford & Martin, P.C., counsel to the Obligated Issuers, with respect to the status of Kings Bay as a corporation qualifying as an entity described in Section 501(c)(3) of the Code.

Ownership of the Series 2008B Certificates may result in other collateral federal income tax consequences to certain taxpayers, including without limitation, corporations subject to the environmental tax, banks, thrift institutions and other financial institutions, foreign corporations which conduct a trade or business in the United States, property and casualty insurance corporations, sub-chapter S corporations, individual recipients of social security or railroad retirement benefits and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Series 2008B Certificates. Purchasers of the Series 2008B Certificates should consult their tax advisors as to the applicability of any such collateral consequences.

Georgia Income Taxation

In the opinion of Bond Counsel, under existing statutes, interest on the Series 2008B Certificates is exempt from all present state income taxation within the State of Georgia. Interest on the Series 2008B Certificates may or may not be subject to state or local income taxation in jurisdictions other than Georgia under applicable state or local laws. Purchasers of the Series 2008B Certificates should consult their tax advisors as to the taxable status of the Series 2008B Certificates in a particular state or local jurisdiction other than Georgia.

Subsequent Events

The opinion of Bond Counsel will be dated the date of issuance of the Series 2008B Certificates. Bond Counsel has not undertaken to notify the Obligated Issuers, the Series 2008B Certificate Trustee, the Underwriter, the owners of the Series 2008B Certificates or any other person or entity of changes in law or fact after the date of issuance of the Series 2008B Certificates which might affect any of the opinions expressed therein.

Reliance on Opinion of Counsel to Kings Bay

The tax exemption of interest on the Series 2008B Certificates is dependent upon, among other things, Kings Bay's status as an organization described in Section 501(c)(3) of the Code, and therefore Bond Counsel's conclusion that interest is excludable from gross income for purposes of federal income tax exemption is dependent, in part, upon the opinion of Gilbert, Harrell, Summerford & Martin, P.C., counsel to Kings Bay.

Form of Opinion

The proposed form of opinion of Bond Counsel expected to be delivered in connection with the issuance of the Series 2008B Certificates is attached as Appendix E.

APPROVING OPINIONS

Legal matters incidental to authorization and issuance of the Series 2008 Certificates by the Authority are subject to the approving opinion of Murray Barnes Finister LLP, Atlanta, Georgia, Bond Counsel to the Authority. It is anticipated that the approving opinion will be in substantially the form attached hereto as Appendix E. Certain legal matters will be passed upon for the Authority and Kings Bay by their counsel, Gilbert, Harrell, Sumerford & Martin, P.C., Brunswick, Georgia, for the Underwriter by its counsel, Hunton & Williams LLP, Richmond, Virginia, and for the Bank by its counsel, Moore & Van Allen, PLLC, Charlotte, North Carolina.

CERTAIN RELATIONSHIPS

Gilbert, Harrell, Sumerford & Martin, P.C. is serving as counsel to both the Authority and Kings Bay. BB&T Capital Markets, a division of Scott & Stringfellow, Inc., the Underwriter for the Series 2008 Certificates and Branch Banking and Trust Company (the "Bank"), the provider of the Letter of Credit for the Series 2008B Certificates, are both owned by BB&T Corporation, a North Carolina financial holding company. Proceeds of the Series 2008A Certificates will be used in part to pay an existing bank loan in the outstanding principal amount of \$94,000,000, payable to Branch Bank and Trust Company. Hunton & Williams LLP, counsel to the Underwriter, represents the Bank in unrelated matters.

FINANCIAL ADVISOR

Kaufman, Hall & Associates, Inc., Northfield, Illinois, was engaged by the Obligated Group to provide financial advisory services for the development and implementation of a capital financing plan for the Obligated Group. Kaufman Hall is a national consulting firm that acts as capital advisor to health care organizations, particularly in the areas of short and long term debt financings, joint ventures and overall capital planning.

UNDERWRITING

BB&T Capital Markets, a division of Scott & Stringfellow, Inc. (the "Underwriter"), has agreed, subject to certain conditions, to purchase all but not less than all of the Series 2008B Certificates reflecting an underwriting discount of \$101,425 (approximately .25% of the principal amount of the Series 2008B Certificates). The Authority has agreed to indemnify the Underwriter against certain liabilities arising under the securities laws with respect to this Official Statement and the offering of the Series 2008 Certificates. The Certificate Purchase Agreements for the Series 2008 Certificates provide that the Underwriter will purchase all of the Series 2008 Certificates if any are purchased.

The Underwriter intends to offer the Series 2008B Certificates to the public initially at the prices set forth on the cover page of this Official Statement, which may subsequently change without notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Series 2008B Certificates to the public. The Underwriter may offer and sell the Series 2008B Certificates to certain dealers at prices lower than the public offering prices. In connection with this offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Series 2008 Certificates at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

RATINGS

Moody's Investors Services, Inc. has assigned the Series 2008B Certificates a rating of "Aa2/VMIG 1." The Authority expects that Standard & Poor's Ratings Group, a division of McGraw-Hill Companies, will assign the Series 2008B Certificates a rating of A-1+. The Underwriter expects to confirm the existence of such rating when received.

Reference is made to the applicable rating agency for an explanation of its ratings, its ranking on its scale of ratings and any rating agency statement as to the outlook for the maintenance of such rating. Any desired explanation of the significance of such rating should be obtained from the rating agency furnishing the same. Generally, rating agencies base their ratings on the information and materials furnished to the agencies and on investigations, studies and assumptions made by the agencies. There is no assurance that such ratings of the Series 2008B Certificates will continue for any given period of time or that one or both will not be lowered or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such change or withdrawal of either of such ratings could have an adverse effect on the market price of the Series 2008B Certificates. The Underwriter and the Authority have not undertaken any responsibility, after the issuance of the Series 2008B Certificates, to oppose any such change or withdrawal.

FINANCIAL STATEMENTS

Attached hereto as Appendix B are audited financial statements of Glynn-Brunswick Memorial Hospital Authority, d/b/a Southeast Georgia Health System and Subsidiary Entities (collectively, the “Consolidated Entities”) as of September 30, 2007 and 2006, together with the independent auditors’ report of Dixon Hughes, PLLC. The Consolidated Entities consists of the two Members of the Obligated Group (the Authority and Kings Bay) as well as two related entities, the Southeast Georgia Health System Foundation, Inc. (the “Foundation”) and Cooperative Healthcare Services, Inc. (“CHSI”). Neither the Foundation nor CHSI have any obligation to pay the Series 2008 Certificates. See “FINANCIAL INFORMATION” in Appendix A.

Additional information regarding the Foundation and CHSI appears in Appendix A under “CORPORATE STRUCTURE — Related Entities.”

CERTIFICATION

Bay. The execution, delivery and use of this Official Statement have been approved by the Authority and Kings

**THE GLYNN-BRUNSWICK MEMORIAL HOSPITAL
AUTHORITY**

By: 
Its: MICHAEL D. HODGES
CHAIR

KINGS BAY COMMUNITY HOSPITAL, INC.

By: 
Its: MICHAEL D. HODGES
PRESIDENT

CERTIFICATION

Bay. The execution, delivery and use of this Official Statement have been approved by the Authority and Kings

**THE GLYNN-BRUNSWICK MEMORIAL HOSPITAL
AUTHORITY**

By: /s/ Michael D. Hodges
Chairperson

KINGS BAY COMMUNITY HOSPITAL, INC.

By: /s/ Michael D. Hodges

APPENDIX A

SOUTHEAST GEORGIA HEALTH SYSTEM

TABLE OF CONTENTS

INTRODUCTION AND HISTORY A-2

CORPORATE STRUCTURE A-2

 Related Entities A-2

 Organizational Chart A-4

GOVERNANCE A-4

FACILITIES A-5

 The Brunswick Campus A-5

 The Non-Hospital Facilities A-5

 The Camden Campus A-6

THE PROJECTS A-6

 The Brunswick Campus A-6

THREE YEAR CAPITAL PLAN A-6

ADMINISTRATIVE STAFF A-7

MEDICAL STAFF A-10

 General A-10

 Medical Staff By Specialty A-11

 Admissions by Age A-12

 Top Ten Admitting Physicians A-13

MEDICAL SERVICES A-15

UTILIZATION AND PATIENT SERVICE STATISTICS A-16

 Financial Statements: Obligated Group A-18

 Summary of Revenues and Expenses and Assets and Liabilities A-18

 Certain Financial Ratios A-19

 Management’s Discussion Of Financial Performance A-21

 Sources of Revenue A-23

 Long-Term Debt A-24

 Operating Leases A-25

 Line of Credit A-25

BUSINESS PLAN PROCESS A-25

SERVICE AREA A-25

 The Brunswick Campus A-25

 The Camden Campus A-26

 Camden County and Kings Bay Naval Base A-26

 Map A-27

 Service Area Economic and Demographic Information A-29

EMPLOYEES AND LABOR RELATIONS A-32

 General A-32

 Brunswick Campus A-32

 Camden Campus A-33

PENSION PLAN A-33

EDUCATIONAL PROGRAMS A-33

INSURANCE A-33

 Insurance Coverage A-33

LITIGATION A-34

ACCREDITATIONS, LICENSES AND MEMBERSHIPS A-34

SOUTHEAST GEORGIA HEALTH SYSTEM

INTRODUCTION AND HISTORY

The Glynn-Brunswick Memorial Hospital Authority (the “Authority”), a public body corporate and politic, and Kings Bay Community Hospital, Inc. (“Kings Bay”), a Georgia non-profit corporation, are currently the two members of the Obligated Group and therefore the sole entities obligated to make payments on the Series 2008 Certificates. The Authority owns and operates Southeast Georgia Health System Brunswick Campus (the “Brunswick Campus”) and owns and/or operates certain other healthcare facilities described below (the “Non-Hospital Facilities”). Kings Bay owns the Southeast Georgia Health System Camden Campus (the “Camden Campus”), but the Camden Campus is operated by the Authority. The Brunswick Campus, the Non-Hospital Facilities and the Camden Campus are collectively referred to herein as the “Health System.”

The Authority was created in 1961 pursuant to the Hospital Authorities Act by resolutions adopted by the governing bodies of Glynn County and the City of Brunswick to take over and expand the operations of a pre-existing hospital. Until 2003 the Authority operated the facilities at the Brunswick Campus pursuant to a lease agreement with Glynn County and the City of Brunswick under which the Authority, in return for a two dollar annual lease payment, was obligated (1) to provide for the care of indigent persons who were residents of Glynn County at no or reduced cost based on the federal income poverty guidelines and (2) to operate the Brunswick Campus as a public, not-for-profit hospital.

In 2003, the lease was terminated and the real estate portion of the Brunswick Campus was conveyed to the Authority under an agreement providing that title will revert to the County and the City if any of the following events occur: (i) the Authority ceases to operate a public, non-profit hospital on the land, (ii) an ad valorem tax is levied against the taxpayers of County Glynn or the City of Brunswick or a charge is made against the County or the City to pay for all or any part of the cost of providing indigent care, (iii) the Authority sells or conveys any portion of the land, except for the sale of individual office condominium units to healthcare providers and except for the conveyance of security title to lenders or (iv) the dissolution of the Authority.

In 1992, the Authority acquired the assets of the Gilman Hospital, located on what is now the Camden Campus. Kings Bay was created as a Georgia non profit corporation to own the real estate portion of the Camden Campus, with the Authority operating the Camden Campus as part of the Health System.

CORPORATE STRUCTURE

Related Entities

The Southeast Georgia Health System Foundation, Inc. (the “Foundation”), formerly the Southeast Georgia Regional Medical Center Foundation, Inc., was created in 1993 to raise money for the Brunswick Campus. The Foundation is a Georgia non-stock corporation. The Authority is the sole corporate member of the Foundation and appoints its directors. The Foundation is not a member of the Obligated Group.

In 2002, the Authority created Cooperative Healthcare Services, Inc. (“CHSI”), a Georgia non-profit corporation, to enable the Authority to enter into partnerships with other entities and new lines of business. The Authority is the sole corporate member of CHSI and appoints its directors. Currently, CHSI participates in three partnerships and has one line of business that it operates. CHSI has a 50% interest in Cooperative Rehab Services, LLC (“CRS”). CRS is a partnership with Brooks Health System and was formed in May of 2002. CRS offers outpatient rehabilitation services at the Rehabilitation Center. CHSI also has a 56.4% interest in HealthScan, Inc., an imaging service partnership with a radiologist that was formed in June 2002.

In 2003, CHSI formed a real estate partnership, Glynco LLC, and, in August 2007, CHSI acquired the 5% interest of one of the developers, thereby increasing its interest to 55%.

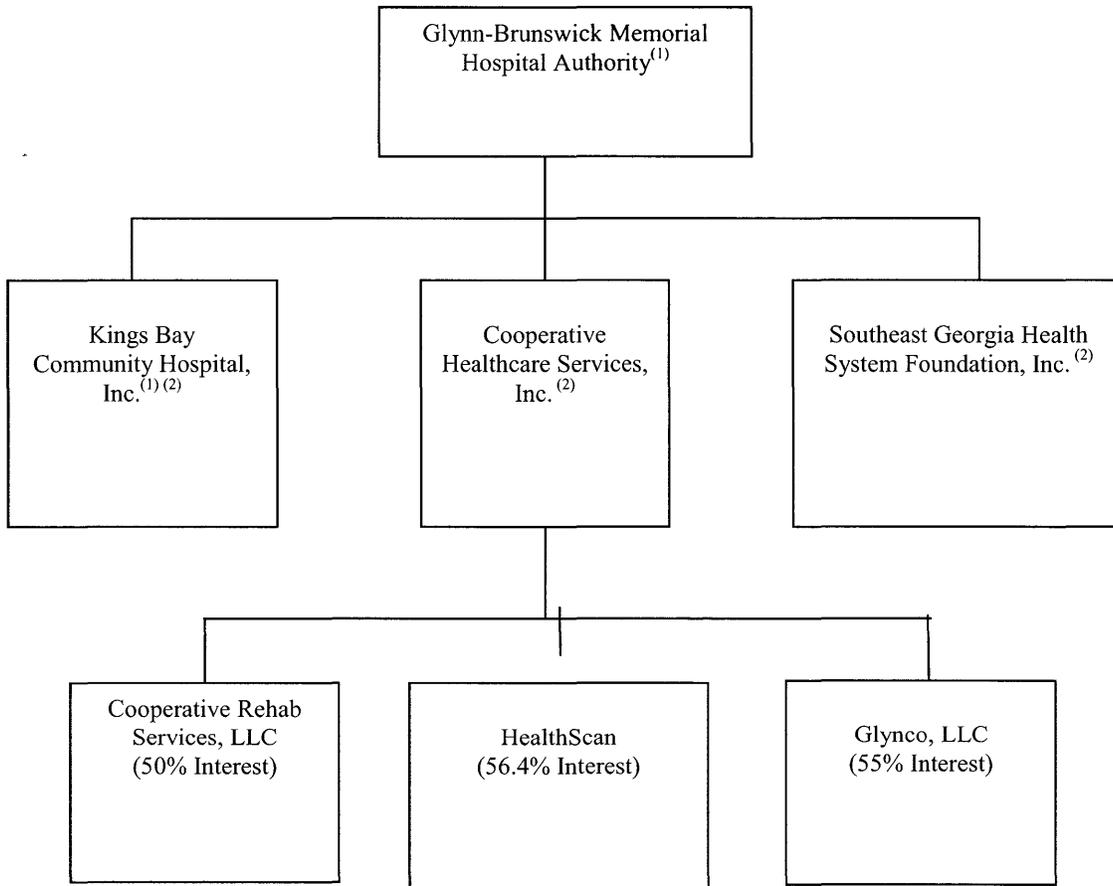
In 2007, the transition of each of the Health System's medical practices into CHSI was finalized. CHSI now includes (i) the Glynn Family Medicine Center located in the City of Brunswick, the Brantley Family Medicine Center located in the City of Atkins, and the McIntosh Family Medicine Center located in the City of Darien, (ii) the Glynn Immediate Care Center and Glynco Immediate Care Center, both of which are located in the City of Brunswick, and the St. Simons Immediate Care Center located on St. Simons Island, (iii) Southeast Georgia Physician Associates offering infectious disease, endocrinology and diabetes care services in Brunswick and internal medicine, pediatrics and general surgery services in Camden County, (iv) the Community Care Center, offering pediatric services in Glynn County, primarily to the Medicaid population within the community, and (v) the Summit Sports Medicine & Orthopaedic Surgery practice offering orthopaedic surgery and physiatry services to both Glynn and Camden Counties.

While CHSI is not a member of the Obligated Group, the medical practices operated by the Health System within CHSI have been established to meet identified primary and highly specialized care needs of the Health System's service area; to offer alternatives to the hospital-based emergency care setting and, to provide a means to meet the needs of patients covered under the State of Georgia's Medicaid program. Certain of these medical practices require financial subsidies to meet their stated strategic mission and objectives. Furthermore, beginning in 2007, the operating results of CHSI now include administrative costs of the Obligated Group properly apportioned to activities of CHSI and related entities to CHSI.

The Authority expects to continue subsidizing CHSI and related entities, which experienced losses of \$681,000 and \$6,926,000, respectively, for the fiscal years ended September 30, 2006 and 2007. Of the 2007 amount, \$2,054,000 represents administrative costs incurred by the Obligated Group that have been allocated to the operations of CHSI. Absent that allocation, the adjusted losses would have amounted to \$681,000 and \$4,872,000, respectively, for the fiscal years ended September 30, 2006 and 2007.

Organizational Chart

Set forth below is an organizational chart for the Authority and its related entities.



⁽¹⁾ Members of Obligated Group.

⁽²⁾ Georgia non-stock corporation exempt under IRC Section 501(c)(3).

GOVERNANCE

The Authority’s governing board is comprised of nine members. Four members are appointed by the Authority from the nominees submitted by the City of Brunswick, and four members are appointed by the Authority from the nominees submitted by Glynn County. One member is appointed by the Authority from the nominees submitted jointly from the City of Brunswick and the Glynn County. The appointments have staggered terms and the appointments are for four years. Officers are elected in April each year with one year terms. Set forth below is a list of the current members of the board of the Authority, their business affiliation, the date each member was first appointed and the date that each member’s current term of office expires:

<u>Name</u>	<u>Business Affiliation</u>	<u>First Appointed</u>	<u>Term Expires</u>
Michael D. Hodges, Chair	President, Ameris	April 2003	March 2011
Carl Alexander, Vice Chair	Chief of Security, Sea Island Company	September 2004	March 2011

Eric Segerberg, M.D., Secretary	Physician/Surgeon	April 1990	March 2010
Laura Cross, Treasurer	President, Oglethorpe Bank	April 2005	March 2009
M. H. "Woody" Woodside	President, Brunswick-Golden Isles Chamber of Commerce	October 2004	March 2012
Robert E. Griffin	Retired Educator, Glynn County Board of Education	April 2007	March 2010
Mark A. Bedner	Real Estate	April 2007	March 2011
Walter C. McNeely	Retired Educator, Glynn County Board of Education	April 2007	March 2011
Carla L. Yarbrough	Financial Manager, Spanky's, Inc.	April 2008	March 2012

With respect to the Camden Campus, the Authority has established an advisory board, consisting of residents of the primary service area for the Camden Campus. The advisory board provides input regarding operations at the Camden Campus but has no legal power regarding the Authority or the operations of the Authority at the Camden Campus or elsewhere.

FACILITIES

The Brunswick Campus

The Brunswick Campus includes an acute-care general hospital that provides medical, surgical, obstetrical, psychiatric, emergency and critical care services on an inpatient and outpatient basis to residents of Glynn County and the surrounding Georgia counties of McIntosh, Camden, Brantley, Wayne, Pierce and Long. The Brunswick Campus is licensed to operate 316 beds, including 16 skilled nursing beds and 16 behavioral health beds, all of which are currently being operated.

The Brunswick Campus consists of four primary buildings:

1. A main hospital building;
2. An outpatient care center offering state of the art cancer care services, imaging services, and an outpatient surgery center on the first two floors, with physician offices, either owned or leased, on the remaining four floors;
3. A newly renovated rehabilitation and wound care center, which includes two hyper-baric oxygen units, located contiguous to and to the east of the main hospital building; and
4. The patient financial services office located contiguous to and to the south of the main hospital building.

In addition, the Authority owns several commercial and residential properties also adjacent to the main campus to be used for future expansion. The main hospital was constructed in 1954 and has undergone several expansion and renovation projects including a \$56,000,000 project which was completed in 1999.

The Non-Hospital Facilities

The Non-Hospital Facilities owned and/or operated by the Authority include (1) two long term care facilities, (2) the St. Marys Convalescent Center, a 78 bed facility located in St. Marys, which was acquired in September 2006, and (3) the Senior Care Center, a 204 bed long-term care facility adjacent to the main hospital building in Brunswick, which was acquired in March 2008, and will return to service in September 2008.

The Camden Campus

The Camden Campus includes an acute-care general hospital that provides medical, surgical, obstetrical, emergency and critical care services on an inpatient and outpatient basis to residents of Camden County, Georgia and the surrounding Georgia counties of Charlton and Brantley. The Camden Campus is licensed to operate, and currently operates, 40 beds.

The Camden Campus consists of the main hospital, the Camden Medical Pavilion, the Lakeshore Medical Plaza and another physician office building adjacent to Lake Shore Medical Plaza. Construction of a 90,000 square foot expansion project (the "Expansion") is currently underway and is expected to be completed and available for occupancy in October 2008. The Expansion is connected to the main hospital through the existing main entrance. The first floor of the Expansion will contain new emergency, laboratory, radiology, surgical services, rehabilitation and cardiopulmonary departments, an admissions area, gift shop and main lobby/entrance. The second floor of the Expansion will contain a new 23-bed medical/surgical unit, 12-bed obstetrical unit and a five-bed intensive care unit. Areas in the existing facility, which was constructed in 1993, will be vacated when departments and services are moved to the Expansion. These vacated areas will be renovated to allow the expansion of a number of departments and services, such as dietary, admissions, medical records and physician support. Other renovations and improvements include the construction of a new power plant, the replacement of windows, the expansion of parking and the construction of a covered connector to the Camden Medical Pavilion. The cost of the Expansion is approximately \$30,000,000 and is being paid for with equity and the proceeds of the Series 2004 Certificates issued by the Authority.

The Camden Medical Pavilion, which was constructed in 1995, is a 23,700 square foot office building adjacent to the main hospital. The Camden Medical Pavilion provides office space to the medical staff and administrative staff of the hospital. Lakeshore Medical is a five suite medical office building purchased by the Authority in 1996.

THE PROJECTS

The Brunswick Campus

The purpose of the proposed financing is to provide funding or reimbursement for qualified expenditures made in connection with the acquisition and renovation of a 200 bed skilled nursing facility contiguous to the Brunswick Campus (\$8,000,000); the construction of additional labor, delivery, recovery and postpartum patient rooms and renovation of the existing Maternity Care Center on the Brunswick Campus (\$6,429,000); the replacement of utility infrastructure within the St. Simons Tower on the Brunswick Campus (\$2,390,000); the development and build-out of an Orthopaedic and Neurologic care center within the St. Simons Tower on the Brunswick Campus (\$10,146,000); and certain other renovations to the Brunswick Campus and medical equipment acquisitions (\$13,035,000) (collectively, the "Projects").

The Authority has certificates of need ("CONs") for all of the Projects except for the the Orthopaedic and Neurologic Care Center. The Authority expects to receive CONs for this Project, but if it does not, it will expend all proceeds of the Series 2008A Certificates for the other Projects or for routine capital expenditures at both campuses. The Authority is not obligated to complete any of the Projects.

THREE YEAR CAPITAL PLAN

The Authority anticipates spending approximately \$75,000,000 in the next three years in order to fund capital improvements. Approximately \$40,000,000 of this amount will be funded with the proceeds of the Series 2008 Certificates and will be used to finance the Projects. The remainder will be funded with cash on

hand. The Authority currently does not plan on incurring any additional long-term indebtedness in the next three years.

ADMINISTRATIVE STAFF

The day-to-day activities of the Health System are managed by the executive management staff, which consists of the President and Chief Executive Officer, the Executive Vice President and Chief Financial Officer, the Vice President of Patient Care Services, the Vice President responsible for professional services, the Vice President responsible for support services, the Vice President of Human Resources, the Vice President of Marketing, the Vice President, General Counsel and Government Relations Liaison, the Vice President and Administrator of the Camden Campus, and the Assistant Vice President responsible for the activities of the Cooperative Healthcare Services, Inc. The Vice Presidents responsible for professional services and support services are responsible for the Brunswick Campus only. The Vice President and Administrator of the Camden Campus is responsible for the Camden Campus only. All other members of the executive management staff are responsible for the entire Health System. All members of the executive management staff are employees of the Authority.

The executive management staff consists of the following persons:

Gary R. Colberg, FACHE, President and CEO

Gary R. Colberg assumed the responsibilities of President and Chief Executive Officer in 2001. He previously served as senior vice president for Birmingham Operations/Chief Executive Office for Medical Center East for Eastern Health System Inc. and as a vice president with Jewish Hospital HealthCare Services in Louisville, Kentucky. Mr. Colberg earned a Bachelor of Arts degree from Lycoming College in Williamsport, Pennsylvania, as well as a Master in Community Health Administration from Vermont College of Norwich University in Montpelier, Vermont. He is a Fellow with the American College of Healthcare Executives.

Mr. Colberg was named to the Institute of Health Administration Advisory Board at Georgia State University and is also a member of the Brunswick Rotary Club, the Coastal Georgia Community College Foundation Board, the Coastal Bank of Georgia's Board of Directors, the Coastal Georgia Regional Healthcare Network Board, the Child Advocacy Board, the Georgia Hospital Association Board, and the Georgia Alliance of Community Hospitals, and he is the council president of the Okefenokee Area Council-Boy Scouts of America.

Michael D. Scherneck, Executive Vice President and Chief Financial Officer

Michael D. Scherneck relocated from Wilkes-Barre, Pennsylvania, in 2003 to assume the role of Executive Vice President and Chief Financial Officer of Southeast Georgia Health System. He earned his Bachelor of Science degree from St. Joseph's University, Philadelphia, Pennsylvania and his Master of Science degree from Bucknell University in Lewisburg, Pennsylvania.

Mr. Scherneck previously served as the Chief Financial Officer and Senior Vice President for the Wyoming Valley Health Care System in Wilkes-Barre, Pennsylvania, Chief Fiscal Officer and Senior Vice President of Susquehanna Health System in Williamsport, Pennsylvania, and Vice President and Chief Fiscal Officer of The Williamsport Hospital and Medical Center in Williamsport, Pennsylvania.

Ellen K. Hamilton, RN, MSN, FACHE, Vice President

Ellen K. Hamilton joined the Health System in 2005. Her previous experience includes serving as Vice President of Nursing at Halifax Regional Medical Center in Roanoke Rapids, North Carolina, and Vice President of Patient Care, Corporate Nurse Executive, at Nanticoke Health Services in Seaford, Delaware. Prior to that, Ms. Hamilton served as Assistant Vice President of Nursing at Loudoun Hospital Center in Leesburg, Virginia. Ms. Hamilton earned her Bachelor of Science in Nursing from West Virginia Wesleyan College, and her Master of Science in Nursing degree from Marymount University in Arlington, Virginia. She is a Fellow with the American College of Healthcare Executives.

Marjorie A. Mathieu, RPh, FACHE, Vice President

Marjorie A. Mathieu joined Southeast Georgia Health System in 2003. Ms. Mathieu began her professional career at West Virginia University Hospital in Morgantown, West Virginia, as a pharmacist, and subsequently joined Ohio Valley Medical Center in Wheeling, West Virginia, as a pharmacist before being appointed as Associate Administrator. Ms. Mathieu earned her Bachelor of Science degree in Pharmacy from the University of West Virginia in Morgantown, and later went on to earn her Master of Business Administration from the University of West Virginia with an emphasis on management and marketing. Ms. Mathieu, a graduate of Leadership Glynn, is also a Fellow with the American College of Healthcare Executives and a member of the Brunswick Downtown Development Authority.

DelRia Tate, Vice President

A native of Brunswick, Georgia, DelRia Tate serves as Vice President of Professional Services. She received both her Bachelor of Arts degree in psychology and her Master of Health Administration degree from Tulane University in New Orleans, Louisiana. Ms. Tate began her career as an Administrative Resident at the Medical Center of Louisiana in New Orleans. She held increasingly responsible positions there, culminating in Assistant Administrator of Clinical Services. Ms. Tate joined the Southeast Georgia Health System in 2002 as the Vice President and Administrator for the Camden Campus prior to accepting the position in Brunswick.

Ms. Tate is a graduate of the Georgia Hospital Association Leadership program and a member of the American College of Healthcare Executives, and serves as Vice Chair of Communications on the Executive Board of the Brunswick-Golden Isles Chamber of Commerce. She also serves as Chair of the Audit Committee for the Coastal Medical Access Project where she previously served as Treasurer.

Howard W. Sepp Jr., FACHE, Vice President and Administrator Camden Campus

Howard Sepp, Jr., joined who became a member of the Southeast Georgia Health System leadership team in 2003. He holds a Bachelor of Arts degree in biology from Canisius College and a Master of Business Administration in Healthcare Management from the State University of New York at Buffalo School of Management. His background in health care administration includes positions at Children's Hospital of Buffalo in Buffalo, New York, North Central Area Health Planning Association in Wausau, Wisconsin, The Williamsport Hospital and Medical Center, Williamsport, Pennsylvania, Memorial Hospital in Chattanooga, Tennessee, Methodist Evangelical Hospital in Louisville, Kentucky, and Robinson Memorial Hospital in Ravenna, Ohio.

Mr. Sepp, who is a Fellow with the American College of Healthcare Executives, currently serves as a board member of the Camden County Chamber of Commerce and is the Chairman of the Chamber's Leadership Camden County Committee. He is also a graduate of Leadership Camden County, a member of the Rotary Club of Camden County and is the district chairman of the Osprey District of the Okefenokee Area Council of the Boy Scouts of America. Additionally, Sepp is a member of the Camden County Advisory

Committee of Coastal Medical Access Project and the Advisory Board for the Georgia Center for Non-Profits. He is an active member of the local Navy League and the Military-Community Council, and also serves as the Bishop of the Kingsland Ward of the Church of Jesus Christ of Latter-Day Saints.

Carlton A. DeVooght, Vice President, General Counsel and Government Relations Liaison

Carlton DeVooght oversees the Legal, Real Estate, Compliance, Risk Management, and Government Relations matters for the Health System. Prior to joining Southeast Georgia Health System, Mr. DeVooght was a partner with the law firm of Gilbert, Harrell, Sumerford & Martin, P.C. in Brunswick, Georgia, where he specialized in corporate, regulatory and estate planning matters. Mr. DeVooght graduated magna cum laude from the University of Georgia with a Bachelor of Arts in history and then earned his juris doctorate from the University of Georgia School of Law. Mr. DeVooght is currently pursuing his Master's of Business Administration, with a focus in health care, from Brenau University.

He currently serves as a director on the boards of the Coastal Medical Access Project and the local board of United Community Bank, and as a member of the St. Simons United Methodist Church Council. Mr. DeVooght has also been involved with a variety of other professional and civic organizations, serving as past president of the Brunswick-Glynn Bar Association, past president of the Glynn County Rotary Club, past chairman of the Brunswick-Golden Isles Chamber of Commerce. A graduate of Leadership Georgia and Leadership Glynn, Mr. DeVooght has also served as a board member of the Boys & Girls Club of Southeast Georgia and the International Seafarer's Center.

Jacqueline Weder, Vice President

Jacqueline Weder joined Southeast Georgia Health System in 2007 as Vice President of Marketing and Public Relations. Ms. Weder earned her Bachelor of Arts degree in communications from Lycoming College in Williamsport, Pennsylvania and her Master of Business Administration with a healthcare management concentration from the University of Phoenix. She previously served as the director of marketing and public relations with Antelope Valley Healthcare District located in northern Los Angeles County and in management positions at the Cleveland Clinic in Florida and the Florida Kidney Centers Health Network. She is a member of the Society for Healthcare Strategy and Marketing Development and the Public Relations Society of America.

Patrick D. Ebri, Ph.D., Vice President

Patrick Ebri, Ph.D., joined Southeast Georgia Health System in 1995 as a radiologic and ultrasound technologist and was subsequently promoted to the position of Director of Imaging Services. He then joined the Human Resources Department as the Director of Education/Team Member Relations and was appointed as Vice President, Human Resources in 2007.

Dr. Ebri earned his Bachelor of Science in radiography from the University of Calabar in Nigeria, and later completed his Master of Health Administration degree from the University of North Florida in Jacksonville. He subsequently pursued his Doctor of Philosophy in business administration from Southern California University for Professional Studies in Santa Ana. He has served on the advisory boards of the Ultrasound Diagnostic School and St. Vincent's Nuclear Medicine Program, both in Jacksonville, and St. Francis Xavier Catholic School in Brunswick. Dr. Ebri is also a member of the American Registry of Diagnostic Medical Sonography and the American Registry of Radiologic Technologists.

Michelle Parrish-Morris, Assistant Vice President

Michelle Parrish-Morris was promoted to the position of Assistant Vice President for Cooperative Healthcare Services, Inc. in 2007, having served in a variety of roles with Southeast Georgia Health System since 1993. Ms. Morris has attended Georgia Southern University, Coastal Georgia Community College, and Columbia Southern University.

MEDICAL STAFF

General

The Brunswick Campus. The Brunswick Campus medical staff is divided into an active staff, consulting staff, and courtesy staff. Members of the active staff have admitting privileges; consulting staff may admit patients up to 23 hours for diagnostic testing only; and courtesy staff have no admitting privileges. The Brunswick Campus consists of 174 active staff physicians, 31 consulting staff physicians and 13 courtesy staff physicians.

The Brunswick Campus has experienced no significant difficulty in recruiting physicians due to its location in an ocean resort community. Group practices at the Brunswick Campus recruit physicians to join their groups individually, with the involvement of management of the Health System as is necessary. The Brunswick Campus's administration directly recruits all other physicians. Management of the Brunswick Campus establishes its needs for physicians each year during its business plan process and initiates contacts with physicians in needed specialties, if such physicians do not first approach the Health System.

The Camden Campus. The medical staff of the Camden Campus is also divided into active staff members, consulting staff members, courtesy staff members and affiliated members (who are podiatrists). There are 82 active staff members and 31 consulting staff members, 18 courtesy staff members and two affiliated staff members. Active staff members have admitting privileges at the Camden Campus while consulting staff members must admit patients through active staff members. Courtesy and affiliated staff members have no admitting privileges.

Cooperative Healthcare Services, Inc. To ensure an adequate supply of primary care and certain specialist physicians and to meet the needs of the residents of Glynn, Camden, McIntosh and Brantley Counties and the surrounding areas, the Health System has developed an employed physician group within CHSI. In addition to the physicians responsible for staffing the immediate care centers, CHSI employs five internal medicine physicians, two family practice physicians, four pediatricians, one infectious disease physician, one endocrinologist, one general surgeon, five orthopaedic surgeons, one psychiatrist, one physician assistant and three nurse practitioners. Further expansion of the group will be determined upon completion of the Health System's update of the Medical Staff Development Plan for the Brunswick and Camden Campuses. The Medical Staff Development Plan includes input from respective hospital staff, physicians and members of the communities served.

Medical Staff By Specialty

The following table summarizes the distribution of admissions among the Health System's medical staff by specialty for the fiscal year ended September 30, 2007.

Specialty	Brunswick Campus				Camden Campus				Southeast Georgia Health System			
	Admissions	Percent of Total	Revenue	Percent of Total	Admissions	Percent of Total	Revenue	Percent of Total	Admissions	Percent of Total	Revenue	Percent of Total
Obstetrics/Gynecology	2,052	19.1%	\$19,561,706	8.0%	807	40.4%	\$5,536,358	27.9%	2,859	22.4%	\$25,098,064	9.5%
Cardiology	1,351	12.6%	29,903,212	12.2%					1,351	10.6%	29,903,212	11.3%
Internal Medicine	1,213	11.3%	32,660,314	13.4%	506	25.4%	6,319,663	31.8%	1,719	13.5%	38,979,977	14.8%
Nephrology	844	7.8%	28,032,957	11.5%					844	6.6%	28,032,957	10.6%
Family Practice	784	7.3%	19,960,788	8.2%	169	8.5%	1,846,182	9.3%	953	7.5%	21,806,970	8.3%
General Surgery	747	6.9%	23,252,705	9.5%	159	8.0%	2,132,769	10.7%	906	7.1%	25,385,474	9.6%
Pediatrics	671	6.2%	4,058,449	1.7%	48	2.4%	184,793	0.9%	719	5.6%	4,243,242	1.6%
Pulmonary Medicine	626	5.8%	19,811,459	8.1%					626	4.9%	19,811,459	7.5%
Orthopedics	595	5.5%	20,256,601	8.3%	58	2.9%	1,093,687	5.5%	653	5.1%	21,350,288	8.1%
Hematology	381	3.5%	10,627,095	4.3%					381	3.0%	10,627,095	4.0%
Neurosurgery	307	2.9%	11,288,763	4.6%					307	2.4%	11,288,763	4.3%
Psychiatry	279	2.6%	2,786,248	1.1%					279	2.2%	2,786,248	1.1%
General Medicine	180	1.7%	4,732,513	1.9%	180	9.0%	1,974,992	9.9%	360	2.8%	6,707,505	2.5%
Urology	173	1.6%	2,879,171	1.2%					173	1.4%	2,879,171	1.1%
Plastic/Reconst Surgery	113	1.1%	3,773,674	1.5%					113	0.9%	3,773,674	1.4%
Gastroenterology	92	0.9%	2,204,932	0.9%	16	0.8%	161,003	0.8%	108	0.8%	2,365,935	0.9%
Infectious Disease	71	0.7%	2,136,993	0.9%					71	0.6%	2,136,993	0.8%
Rheumatology	69	0.6%	1,713,528	0.7%					69	0.5%	1,713,528	0.6%
Oncology	66	0.6%	1,515,394	0.6%					66	0.5%	1,515,394	0.6%
Neurology	41	0.4%	846,714	0.3%					41	0.3%	846,714	0.3%
Podiatry	37	0.3%	814,884	0.3%					37	0.3%	814,884	0.3%
Otorhinolaryngology	28	0.3%	509,620	0.2%					28	0.2%	509,620	0.2%
Thoracic Surgery	24	0.2%	714,087	0.3%					24	0.2%	714,087	0.3%
Anesthesia	5	0.0%	149,584	0.1%					5	0.0%	149,584	0.1%
Oral Surgery	4	0.0%	29,396	0.0%					4	0.0%	29,396	0.0%
Emergency Medicine	3	0.0%	21,092	0.0%	53	2.7%	603,652	3.0%	56	0.4%	624,744	0.2%
Ophthalmology	2	0.0%	22,875	0.0%					2	0.0%	22,875	0.0%
Radiology	1	0.0%	43,220	0.0%					1	0.0%	43,220	0.0%
Dentistry	1	0.0%	10,804	0.0%					1	0.0%	10,804	0.0%
	<u>10,760</u>	<u>100.00%</u>	<u>\$244,318,778</u>	<u>100.00%</u>	<u>1,996</u>	<u>100.00%</u>	<u>\$19,853,099</u>	<u>100.00%</u>	<u>12,756</u>	<u>100.00%</u>	<u>\$264,171,877</u>	<u>100.00%</u>

Source: Health System Records.

Admissions by Age

The following table sets forth for the fiscal year ended September 30, 2007, the number of Health System admissions by age group.

Brunswick Campus

Under 35	369
35-39	1,538
40-44	2,042
45-49	1,312
50-54	2,668
55-59	715
60-64	894
65 and over	<u>1,222</u>
	10,760

Camden Campus

Under 35	3
35-39	203
40-44	286
45-49	458
50-54	692
55-59	43
60-64	218
65 and over	<u>93</u>
	1,996

Source: Health System Records. Does not include newborns.

Top Ten Admitting Physicians

By Admissions. The following table sets forth the age, number of admissions and percentage of total admissions for the fiscal year ended September 30, 2007 attributable to the ten physicians on the Health System's Active Staffs with the highest number of admissions during the period.

Brunswick Campus

<u>Age</u>	<u>Specialty</u>	<u>Admissions</u>	<u>Percentage of Total Admissions</u>
54	Internal Medicine	390	3.6%
42	Obstetrics/Gynecology	376	3.5
40	Obstetrics/Gynecology	369	3.4
62	Nephrology	352	3.3
54	Cardiology	312	2.9
43	Nephrology	288	2.7
65	Internal Medicine	253	2.4
51	Psychiatry	245	2.3
69	Pulmonary Medicine	232	2.2
48	Pulmonary Medicine	230	2.1

Camden Campus

<u>Age</u>	<u>Specialty</u>	<u>Admissions</u>	<u>Percentage of Total Admissions</u>
50	Obstetrics/Gynecology	293	14.7%
47	Obstetrics/Gynecology	273	13.7
53	General Medicine	118	5.9
41	Internal Medicine	116	5.8
48	Internal Medicine	115	5.8
44	Family Practice	95	4.8
62	General Surgery	95	4.8
38	Internal Medicine	77	3.9
54	Obstetrics/Gynecology	71	3.6
50	Internal Medicine	62	3.1

Source: Health System Records.

By Inpatient Revenue. The following table sets forth the age, inpatient gross revenue and percent of total inpatient revenue for the fiscal year ended September 30, 2007 attributable to the ten physicians on the Health System's Active Staff with the greatest revenues during the period.

Brunswick Campus

<u>Age</u>	<u>Specialty</u>	<u>Inpatient Revenue</u>	<u>Percentage of Inpatient Revenue</u>
62	Nephrology	\$11,731,766	4.8%
54	Internal Medicine	10,069,577	4.1
43	Nephrology	8,585,521	3.5
69	Pulmonary Medicine	7,900,021	3.2
62	Nephrology	7,715,668	3.2
48	Pulmonary Medicine	7,623,704	3.1
37	Internal Medicine	7,332,545	3.0
40	Family Practice	6,709,241	2.7
65	Internal Medicine	6,549,304	2.7
54	Cardiology	6,177,366	2.5

Camden Campus

<u>Age</u>	<u>Specialty</u>	<u>Inpatient Revenue</u>	<u>Percentage of Inpatient Revenue</u>
50	Obstetrics/Gynecology	\$2,080,870	10.5%
47	Obstetrics/Gynecology	1,763,006	8.9
48	Internal Medicine	1,567,961	7.9
41	Internal Medicine	1,360,916	6.9
53	General Medicine	1,266,003	6.4
44	Family Practice	1,081,021	5.4
54	Orthopedics	1,070,420	5.4
38	Internal Medicine	1,068,438	5.4
62	General Surgery	1,048,837	5.3
49	General Surgery	924,844	4.7

Source: Health System Records.

MEDICAL SERVICES

The following is a list of each of the major medical services offered by the Health System.

<u>Service</u>	<u>Brunswick Campus</u>	<u>Camden Campus</u>
Anesthesia	X	X
Behavioral Health Unit	X	
Blood Bank	X	X
Cardiac Catheterization	X	
Cardiac Rehabilitation	X	
Cardiology	X	X
Chemistry	X	X
Chemotherapy	X	
Computerized Axial Tomography Scan	X	X
Coronary Care Unit	X	
Delivery Room	X	X
Emergency Room	X	X
Endoscopy	X	X
General Laboratory	X	X
Histology	X	
Immunology	X	
Intravenous Solutions	X	X
Labor Room	X	X
Lithotripter	X	
Magnetic Resonance Imaging	X	X
Mammography	X	X
Medical Intensive Care Unit	X	X
Medical Supply	X	X
Microbiology	X	X
Neurodiagnostic	X	X
Nuclear Medicine	X	X
Nursery	X	X
Obstetrical/Gynecology	X	X
Operating Room	X	X
Out-Patient/Preparatory/Recovery	X	X
Pediatrics	X	X
PET Scan	X	
Pharmacy	X	X
Physical Therapy	X	X
Progressive Coronary Care Unit	X	
Progressive Surgical Care Unit	X	
Radiation Oncology	X	
Radiology	X	X
Recovery Room	X	X
Respiratory Therapy	X	X
Sleep Disorder	X	X
Special Procedures Laboratory	X	
Surgical Intensive Care Unit	X	
Transitional Care Unit	X	
Ultrasound	X	X
Urodynamics	X	
X-Ray Special Procedures	X	X

Source: Health System Records.

UTILIZATION AND PATIENT SERVICE STATISTICS

The following table summarizes certain operating and utilization statistics of the Brunswick Campus, the Camden Campus and the Health System for each of the fiscal years in the three year period ended September 30, 2007 and the nine month periods ended June 30, 2007 and June 30, 2008.

Brunswick Campus <u>Hospital Total</u>	Fiscal Year Ended September 30,			Nine Month Period Ended June 30,	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007</u>	<u>2008</u>
Licensed Beds	316	316	316	316	316
Patient Days	59,053	59,767	60,063	45,043	46,922
Adjusted Patient Days	95,424	97,057	95,485	71,134	76,730
Admissions	10,262	10,457	10,760	7,986	8,530
Average Length of Stay	5.76	5.72	5.58	5.64	5.50
Surgery Cases	10,196	10,120	11,304	8,277	9,044
Deliveries	1,275	1,424	1,614	1,175	1,070
Emergency Room Visits	45,195	46,450	47,014	35,420	35,774
Other Outpatient Visits	86,000	85,704	96,950	71,447	75,373
Full Time Equivalent (FTE)	1,210	1,277	1,261	1,250	1,307
FTEs per Adjusted Occupied Bed	4.63	4.80	4.82	4.80	4.67
Percent of Occupancy	51.2%	51.8%	52.1%	52.2%	54.2%
<u>Acute Care</u>					
Licensed Beds	284	284	284	284	284
Patient Days	51,748	51,910	52,511	39,380	40,993
Admissions	9,662	9,865	10,242	7,608	8,100
Average Length of Stay	5.36	5.26	5.13	5.18	5.06
Percent of Occupancy	49.9%	50.1%	50.7%	50.8%	52.7%
<u>Behavioral Health Unit</u>					
Licensed Beds	16	16	16	16	16
Patient Days	2,250	2,783	2,451	1,816	2,043
Admissions	288	337	281	205	266
Average Length of Stay	7.81	8.26	8.72	8.86	7.68
Percent of Occupancy	38.5%	47.7%	42.0%	41.6%	46.6%
<u>Transitional Care Unit</u>					
Licensed Beds	16	16	16	16	16
Patient Days	5,055	5,074	5,101	3,847	3,886
Admissions	312	255	237	173	164
Average Length of Stay	16.20	19.90	21.52	22.24	23.69
Percent of Occupancy	86.6%	86.9%	87.3%	88.1%	88.6%

Camden Campus Hospital Total	Fiscal Year Ended September 30,			Nine Month Period Ended June 30,	
	2005	2006	2007	2007	2008
Licensed Beds	40	40	40	40	40
Patient Days	6,158	5,856	6,160	4,697	4,471
Adjusted Patient Days	18,532	19,660	21,171	15,946	14,930
Admissions	2,047	1,978	1,996	1,524	1,547
Average Length of Stay	3.01	2.96	3.09	3.08	2.89
Surgery Cases	2,557	2,851	2,900	2,192	2,054
Deliveries	743	692	745	546	535
Emergency Room Visits	23,192	23,595	25,840	19,313	20,280
Other Outpatient Visits	29,982	33,356	36,018	27,270	26,320
Full Time Equivalents (FTE)	255	273	259	260	259
FTEs per Adjusted Occupied Bed	5.04	5.06	4.46	4.45	4.75
Percent of Occupancy	42.2%	40.1%	42.2%	43.0%	40.8%

Acute Care					
Licensed Beds	40	40	40	40	40
Patient Days	6,158	5,856	6,160	4,697	4,471
Admissions	2,047	1,978	1,996	1,524	1,547
Average Length of Stay	3.01	2.96	3.09	3.08	2.89
Percent of Occupancy	42.2%	40.1%	42.2%	43.0%	40.8%

Health System Hospital Total	Fiscal Year Ended September 30,			Nine Month Period Ended June 30,	
	2005	2006	2007	2007	2008
Licensed Beds	356	356	356	356	356
Patient Days	65,211	65,623	66,223	49,740	51,393
Adjusted Patient Days	113,429	116,219	118,999	88,348	95,689
Admissions	12,309	12,435	12,756	9,510	10,077
Average Length of Stay	5.30	5.28	5.19	5.23	5.10
Surgery Cases	12,753	13,226	14,631	10,817	11,266
Deliveries	2,018	2,116	2,359	1,721	1,605
Emergency Room Visits	68,387	70,045	72,854	54,733	56,054
Other Outpatient Visits	115,982	119,060	132,968	98,717	101,693
Full Time Equivalents (FTE)	1,465	1,549	1,701	1,678	1,814
FTEs per Adjusted Occupied Bed	4.71	4.87%	5.22	5.19	5.19
Percent of Occupancy	50.2%	50.5%	51.0%	51.2%	52.7%

Acute Care					
Licensed Beds	324	324	324	324	324
Patient Days	57,906	57,766	58,671	44,077	45,464
Admissions	11,709	11,843	12,238	9,132	9,647
Average Length of Stay	4.95	4.88	4.79	4.83	4.71
Percent of Occupancy	49.0%	48.8%	49.6%	49.8%	51.2%

Behavioral Health Unit					
Licensed Beds	16	16	16	16	16
Patient Days	2,250	2,783	2,451	1,816	2,043
Admissions	288	337	281	205	266
Average Length of Stay	7.81	8.26	8.72	8.86	7.68
Percent of Occupancy	38.5%	47.7%	42.0%	41.6%	46.6%

Transitional Care Unit					
Licensed Beds	16	16	16	16	16
Patient Days	5,055	5,074	5,101	3,847	3,886
Admissions	312	255	237	173	164
Average Length of Stay	16.20	19.9	21.52	22.24	23.70
Percent of Occupancy	86.6%	86.9%	87.3%	88.1%	88.6%

Source: Health System Records.

FINANCIAL INFORMATION

Financial Statements: Obligated Group

The Authority and Kings Bay are currently the only Members of the Obligated Group and therefore the only entities obligated to make payments on the Series 2008 Certificates. Under generally accepted accounting principles, such entities are consolidated with other entities under common control. Such consolidated group (the "Consolidated Entities") consists of the Authority, Kings Bay, the Foundation, CHSI and CHSI's affiliates, Healthspan, Inc., Cooperative Rehabilitation Services, Inc. and Glynco LLC. Neither the Foundation, CHSI or its affiliates have any obligation to pay the Series 2008 Certificates.

Attached as Appendix B to this Official Statement are audited financial statements for the Consolidated Entities. The table below sets forth the total percentage of assets, revenues and expenses of the Consolidated Entities represented by the Obligated Group.

	<u>% of Assets</u>	<u>% of Revenues</u>	<u>% of Expenses</u>
Obligated Group	99.68 %	96.08 %	93.03 %

The financial information set forth in the subsection below is for all Consolidated Entities.

Summary of Revenues and Expenses and Assets and Liabilities

The following tables set forth selected historical financial information for the Consolidated Entities for the three years ended September 30, 2007, as well as for the nine month periods ended June 30, 2007 and 2008. The information for the three fiscal years has been derived from the audited financial statements of the Consolidated Entities. The information for the two nine month periods are not audited but include all adjustments, consisting of normal recurring accruals, that the Consolidated Entities consider necessary for a presentation of the financial position and results of operations for such periods in accordance with generally accepted accounting principles. Operating results for the nine month period ended June 30, 2008, are not necessarily indicate of the results to be obtained for the year ending September 30, 2008.

	<u>Fiscal Years Ended September 30,</u>			<u>Nine Month Period Ended June 30,</u> <u>(unaudited)</u>	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>
Net patient service revenue	\$174,612,000	\$198,121,000	\$216,734,000	\$157,829,000	\$168,024,000
Other operating revenue	<u>2,802,000</u>	<u>2,832,000</u>	<u>3,079,000</u>	<u>2,823,000</u>	<u>3,453,000</u>
Total operating revenue	<u>177,414,000</u>	<u>200,953,000</u>	<u>219,813,000</u>	<u>160,652,000</u>	<u>171,477,000</u>
Operating and other expenses:					
Salaries & wages	66,842,000	72,999,000	78,772,000	57,239,000	64,058,000
Team member benefits	17,502,000	22,292,000	23,798,000	17,644,000	20,242,000
Contract personnel	3,569,000	4,328,000	6,068,000	4,257,000	5,055,000
Supplies & drugs	34,908,000	39,774,000	42,355,000	31,283,000	32,738,000
Outside services	12,514,000	14,217,000	17,367,000	12,324,000	14,018,000

Depreciation & amortization	12,004,000	13,434,000	15,388,000	11,384,000	12,294,000
Other expenses	<u>16,648,000</u>	<u>20,186,000</u>	<u>24,136,000</u>	<u>17,613,000</u>	<u>17,627,000</u>
Total operating and other expense	<u>163,987,000</u>	<u>187,230,000</u>	<u>207,884,000</u>	<u>151,744,000</u>	<u>166,032,000</u>
Operating income	<u>13,427,000</u>	<u>13,723,000</u>	<u>11,929,000</u>	<u>8,908,000</u>	<u>5,445,000</u>
Non-operating revenue (expense):					
Interest & dividend income	3,760,000	4,593,000	5,316,000	3,687,000	3,229,000
Interest expense	(4,500,000)	(4,588,000)	(5,293,000)	(4,023,000)	(5,143,000)
Write off of deferred bond insurance costs attributable to variable rate debt	-	-	-	-	(2,153,000)
Net gain (loss) on investments:					
Realized gain	1,631,000	3,614,000	12,093,000	7,309,000	963,000
Change in unrealized gain (loss)	7,654,000	3,382,000	710,000	2,536,000	(11,901,000)
Other	<u>(842,000)</u>	<u>785,000</u>	<u>(748,000)</u>	<u>1,808,000</u>	<u>(880,000)</u>
Total non-operating revenue (expense)	<u>7,703,000</u>	<u>7,786,000</u>	<u>12,078,000</u>	<u>11,317,000</u>	<u>(15,885,000)</u>
Excess revenues over (under) expenses	<u>\$ 21,130,000</u>	<u>\$ 21,509,000</u>	<u>\$ 24,007,000</u>	<u>\$ 20,225,000</u>	<u>\$ (10,440,000)</u>

⁽¹⁾ Unaudited

	As of September 30,			As of June 30, (unaudited)	
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2007⁽¹⁾</u>	<u>2008⁽¹⁾</u>
Total current assets	\$42,204,000	\$44,109,000	\$52,892,000	\$51,113,000	\$57,009,000
Total restricted and designated assets	148,259,000	145,065,000	144,449,000	143,886,000	111,549,000
Net property plant and equipment	158,010,000	170,772,000	181,581,000	177,298,000	201,457,000
Total other assets	<u>12,007,000</u>	<u>13,878,000</u>	<u>18,948,000</u>	<u>21,010,000</u>	<u>14,562,000</u>
Total assets	<u>\$360,480,000</u>	<u>\$373,824,000</u>	<u>\$397,870,000</u>	<u>\$393,307,000</u>	<u>\$384,577,000</u>
Total current liabilities	\$44,228,000	\$38,618,000	\$40,800,000	\$38,042,000	\$37,003,000
Long term obligations	122,557,000	119,843,000	117,249,000	119,627,000	118,499,000
Minority Interest	-	-	-	28,000	(371,000)
Net assets	<u>193,695,000</u>	<u>215,363,000</u>	<u>239,821,000</u>	<u>235,610,000</u>	<u>229,446,000</u>
Total liabilities and net assets	<u>\$360,480,000</u>	<u>\$373,824,000</u>	<u>\$397,870,000</u>	<u>\$393,307,000</u>	<u>\$384,577,000</u>

⁽¹⁾ Unaudited

Certain Financial Ratios

Historical Debt Service Coverage. The following table sets forth, for the last three fiscal years, the income of the Obligated Group available to pay debt service on actual Long-Term Indebtedness of the Obligated Group outstanding during such periods and the extent to which such historical debt service requirements were covered by such income during such periods.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Excess Revenue over Expense	\$21,229,000	\$21,802,000	\$30,261,000
Depreciation & Amortization	11,904,000	13,347,000	15,119,000
Interest on Long-Term Indebtedness	4,489,000	4,581,000	5,284,000
Changes in Unrealized Gains/Losses	<u>(6,590,000)</u>	<u>(3,877,000)</u>	<u>(155,000)</u>
Income Available for Debt Service	\$31,032,000	\$35,853,000	\$50,509,000
Historical Debt Service Requirements on Actual Long-Term Indebtedness	\$7,162,075	\$7,162,075	\$8,218,000
Historical Debt Service Coverage Ratio	4.33x	5.01x	6.15x

Total Income Available for Debt Service and Historical Pro-Forma Debt Service Coverage. The following table sets forth, for the last three fiscal years, the Total Income Available for Debt Service, as defined in the Master Indenture, and the resulting debt service coverage had the Series 2008 Certificates been outstanding. The Master Trust Indenture requires that the Obligated Group maintain actual Total Income Available for Debt Service equal to at least 110% of Maximum Annual Debt Service.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Income Available for Debt Service	\$31,032,000	\$35,853,000	\$50,509,000
Maximum Annual Debt Service Requirement on Long-Term Indebtedness	\$10,875,494	10,875,494	10,875,494
Historical Pro-Forma Debt Service Coverage Ratio*	2.85x	3.30x	4.64x

* Calculated as provided in Master Trust Indenture.

Debt-to-Capitalization Ratio. The following table sets forth the Debt-To-Capitalization Ratio for the Obligated Group for the last three fiscal years and the pro forma capitalization ratio assuming the issuance of the Series 2008 Certificates in the principal amount of \$144,250,000.*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>Pro-Forma</u>
Total Indebtedness	\$123,928,000	\$122,192,000	\$119,842,000	\$ 171,495,000
Unrestricted Net Assets	161,614,000	192,228,000	216,818,000	216,818,000
Capitalization	285,542,000	314,420,000	336,660,000	388,763,000
Debt-to-Capitalization Ratio	43.40%	38.86%	35.60%	44.23%

Days' Cash on Hand. The following table sets forth the Days' Cash on Hand for the Obligated Group for the last three fiscal years.

	<u>2005</u>	<u>2006</u>	<u>2007</u>
Unrestricted Cash and Investments	\$117,176,000	\$122,975,000	\$122,176,000
Operating Expenses Per Day	480,000	550,000	577,000
Days' Cash on Hand	244	224	212

Management's Discussion Of Financial Performance

For each of the fiscal years in the three year period ended September 30, 2007, the Health System, including the Obligated Group, CHSI and the Foundation, has realized steady growth in operating income, enabling it to achieve positive operating results. While the rising demand for inpatient and outpatient services has continued into 2008, a slight rise in free care requiring an increase in the provisions for charity care and bad debts has contributed to a decline in operating income compared to the preceding fiscal periods. Higher auction rate security interest costs and the unstable investment market also adversely affected the non-operating income and expenses for the current period. The Authority's Finance Committee meets with its investment advisor on a quarterly basis to evaluate the performance of its investment managers and to monitor their adherence to the investment policy adopted by the Authority, in order to optimize investment performance while mitigating risk over the long term. The following analysis highlights the major financial issues affecting the Health System over the past three years and the nine-month period ended June 30, 2008.

Fiscal Year Ended September 30, 2005. For the fiscal year ended September 30, 2005, income from operations was \$8,928,000, net of interest costs of \$4,500,000. The resulting net operating margin (the sum of operating income less interest expense divided by net patient service revenue) was 5.1%. The net operating margin for the fiscal year ended September 30, 2004 was 6.5% based upon income from operations of \$10,643,000, net of interest costs of \$2,948,000. During 2005, the Health System experienced a 7.2% increase in net patient service revenue brought about by a 3.6% increase in inpatient days and a 13.4% increase in outpatient visits. There was a corresponding increase of 8.4% in operating expenses, inclusive of an increase in physician fees attributable to the decision to compensate physicians for on-call coverage in the emergency care centers on both campuses. The issuance of debt in November 2004 resulted in the significant increase in interest expense.

Non-operating income consisting of interest income and dividends, net realized and unrealized gains on investments and the valuation adjustment to the interest rate swap agreement for the fiscal year ended September 30, 2005, amounted to \$12,203,000 of which \$7,654,000 represented unrealized gain or losses. The total non-operating income for the fiscal year ended September 30, 2004, amounted to \$10,587,000 of which \$6,652,000 represented unrealized gains. At September 30, 2005, the Obligated Group had 244 Days' Cash on Hand and its Debt Service Coverage Ratio as calculated under the Master Trust Indenture was 4.3.

Fiscal Year Ended September 30, 2006. For the fiscal year ended September 30, 2006, income from operations increased slightly to \$9,135,000, net of interest costs of \$4,588,000, resulting in a net operating margin of 4.6%. The Health System experienced a 13.5% increase in net patient service revenue in 2006, including the benefits of a 1.0% increase in inpatient admissions, a 2.4% increase in emergency department visits, a 2.7% increase in outpatient ancillary visits and a 6.8% increase in outpatient surgeries and endoscopies. The Health System benefited from a Medicare settlement attributable to 2001 but also increased its allowance for bad debts in view of the growing trends in self-pay and charity care facing the industry.

Operating expenses increased by 14.2% over 2005, due in large part to the growth in patient volumes and the opening of the Outpatient Care Center. In addition, the employee benefits component of personnel expenses was adversely affected by a \$2.1 million provision associated with workers' compensation costs attributable to 2001 and prior periods. Insurance coverage for those claims remains in dispute and the Health System continues to pursue the recovery of the disputed amounts. The full effect of the increase in physician fees attributable to the previous decision to compensate physicians for on-call coverage in the emergency care centers on both campuses is included in the results for 2006. In addition, the Health System was chosen as a participant in the Johns Hopkins C-Port study involving patients that

require cardiac stenting procedures, and to this end, the Health System committed to compensating physicians on the Health System's medical staff as they received recurrent training at a tertiary referral center.

Non-operating income consisting of interest income and dividends, net realized and unrealized gains on investments and the valuation adjustment to the interest rate swap agreement for the fiscal year ended September 30, 2006, amounted to \$12,374,000 of which \$3,382,000 represented unrealized gains. At September 30, 2006, the Obligated Group had 224 Days' Cash on Hand and a Debt Service Coverage Ratio of 5.0 for the fiscal year.

Fiscal Year Ended September 30, 2007. The net operating margin for the fiscal year ended September 30, 2007 was 3.1% based upon income from operations was \$6,636,000, net of interest costs of \$5,293,000. During 2007, the Health System experienced a 9.4% increase in net patient service revenue brought about by higher patient volumes including a 2.6% increase in inpatient admissions and a 14.0% increase in outpatient surgeries and endoscopy procedures. Contributing to the rise was the benefit of the acquisition of a six physician sports medicine and orthopaedic surgery practice in April 2007. Operating expenses rose by 11% inclusive of a 14.8% increase in depreciation and interest costs attributable to the Outpatient Care Center.

During the fiscal year ended September 30, 2007, a significant portion of the unrealized gains from the previous years were ultimately recognized within non-operating income which aggregated \$17,371,000, of which only \$710,000 represented unrealized gains. At September 30, 2007, the Obligated Group had 212 Days' Cash on Hand and a Debt Service Coverage Ratio for the fiscal year of 6.1.

Nine-Month Period Ended June 30, 2008. For the nine-month period ended June 30, 2008, income from operations, before interest expense, was \$5,445,000, as compared to \$8,908,000 for the same period in 2007. While inpatient admissions increased by 6.0%, outpatient hospital visits increased by 3.0%, and fiscal year 2008 includes the full effects of the acquisition of the sports medicine and orthopaedic surgery practice, the increase in net patient service revenue has lagged due to an increase in the level of charity care and bad debts experienced by the Health System. Net patient service revenue, net of the provision for bad debts of \$24,567,000, grew by 6.5%, while operating expenses, driven by higher patient utilization, rose by 9.4%. Bad debt expense for the first nine months of the 2007 fiscal year amounted to \$18,849,000.

Interest expense increased from \$4,023,000 for the nine month period ended June 30, 2007, to \$5,143,000 for the nine month period ended June 30, 2008, reflected primarily the rising interest expense on the Series 2004 Certificates, which were outstanding in an auction rate mode. The Authority redeemed the Series 2004A Certificates on July 2, 2008 and the Series 2004B Certificates on April 16, 2008.

The operating margin for the nine month period declined to 0.2%, reflecting primarily the increased interest expense on the auction rate securities and an increase in free care.

The non-operating income and expenses for the current period amounted to a loss of (\$10,742,000), of which (\$11,901,000) represented unrealized declines in investment values, and (\$2,153,000) was attributable to the write off of deferred bond insurance costs attributable to the Series 2004 Certificates. Furthermore, the Health System terminated its interest rate swap agreement at a cost of \$416,000, inclusive of accrued interest, and also recognized an additional (\$592,000) associated with the write down of that swap agreement from its valuation at the close of the preceding fiscal year. As a result of the decline in investment values, the rise in bad debt expense (which is factored into the daily cash requirements) and the use of over \$6,000,000 for the acquisition of and renovations to the skilled nursing

facility on the Brunswick Campus, which amount is expected to be reimbursed from the proceeds of the 2008 Bond issue, the Days' Cash on Hand declined to 165 at June 30, 2008.

In response to the operating financial performance of the Health System during the current fiscal year, Management of the Health System is closely evaluating the level of charges levied for patient services as well as certain components of the underlying cost structure of its operations. It is the intent of the Health System to take all necessary steps required to enable it to realize an operating margin approximating of approximately 3.0% on an annual basis in subsequent fiscal years.

Charity Care and Bad Debts. The Health System maintains records to identify and monitor the level of free care it provides in the form of charity care and bad debts. These records include the amount of charges forgone for services and supplies furnished under the Health System's charity care policy. The following summarizes the level of charity care provided and the amount of provision for bad debts since 2005:

<u>Period</u>	<u>Amount</u>	<u>Provisions for Bad Debt</u>
October 1, 2004 through September 30, 2005	\$ 12,745,000	\$ 23,237,000
October 1, 2005 through September 30, 2006	19,299,000	26,492,000
October 1, 2006 through September 30, 2007	18,473,000	29,295,000
October 1, 2007 through June 30, 2008	15,435,000	24,567,000

Sources of Revenue

The following table indicates the estimated percentage of the Health System's total gross patient service revenues derived from Medicare, Medicaid, Blue Cross, commercial insurance, Champus and other sources during the three year period ended September 30, 2007 and the nine month period ended June 30, 2008.

Southeast Georgia Health System - Brunswick Campus

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	49.8%	49.9%	49.2%	49.5%
Medicaid	12.5	12.9	11.3	11.6
Blue Cross	14.2	11.8	12.4	11.0
Commercial Insurance	12.4	13.5	15.1	15.7
Champus	2.2	2.0	2.2	2.0
Self Pay	<u>8.9</u>	<u>9.9</u>	<u>9.8</u>	<u>10.2</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Southeast Georgia Health System - Camden Campus

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	26.9%	28.2%	27.4%	26.5%
Medicaid	15.5	13.5	12.6	13.3
Blue Cross	17.4	14.4	15.2	13.8
Commercial Insurance	11.4	13.2	13.5	13.6
Champus	18.6	20.5	21.0	20.5
Self Pay	<u>10.2</u>	<u>10.2</u>	<u>10.3</u>	<u>12.3</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Southeast Georgia Health System – Total

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Medicare	46.4%	46.5%	45.9%	46.2%
Medicaid	13.0	13.0	11.5	11.8
Blue Cross	14.5	12.2	12.8	11.4
Commercial Insurance	12.3	13.5	14.9	15.4
Champus	4.7	4.9	5.0	4.6
Self Pay	<u>9.1</u>	<u>9.9</u>	<u>9.9</u>	<u>10.6</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Health System Records.

The Medicare inpatient case mix index for the Brunswick Campus and Camden Campus is 1.4576 and 1.0350, respectively, for the fiscal year ended September 30, 2007.

Long-Term Debt

The following table sets forth the annual debt service requirements on all outstanding long-term indebtedness of the Obligated Group following the issuance of the Series 2008 Certificates and the refunding of the Bank Loan.

Year	Series 2008A		Series 2008B ⁽¹⁾		Existing Debt Service	Total
	Principal	Interest	Principal	Interest		
2009	\$ -	\$ 5,161,800	\$ -	\$ 1,176,210	\$ 3,584,458	\$ 9,922,468
2010	-	5,770,956	-	1,318,525	3,783,638	10,873,119
2011	-	5,770,956	-	1,318,525	3,786,013	10,875,494
2012	-	5,770,956	120,000	1,320,341	3,616,300	10,827,597
2013	-	5,770,956	-	1,312,814	3,790,100	10,873,871
2014	-	5,770,956	125,000	1,314,625	3,620,063	10,830,644
2015	-	5,770,956	-	1,310,563	3,756,050	10,837,569
2016	-	5,770,956	125,000	1,312,368	3,619,100	10,827,424
2017	3,745,000	5,770,956	10,000	1,304,700	-	10,830,657
2018	3,910,000	5,602,431	10,000	1,306,175	-	10,828,606
2019	4,100,000	5,416,706	5,000	1,305,850	-	10,827,556
2020	4,295,000	5,221,956	5,000	1,307,486	-	10,829,442
2021	4,505,000	5,007,206	15,000	1,303,727	-	10,830,933
2022	4,730,000	4,781,956	10,000	1,305,038	-	10,826,994
2023	4,980,000	4,533,631	10,000	1,304,712	-	10,828,344
2024	5,240,000	4,272,181	10,000	1,306,184	-	10,828,365
2025	5,530,000	3,983,981	10,000	1,302,266	-	10,826,248
2026	5,835,000	3,679,831	10,000	1,303,738	-	10,828,569
2027	6,155,000	3,358,906	10,000	1,303,413	-	10,827,319
2028	6,495,000	3,020,381	10,000	1,304,882	-	10,830,264
2029	6,850,000	2,663,156	15,000	1,300,968	-	10,829,124
2030	7,235,000	2,277,844	15,000	1,302,275	-	10,830,119
2031	7,645,000	1,870,875	10,000	1,301,787	-	10,827,662
2032	8,075,000	1,440,844	10,000	1,303,255	-	10,829,099
2033	8,530,000	986,625	10,000	1,299,345	-	10,825,970
2034	9,010,000	506,813	10,000	1,300,813	-	10,827,625
2035	-	-	9,530,000	1,300,487	-	10,830,487
2036	-	-	9,835,000	992,127	-	10,827,127
2037	-	-	10,160,000	670,201	-	10,830,201
2038	-	-	10,490,000	340,925	-	10,830,925
TOTAL	\$ 106,865,000	\$ 109,954,775	\$ 40,570,000	\$37,154,326	\$29,555,720	\$ 324,099,821

⁽¹⁾ Assumes the Series 2008B Certificates will bear interest at an average rate of 3.25%.

Operating Leases

The Authority has three operating leases, one for infusion pumps and two for CT scanners. Set forth below is information concerning the operating leases.

<u>Term</u>	<u>Expiration Date</u>	<u>Monthly Payments</u>
60 months	December 2008	\$13,690
60 months	October 2009	13,333
60 months	November 2009	7,220

Line of Credit

The Authority has a Line of Credit for \$5,000,000, which expires on April 5, 2009. The rate of interest is 1-month LIBOR plus 75 basis points. As of June 30, 2008, approximately \$2,800,000 in short term indebtedness was outstanding under the Line of Credit.

BUSINESS PLAN PROCESS

The directors and managers of the Brunswick Campus and Camden Campus prepare an operating and capital budget for their respective departments. The administrative staff determines the guidelines as to proposed salary increases, general cost increases, patient charge increases and capital equipment needs. The business plan is approved initially by the Authority's Finance Committee and ultimately by the Board of Directors of the Authority prior to the beginning of each fiscal year.

SERVICE AREA

The Brunswick Campus

General. The Brunswick Campus is located within the city limits of Brunswick in Glynn County, Georgia. St. Simons Island, Sea Island and Jekyll Island are other residential areas in the county. The Authority defines the Brunswick Campus's primary service area to be Glynn, Brantley, McIntosh and Camden Counties. There are approximately 148,102 residents in the primary service area year-round according to the U.S. Census Bureau estimates for 2008 and approximately 20,000 additional temporary residents during the tourist season.

The Brunswick Campus's secondary service area consists of the counties adjacent to Glynn County and located within a 50-mile radius of Brunswick. These counties include Pierce, Long, Charlton and Wayne Counties in Georgia and Nassau County in Northeast Florida. The approximate population for the secondary service area is 139,567 residents according to U.S. Census Bureau estimates for 2008.

The Brunswick Campus derived approximately 87% of its admissions in fiscal 2007 from its primary service area with approximately 64% of such admissions from Glynn County. Approximately 5% of the Brunswick Campus's admissions during this period were from the secondary service area. The remaining approximately 8% of admissions for the period originated from other parts of Georgia and other states.

Service Area Hospitals. The Brunswick Campus is the only hospital located in Glynn County, and there are no other hospitals within a 35 mile radius. The active medical staff physicians admit 100% of the patients to the Brunswick Campus.

The only other hospitals in the secondary service area are Southeast Georgia Health System Camden Campus and Wayne Memorial Hospital, a 138-bed hospital located in Jesup, Georgia in Wayne County.

The Camden Campus

General. The Camden Campus is located in St. Marys, Georgia. The primary service area for the Camden Campus is Camden County which had an approximate population of 45,172 according to the U.S. Census Bureau estimates for 2008. The Camden Campus derived approximately 87% of its admissions in fiscal year 2007 from Camden County.

The Camden Campus's secondary service area includes Charlton and Brantley Counties in Georgia and Nassau County, Florida with a combined population of 96,355 according to the U.S. Census Bureau estimates for 2008.

Service Area Hospitals. The Camden Campus is the only hospital in Camden County with no other hospitals providing care within a 35 mile radius. Other hospitals in the secondary service area are Charlton Memorial Hospital, a 25-bed critical access hospital located in Folkston (Charlton County), Georgia, and Baptist Medical Center, Nassau, a 54-bed primary care hospital located in Fernandina Beach, Florida.

Camden County and Kings Bay Naval Base

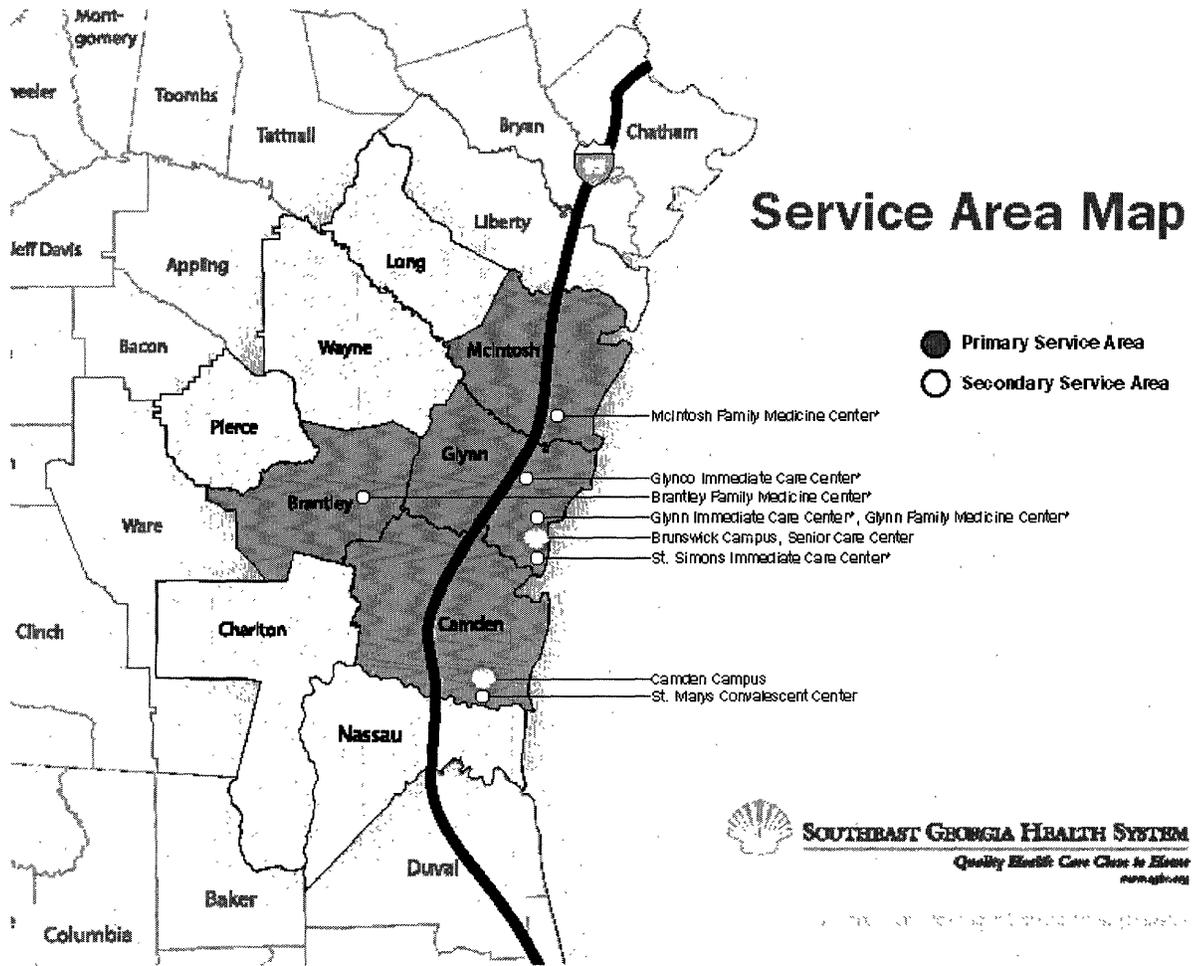
Camden County, which is the primary service area of the Camden Campus and is part of the secondary service area of the Brunswick Campus, has enjoyed a steady growth in population over the past decade, due in large part to the growth of the Kings Bay Naval Base.

Kings Bay Naval Base is the east coast homeport for the Ohio-class fleet ballistic-missile submarines and the only naval base in the Atlantic fleet capable of supporting the Trident II (D-5) missile. The 16,000-acre base has a combined workforce of more than 8,300 military and civilian employees with an annual payroll of \$450 million. The base is home to Submarine Group 10, Submarine Squadrons 16 & 20, Trident Training Facility, Trident Refit Facility, Strategic Weapons Facility Atlantic, and other support-providing commands. Kings Bay serves as homeport to two of the Navy's converted strategic ballistic nuclear submarines, the U.S.S. Florida and U.S.S. Georgia, which are capable of carrying conventional missiles. Current plans call for the relocation of the U.S.S. Alaska from its current west coast port to Kings Bay in 2009.

Management of the Authority believes that the vitality of Kings Bay Naval Base will continue to enhance the Authority's financial performance. Kings Bay has earned the reputation as the place to work and live. The base has garnered the golden anchor award for retention excellence and The Navy Times recently recognized Kings Bay as the best place for Navy personnel to retire.

Map

A map depicting the geographical area surrounding the Healthcare System is set forth below



Market Data. Set forth below is a table showing where inpatients in the primary service area were treated. For purposes of this table, the primary service area is defined as Glynn, Camden, Brantley, Charlton and McIntosh. Data regarding inpatient “outmigration” to states beyond Georgia is not available. Consequently, the Health System’s market share in the primary service area is not calculable.

<u>Hospital</u>	<u>County</u>	<u>Distance from Brunswick Facility (mi)⁽¹⁾</u>	<u>Distance from Camden Facility (mi)⁽¹⁾</u>	<u>Staffed Beds⁽²⁾</u>	<u>PSA Discharges⁽³⁾</u>	<u>Total Discharges</u>	<u>Percent of Discharges From PSA</u>
Southeast Georgia Health System Brunswick Campus	Glynn	N/A	40	273	9,151	10,457	87.5%
Southeast Georgia Health System Camden Campus	Camden	40	N/A	40	1,672	1,978	89.1
Satilla Regional Medical Center	Ware	62	62	190	420	7,605	5.5
Memorial Health University Medical Center	Chatham	77	108	521	401	25,132	1.6
St. Joseph’s / Chandler , St. Joseph’s Hospital	Chatham	70	101	219	164	9,641	1.7
St. Joseph’s / Chandler, Candler Hospital	Chatham	75	107	292	86	10,107	0.9
Wayne Memorial Hospital	Wayne	41	71	84	104	3,500	3.0
Other Georgia Hospital					359		
Florida Hospitals					2,312		

(1) Source: Mapquest.com.

(2) Source: AHA Guide 2008.

(3) Source: Georgia Hospital Association for Georgia data; The State of Florida Agency for Health Care Administration, Office of Data Dissemination for Florida data.

Service Area Economic and Demographic Information

Population. Set forth below is the historical and projected population information for the primary and the secondary service areas.

Source Region/Year	Census 1990	Census 2000	Census 2008	Claritas 2013	CAGR(1) 1990-2000	CAGR 2000-2008	CAGR 2008-2013	% Change 1990-2000	% Change 2000-2013	% Change 1990-2013
Primary Service Area										
Glynn	62,496	67,568	75,537	80,933	0.8%	1.4%	1.4%	8.1%	19.8%	29.5%
Camden(2)	30,167	43,664	45,172	45,794	3.8	0.4	0.3	44.7	4.9	51.8
Brantley	11,077	14,629	15,990	16,827	2.8	1.1	1.0	32.1	15.0	51.9
McIntosh	<u>8,634</u>	<u>10,847</u>	<u>11,403</u>	<u>11,791</u>	<u>2.3</u>	<u>0.6</u>	<u>0.7</u>	<u>25.6</u>	<u>8.7</u>	<u>36.6</u>
Total	112,374	136,708	148,102	155,345	2.0%	1.0%	1.0%	21.7%	13.6%	38.2%
Primary Service Area										
Secondary Service Area										
Wayne	22,356	26,565	29,447	31,239	1.7%	1.3%	1.2%	18.8%	17.6%	39.7%
Pierce	13,328	15,636	17,966	19,508	1.6	1.8	1.7	17.3	24.8	46.4
Long	6,202	10,304	11,789	12,779	5.2	1.7	1.6	66.1	24.0	106.0
Charlton	8,496	10,282	11,029	11,492	1.9	0.9	0.8	21.0	11.8	35.3
Nassau, FL	<u>43,941</u>	<u>57,663</u>	<u>69,336</u>	<u>76,737</u>	<u>2.8</u>	<u>2.3</u>	<u>2.0</u>	<u>31.2</u>	<u>33.1</u>	<u>74.6</u>
Total	94,323	120,450	139,567	151,755	2.5%	1.9%	1.7%	27.7%	26.0%	60.9%
Secondary Service Area										
TOTAL	206,697	257,158	287,669	307,100	2.2%	1.4%	1.3%	24.4%	19.4%	48.6%

(1) Compounded annual growth rate.

(2) Camden is actually in the secondary service area for the Brunswick Campus.

Source: United States Census and Claritas.

Largest Employers. Set forth below are the ten largest employers in Camden and Glynn Counties.

CAMDEN COUNTY

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Kings Bay Naval Base	Military Base	8,936
Camden County Schools	Public Education	1,700
Express Scripts	Contact Center	493
Wal-Mart	Retail	475
Lockheed Missiles & Space	Aerospace Manufacturer	457
Camden County Government	County Government	375
Southeast Georgia Health System – Camden Campus	Healthcare	330
Publix	Retail/Grocer	105
Bayer Crop Science	Agricultural Chemical Manufacturer	104
Winn Dixie	Retail/Grocer	95

Source: Georgia Trend/Camden County Joint Development Authority, November 2007.

GLYNN COUNTY

<u>Employer</u>	<u>Industry</u>	<u>Number of Employees</u>
Federal Law Enforcement Training Center	Government	3,047
Sea Island Co.	Resort	2,100
Glynn County School System	Education	1,900
Southeast Georgia Health System – Brunswick Campus	Hospital	1,682
Glynn County	Government	850
G. P. Cellulose (formerly Georgia Pacific Cellulose)	Bleached Pulp	600
Rich-Sea Pak Corporation	Frozen Seafood	600
Wal-Mart Superstore	Retail	570
King and Prince Seafood	Frozen Seafood	570
Hercules, Aqualon Group	Resins, Paper Chemicals	356

Source: Brunswick and Glynn County Development Authority, February and April 2008.

Employment Data. Set forth below is certain employment data for Camden and Glynn Counties, the State of Georgia and the United States for the last four years.

<u>Year/Area</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployment Rate</u>
2004				
Camden County	19,230	18,362	868	4.5%
Glynn County	37,737	36,285	1,452	3.8
Georgia	4,390,395	4,188,271	202,124	4.6
United States	147,401,000	139,252,000	8,149,000	5.5
2005				
Camden County	20,518	19,501	1,017	5.0%
Glynn County	38,967	37,249	1,718	4.4
Georgia	4,588,023	4,346,289	241,734	5.3
United States	149,320,000	141,730,000	7,591,000	5.1
2006				
Camden County	20,978	20,145	833	4.0%
Glynn County	39,980	38,470	1,510	3.8
Georgia	4,732,450	4,516,169	216,281	4.6
United States	151,428,000	144,427,000	7,001,000	4.6
2007				
Camden County	22,010	21,215	795	3.6%
Glynn County	40,135	38,723	1,412	3.5
Georgia	4,814,831	4,602,947	211,884	4.4
United States	153,124,000	146,047,000	7,078,000	4.6

Source: Georgia Department of Labor.

Financial Institutions and Banking Deposits. Set forth below are the number of financial institutions and the total amount of banking deposits in Camden and Glynn Counties for the last five years.

CAMDEN COUNTY

<u>Year</u>	<u>Number of Institutions</u>	<u>Number of Offices</u>	<u>Deposits</u>
2003	7	12	\$311,000,000
2004	7	13	333,000,000
2005	7	13	401,000,000
2006	7	14	419,000,000
2007	7	14	467,000,000

GLYNN COUNTY

<u>Year</u>	<u>Number of Institutions</u>	<u>Number of Offices</u>	<u>Deposits</u>
2003	9	32	\$1,094,000,000
2004	10	34	1,137,000,000
2005	13	37	1,353,000,000
2006	13	39	1,668,000,000
2007	15	43	1,759,000,000

Source: Federal Deposit Insurance Corporation.

Sales Tax Collections. Set forth below are the sales tax collections for Camden and Glynn Counties for the last five years.

<u>County</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008⁽¹⁾</u>
Camden	\$3,377,436	\$3,766,755	\$4,390,642	\$4,448,027	\$1,985,168
Glynn	11,067,207	12,192,895	13,908,124	14,338,067	6,749,772

⁽¹⁾ As of June, 2008.

Source: Georgia Department of Revenue

EMPLOYEES AND LABOR RELATIONS

General

There has been a nationwide shortage of nurses and medical technicians in recent years. The Health System utilizes agencies to fill vacant positions until permanent team members can be hired. In addition, the Health System partially funds the nursing and radiology school at the College of Coastal Georgia as well as Atlantic Armstrong State College in order to obtain newly trained medical personnel. Management considers its employee relations to be good and considers all employees as “team members” for the Authority. Employees of the Health System are not represented by any union and are not covered by any collective bargaining agreement.

Brunswick Campus

As of June 30, 2008, the Authority employed 1,193 full-time equivalents and 114 contract full-time equivalents on the Brunswick Campus. Of these employed full-time equivalents 70 were executive and management personnel. Contract labor included 14 nurse and 3 medical technician full-time equivalent agency staffing. Rehabilitation services, food and nutrition services, environmental services management, valet parking and pastoral care services are also provided under contractual arrangements. For the fiscal years 2006 and 2007, the Authority employed an average of 4.80 and 4.82 full-time team members per occupied bed, respectively.

Because the health care industry is a personal service industry, the Health System’s costs are greatly influenced by labor costs. For the nine months ended June 30, 2008, operating expenses related to employees (wages, benefits and contract personnel) accounted for approximately 50.2% of the Brunswick Campus’s total operating expenses.

Camden Campus

As of June 30, 2008, the Camden Campus employed 254 full-time equivalents and 5 contract full-time equivalents. Of these employed full-time equivalents, 14 were executive and management personnel. Contract labor included 1 medical technician full-time equivalent agency staffing. Rehabilitation services and environmental services management are also provided under contractual arrangements. For the fiscal years 2006 and 2007, the Authority employed an average of 5.06 and 4.46 full-time team members per occupied bed, respectively.

Camden Campus's costs are also greatly influenced by labor costs. For the nine months ended June 30, 2008, operating expenses related to employees accounted for approximately 59.2% of the total operating expenses.

PENSION PLAN

All of the Brunswick Campus and off site campus employees are covered by a defined contribution pension plan effective January 1, 1998. Previously, the Brunswick Campus maintained a defined benefit plan under with benefits based on years of service and the employee's compensation during the last five years of employment. Prior to its purchase by the Authority in 1992, the Camden Campus did not have a pension plan. Effective January 1997, employees at the Camden Campus became eligible for a defined contribution plan. The total pension expense for the Health System for each of the last three fiscal years 2005 through 2007, is listed below.

2005	\$1,758,000
2006	2,349,000
2007	2,643,000

See footnote 15 of the audited financial statements in Appendix B for a further description of the pension plan.

EDUCATIONAL PROGRAMS

The Health System maintains a relationship with the College of Coastal Georgia (formerly Coastal Georgia Community College) to further the following educational programs: registered nurse (RN), licensed practical nurse (LPN), radiology technologist and medical technologist. The Authority provides clinical work experience for the students at the College of Coastal Georgia enrolled in these curriculums and subsidizes a portion of the salaries paid to the instructors of courses in these areas. The Authority paid \$103,000, \$264,000 and \$246,000 during the fiscal years ended September 30, 2005, 2006 and 2007, respectively, to the College of Coastal Georgia for instructors' salaries.

The Authority also has affiliations with a number of schools and universities.

INSURANCE

Insurance Coverage

The Authority carries the insurance in the types and amounts that are customary for entities operating healthcare facilities. As described below, the Authority self-insures for certain claims.

The Authority is self-insured for employee health benefits. Employees contribute via payroll deductions for individual and family health insurance coverage. The Authority uses the premiums paid by its employees together with its own funds to pay covered expenses. Benefits are limited to \$2,000,000 in any lifetime. Re-insurance begins when claims for a covered individual exceed \$150,000.

The Authority is self-insured for professional and general liability claims. The Authority has an excess liability insurance policy for professional and general liability claims exceeding \$2,000,000 individually and \$6,000,000 collectively on an annual basis, with a limit of \$10,000,000 per claim and \$20,000,000 collectively. The Authority has designated cash and investments aggregating \$4,000,000 to be available to cover any claim professional and general liability claims.

The Authority is also self-insured for workers' compensation claims up to \$350,000 per occurrence. The Authority has an excess policy for coverage up to \$1,000,000.

LITIGATION

There is no litigation pending or threatened that, in the opinion of management of the Health System, would be likely to have a material adverse effect on the business or financial condition of the Authority or Kings Bay.

ACCREDITATIONS, LICENSES AND MEMBERSHIPS

The Brunswick Campus and Camden Campus each received a three-year accreditation from the Joint Commission on Accreditation of Hospitals (JCAHO) on October 28, 2006, and December 2, 2006, respectively. In addition, both the Brunswick Campus and Camden Campus are licensed by the Department of Human Resources of the State of Georgia. The Health System is a member of the American Hospital Association and the Georgia Hospital Association.

This page intentionally left blank

APPENDIX B

The Financial Statements that follow include the Foundation and CHSI, which are not Members of the Obligated Group and are not obligated on the Series 2008B Master Note.



DIXON HUGHES PLLC
Certified Public Accountants and Advisors

- Independent Auditors' Report -

To the Glynn-Brunswick Memorial Hospital Authority
Brunswick, Georgia

We have audited the consolidated balance sheets of Glynn-Brunswick Memorial Hospital Authority, dba Southeast Georgia Health System and Subsidiary Entities (collectively, the "System") as of September 30, 2007 and 2006, and the related consolidated statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes 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, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of September 30, 2007 and 2006, and the results of its operations and changes in net assets and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

225 Peachtree Street NE, Suite 600
Atlanta, GA 30303-1728
Ph. 404.575.8900 Fx. 404.575.8860
www.dixon-hughes.com

Independent Auditors' Report, continued

Management's Discussion and Analysis on pages 3 through 12 is not a required part of the consolidated financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplemental financial information, as listed in the table of contents, is presented for purposes of additional analysis rather than to present the financial position and results of operations of the individual organizations. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Dixon Hughes PLLC

December 18, 2007

GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES

Management's Discussion and Analysis

September 30, 2007 and 2006

Southeast Georgia Health System (the "Health System") provides inpatient, outpatient, and emergency services for residents of Glynn, Camden and the surrounding counties within Southeast Georgia.

FINANCIAL HIGHLIGHTS

During the 2007 fiscal year, the Health System remained focused on meeting the growing demand for health services within the communities which it serves, taking advantage of key partnerships in doing so. Recruitment and retention of much needed physicians remains at the forefront of the Health System's service strategy. Whether in the form of employment, income guarantee arrangements or simply occupying space within the Health System's facilities, efforts continue to be made to assure availability of adequate physician resources. And, the Health System is building on its partnership with Johns Hopkins C-Port program and also recently announced a partnership with M. D. Anderson in the provision of cancer care services, both programs allowing the Health System to better meet the special needs of our patients at a local level.

The Outpatient Care Center on the Brunswick Campus, which was opened in the latter part of the 2006 fiscal year, has enabled the Health System to meet the growing demand for outpatient services. Substantially all of the physician offices on the top four floors of this six-story, state-of-the art facility, have become occupied in 2007, creating an even greater demand for outpatient services. And, outpatient services are also at the heart of the construction and renovations occurring at the Health System's Camden Campus facility. Other major advances include the opening of the Community Care Center through which the Health System meets the needs of patients who might otherwise be unable to access care, except through the emergency department, and, a key orthopaedic surgery practice was acquired in 2007, thereby providing a further opportunity to grow outpatient services. Finally, 2007 also represented the first full year that the St. Marys Convalescent Center, a 78-bed skilled nursing facility located in Camden County, was operated as part of the Health System, rounding out the Health System's continuum of care.

The assets of Southeast Georgia Health System exceeded its liabilities at September 30, 2007 by \$239.8 million (net assets). This amount may be used to meet the Health System's ongoing financial obligations and to finance capital improvements and expansion of services.

The Health System's total net assets increased by \$24.4 million in fiscal year 2007. This increase was due to a 9.4% increase in net patient service revenue. Inpatient admissions rose by slightly more than 2.6% while patient days increased by almost 1.0%. Emergency room and outpatient ancillary visits increased by 4.0% and 11.7%, respectively, while outpatient surgeries and endoscopic procedures rose by 14.0%, due in part to the acquisition of a significant sports medicine and orthopaedic surgery practice serving both Brunswick and Camden, as well the recruitment of surgeons in the Camden area. 2007 also represented the first full year of operation of the Outpatient Care Center which include state-of-the-art surgical facilities.

The increase in revenue brought about a 11% increase in operating expenses. Personnel expenses increased by \$9 million, or 9.1% over the prior year. There was an increase in the number of physician practices operated by the Health System, including the sports medicine and orthopaedic surgery practice which involves 6 full-time physicians. When compared to the previous year, the employee benefit component of personnel expenses was affected by a reduction in workers' compensation costs (2006 included a \$2.1 million provision associated with workers' compensation costs attributable to 2001 and prior. Insurance coverage for those claims is currently in dispute, although Management of the Health System continues to pursue the recovery of the disputed amounts vigorously). However, this favorable variance was offset by growth in self-insured health insurance claims, including certain high dollar amounts up to the stop loss coverage carried by the Health System.

Supplies increased by \$2.6 million or 6.5%, but those costs represented only 19.5% of net patient service revenue in 2007, down from 20.1% in 2006. Higher surgical and other patient volumes impacted the demand for supplies, including drugs and blood by-products, but the Health System continued to expand its participation in group purchasing programs which enabled it to partially offset the continued increase in supply costs.

One of the most significant increases in operating expenses was in physician fees, which increased by 59.0%. The cost of providing expanded anesthesia and emergency department coverage contributed to the rise. 2007 also included the full year impact of costs associated with the Health System's participation in the Johns Hopkins C-Port study involving patients that require cardiac stenting procedures.

Depreciation costs rose by \$1.9 million due to the impact of a full year of cost associated with the Outpatient Care Center as well as several other capital improvements. All remaining expenses increased by \$4.1 million which included increases in PET/CT services, facility maintenance and expanded office lease costs attributable to the acquired physician practice.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the Health System's consolidated financial statements which are comprised of two components: 1) consolidated financial statements; and 2) notes to the consolidated financial statements. This report also contains other supplementary information in addition to the consolidated financial statements themselves.

The consolidated financial statements include Balance Sheets, Statements of Revenues, Expenses and Changes in Net Assets, and Statements of Cash Flows for the fiscal years ended September 30, 2007 and 2006. The Health System operates similar to a private business and therefore utilizes the enterprise fund method of accounting. This method provides both long-term and short-term financial information and requires that revenue and expenses are recognized on the full accrual basis.

The Balance Sheets present information on all of the Health System's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Health System is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Assets present information showing how the Health System's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

CODE OF ETHICS

The Health System has adopted a Code of Ethics which is applicable to the senior financial officers as well as all other employees within the Health System. The points covered under the Code of Ethics include:

- Introduction to the Health System and its Compliance Program
- Patients and our Medical Staff
- Patient Confidentiality/Health Insurance Portability and Accountability Act
- Compliance with Laws and Regulations
- Employment Practices
- Marketing/Market Competition
- Purchasing
- Reporting Violations
- Disciplinary Actions Relating to Compliance Violations

No violations of the Code of Ethics have been reported to the Audit or Compliance Committee relating to any senior financial officer or other member of the Finance Department, nor have any such infractions been reported involving any member of the Senior Management Team of the Health System.

FINANCIAL ANALYSIS

Total Assets

Total assets of the Health System increased by \$24 million in 2007. Accounts receivable grew by \$8.8 million or 27.9% due to program growth, practice acquisition and a shift in payor utilization. The Health System's long-term reinvestment in net property, plant and equipment, including improvements to the existing facilities as well as the expansion and renovation of the Camden Campus resulted in a net increase of \$10.8 million in capital assets. Construction funds

established through the bond financing in November 2004 decreased only slightly due to the timing of the Camden project, and other cash and investments internally designed for capital improvements were able to be maintained in spite of the demands of the Health System's aggressive capital replacement efforts. This was made available through the reinvestment of dividends and interest and the realized and unrealized market gains (See Table 1).

Table 1
SUMMARY OF ASSETS
(in millions of dollars)

	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 71.2	\$ 57.7
Noncurrent cash and investment	144.4	145.1
Capital assets	181.6	170.8
Interest rate swap	<u>0.6</u>	<u>0.2</u>
 Total assets	 <u>\$ 397.8</u>	 <u>\$ 373.8</u>

Total liabilities of the Health System decreased slightly due to third party cost settlement activity, as well as scheduled bond redemptions. (See Table 2.)

Table 2
SUMMARY OF LIABILITIES AND NET ASSETS
(in millions of dollars)

	<u>2007</u>	<u>2006</u>
Current liabilities	\$ 40.8	\$ 38.6
Long-term liabilities	<u>117.2</u>	<u>119.8</u>
Total liabilities	158.0	158.4
Net assets	<u>239.8</u>	<u>215.4</u>
Total liabilities and net assets	<u>\$ 397.8</u>	<u>\$ 373.8</u>

Net assets increased primarily as a result of the Health System's excess of revenues over expenses of \$24 million.

Patient Service Revenue

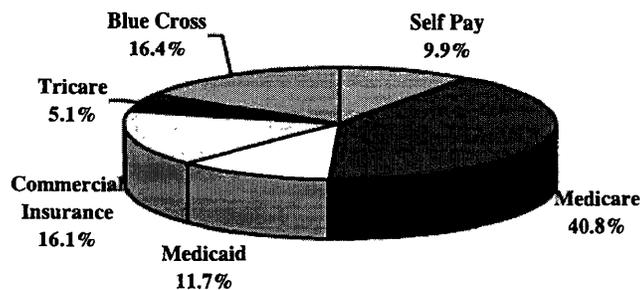
In fiscal year 2007, gross inpatient revenue increased 10.0% while outpatient revenue increased 11.0%. Total patient service revenue increased by 10.5%. This growth in gross revenue was the result of increased patient volumes for both inpatient and outpatient services. An increase in charge rates was implemented October 1, 2006, based in part on healthcare inflation. The overall average rate of increase was only 3.08% as certain price changes were limited based on changing cost structures and other competitive factors (See Table 3).

Table 3
SUMMARY OF NET PATIENT SERVICE REVENUE
(in millions of dollars)

	<u>2007</u>	<u>2006</u>
Inpatient revenue	\$ 268.5	\$ 244.0
Outpatient revenue	<u>213.9</u>	<u>192.7</u>
Total patient service revenue	<u>482.4</u>	<u>436.7</u>
Medicare and Medicaid adjustments	171.3	162.2
Indigent care trust fund reimbursement	(4.2)	(4.8)
Charity care allowances	18.5	19.3
Other adjustments	50.8	35.4
Bad debt	<u>29.3</u>	<u>26.5</u>
Total adjustments and allowances	<u>265.7</u>	<u>238.6</u>
Net patient service revenue	<u>\$ 216.7</u>	<u>\$ 198.1</u>

The Health System has agreements with certain third-party payors which include provisions regarding the level of reimbursement to be provided to the Health System. Graph 1 presents gross patient revenue by payor type for fiscal year 2007.

Graph 1
PATIENT REVENUES BY PAYOR TYPE



By far, the largest consumers of healthcare services were Medicare and Medicaid beneficiaries, together representing over 52.5% of the total services provided by the Health System on the basis of gross charges. It should be noted that the Medicaid figures include those beneficiaries covered

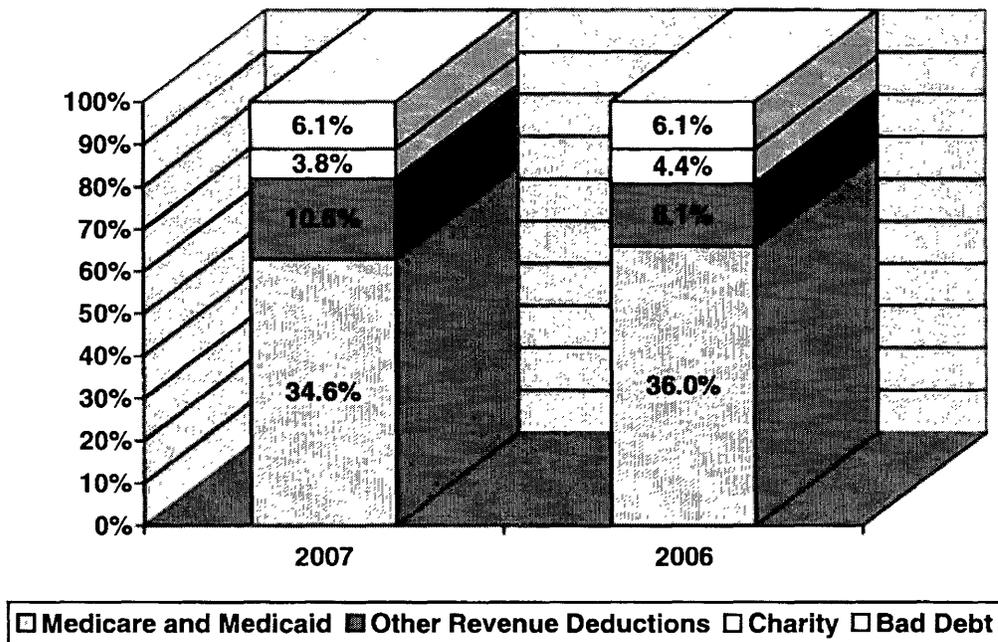
by Amerigroup and Wellcare under the managed care program initiated by the State of Georgia. Blue Cross (16.4%), commercially insured (16.1%), Tricare (5.1%), and self-pay (9.9%) patients comprise the balance of our customers. These percentages appear consistent with other rural communities in Georgia.

Over 95% of the individuals that we serve pay the Health System less than full charges. Many pay based on fee schedules and others pay a discounted fee for service. In addition, increases in reimbursement from these payors have generally been less than the Health System’s rate increases, which results in an increase in revenue deductions.

As has been the trend throughout the healthcare industry with regard to growing self-pay and charity care amounts, the Health System experienced an increase in the provision for bad debts which rose by 10.6% to \$29.3 million in 2007. The bad debt allowance at September 30, 2007 was \$28.6 million (or 41.5% of accounts receivable, net of contractual allowances); the prior year amounts were \$21.2 million and 40.3%, respectively. It should be noted that during 2006, the Health System benefited from positive third-party contract settlements, including the \$4 million Medicare settlement. Medicare payments rates for 2005 were also reaffirmed, and as a result, a related allowance was reduced.

Revenue deductions are presented as a percentage of gross revenue in Graph 2. Medicare and Medicaid contractual adjustments represent the largest components of this category.

Graph 2
REVENUE DEDUCTIONS AS A PERCENTAGE OF GROSS REVENUE



Operating Expenses

In fiscal year 2007, total operating expenses amounted to \$207.9 million, which equated to an increase of \$20.7 million, or 11.0% over 2006.

In 2007, personnel expenses accounted for 52.3% (See Graph 3) of the Health System's operating expenses as compared to 53.2% in 2006. Salary costs alone rose by 7.9% as the number of full-time equivalent employees (FTE's) increased by 8.6% from 1,567 in 2006 to 1,701 in 2007. The Health System increased salaries and wages to remain competitive with surrounding health care providers, including a 3% across the board increase which was implemented in May 2007. The shortage of healthcare workers available in the labor market and the increased availability of opportunities for healthcare workers outside of the traditional hospital setting forced hospitals to pay higher wages to recruit and retain staff, and as such, market adjustments were also made in areas that were identified to be below market based upon industry surveys.

Employee benefit costs decreased slightly due primarily to the aforementioned rise in self-insured health insurance costs offset by the effects of the non-recurring provision associated with workers' compensation costs attributable to 2001 and prior years that was recognized in 2006.

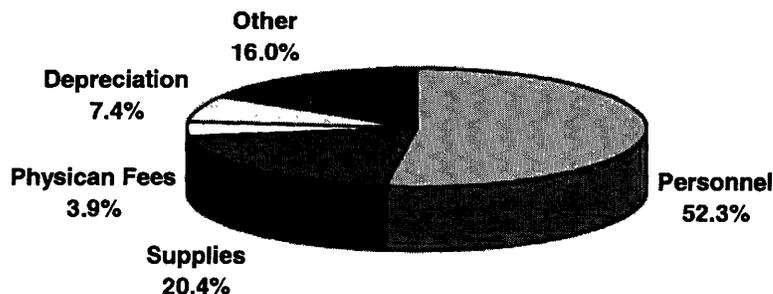
Expenditures for medical supplies and drugs were the second largest expense category, representing 20.4% of operating expenses. Supply expense increased 6.5% over last year due to the increases in patient volumes and changes in the scope of supplies necessary to perform the latest surgical procedures, including cardiac stenting, as well as other treatment protocols.

Physician fees increase by 59.0%, or \$3.0 million. The cost of providing expanded anesthesia and emergency department coverage contributed to the rise. 2007 also included the full year impact of costs associated with the Health System's participation in the Johns Hopkins C-Port study involving patients that require cardiac stenting procedures.

With the addition of the Outpatient Care Center and the upgraded equipment that was placed into service within that facility, depreciation expense rose by \$1.9 million, or 14.5% over the 2006 fiscal year.

All remaining expenses increased by \$4 million from \$29.3 million in 2006 to \$33.3 million in 2007. Major factors which contributed to the rise include increases in PET/CT services, expanded facility maintenance and additional office lease costs attributable to the acquired physician practice.

**Graph 3
COMPOSITION OF EXPENSES**



CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2007, the Health System had a total net investment of \$181.6 million in land, land improvements, buildings, equipment and construction in progress (See Table 4). This amount represents a net increase (includes additions, disposals, and depreciation expense) of \$10.8 million, or 6.3% over last year.

**Table 4
CAPITAL ASSETS
(net of depreciation, in millions of dollars)**

	<u>2007</u>	<u>2006</u>
Land	\$ 17.1	\$ 17.6
Land improvements	2.5	1.7
Buildings	107.3	97.8
Equipment	39.6	41.1
Construction in progress	<u>15.1</u>	<u>12.6</u>
Total capital assets, net	<u>\$ 181.6</u>	<u>\$ 170.8</u>

Major capital asset additions in addition to the final phases of the Outpatient Care Center construction and the initial phases of the Camden project include:

- Resurfacing and weatherproofing of buildings - \$4,759,000
- Medical office building interior construction - \$4,443,000
- Physical Rehabilitation and Wound Care facility - \$1,306,000
- Surgical instruments and equipment - \$1,057,000
- Land and parking lot improvements - \$999,000
- Upgrade public access corridors - \$888,000
- Supply Scan inventory management system - \$512,000

Long-term Debt

No new debt was issued in 2007, and therefore, the only changes in the long-term debt position of the Health System that occurred were the normal scheduled redemptions. (See Table 5.)

Table 5
OUTSTANDING DEBT
(in millions of dollars)

	<u>2007</u>	<u>2006</u>
Current portion of bonds payable	\$ 2.6	\$ 2.3
Long-term portion of bonds payable	<u>117.2</u>	<u>119.8</u>
Total	<u>\$ 119.8</u>	<u>\$ 122.1</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET***Economic Factors***

The major economic factors affecting the Health System in the upcoming year include growing competition for outpatient services, including programs offered by members of the medical staff and other physicians. Furthermore, the expansion of managed care by the State of Georgia for Medicaid beneficiaries is expected to create additional challenges that must be overcome by the Health System in order to maintain positive financial results. Finally, the increasing number of un-insured and under-insured patients being experienced industry-wide could have a negative impact on revenue absent an effective financial assistance program.

It also remains important for the Health System to maintain an effective program of recruitment and retention for key healthcare personnel including nurses and specialized radiology personnel.

Next Year's Budget

For fiscal year 2008, total admissions are budgeted to increase by 3.1%, due in part to the expansion of the C-Port trials. Total patient days are also expected to increase slightly as compared to 2007, however, efforts continue to be made to enable the Health System to reduce the acute care length of stay. Case mix index is, however, expected to increase with the added acuity of C-Port patients. The resulting daily occupancy is expected to be 182 patients per day.

Outpatient visits are planned to increase by 5.0%, as the Health System builds its referral base and expands the levels and locations of service. The demand for outpatient surgical services is expected to rise, and emergency room visits are expected to increase slightly.

The Health System's total capital budget for fiscal year 2008 is planned in the amount of \$57.6 million, comprised primarily of \$12.9 million for routine capital expenditures, the initiation of \$22.2 million in Master Facility Plan projects, on the Brunswick Campus, \$21.5 million for the Camden Campus expansion which is expected to be completed by the end of 2008, as well as certain other land purchases.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Southeast Georgia Health System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Southeast Georgia Health System's

This page left blank intentionally

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

Consolidated Balance Sheets
(dollars in thousands)

September 30, 2007 and 2006

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 2,066	\$ 2,380
Short-term investments	2,733	2,528
Accounts receivable:		
Patient accounts receivable, less allowance for uncollectible accounts of \$28,552 and \$21,250 in 2007 and 2006, respectively	40,242	31,475
Other accounts receivable	1,070	675
Inventories	5,105	5,152
Prepaid expenses	1,676	1,899
Total current assets	<u>52,892</u>	<u>44,109</u>
Non-current cash and investments:		
Held by trustee for debt service	1,066	788
Under bond agreement for construction	21,937	22,347
Internally designated for self-insurance	4,004	4,423
Internally designated for capital improvements	117,442	117,507
Total non-current cash and investments	<u>144,449</u>	<u>145,065</u>
Capital assets, net	<u>181,581</u>	<u>170,772</u>
Other assets:		
Goodwill, net	9,121	4,860
Physicians' contracts, net	3,931	3,214
Bond issuance costs, net	3,812	4,017
Investment in affiliates	851	1,520
Interest rate swap agreement	592	248
Other assets	641	19
Total other assets	<u>18,948</u>	<u>13,878</u>
Total assets	<u>\$ 397,870</u>	<u>\$ 373,824</u>

The accompanying notes are an integral part of these consolidated financial statements.

<u>Liabilities and Net Assets</u>	<u>2007</u>	<u>2006</u>
Current liabilities:		
Current installments of long-term debt	\$ 2,593	\$ 2,349
Line of credit	2,425	-
Accounts payable	11,292	9,529
Construction accounts payable	3,394	1,827
Estimated third-party payor settlements	1,110	6,869
Accrued salaries and compensated absences	8,987	6,071
Other accrued expenses	10,918	11,847
Deferred revenue	81	126
Total current liabilities	<u>40,800</u>	<u>38,618</u>
Long-term debt, excluding current installments	<u>117,249</u>	<u>119,843</u>
Total liabilities	<u>158,049</u>	<u>158,461</u>
Net assets:		
Invested in capital assets net of related debt	61,739	48,580
Restricted:		
For debt service	1,066	788
Expendable for capital acquisition	21,937	22,347
Unrestricted	<u>155,079</u>	<u>143,648</u>
	<u>239,821</u>	<u>215,363</u>
Total liabilities and net assets	<u>\$ 397,870</u>	<u>\$ 373,824</u>

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

Consolidated Statements of Revenues, Expenses and Changes in Net Assets
(dollars in thousands)

For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating revenues:		
Net patient service revenue, net of provision for bad debts of \$29,295 and \$26,492 respectively	\$ 216,734	\$ 198,121
Other revenue	3,079	2,832
Total operating revenues	219,813	200,953
Operating expenses:		
Salaries and wages	78,772	72,999
Employee benefits	23,798	22,292
Contract personnel	6,068	4,328
Professional fees	2,888	2,205
Supplies and drugs	42,355	39,774
Physician fees	8,129	5,114
Insurance and utilities	5,298	5,919
Outside services	17,367	14,217
Depreciation and amortization	15,388	13,434
Other expenses	7,821	6,948
Total operating expenses	207,884	187,230
Operating income	11,929	13,723
Non-operating revenue (expense):		
Investment income	5,316	4,593
Interest expense	(5,293)	(4,588)
Net realized and unrealized gain on investments	12,803	6,996
Unrealized gain on interest rate swap agreement	344	1,116
Impairment loss	(1,185)	(407)
Other	93	76
Total non-operating revenue	12,078	7,786
Excess revenues over expenses	24,007	21,509
Equity in the earnings of affiliates	44	44
Minority owner equity in earnings	407	115
Increase in net assets	24,458	21,668
Net assets, beginning of year	215,363	193,695
Net assets, end of year	\$ 239,821	\$ 215,363

The accompanying notes are an integral part of these consolidated financial statements.

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

Consolidated Statements of Cash Flows
(dollars in thousands)

For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Cash flows from and on behalf of patients	\$ 202,185	\$ 190,292
Payments to employees for services	(99,654)	(94,494)
Payments to suppliers and contractors	(89,510)	(78,897)
Other receipts and payments, net	2,684	2,545
Net cash provided by operating activities	<u>15,705</u>	<u>19,446</u>
Cash flows from investing activities:		
Interest and dividend income	5,316	4,593
Investment in certificates of deposit	(205)	(2,500)
Proceeds from sale of affiliate	1,983	-
Net change in non-current cash and investments	12,095	10,190
Business acquisitions	(5,749)	(1,712)
Distribution from affiliate	92	24
Investment in affiliates	(38)	(730)
Net cash used in investing activities	<u>13,494</u>	<u>9,865</u>
Cash flows from non-capital financing activities:		
Proceeds from line of credit	<u>2,425</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Purchase of capital assets, net of acquisitions	(24,371)	(24,533)
Proceeds from the sale of assets	219	112
Principal payments on long-term debt	(2,591)	(2,585)
Interest paid on long-term debt	(5,195)	(4,199)
Net cash provided used in capital related financing activities	<u>(31,938)</u>	<u>(31,205)</u>
Net decrease in cash and cash equivalents	(314)	(1,894)
Cash and cash equivalents at beginning of year	<u>2,380</u>	<u>4,274</u>
Cash and cash equivalents at end of year	<u>\$ 2,066</u>	<u>\$ 2,380</u>

(continued)

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

Consolidated Statements of Cash Flows, Continued
(dollars in thousands)

For the Years Ended September 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 11,929	\$ 13,723
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,388	13,434
Provision for bad debts	29,266	26,492
Change in assets and liabilities:		
Patient accounts receivable, net of acquisitions	(38,033)	(26,586)
Physicians' contracts and other receivables	(1,112)	(1,465)
Inventories	69	(49)
Prepaid expenses	(280)	(525)
Accounts and construction payable	1,763	(2,652)
Accrued salaries and compensated absences	2,916	797
Estimated third-party payor settlements	(5,759)	(7,641)
Other accrued expenses	(397)	4,012
Deferred revenue	(45)	(94)
	<hr/>	<hr/>
Net cash provided by operating activities	<u>\$ 15,705</u>	<u>\$ 19,446</u>
Non-cash investing and financing activities:		
Equipment acquired under note agreement	<u>\$ -</u>	<u>\$ 605</u>
Impairment loss on goodwill	<u>\$ 1,185</u>	<u>\$ 407</u>

The accompanying notes are an integral part of these consolidated financial statements.

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

Notes to Consolidated Financial Statements

For the Years Ended September 30, 2007 and 2006
(All tabular dollar amounts in thousands)

1. **Significant Accounting Policies**

The Glynn-Brunswick Memorial Hospital Authority (the "Authority") was established by the governing authorities of Glynn County, Georgia (the "County"), and the City of Brunswick, Georgia (the "City"), on March 1, 1961, under the Hospital Authorities Law of Georgia. The Authority is governed by nine members appointed by the governing bodies of the County and the City. The Authority is doing business as Southeast Georgia Health System (the "System").

The System operates Southeast Georgia Health System-Brunswick Campus (the "Brunswick Campus") located in Brunswick, Georgia, as well as St. Marys Convalescent Center in St. Marys, Georgia, (which is a department of the Brunswick Campus); Cooperative Healthcare Services, Inc. ("CHSI"); and Kings Bay Community Hospital, Inc., hereinafter referred to as Southeast Georgia Health System-Camden Campus in St. Marys, Georgia (the "Camden Campus"), a subsidiary corporation of the Brunswick Campus.

CHSI is a not-for-profit organization whose sole member is the Authority. CHSI operations consist of various physician practices and membership interests in several limited liability companies. CHSI has a membership interest in Healthscan, LLC ("Healthscan"), a Georgia limited liability company, with the purpose of owning and operating an ambulatory medical imaging center. CHSI maintains a 56.36% ownership of Healthscan, whose operations are consolidated within CHSI's financial statements. CHSI owns a 50% membership interest in Cooperative Rehab Services, LLC ("CRS") and a 55% interest in Glynco, LLC ("Glynco"), both of which are recorded on the equity method. CHSI operations consist of the following physician practices: Brantley Family Medicine Center; Community Care Center; Ear, Nose and Throat Surgical Center; Endocrinology and Diabetes Care Center; Glynn Immediate Care Center; Glynn Family Medicine Center; Glynco Intermediate Care Center; Infectious Disease Care Center; McIntosh Family Medicine Center; St. Simons Immediate Care Center; Southeast Georgia Physician Associates; and, Summit Sports Medicine and Orthopaedic Surgery.

The Southeast Georgia Health System Foundation, Inc. (the "Foundation") was established for the sole benefit of the Authority and subsidiaries. The Foundation is a charitable foundation that receives contributions dedicated to charitable activities related to the Authority.

The following is a summary of the significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements.

Basis of Presentation - The accompanying consolidated financial statements of the System include the operations of the Brunswick Campus, Camden Campus, CHSI and the Foundation. Upon consolidation, all significant intercompany accounts and transactions are eliminated. All financial and statistical data included in the consolidated financial statements and tabular amounts included in notes to the consolidated financial statements are expressed in thousands.

Tax-Exempt Status – The Brunswick Campus, the Camden Campus, the Foundation and CHSI have received tax-exempt status under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes has been presented in the accompanying consolidated financial statements. Healthscan, CRS and Glynco are organized under Georgia law and the Internal Revenue Code as limited liability companies ("LLC"). The members of an LLC report taxable income or loss on their corporate or individual tax returns. CHSI's share of income from Glynco, Healthscan and CRS operations is not considered unrelated business income (UBI), and is therefore not subject to tax.

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

Enterprise Fund Accounting – The System uses enterprise fund accounting. Revenues and expenses are recognized on the accrual basis using the economic resources measurement focus. Based on Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, as amended, the System applies all GASB statements, and all Financial Accounting Standards Board (FASB) statements, issued on or before November 30, 1989, that do not conflict with or contradict GASB pronouncements.

Cash and Cash Equivalents - The System considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. Insured money market accounts are also included as cash equivalents. Outstanding checks at September 30, 2007 and 2006 of approximately \$3,705,000 and \$1,923,000, respectively, were included in accounts payable in the accompanying balance sheets. The System maintains bank accounts in excess of FDIC insured limits; however, the System requires all financial institutions to pledge securities as collateral for the excess amounts.

Short-term investments – Short-term investments consist of certificates of deposit with maturities ranging from 6 to 12 months and interest rates ranging from 5.00% to 6.2%.

Allowance for Uncollectible Accounts - The System provides an allowance for uncollectible accounts based on the evaluation of the overall collectibility of the accounts receivable. As accounts are known to be uncollectible, the account is charged against the allowance. These estimates are primarily based on the System's historical collection experience by payor class. The primary collection risk relates to uninsured patient accounts and patient accounts for which primary insurance has paid, but patient deductibles or co-insurance remain outstanding. As such, changes in general economic conditions or healthcare coverage provided by federal or state governments or private insurers may have a material impact on these estimates.

Inventories - Inventories are valued at lower of cost or market on the first-in, first-out basis, with the exception of supply, processing and distribution, and store room inventories, which are valued at average cost.

Investments - Investments in marketable securities and debt securities are reported at their fair values in the consolidated balance sheets. Interest, dividends and gains and losses, both realized and unrealized on instruments in debt and equity securities are included in nonoperating revenues when earned.

Capital Assets – Capital asset acquisitions are recorded at cost. Depreciation is computed on the straight-line method and is provided over the estimated useful life of each class of depreciable asset as follows:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Equipment, computers, and furniture	3 to 15 years

Goodwill - Goodwill consists of the excess of the purchase price of various acquisitions over the estimated fair value of the net assets acquired.

Bond Issuance Costs - Bond issuance costs are amortized over the life of the related borrowings using the straight-line method.

Bond Interest Rate Swap - Investments in interest rate swap agreements are carried at fair value estimated using a discounted cash flow method at a rate commensurate with the risk involved. Changes in the fair value of the interest rate swap agreements are reported as non-operating revenue.

Net Assets - Net assets of the System are classified in three components. *Net assets invested in capital assets net of related debt* consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted expendable net assets* are non-capital assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the System, including amounts deposited with trustee as required under bond indenture agreement for construction. *Unrestricted net assets* are remaining net assets that do not meet the definition of *invested in capital assets net of related debt or restricted*.

Net Patient Service Revenue - Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others as services are rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors, and provision for bad debts. Retroactive third-party payor settlements and bad debt adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care - The System provides care to patients who meet certain criteria under its charity care policy, without charge, or at amounts less than its established rates. The System follows federal government guidelines in determining which patients qualify for charity care. Because the System does not pursue collection of amounts deemed to qualify as charity care, such amounts are not reported as net patient service revenue.

Operating Revenues and Expenses

The System's consolidated statement of revenues, expenses and changes in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services - the System's principal activity. Non-exchange revenues, including interest, grants and contributions received for purposes other than property and equipment acquisition, are reported as non-operating revenues. Operating expenses include all expenses incurred to provide health care services, other than financing costs.

Physician Contracts – For physician income guarantees entered into on or after January 1, 2006, the System recognizes a liability for the estimated fair value of obligations undertaken upon issuing the guarantee. Previously, guarantee amounts were recognized only to the extent that actual payments were made under the respective income guarantee agreements.

Reclassifications - Certain reclassifications of the 2006 amounts have been made to conform to the presentation of the 2007 consolidated financial statements.

2. **Net Patient Service Revenue**

The System has agreements with third-party payors that provide for payments to the System at amounts different from its established rates. A summary of payment arrangements with major third-party payors follows:

Medicare -

- * Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors.
- * Medicare reimbursement for outpatient services is under a prospective payment system called the Ambulatory Payment Classification System (“APCs”). Prospective payment rates are established for each group of services provided in hospital outpatient departments for the diagnosis or treatment of beneficiaries. This system categorizes payments according to clinical diagnosis and resource use. Services covered under other Medicare fee schedules are excluded and will continue to be paid using the fee schedules.
- * Psychiatric patient services are paid on a prospective payment system (PPS) which is based on a statistical model that relates per-diem resource use for beneficiaries to patient and facility characteristics available from Center for Medicare and Medicaid Services’ administrative database. Patient-specific characteristics include principal diagnoses, co morbid conditions and age. Facility-specific variables include an area wage index, geographic setting and the extent of teaching activity. PPS is being phased in over a three year period and for the year ended September 30, 2006, the System received a blend of 25% PPS federal rate and 75% System actual costs within the TEFRA limit. For the year ended September 30, 2007, the System received a blend of 50% PPS federal rate and 50% System actual costs within the TEFRA limit.
- * Transitional care and skilled nursing services rendered are prospectively paid under a system called Resource Utilization Groups (RUGS). The rates vary according to patient classifications, which depend on clinical, diagnostic and other factors.

The System is subject to various final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. The System's classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization. The System's Medicare cost reports have been settled through desk review and/or audit by the Medicare fiscal intermediary through September 30, 2005.

Medicaid -

- * Acute inpatient services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.
- * All outpatient services are reimbursed based on cost and/or fee schedule.
- * Long-term care services are paid according to prospectively determined per diem rates.

The System is subject to various final settlements determined after submission of annual cost reports and audits by the Medicaid fiscal intermediary. The System's classification of patients under the Medicaid program and the appropriateness of their admissions are subject to an independent review by a peer review organization. The System's Medicaid cost reports have been settled through desk review and/or audit by the Medicaid program through September 30, 2005.

Other Payors - The System has also entered into payment agreements with certain commercial insurance carriers, certain local businesses and preferred provider organizations. The bases for payment to the System under these agreements include prospectively determined rates per discharge, discounts from established charges, and per diem rates.

Net patient service revenue increased approximately \$2,470,000 and \$9,146,000 in 2007 and 2006, respectively, due to prior year retroactive settlements being different from amounts previously estimated. The magnitude of the retroactive settlements on 2006 was related to two significant settlements. One settlement was a result of 2001 cost reporting reopening for a Medicare provision whereby additional payments are available to sole community hospitals experiencing a significant volume decrease due to specified circumstances as compared to their immediately preceding cost reporting period, resulting in approximately \$3,992,000 of payments to the System during 2006. The second settlement was a resolution of wage index classification issue related to Medicare inpatient payments received in 2005.

Georgia Indigent Care Trust Fund Act ("ICTF") - Under the provisions of the ICTF, Medicaid disproportionate share hospitals ("DSH") may contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). The combination dollars are returned to DSH as additional Medicaid inpatient reimbursement.

Prior to 2006, the provisions of the ICTF required the System to provide indigent care and to spend 15% of the total amount received on primary care state-approved programs. A 2005 agreement between the Department of Community Health and the Center for Medicare and Medicaid Services eliminated the 15% primary care requirement for fiscal year 2006, although the System chose to honor that commitment for that year. At September 30, 2007 and 2006, the System had remaining obligations to provide indigent care and to make primary care expenditures of approximately \$81,000 and \$98,000, respectively, reflected in deferred revenue on the consolidated balance sheets. During 2007 and 2006, approximately \$4,153,000 and \$4,759,000 were recorded as operating revenue relating to ICTF.

Georgia Upper Payment Limit Rate ("UPL") - Under UPL provisions, government owned or operated hospitals and critical access eligible hospitals may contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). The combination dollars are returned for UPL and are recorded as additional Medicaid inpatient and outpatient reimbursement. Net amounts received under the program are recorded within net patient service revenue. For 2007 and 2006, approximately \$1,316,000 and \$1,951,000, respectively, was recorded relating to UPL.

The federal government does not ensure future ICTF or UPL funding. Reduced ICTF or UPL funding would impact the System's operations.

3. **Concentrations of Credit Risk**

In the course of providing healthcare through its inpatient and outpatient care facilities, the System grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of (or is otherwise entitled to receive) patient benefits under their health insurance programs, plans or policies (e.g. Medicare, Medicaid, Blue Cross, health maintenance organizations, preferred provider organizations and commercial insurance policies). For the years ended September 30, 2007 and 2006, approximately 34% and 41%, respectively, of the System's net patient service revenue was derived from the federal Medicare program or the Medicaid programs. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving

allegations of potential wrongdoing that would have a material effect on the System's financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The System provides medical services in Glynn County, Camden County, and the surrounding area and, as a result, has a geographic concentrated credit risk pertaining to patient accounts receivable. The mix of receivables from patients and third-party payors was as follows:

	<u>2007</u>		<u>2006</u>	
	<u>Gross</u>	<u>Net</u>	<u>Gross</u>	<u>Net</u>
Medicare	22%	16%	32%	22%
Medicaid	11	9	7	7
Self-pay	38	27	38	30
Other third-party payors	<u>29</u>	<u>48</u>	<u>23</u>	<u>41</u>
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

4. **Bank Deposits**

State law requires collateralization of all deposits with federal depository insurance or other acceptable collateral in specific amounts. At September 30, 2007 and 2006, the System had bank balances and balance sheet carrying amounts as follows:

	<u>2007</u>	<u>2006</u>
Bank balances:		
Insured (FDIC)	\$ 300	\$ 500
Collateralized by securities held by the pledging financial institution's trust department in the System's name	<u>3,014</u>	<u>2,580</u>
Total	<u>\$ 3,314</u>	<u>\$ 3,080</u>
Balance sheet carrying amount	<u>\$ 2,066</u>	<u>\$ 2,380</u>

5. **Non-Current Cash and Investments**

The composition of non-current cash and investments at September 30, 2007 and 2006, is summarized as follows:

	<u>2007</u>	<u>2006</u>
Held by trustee for debt service:		
Cash and cash equivalents	\$ 798	\$ 713
Mutual funds	268	75
	<u>1,066</u>	<u>788</u>
Held under bond agreement for construction:		
Cash and cash equivalents	<u>21,937</u>	<u>22,347</u>
Internally designated for self-insurance:		
Cash and cash equivalents	195	218
Mutual funds	<u>3,809</u>	<u>4,205</u>
	<u>4,004</u>	<u>4,423</u>
Internally designated for capital improvements:		
Cash and cash equivalents	7,067	8,688
Corporate bonds	5,054	5,423
Corporate equity securities	12,149	29,244
Mutual funds	84,174	62,997
U.S. Government securities	8,720	10,846
Interest receivable	<u>278</u>	<u>309</u>
	<u>117,442</u>	<u>117,507</u>
Total	<u>\$ 144,449</u>	<u>\$ 145,065</u>

6. **Patient Accounts Receivable**

Patient accounts receivable reported as current assets by the System are summarized by payor as follows:

	<u>2007</u>	<u>2006</u>
Receivables from Medicare	\$ 6,446	\$ 7,503
Receivables from Medicaid	3,481	1,385
Receivables from patients and their insurance carriers	<u>58,867</u>	<u>43,837</u>
	68,794	52,725
Less allowance for uncollectible amounts	<u>28,552</u>	<u>21,250</u>
Patient accounts receivable, net	<u>\$ 40,242</u>	<u>\$ 31,475</u>

GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY,
DBA SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES

Notes to Consolidated Financial Statements, Continued
(All tabular dollar amounts in thousands)

7. Capital Assets

Capital asset additions, retirements and balances for the years ended September 30, 2007 and 2006 were as follows:

	<u>2006</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>2007</u>
Land	\$ 17,602	\$ 174	\$ (605)	\$ (100)	\$ 17,071
Land improvements	4,053	603	396	-	5,052
Buildings	153,320	2,598	13,571	(10)	169,479
Equipment	129,692	5,539	1,379	(816)	135,794
Construction in progress	<u>12,573</u>	<u>17,317</u>	<u>(14,741)</u>	<u>-</u>	<u>15,149</u>
Total at historical cost	<u>317,240</u>	<u>26,231</u>	<u>-</u>	<u>(926)</u>	<u>342,545</u>
Less accumulated depreciation for:					
Land improvements	(2,325)	(237)	-	-	(2,562)
Buildings	(55,556)	(6,675)	-	10	(62,221)
Equipment	<u>(88,587)</u>	<u>(8,385)</u>	<u>-</u>	<u>791</u>	<u>(96,181)</u>
Total accumulated depreciation	<u>(146,468)</u>	<u>(15,297)</u>	<u>-</u>	<u>801</u>	<u>(160,964)</u>
Capital assets, net	<u>\$ 170,772</u>	<u>\$ 10,934</u>	<u>\$ -</u>	<u>\$ (125)</u>	<u>\$ 181,581</u>
	<u>2005</u>	<u>Additions</u>	<u>Transfers</u>	<u>Retirements</u>	<u>2006</u>
Land	\$ 14,744	\$ 2,858	\$ -	\$ -	\$ 17,602
Land improvements	4,145	-	-	(92)	4,053
Buildings	121,209	4,436	27,930	(255)	153,320
Equipment	114,180	17,610	607	(2,705)	129,692
Construction in progress	<u>39,743</u>	<u>1,436</u>	<u>(28,547)</u>	<u>(59)</u>	<u>12,573</u>
Total at historical cost	<u>294,021</u>	<u>26,340</u>	<u>(10)</u>	<u>(3,111)</u>	<u>317,240</u>
Less accumulated depreciation for:					
Land improvements	(2,214)	(203)	-	92	(2,325)
Buildings	(50,098)	(5,548)	5	85	(55,556)
Equipment	<u>(83,699)</u>	<u>(7,590)</u>	<u>5</u>	<u>2,697</u>	<u>(88,587)</u>
Total accumulated depreciation	<u>(136,011)</u>	<u>(13,341)</u>	<u>10</u>	<u>2,874</u>	<u>(146,468)</u>
Capital assets, net	<u>\$ 158,010</u>	<u>\$ 12,999</u>	<u>\$ -</u>	<u>\$ (237)</u>	<u>\$ 170,772</u>

Estimated costs and commitments to complete the renovation projects on the Brunswick Campus are approximately \$183,000 as of September 30, 2007. The Camden Campus has a remaining contract commitment of approximately \$17,456,000 as of September 30,

2007. Capitalized interest related to construction projects during 2007 and 2006 amounted to approximately \$20,000 and \$646,000, respectively.

8. **Physician Relocation Agreements and Other Minimum Revenue Guarantees**

The System provides income guarantee agreements to certain physicians who agree to relocate to Brunswick and Camden communities to fill a need in the hospitals' service areas and commit to remain in practice there. Under such agreements, the System is required to make payments to the physicians in excess of the amounts they earn in their practice up to the amount of the income guarantee. The income guarantee periods are typically one year. Such payments are recoverable from the physicians if they do not fulfill their commitment period to the community, which is typically four years. At September 30, 2007, the maximum potential amount of future payments under these guarantees was approximately \$3,061,000.

During the years ended September 30, 2007 and 2006, respectively, the System recorded a liability of approximately \$1,791,000 and \$866,000 for the fair value of new or modified guarantees entered into during this period with an offsetting asset recorded in other current assets on the accompanying consolidated balance sheet, which is being amortized over the commitment period. The balance of the liability at September 30, 2007 and 2006 was approximately \$1,285,000 and \$866,000, respectively.

9. **Bond Issuance Costs, Net**

Legal and other costs associated with the issuance of the bonds have been deferred and are amortized over the life of the respective bonds using the straight-line method. At September 30, 2007 and 2006, bond issuance costs included legal and other costs associated with the 2004 and 2005 series bonds. The bond issuance costs amounted to approximately \$4,694,000, with accumulated amortization of \$882,000 and \$677,000 for 2007 and 2006, respectively.

10. **Investments in Affiliates**

CHSI has a 50% membership in Cooperative Rehab Services LLC ("CRS"), which is recorded on the equity method. CHSI's share of the net income of CRS for the years ended September 30, 2007 and 2006 was approximately \$7,000 and \$25,000, respectively.

Summarized financial information from the unaudited financial statements of CRS as of September 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Balance sheets:		
Current assets	\$ 453	\$ 397
Non-current assets	393	425
Current liabilities	74	72
Members' equity	772	750
Income statements:		
Revenue	664	732
Net income	14	51

CHSI had a 50% membership in Glynco, LLC ("Glynco") in 2006, which was increased to 55% in August 2007, recorded on the equity method. Glynco's purpose is to own and develop property which is leased to Glynco Immediate Care Center, a department of CHSI, and Healthscan. CHSI received distributions from Glynco of approximately \$21,000 and \$23,000 in 2007 and 2006, respectively. CHSI's share of the net income of Glynco for the year ended September 30, 2007 and 2006 was approximately \$31,000 and \$19,000, respectively.

Summarized financial information from the unaudited financial statements of Glynco as of September 30, 2007 and 2006 follows:

	<u>2007</u>	<u>2006</u>
Balance sheets:		
Current assets	\$ 18	\$ 14
Non-current assets	1,633	1,672
Current liabilities	2	2
Non-current liabilities	1,517	1,561
Members' equity	132	123
Income statements:		
Revenue	219	199
Net income	60	37

Premier Purchasing Partners, L.P. ("PPLP") is a purchasing partnership in which the System invested \$297,367, which is appropriately recorded on the cost method. In connection with this partnership, the System issued a promissory note of approximately \$225,000 for this initial investment. At September 30, 2006, the amount due PPLP was approximately \$48,000, included as long-term debt on the consolidated balance sheets. This amount was paid in full during 2007.

During 2006, the System invested \$730,000 for a membership in The Athenaeum Group, LLC ("TAG"). The System's ownership interest in TAG at September 30, 2006 was approximately 23%, accounted for under the equity method. Effective August of 2007, the members of TAG sold their entire interest to a real estate investment trust. As a result of the sale, the System realized a gain on investment of approximately \$1,335,000 recorded within non-operating revenue.

Summarized balance sheet information from the unaudited financial statements of TAG as of October 31, 2006 was as follows:

Current assets	\$	543
Non-current assets		6,732
Current liabilities		1
Non-current liabilities		7,896
Members' deficit		(622)

A summary of investments in affiliates follows:

	<u>2007</u>	<u>2006</u>
Cooperative Rehab Services, LLC	\$ 377	\$ 371
Glynco, LLC	133	76
Premier Purchasing Partners, L.P.	297	299
The Athenaeum Group, LLC	-	730
Coastal Georgia Regional Health Network	<u>44</u>	<u>44</u>
Total	<u>\$ 851</u>	<u>\$ 1,520</u>

11. **Goodwill and Acquisitions**

During 2007, goodwill amounting to \$5,446,000 was recorded related primarily to the purchase of Summit Sports Medicine and Orthopaedic Surgery, which is operated as a department of CHSI, and the surgical center of Parkwood Podiatry Associates, which has been consolidated into the operations of the Brunswick Campus. During 2006, goodwill amounting to \$312,000 was recorded related to the purchase of the St. Marys Convalescent Center, a long-term facility, and another physician practice. The long-term care facility is located in St. Marys, Georgia, and is operating as a department of Brunswick.

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY,
DBA SOUTHEAST GEORGIA HEALTH SYSTEM
AND SUBSIDIARY ENTITIES**

**Notes to Consolidated Financial Statements, Continued
(All tabular dollar amounts in thousands)**

The purchase price for acquisitions during 2007 and 2006 was allocated as follows:

	<u>2007</u>	<u>2006</u>
Capital assets	\$ 281	\$ 1,000
Accounts receivable	-	400
Inventories	22	-
Goodwill	<u>5,446</u>	<u>312</u>
Total purchase price	<u>\$ 5,749</u>	<u>\$ 1,712</u>

The System evaluates goodwill for impairment on an annual basis, or as significant events or changes in conditions affecting its value occurs. The fair value of each unit is estimated using the expected present value of future cash flows method.

In accordance with impairment testing as of September 30, 2007 and 2006, goodwill amounting to approximately \$1,185,000 and \$407,000, respectively, related to certain physician practices was determined to be impaired. The changes in the carrying amount of goodwill for 2007 and 2006 are as follows:

	<u>2007</u>	<u>2006</u>
Balance as of October 1	\$ 4,860	\$ 4,955
Goodwill acquired during year	5,446	312
Impairment losses	<u>(1,185)</u>	<u>(407)</u>
Balance as of September 30	<u>\$ 9,121</u>	<u>\$ 4,860</u>

The components of goodwill at September 30, 2007 and 2006 are summarized as follows:

	<u>2007</u>	<u>2006</u>
Camden Campus	\$ 1,316	\$ 1,316
Ear, Nose and Throat Surgical Center	2,306	2,306
Glynn Immediate Care and Family Medicine Center	-	777
Healthscan, Inc.	-	361
St. Marys Convalescent Center	100	100
Parkwood Podiatry Associates	1,157	-
Summit Sports Medicine and Orthopaedic Surgery	<u>4,242</u>	<u>-</u>
Total	<u>\$ 9,121</u>	<u>\$ 4,860</u>

Management believes that goodwill included in the accompanying consolidated balance sheets is appropriately valued.

12. Long-Term Debt

Long-term debt is summarized as follows:

	<u>2007</u>	<u>2006</u>
Series 2004A variable rate revenue anticipation certificates, bearing interest at an auction rate, payable monthly, and maturing annually through 2034	\$ 43,325	\$ 43,325
Series 2004B variable rate revenue anticipation certificates, bearing interest at an auction rate, payable monthly, and maturing annually through 2034	50,675	50,675
Series 2005 fixed rate revenue anticipation certificates, bearing interest from 3% to 4%, payable semi-annually on the first day of February and August of each year, and maturing annually through 2016	17,850	18,070
Series 1996 fixed rate revenue anticipation certificates, bearing interest from 5.25% to 6.0%, payable semi-annually on the first day of February and August of each year, maturing annually through 2016. A portion of these certificates were refinanced in 2005	8,755	9,920
Series 1998 fixed rate revenue anticipation certificates, bearing interest from 4.5% to 4.6%, payable semi-annually on the first day of February and August of each year, and maturing annually through 2008	520	1,470
Other notes	838	1,094
Unamortized bond issuance discount	(244)	(273)
Deferred amount on refinancing	<u>(1,877)</u>	<u>(2,089)</u>
	119,842	122,192
Less current installments	<u>2,593</u>	<u>2,349</u>
Long-term debt, excluding current installments	\$ <u>117,249</u>	\$ <u>119,843</u>

GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY,
 DBA SOUTHEAST GEORGIA HEALTH SYSTEM
 AND SUBSIDIARY ENTITIES

Notes to Consolidated Financial Statements, Continued
 (All tabular dollar amounts in thousands)

A schedule of the changes in the System's long-term debt for 2007 and 2006 is summarized as follows:

	<u>September 30,</u> <u>2006</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30,</u> <u>2007</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds payable	\$ 123,460	\$ -	\$ (2,335)	\$ 121,125	\$ 2,615
Other notes	1,094	-	(256)	838	218
Discount and deferred amount	(2,362)	-	241	(2,121)	(240)
	<u>\$ 122,192</u>	<u>\$ -</u>	<u>\$ (2,350)</u>	<u>\$ 119,842</u>	<u>\$ 2,593</u>

	<u>September 30,</u> <u>2005</u>	<u>Additions</u>	<u>Reductions</u>	<u>September 30,</u> <u>2006</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Bonds payable	\$ 125,850	\$ -	\$ (2,390)	\$ 123,460	\$ 2,335
Other notes	684	605	(195)	1,094	255
Discount and deferred amount	(2,606)	-	244	(2,362)	(241)
	<u>\$ 123,928</u>	<u>\$ 605</u>	<u>\$ (2,341)</u>	<u>\$ 122,192</u>	<u>\$ 2,349</u>

Scheduled principal and interest repayments of long-term debt are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 2,593	\$ 4,577
2009	2,545	4,430
2010	2,817	4,322
2011	2,904	4,205
2012	2,665	4,086
2013-2017	16,193	18,350
2018-2022	21,175	14,328
2023-2027	25,200	10,174
2028-2032	30,075	5,226
2033-2035	<u>13,676</u>	<u>495</u>
Totals	<u>\$ 119,843</u>	<u>\$ 70,193</u>

In November 2004, the System issued the 2004 Revenue Anticipation Certificates (Series 2004 Bonds) in aggregate principal of \$94,000,000, composed of \$43,325,000 Revenue Anticipation Series 2004A Certificates (Series 2004A Bonds) and \$50,675,000 Revenue Anticipation Series 2004B Certificates (Series 2004B Bonds). The Series 2004 Bonds were issued for the purpose of financing or refinancing certain medical facilities and equipment, refunding a portion of the Series 1996 Bonds and the Series 1998 Bonds.

In April 2005, the System issued the Series 2005 Revenue Anticipation Certificates (Series 2005 Bonds) in aggregate principal of \$18,285,000. Series 2005 Bonds were issued for the purpose of advance refunding a portion of the Series 1996 Bonds.

As a result of the issuing of the 2004 and 2005 Series Bonds, prior bonds were refunded in advance. As a result of this advanced refunding there was a difference in the acquisition price of Series 2004 and 2005 Bonds and that of the refinanced portion of the Series 1996 and 1998 Bonds in the amount of \$1,494,000. This difference, reported in the accompanying consolidated financial statements as a deduction from long-term debt, is being amortized as a component of interest expense through year 2016.

The System is the obligated group that is responsible for the repayment of the bonds. The bonds are secured by a first and prior liens on revenues to be derived from the System's operations. Monies in the debt service fund are also subject to a lien and charge in favor of the holders of the certificates issued. The Series 1996 Bonds and Series 1998 Bonds are insured by MBIA Insurance Company. The Series 2004 Bonds and Series 2005 Bonds are insured by Financial Guaranty Insurance Company.

The provisions in the bond indenture contain various restrictive covenants pertaining to the net asset level and the debt service coverage ratio. The System is in compliance with the covenants.

In connection with the issuance of the 2004A Bonds, the System entered an interest rate swap agreement to effectively fix the variable interest rate of the Series 2004A Bonds at 3.753%. However, the System continues to pay interest to the bondholders at the variable rate provided by the Series 2004A Bonds. Under the swap agreement, the System pays or receives the difference between the variable and the fixed rate of 3.753% on a monthly basis. The notional amounts of the swap equal the principal of the term loan through expiration. The swap agreement expires in August 2034.

The Series 2004B Bonds bear interest at an adjustable rate. The actual rate at September 30, 2007 was 3.5%.

The System carries the interest rate swap on the consolidated balance sheet at fair value. The fair market value of the System's interest rate swap agreement was an asset of

\$592,000 and \$248,000 at September 30, 2007 and 2006, respectively, included as a long-term asset. During 2007 and 2006, the System recorded a corresponding unrealized gain of \$344,000 and \$1,116,000, respectively, to mark the swap agreement to its market value.

The System maintains an open end revolving line of credit up to \$5,000,000 at an interest rate of LIBOR plus 75 basis points. The line of credit is unsecured. As of September 30, 2007, there was an outstanding balance on the credit line of \$2,425,000.

13. **Commitments and Contingencies (Including Accrued Professional Liability)**

The System is involved in litigation in the ordinary course of business related to professional liability claims. The System maintains umbrella insurance with a limit of \$10,000,000 each occurrence and \$20,000,000 annual aggregate for professional liability and other general liability claims exceeding \$2,000,000 individually and \$5,000,000 collectively, on an annual basis. The System is self-insured under these limits. At September 30, 2007, malpractice and other various claimants had filed claims that are in various stages of processing, and some may ultimately be brought to trial.

The System has engaged the services of an independent actuary to make an annual evaluation of the plan and to determine the reserve requirements at the end of each fiscal year. The discount rate used in actuarial calculations for 2007 and 2006 was six percent. Professional liability claims included in other accrued expenses were approximately \$4,880,000 and \$5,818,000 at September 30, 2007 and 2006, respectively. Self-insurance liability claims expense for 2007 and 2006 aggregated approximately \$(24,000) and \$1,038,000, respectively. System management is of the opinion that the accrual for professional liability claims is adequate for loss contingencies.

In connection with the System's self-insurance (professional liability and other general liability), the Authority has internally designated a \$4,000,000 minimum reserve at September 30, 2007 and 2006, respectively, maintained within non-current cash and investments.

The System is committed under various noncancelable operating leases, all of which are for equipment with expiration dates through 2009. In addition, the System has lease agreements with TAG for office space with expiration dates through 2021. Future minimum operating lease payments are as follows:

Year ending September 30:

	<u>Equipment Leases</u>	<u>TAG</u>
2008	\$ 411	\$ 782
2009	226	782
2010	-	782
2011	-	782
2012	-	782
Thereafter	<u>-</u>	<u>10,457</u>
Total	<u>\$ 637</u>	<u>\$ 14,367</u>

14. **Employee Benefit Trust and Self-Insurance**

The System has a plan and trust agreement to provide and maintain life insurance, accident and health benefits (including hospitalization, medical, surgical, major medical, and other health benefits), and workers' compensation for its employees. Life insurance coverage is provided by premiums paid to an independent insurance carrier. Health benefits for employees and their dependents, if elected, are funded entirely by contributions into the plan by the System and its employees. The plan is administered by a third-party administrator. The System has reinsurance to cover individual health benefit claims exceeding \$150,000 incurred during the policy period.

Workers' compensation is self-insured by the System, and the System maintains reinsurance to cover individual claims exceeding \$350,000. A third-party administrator oversees the workers' compensation plan. The System established a provision in the amount of \$2,047,000 during 2006 associated with disputed workers' compensation reinsurance coverage involving claims that occurred prior to 2002. The System intends to pursue the recovery of the disputed amounts vigorously.

Included in other accrued expenses at September 30, 2007 and 2006, are claims payable related to health benefit and workers' compensation liabilities amounting to approximately \$3,974,000 and \$3,925,000, respectively.

15. **Retirement Plans**

Prior to 1998, the System maintained a defined benefit pension plan for its employees. The System subsequently established a 403(b) defined contribution plan covering substantially all current employees. Participants in the defined benefit pension plan were offered conversion incentives to enroll in the new 403(b) defined contribution plan.

Essentially all of the current employees participating in the defined benefit plan elected to transfer their accounts to the new 403(b) plan.

Under the 403(b) plan, the System makes discretionary contributions to the employee accounts and makes additional matching contributions that allow the employees to defer a portion of their compensation to the plan. Contributions, net of forfeitures, by the System aggregated approximately \$2,643,000 and \$2,349,000 for 2007 and 2006, respectively.

The defined benefit plan will continue in existence as long as benefits are being paid to existing participants. The defined benefit pension plan described above is currently frozen and non-contributory. The benefits are based on years of service and the employee's compensation during the last five years of employment. The actuarial valuation's measurement date was as of September 30, 2007. Included in other assets and prepaid expenses was approximately \$622,000 and \$227,000 at September 30, 2007 and 2006, respectively, related to the prepaid/over-funded status of the plan.

Assumptions used in the accounting for net periodic pension costs for 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Weighted average discount rate	5.5%	5.5%
Expected long-term rate of return	5.5%	5.5%

The System's annual pension cost (benefit) and net pension obligation for the years ended September 30, were as follows:

	<u>2007</u>	<u>2006</u>
Interest on net pension obligation	\$ 448	\$ 457
Adjustment to required contribution	<u>(476)</u>	<u>(481)</u>
Net pension cost (benefit)	(28)	(24)
Other adjustments to net pension obligation	<u>(99)</u>	<u>(144)</u>
Decrease in net pension obligation	(127)	(168)
Net pension obligation, beginning of year	<u>8,478</u>	<u>8,646</u>
Net pension obligation, end of year	<u>\$ 8,351</u>	<u>\$ 8,478</u>

Plan assets are held with a life insurance company under a group annuity contract and in an account with a national brokerage firm, consisting of equity securities, fixed income securities, real estate and mortgage securities, and cash and cash equivalents. Plan assets at September 30, were as follows:

	<u>2007</u>	<u>2006</u>
Asset value	\$ <u>8,973</u>	\$ <u>8,980</u>

Three-year trend information follows:

	<u>Annual Pension Benefit</u>	<u>Net Pension Obligation</u>
2005	\$ 28	\$ 8,646
2006	24	8,478
2007	36	8,351

16. Charity Care and Community Service

The System is committed to meeting the needs of the communities which it serves. To this end, the System provides care to patients who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured. The amount of support provided at reduced rates, or at payment rates below the cost incurred to provide those services, for the years ended September 30, 2007 and 2006 is as follows:

	<u>2007</u>	<u>2006</u>
Indigent care (based on established rates)	\$ <u>18,473</u>	\$ <u>19,299</u>
Un-reimbursed Medicaid outpatient service costs	\$ <u>386</u>	\$ <u>851</u>
Provision for bad debts	\$ <u>29,266</u>	\$ <u>26,492</u>

As discussed in note 2, the System participates in the ICTF program through the Georgia Department of Community Health (“DCH”). Under the ICTF program, the System is required to contribute certain amounts to DCH, which are in turn submitted to the Federal Government under a matching funds program. The net amount of ICTF funds received by the System under that program in 2007 and 2006 amounted to \$4,153,000 and \$4,759,000, respectively. Of the 2006 amount, approximately \$661,000 was used to meet the primary care needs of the communities that the System serves, and the balance was utilized to offset the 2006 indigent care amounts reported above.

In addition, the System provides financial support for a variety of programs designed to meet the health and educational needs of the communities which it serves. The amount of direct financial support provided to those community programs for the years ended September 30, 2007 and 2006 was as follows:

GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY,
 DBA SOUTHEAST GEORGIA HEALTH SYSTEM
 AND SUBSIDIARY ENTITIES

Notes to Consolidated Financial Statements, Continued
 (All tabular dollar amounts in thousands)

	<u>2007</u>	<u>2006</u>
Coastal Medical Access Project	\$ 250	\$ 250
Glynn and Camden County school nurse programs	-	280
Coastal Georgia Community College health professional education	246	264
Hospice of the Golden Isles, Inc.	-	150
Athletic trainer support to schools	215	208
Glynn County and City of Brunswick	-	25
American Cancer Society	<u>29</u>	<u>-</u>
Total	<u>\$ 740</u>	<u>\$ 1,177</u>

The System also sponsors and participates in over 100 other programs in support of not-for-profit community organizations, providing financial support to those activities in the amount of approximately \$209,000 for 2007 and \$222,000 for 2006, as well as additional in-kind support.

17. **Guarantee of Debt**

The System is the guarantor on a loan for First Coast Emergency Services in St. Marys, Georgia. The total loan balance is approximately \$180,000 at September 30, 2007.

18. **Fair Value of Financial Instruments**

The carrying amounts of cash and cash equivalents, receivables and payables, as well as long-term debt, are a reasonable estimate of their fair values. The fair value estimates presented herein are based on pertinent information available to management as of September 30, 2007. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

This page left blank intentionally

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM AND SUBSIDIARY ENTITIES**

Consolidating Balance Sheet (dollars in thousands)

September 30, 2007

	<u>Brunswick Campus</u>	<u>Camden Campus</u>	<u>Eliminations</u>	<u>Total Brunswick and Camden</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 528	\$ 1,295	\$ -	\$ 1,823
Short-term investments	2,733	-	-	2,733
Accounts receivable:				
Patient accounts receivable, net	30,949	5,174	-	36,123
Other accounts receivable	688	77	-	765
Inventories	4,280	825	-	5,105
Prepaid expenses	1,527	128	-	1,655
Total current assets	<u>40,705</u>	<u>7,499</u>	<u>-</u>	<u>48,204</u>
Non-current cash and investments:				
Held by trustee for debt service	880	186	-	1,066
Under bond agreement for construction	-	21,937	-	21,937
Internally designated for self-insurance	4,004	-	-	4,004
Internally designated for capital improvements	110,116	3,500	-	113,616
Total non-current cash and investments	<u>115,000</u>	<u>25,623</u>	<u>-</u>	<u>140,623</u>
Capital assets, net	<u>162,416</u>	<u>18,923</u>	<u>(130)</u>	<u>181,209</u>
Other assets:				
Investment in subsidiary	19,208	-	(19,208)	-
Goodwill, net	9,121	-	-	9,121
Intercompany receivable	9,718	1,290	-	11,008
Investment in Foundation	4,095	-	-	4,095
Physicians' contracts receivable, net	2,469	1,462	-	3,931
Bond issuance costs, net	3,700	112	-	3,812
Investment in affiliates	(6,627)	-	-	(6,627)
Interest rate swap agreement	592	-	-	592
Other assets	622	-	-	622
Total other assets	<u>42,898</u>	<u>2,864</u>	<u>(19,208)</u>	<u>26,554</u>
Total assets	<u>\$ 361,019</u>	<u>\$ 54,909</u>	<u>\$ (19,338)</u>	<u>\$ 396,590</u>
Liabilities and Net Assets				
Current liabilities:				
Current installments of long-term debt	\$ 2,266	\$ 327	\$ -	\$ 2,593
Line of credit	2,425	-	-	2,425
Accounts payable	9,622	1,345	-	10,967
Construction accounts payable	2,252	1,142	-	3,394
Intercompany payable	1	-	-	1
Estimated third-party payor settlements	603	507	-	1,110
Accrued salaries and compensated absences	6,801	1,196	-	7,997
Other accrued expenses	8,743	2,209	-	10,952
Deferred revenue	-	81	-	81
Total current liabilities	<u>32,713</u>	<u>6,807</u>	<u>-</u>	<u>39,520</u>
Long-term debt, excluding current installments	<u>88,485</u>	<u>28,764</u>	<u>-</u>	<u>117,249</u>
Total liabilities	<u>121,198</u>	<u>35,571</u>	<u>-</u>	<u>156,769</u>
Net assets	<u>239,821</u>	<u>19,338</u>	<u>(19,338)</u>	<u>239,821</u>
Total liabilities and net assets	<u>\$ 361,019</u>	<u>\$ 54,909</u>	<u>\$ (19,338)</u>	<u>\$ 396,590</u>

See Independent Auditors' Report.

<u>Foundation</u>	<u>CHSI</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 243	\$ 2,066	\$ -	\$ 2,066
-	-	2,733	-	2,733
-	4,119	40,242	-	40,242
282	23	1,070	-	1,070
-	-	5,105	-	5,105
-	21	1,676	-	1,676
<u>282</u>	<u>4,406</u>	<u>52,892</u>	<u>-</u>	<u>52,892</u>
-	-	1,066	-	1,066
-	-	21,937	-	21,937
-	-	4,004	-	4,004
<u>3,826</u>	<u>-</u>	<u>117,442</u>	<u>-</u>	<u>117,442</u>
<u>3,826</u>	<u>-</u>	<u>144,449</u>	<u>-</u>	<u>144,449</u>
-	372	181,581	-	181,581
-	-	-	-	-
-	-	9,121	-	9,121
-	-	11,008	(11,008)	-
-	-	4,095	(4,095)	-
-	-	3,931	-	3,931
-	-	3,812	-	3,812
-	-	(6,627)	7,478	851
-	-	592	-	592
-	19	641	-	641
-	19	26,573	(7,625)	18,948
<u>\$ 4,108</u>	<u>\$ 4,797</u>	<u>\$ 405,495</u>	<u>\$ (7,625)</u>	<u>\$ 397,870</u>
\$ -	\$ -	\$ 2,593	\$ -	\$ 2,593
-	-	2,425	-	2,425
-	3,444	14,411	(3,119)	11,292
-	-	3,394	-	3,394
13	7,875	7,889	(7,889)	-
-	-	1,110	-	1,110
-	990	8,987	-	8,987
-	146	11,098	(180)	10,918
-	-	81	-	81
<u>13</u>	<u>12,455</u>	<u>51,988</u>	<u>(11,188)</u>	<u>40,800</u>
-	-	117,249	-	117,249
<u>13</u>	<u>12,455</u>	<u>169,237</u>	<u>(11,188)</u>	<u>158,049</u>
<u>4,095</u>	<u>(7,658)</u>	<u>236,258</u>	<u>3,563</u>	<u>239,821</u>
<u>\$ 4,108</u>	<u>\$ 4,797</u>	<u>\$ 405,495</u>	<u>\$ (7,625)</u>	<u>\$ 397,870</u>

**GLYNN-BRUNSWICK MEMORIAL HOSPITAL AUTHORITY, dba
SOUTHEAST GEORGIA HEALTH SYSTEM AND SUBSIDIARY ENTITIES**

Consolidating Statement of Revenues and Expenses (dollars in thousands)

For the Year Ended September 30, 2007

	<u>Brunswick Campus</u>	<u>Camden Campus</u>	<u>Eliminations</u>	<u>Total Brunswick and Camden</u>
Operating revenues:				
Net patient service revenue, net	\$ 174,524	\$ 33,418	\$ -	\$ 207,942
Other revenue	3,034	214	-	3,248
Total operating revenues	<u>177,558</u>	<u>33,632</u>	<u>-</u>	<u>211,190</u>
Operating expenses:				
Salaries and wages	58,194	12,865	-	71,059
Employee benefits	17,899	4,033	-	21,932
Contract personnel	5,124	326	-	5,450
Professional fees	2,713	26	-	2,739
Supplies and drugs	37,359	4,290	-	41,649
Physician fees	5,544	1,548	-	7,092
Insurance and utilities	4,313	679	-	4,992
Outside services	13,413	2,978	-	16,391
Depreciation and amortization	13,710	1,409	-	15,119
Other expenses	5,295	1,319	-	6,614
Total operating expenses	<u>163,564</u>	<u>29,473</u>	<u>-</u>	<u>193,037</u>
Operating income (loss)	<u>13,994</u>	<u>4,159</u>	<u>-</u>	<u>18,153</u>
Non-operating revenue (expense):				
Investment income	3,847	1,281	-	5,128
Interest expense	(4,100)	(1,184)	-	(5,284)
Net realized and unrealized gain on investments	12,650	-	-	12,650
Unrealized gain on interest rate swap	344	-	-	344
Impairment loss	(823)	-	-	(823)
Other	108	(15)	-	93
Total non-operating revenue (expense)	<u>12,026</u>	<u>82</u>	<u>-</u>	<u>12,108</u>
Excess revenues over expenses	26,020	4,241	-	30,261
Equity in earnings from Camden	4,241	-	(4,241)	-
Equity in earnings from Foundation	672	-	-	672
Equity in earnings (loss) of affiliates	(6,475)	-	-	(6,475)
Minority owner equity in earnings	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 24,458</u>	<u>\$ 4,241</u>	<u>\$ (4,241)</u>	<u>\$ 24,458</u>

See Independent Auditors' Report.

<u>Foundation</u>	<u>CHSI</u>	<u>Total</u>	<u>Eliminations</u>	<u>Consolidated</u>
\$ -	\$ 8,792	\$ 216,734	\$ -	\$ 216,734
679	24	3,951	(872)	3,079
<u>679</u>	<u>8,816</u>	<u>220,685</u>	<u>(872)</u>	<u>219,813</u>
216	7,497	78,772	-	78,772
-	1,866	23,798	-	23,798
-	618	6,068	-	6,068
-	149	2,888	-	2,888
11	695	42,355	-	42,355
-	1,037	8,129	-	8,129
-	306	5,298	-	5,298
88	888	17,367	-	17,367
-	269	15,388	-	15,388
20	2,059	8,693	(872)	7,821
<u>335</u>	<u>15,384</u>	<u>208,756</u>	<u>(872)</u>	<u>207,884</u>
344	(6,568)	11,929	-	11,929
175	13	5,316	-	5,316
-	(9)	(5,293)	-	(5,293)
153	-	12,803	-	12,803
-	-	344	-	344
-	(362)	(1,185)	-	(1,185)
-	-	93	-	93
<u>328</u>	<u>(358)</u>	<u>12,078</u>	<u>-</u>	<u>12,078</u>
672	(6,926)	24,007	-	24,007
-	-	-	-	-
-	-	672	(672)	-
-	-	(6,475)	6,519	44
-	-	-	407	407
<u>\$ 672</u>	<u>\$ (6,926)</u>	<u>\$ 18,204</u>	<u>\$ 6,254</u>	<u>\$ 24,458</u>

This page left blank intentionally

APPENDIX C

This page intentionally left blank

SUMMARY OF CERTAIN DOCUMENTS AND DEFINITIONS OF CERTAIN TERMS

The following are definitions of certain terms, summaries of the Master Indenture and the Series 2008A Certificate Indenture. The statements made herein relating to such documents are summaries and do not purport to be complete. Copies of the Master Indenture and the Series 2008A Certificate Indenture are on file at the principal corporate trust office of the Series 2008A Certificate Trustee. Terms used but not otherwise defined herein shall have the meaning attributed to them in the front part of the Official Statement. The following summaries are qualified in their entirety by express reference to such documents.

DEFINITIONS

Set forth below are certain of the defined terms used in the Master Indenture and the Series 2008A Certificate Indenture. Reference is made to such documents of all terms and for the definition of capitalized terms used herein but not defined herein.

“Additional Indebtedness” shall mean any Indebtedness (including all Obligations) incurred by any Obligated Issuer subsequent to its becoming an Obligated Issuer.

“Affiliate” shall mean, with respect to a specified Person, any Person that directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the Person specified.

“Authority” shall mean The Glynn-Brunswick Hospital Authority and any successor thereto.

“Authorized Authority Representative” means the Chairman or Vice Chairman or any other individual designated to the Series 2008A Certificate Trustee by the Authority to represent the Authority in a written certificate containing the specimen signature of such person or persons.

“Balloon Indebtedness” shall mean:

- (a) Long-Term Indebtedness as to which, when issued, 25% or more of the debt service thereon is due in a single year, or
- (b) Long-Term Indebtedness as to which, when issued, 25% or more of the original principal amount thereof may, at the option of the holder or registered owner thereof, be redeemed or repurchased at one time, which portion of the principal is not required by the documents pursuant to which such Indebtedness is issued to be amortized by redemption prior to such date, or
- (c) Any Guaranty of Long-Term Indebtedness that is Balloon Indebtedness.

“Bond Counsel” means Murray Barnes Finister LLP or any other attorney at law or firm of attorneys selected by the Authority and reasonably acceptable to the Series 2008A Certificate Trustee of nationally recognized standing in matters pertaining to the validity of and the tax-exempt nature of interest on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“Bond Index” shall mean (a) in respect of any proposed tax-exempt Indebtedness, the rate that is equal to the *Bond Buyer* thirty-year Revenue Bond Index; and (b) in respect of any proposed taxable Indebtedness, ten year treasury notes plus one percent.

“Book Value,” when used in connection with property of any Obligated Issuer, shall mean the cost of such property, net of accumulated depreciation, calculated in conformity with generally accepted accounting principles, and when used in connection with property of the Obligated Issuers, means the aggregate of the values so determined with respect to such property of all Obligated Issuers determined in such a manner that no portion of such value of property of any member of any Obligated Issuer is included more than once.

“Capitalization” shall mean the principal amount of all outstanding Long-Term Indebtedness of the Obligated Issuers, plus the equity accounts of the Obligated Issuers (i.e., unrestricted fund balances, including any shareholder equity or partnership equity).

“Certificateholder” or “holder” or “Owner” means, as of any time, the registered owner of any Series 2008A Certificate as shown in the register kept by the Series 2008A Certificate Trustee as bond registrar.

“Code” means the Internal Revenue Code of 1986, as amended, and with respect to a specific Section thereof, the proposed, temporary or final regulations prescribed under such Section or any predecessor provision of the Code.

“Commitment Indebtedness” shall mean the obligation of any Person to repay amounts disbursed pursuant to a Credit Facility issued to pay when due such Person’s obligations under Indebtedness incurred in accordance with the provisions of the Master Indenture.

“Completion Indebtedness” shall mean any Long-Term Indebtedness (a) incurred by any Person for the purpose of financing the completion of constructing or equipping property with respect to which Long-Term Indebtedness was theretofore incurred in accordance with the provisions of the Master Indenture, and (b) in a principal amount not in excess of the amount required (i) to provide a completed and equipped property of substantially the type and scope contemplated at the time such prior Long-Term Indebtedness was incurred, (ii) to provide for capitalized interest during the period of construction, (iii) to capitalize a reserve with respect to such Completion Indebtedness and (iv) to pay the costs and expenses of issuing such Completion Indebtedness.

“Construction Index” shall mean the implicit price deflator for the gross national product as most recently reported prior to the date in question by the United States Department of Commerce or its successor agency, or, if such index is no longer published, such other index which is certified to be comparable and appropriate by the Obligated Group Agent in an Officer’s Certificate delivered to the Master Trustee.

“Consultant” shall mean a Person who or which is appointed by the Obligated Group Agent for the purpose of passing on questions relating to the financial affairs, management or operations of any Obligated Issuer or all Obligated Issuers and, in the good faith opinion of the Obligated Group Agent, has a favorable reputation for skill and experience in performing similar services in respect of entities engaged in reasonably comparable endeavors. If any Consultant’s report or opinion is required to be given with respect to matters partly within and partly without the expertise of any Consultant, such Consultant may rely upon the report or opinion of another Consultant, which other Consultant shall be reasonably satisfactory to the relying Consultant and the Obligated Group Agent.

“Counsel” shall mean a lawyer duly admitted to practice law before the highest court of any state in the United States of America or the District of Columbia, or any law firm, who or which, as the case may be, is not unsatisfactory to any recipient of the opinion to be rendered by such Counsel.

“Credit Facility” shall mean any letter of credit, line of credit, insurance policy, guaranty or other agreement constituting a credit enhancement or liquidity facility which is issued by a bank, trust company, savings and loan association or other institutional lender, insurance company or surety company for the benefit of the holder of any Indebtedness in order to provide a source of funds for the payment of all or any portion of an Obligated Issuer’s payment obligations under such Indebtedness.

“Cross Guarantee” shall mean the obligations of each Obligated Issuer to pay the debt of the other Obligated Issuers pursuant to the Master Indenture.

“Debt Service Requirement” of any Person shall mean, for any period of time, the amounts payable or the payments required to be made by such Person in respect of principal and interest on Outstanding Long-Term Indebtedness during such period (calculated in such a manner that no portion of Long-Term Indebtedness is included more than once), taking into account for purposes of calculating any projected debt service requirements (i) that any Indebtedness represented by a Guaranty shall be deemed payable on the dates and in the amounts contemplated in Section 4.3 of the Master Indenture (concerning the assumptions to be used in including debt

service requirements of the guaranteed obligation), (ii) that any payments to be made in respect of Balloon Indebtedness and Variable Rate Indebtedness shall be calculated in accordance with the provisions of Section 4.4 of the Master Indenture, (iii) that, with respect to Indebtedness refunded or refinanced during such period, only an amount of principal and interest equal to the principal and interest not payable from the proceeds of Indebtedness shall be taken into account during such period, (iv) that any amounts payable from funds available under an Escrow Deposit (other than amounts so payable solely by reason of the obligor's failure to make payments from other sources), or funded from the proceeds of such Long-Term Indebtedness (i.e., accrued and capitalized interest), shall be excluded from the determination of the Debt Service Requirement and (v) that (A) with respect to any Hedged Obligations, the interest on such Hedged Obligations during any Hedge Period and for so long as the provider of the related Hedge Agreement is a Qualified Hedge Agreement Counterparty and has not defaulted on its payment obligations thereunder shall be calculated by adding (x) the amount of interest payable by the Obligated Group on such Hedged Obligations pursuant to their terms and (y) the amount of Hedge Payments payable by the Obligated Group under the related Hedge Agreement and subtracting (z) the amount of Hedge Receipts payable by the provider of the related Hedge Agreement, and (B) that if the provider of any Hedge Agreement is not a Qualified Hedge Agreement Counterparty or is in payment default thereunder the amount of interest payable by the Obligated Group on the related Hedged Obligations shall be the interest calculated as if such Hedge Agreement had not been executed.

“Defeasance Obligations” shall mean:

- (a) non-callable Government Obligations;
- (b) “Government Participations,” which mean evidences of noncallable ownership of a proportionate interest in specified noncallable Government Obligations, which Government Obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian;
- (c) noncallable obligations of state or local government municipal bond issuers that are rated in the highest rating category established by both Moody's and S&P, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise, provision for the payment of the principal of and interest on which shall have been made by deposit with a trustee or escrow agent of (i) noncallable Government Obligations or (ii) Government Participations, the maturing principal of and interest on which Government Obligations or Government Participations, when due and payable, shall provide sufficient money to pay the principal of, premium, if any, and interest on such obligations of state or local government municipal bond issuers; and
- (d) evidences of noncallable ownership of a proportionate interest in specified obligations described in subsection (c), which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

“Depository” shall mean the commercial bank or banks from time to time designated by the Obligated Issuers to act as depository for the Revenue Fund.

“Facilities” shall mean all land, leasehold interests, buildings and all fixtures, equipment and licenses of a Person.

“Fiscal Year” shall mean a period of twelve consecutive months ending on June 30 or on such other date as may be specified in an Officer's Certificate of the Obligated Group Agent executed and delivered to the Master Trustee.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Series 2008A Certificate Trustee.

“Government Obligations” with respect to the Series 2008A Certificate Indenture, shall mean direct or fully guaranteed obligations of the United States of America.

“Government Obligations” under the Master Indenture shall mean (a) direct obligations (including obligations issued or held in book-entry form on the books of the Department of the Treasury) of, or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, including evidences of a direct ownership interest in future interest or principal payments on obligations issued or guaranteed by the United States of America, which obligations are held in a custody account by a custodian pursuant to the terms of a custody agreement, and (b) obligations issued by any state of the United States of America or any political subdivision, public instrumentality or public authority of any state of the United States of America, provision for the full and timely payment of the principal or premium of and interest on which shall have been made by deposit with a trustee or escrow agent, pursuant to an irrevocable security agreement, of obligations described in clause (a) of this definition.

“Gross Revenues” shall mean all revenues, income, receipts, and money received in any period by or on behalf of the Obligated Issuers, including, but without limiting the generality of the foregoing, (a) revenues derived from the Obligated Issuers operations (b) gifts, grants, bequests, donations and contributions to the Obligated Issuers exclusive of any gifts, grants, bequests, donations and contributions to the extent specifically restricted by the donor to a particular purpose and (c) proceeds derived from (i) insurance, except to the extent the use thereof is otherwise specifically required by the Master Indenture, (ii) accounts receivable, (iii) securities and other investments, (iv) inventory and other tangible and intangible property, (v) hospital expense reimbursement or medical expense reimbursement or insurance programs or agreements, (vi) condemnation awards, except to the extent that the use thereof is otherwise specifically required by the Master Indenture, (vii) contract and other rights and assets now or hereafter owned, held or possessed by or on behalf of any Obligated Issuer. There shall not be included in Gross Revenues (a) the proceeds of borrowing and interest earned thereon if and to the extent such interest is required to be excluded by the terms of the borrowing and (b) revenues, income, receipts and money received by the Obligated Issuers as agent for and on behalf of someone other than the Obligated Issuers.

“Guaranteed Debt Service Coverage Ratio” means the ratio consisting of a denominator of one and a numerator equal to the amount determined by dividing the principal obligor’s Income Available for Debt Service for the most recent Fiscal Year of the principal obligor by the debt service requirements on the guaranteed and all other indebtedness of the principal obligor for such period.

“Guaranty” shall mean any obligation of an Obligated Issuer guaranteeing any obligation of any other Person other than an Obligated Issuer, which obligation would, if such other Person were an Obligated Issuer, constitute Indebtedness under the Master Indenture.

“Healthcare Premises” shall mean the healthcare facilities that are owned, leased and/or operated by the Obligated Issuers and any future additions, expansions and substitutions thereof.

“Hedge Agreement” shall mean, without limitation, (a) any and all swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options, forward bond or forward bond price or forward bond index transactions, interest rate options, cap transactions, floor transactions, collar transactions, or any similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, (b) any and all transactions of any kind, and the related confirmations, which are subject to the conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., and (c) any other type of contract or arrangement that the Obligated Group determines is to be used, or is intended to be used, to manage or reduce the cost of any Related Bonds or other Indebtedness, to convert any element of any Related Bonds or other Indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk, or to protect against any type of financial risk or uncertainty.

“Hedged Obligations” shall mean any Related Bonds or other Indebtedness with respect to which the Obligated Group shall have entered into a Hedge Agreement.

“Hedge Payments” shall mean amounts payable by the Obligated Group pursuant to a Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

“Hedge Period” shall mean the period during which a Hedge Agreement is in effect.

“Hedge Receipts” shall mean amounts payable by the provider of a Hedge Agreement to the Obligated Group pursuant to such Hedge Agreement, other than Termination Payments, fees, expenses, and indemnity payments.

“Historical Debt Service Coverage Ratio” shall mean, for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Debt Service Requirement of the Obligated Issuers for such period.

“Historical Pro Forma Debt Service Coverage Ratio” shall mean, for any period of time, the ratio determined by dividing Total Income Available for Debt Service for such period by the Maximum Annual Debt Service of the Obligated Issuers for all Long-Term Indebtedness then Outstanding and the Long-Term Indebtedness then proposed to be issued.

“Hospital Authorities Act” shall mean the Georgia Hospital Authorities Law of the State of Georgia (O.C.G.A. Section 31-7-70, *et seq.*), as amended.

“Income Available For Debt Service” of a Person shall mean, with respect to any period of time, the excess of revenues which constitute Gross Revenues over expenses related thereto, or, in the case of for-profit entities, net income after tax, as determined in accordance with generally accepted accounting principles, to which shall be added, in either case, (i) depreciation, (ii) amortization, (iii) interest expense on Indebtedness, (iv) non-cash expenses and reserves accrued during such period for self-insurance purposes and (v) other non-cash expenses incurred during such period as a result of any deferred compensation plan for the employees for such Person, and from which shall be excluded (i) any extraordinary items, (ii) any gain or loss resulting from either the extinguishment of indebtedness or the sale, exchange or other disposition of assets not made in the ordinary course of business, (iii) any revenues or expenses of any Person (other than Limited Obligor) which is not an Obligated Issuer, (iv) unrealized gains and losses and (v) any other components of revenues or expenses that do not contribute to or diminish cash flow.

“Indebtedness” of a Person shall mean (i) all Notes and Guaranties, (ii) all liabilities (exclusive of reserves) recorded as indebtedness on the audited financial statements of such Person as of the end of the most recent Fiscal Year for which financial statements reported upon by an Accountant are available, and (iii) all other obligations for borrowed money; provided that Indebtedness shall not include (1) any other Indebtedness of any member of the Obligated Group to any other member of the Obligated Group, (2) rentals payable under leases which are not properly capitalized under generally accepted accounting principles or (3) any other obligation which does not constitute indebtedness under generally accepted accounting principles.

“Insurance Consultant” shall mean a Person, who or which is appointed by any Obligated Issuer for the purpose of reviewing and recommending insurance coverages for the Facilities and operations of one or more Obligated Issuers and, in the good faith opinion of the member making the appointment, has a favorable reputation for skill and experience in performing such services in respect of Facilities and operations of a comparable size and nature. If any Insurance Consultant’s report or opinion is required to be given with respect to matters partly within and partly without the expertise of such Insurance Consultant, such Insurance Consultant may rely upon the report or opinion of another Insurance Consultant or other expert, which other Insurance Consultant or other expert shall be reasonably satisfactory to the relying Insurance Consultant and the Obligated Group Agent.

“Interest Payment Date” with respect to the Series 2008A Certificates means February 1 and August 1 in each year, commencing February 1, 2009.

“Investment Securities,” under the Series 2008A Certificate Indenture, shall mean and include the following:

(a) Bonds or obligations of counties, municipal corporations, school districts, political subdivisions, authorities, or bodies of the State that are rated in the highest rating category established by both Moody’s and S&P, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise;

(b) Bonds or other obligations of the United States or of subsidiary corporations of the United States Government which are fully guaranteed by such government;

(c) Obligations of agencies of the United States Government issued by the Federal Land Bank, the Federal Home Loan Bank, the Federal Intermediate Credit Bank, and the Central Bank for Cooperatives;

(d) Bonds or other obligations issued by any Public Housing Agency or Municipal Corporation in the United States, which such bonds or obligations are fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States Government, or project notes issued by any public housing agency, urban renewal agency, or municipal corporation in the United States which are fully secured as to payment of both principal and interest by a requisition, loan, or payment agreement with the United States Government;

(e) Certificates of deposit of national or state banks located within the state which have deposits insured by the Federal Deposit Insurance Corporation and certificates of deposit of federal savings and loan associations and state building and loan associations located within this state which have deposits insured by the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, including the certificates of deposit of any bank, savings and loan association, or building and loan association acting as depository, custodian, or trustee for any such bond proceeds. The portion of such certificates of deposit in excess of the amount insured by the Federal Deposit Insurance Corporation, the Savings Association Insurance Fund of the Federal Deposit Insurance Corporation or the Georgia Credit Union Deposit Insurance Corporation, if any, shall be secured by deposit, with the Federal Reserve Bank of Atlanta, Georgia, or with any national or state bank or federal savings and loan association or state building and loan or savings and loan association located within this state, of one or more the following securities in an aggregate principal amount equal at least to the amount of such excess; direct and general obligations of this state or of any county or municipal corporation in this state, obligations of the United States or subsidiary corporations included in paragraph (b) hereof, obligations of the agencies of the United States Government included in paragraph (c) hereof, or bonds, obligations, or project notes of public housing agencies, urban renewal agencies, or municipalities included in paragraph (d) hereof;

(f) Repurchase agreements with respect to obligations included in (a), (b) or (c) above or (h) or (i) below;

(g) Securities of or other interests in any no-load, open-end management type investment company or investment trust registered under the Investment Company Act of 1940, as from time to time amended, or any common trust fund maintained by any bank or trust company which holds such proceeds as trustee or by an affiliate thereof so long as:

(i) the portfolio of such investment company or investment trust or common trust fund is limited to the obligations referenced in paragraph (ii) hereof and repurchase agreements fully collateralized by any such obligations;

(ii) such investment company or investment trust or common trust fund takes delivery of such collateral either directly or through an authorized custodian;

(iii) such investment company or investment trust or common trust fund is managed so as to maintain its shares at a constant net asset value; and

(iv) securities of or other interests in such investment company or investment trust or common trust fund are purchased and redeemed only through the use of national or state banks having corporate trust powers and located within the State.

(h) Obligations of the Export-Import Bank, Farm Credit System Financial Assistance Corporation, Rural Economic Community Development Administration (formerly the Farmers Home Administration), General Services Administration, U.S. Maritime Administration, Small Business Administration, Government National Mortgage Association (GNMA), U.S. Department of Housing & Urban Development (PHA's) or Federal Financing Bank which obligations represent the full faith and credit of the United States of America;

(i) Direct obligations of any of the following federal agencies or entities which obligations are not fully guaranteed by the full faith and credit of the United States of America: (i) Senior debt obligations rated in the highest rating category established by Moody's and S&P, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise, issued by Fannie Mae or Freddie Mac and (ii) Obligations of the Resolution Funding Corporation (REFCORP);

(j) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P (ratings on holding companies are not considered as the rating of the bank);

(k) "Prime quality" commercial paper, with a maturity of 270 days or less, of issuing corporations organized under the laws of the United States, or of any state thereof, including paper issued by banks and bank holding companies. "Prime quality" shall be as rated by Moody's within its ratings of "P-1" or "P-2" or by S&P within its ratings of "A-1" or "A-2";

(l) Investments in money market funds restricted to Government Obligations provided that such funds are rated in the highest rating category established by Moody's and S&P, without regard to any refinement or gradation of such rating category by numerical modifier or otherwise;

(m) Defeasance Obligations; and

(n) Investment Agreements with any bank, registered broker/dealer, insurance company or any other financial institution or corporation, or any subsidiary thereof, with a senior unsecured credit rating of, or claims paying ability of, at least "Aa3" by Moody's or "AA-" by S&P. The credit rating may be at either the parent or subsidiary level.

"Investment Securities," under the Master Indenture, shall mean and include the following:

(a) Government Obligations;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

(i) U.S. Export-Import Bank,

(ii) Farmers Home Administration,

(iii) Federal Financing Bank,

- (iv) Federal Housing Administration Debentures,
- (v) General Services Administration,
- (vi) Government National Mortgage Association,
- (vii) U.S. Maritime Administration,
- (viii) U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) Federal Home Loan Bank System,
- (ii) Federal Home Loan Mortgage Corporation,
- (iii) Federal National Mortgage Association,
- (iv) Student Loan Marketing Association,
- (v) Resolution Funding Corporation, and
- (vi) Farm Credit System;

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAM-G, AAAM, or AAM, and by Moody's of Aaa, Aa1 or Aa2;

(e) certificates of deposit issued by commercial banks, savings and loan associations or mutual savings banks that are secured at all times by collateral described in (a) and/or (b) above, provided that the collateral is held by a third party and there is a perfected first security interest in the collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(g) investment agreements, including GIC's, with Qualified Financial Obligated Issuers;

(h) commercial paper rated, at the time of purchase, "Prime - 1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime - 1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P; and

(k) repurchase agreements that provide for the transfer of securities from a dealer or bank (seller/borrower) to the Obligated Issuer, or the Master Trustee on its behalf (buyer/lender), and the transfer of cash from the Obligated Issuer, or the Master Trustee on its behalf, to the dealer, bank or securities firm with an agreement that the dealer or bank will repay the cash plus the yield to the Obligated Issuer, or the Master Trustee on its behalf, in exchange for the securities at a specified date provided that such repurchase agreements satisfy the following criteria:

(i) the repurchase agreement must be between the Obligated Issuer, or the Master Trustee on its behalf, and a primary dealer listed on the Federal Reserve reporting dealer list that falls under the jurisdiction of the SIPC and that is rated “A” or better by S&P and Moody’s or a bank rated “A” or better by S&P and Moody’s,

(ii) the repurchase agreement must be in writing and include the following (1) the securities that are acceptable for transfer are of the type listed in (a) or (b) above, (2) the term of the repurchase agreement may not exceed 30 days, (3) the collateral must be delivered to the Obligated Issuers, the Master Trustee (if the Master Trustee is not supplying the collateral) or a third party acting as agent for the Master Trustee (if the Master Trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities), and (4) the securities must be valued weekly, marked-to-market at current market price plus accrued interest, and the value of the collateral must be equal to 104% of the amount of cash transferred by the Obligated Issuer, or the Master Trustee on its behalf, to the dealer, bank or security firm under the repurchase agreement plus accrued interest. If the value of the collateral drops below 104% of the value of the cash transferred by the Obligated Issuer, or the Master Trustee on its behalf, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FMAC, then the value of the collateral must be equal to 105%; and

(iii) legal opinion must be delivered to the municipal entity stating that the repurchase agreement meets the guidelines under state law for legal investment of public funds or stating that such laws are not applicable.

“Lien” shall mean any mortgage or pledge of, security interest in or lien or encumbrance on any Property of any Obligated Issuer in favor of, or which secures any Indebtedness or any other obligation of any Obligated Issuer to any Person other than another Obligated Issuer, but specifically excluding subordination arrangements among creditors.

“Limited Obligor” shall mean any Person, other than an Obligated Issuer, on whose account any Obligated Issuer has issued a Guaranty as consideration for such Person’s execution and delivery to such Obligated Issuer of a Pledged Note.

“Long-Term Indebtedness” shall mean (i) all Indebtedness which, at the time of incurrence or issuance, has a final maturity or term greater than one year or which is renewable at the option of the obligor thereof for a term greater than one year from the date of original incurrence or issuance; and (ii) Short-Term Indebtedness which is incurred as interim financing and which is intended to be repaid out of the proceeds of other Long-Term Indebtedness, provided that any one of the applicable conditions described in Section 4.2 of the Master Indenture are met with respect to such Short-Term Indebtedness on the date of incurrence, assuming for purposes of compliance therewith that such Short-Term Indebtedness is Long-Term Indebtedness characterized as Balloon Indebtedness for purposes of meeting any of the applicable conditions in Section 4.2 of the Master Indenture; provided, however, that Long-Term Indebtedness shall not include (a) current obligations payable out of current revenues, including current payments for the funding of pension plans and contributions to self insurance programs; and (b) obligations under contracts for supplies, services or pensions, allocated to the current operating expenses of future years in which the supplies are to be furnished, the services rendered or the pensions paid.

“Master Indenture” shall mean the Master Indenture, dated as of April 1, 1996, between the Obligated Group and the Master Trustee, and any amendments or supplements thereto.

“Master Trustee” shall mean U.S. Bank National Association, a national banking association, and its successor master trustee or trustees under the Master Indenture.

“Maximum Annual Debt Service” of the Obligated Issuers shall mean the highest annual Debt Service Requirement of the Obligated Issuers for the current or any succeeding Fiscal Year during the remaining term of all Outstanding Obligations.

“Moody’s” shall mean Moody’s Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Series 2008A Certificate Trustee.

“Net Operating Revenues” of a Person shall mean, with respect to any period of time, operating revenues constituting Gross Revenues less contractual allowances, free care, discounts and allowances for bad debts (whether or not such bad debts are characterized as expenses for the purposes of current audit guidelines), all determined in accordance with generally accepted accounting principles.

“Net Revenues” shall mean the Gross Revenues less contractual allowances, free care, discounts and allowances for bad debts (whether or not such bad debts are characterized as expenses for the purposes of current audit guidelines), all determined in accordance with generally accepted accounting principles.

“Non-Recourse Indebtedness” shall mean any Indebtedness for new property secured by a Lien on all or any portion of the Facilities of any Obligated Issuer, liability for which is effectively limited to such Facilities subject to such Lien, with no recourse, directly or indirectly, to any other Facilities of any Obligated Issuer.

“Note” shall mean any note issued under the Master Indenture by an Obligated Issuer to evidence Long-Term Indebtedness, Short-Term Indebtedness or other Obligations incurred pursuant to the terms of the Master Indenture.

“Obligated Group” shall mean all Obligated Issuers.

“Obligated Group Agent” shall initially mean the Authority, and after a new Obligated Group Agent has been appointed pursuant to the terms of the Master Indenture, the successor thereto.

“Obligated Issuers” shall mean (a) the Authority and Kings Bay Community Hospital, Inc. and each other Person which becomes an Obligated Issuer in accordance with the provisions of Article III of the Master Indenture, whether or not such Person has issued any obligations thereunder, and which has not withdrawn from the Obligated Group pursuant to Article III of the Master Indenture, and (b) when used in respect of any particular Obligation or other Indebtedness, shall mean the Obligor thereunder.

“Obligations” shall mean (i) all Indebtedness, (ii) all Guaranties, (iii) any contractual agreement to pay money, including but not limited to Hedge Agreements, and (iv) any additional forms of Obligations created pursuant to Section 9.1 of the Master Indenture.

“Opinion of Bond Counsel” shall mean an opinion in writing signed by an attorney or firm of attorneys experienced in the field of municipal bonds whose opinions are generally accepted by purchasers of municipal bonds.

“Permitted Liens” for purposes of the Master Indenture shall mean the Master Indenture, all Related Financing Documents and, as of any particular time:

- (a) the Reorganization Lease;
- (b) any lien from any Obligated Issuer to any other Obligated Issuer;
- (c) any judgment lien or notice of pending action against any Obligated Issuer so long as (i) such judgment or pending action is being contested and execution thereon has been stayed or the period for responsive pleading or appeal has not lapsed, or (ii) in the absence of such contest, neither the pledge and security interest of the Master Indenture nor any Property of any Obligated Issuer will be materially impaired or subject to material loss or forfeiture;

(d) (i) rights reserved to or vested in any municipality or public authority by the terms of any right, power, franchise, grant, license, permit or provision of law affecting any Property, to (A) terminate such right, power, franchise, grant, license or permit, provided that the exercise of such right would not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, or (B) purchase, condemn, appropriate or recapture, or designate a purchaser of, such Property; (ii) any liens (or deposits to obtain the release of such liens) on any Property for taxes, assessments, levies, fees, water and sewer charges, and other governmental and similar charges and any liens of mechanics, materialmen, laborers, suppliers or vendors for work or services performed or materials furnished in connection with such Property, which are not due and payable or which are not delinquent or which, or the amount or validity of which, are being contested and execution thereon is stayed; (iii) easements, rights-of-way, servitudes, restrictions and other minor defects, encumbrances, and irregularities in the title to any Property which do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, (iv) rights reserved to or vested in any municipality or public authority to control or regulate any Property or to use such Property in any manner, which rights do not, in the opinion of the Obligated Group Agent, materially impair the use of such Property or materially and adversely affect the value thereof, and (v) to the extent that it affects title to any Property, the Master Indenture;

(e) any lease which relates to Property of the Obligated Issuers which is of a type that is customarily the subject of such leases, including but not limited to any leasehold interest required under any Related Financing Documents, leases with respect to office space for physicians and educational institutions, food service Facilities, gift shops and radiology or other hospital-based specialty services, pharmacy and similar departments and statutory landlord's liens with respect to such leases;

(f) any Lien securing Indebtedness provided such Lien also secures all Obligations (other than Obligations representing Subordinated Indebtedness or Non-Recourse Indebtedness) on a parity basis;

(g) any Lien securing Subordinated Indebtedness;

(h) any Lien arising by reason of good faith deposits in connection with leases of real estate, bids or contracts (other than contracts for the payment of money), deposits by any Obligated Issuer to secure public or statutory obligations, or to secure, or in lieu of, surety, stay or appeal bonds, and deposits as security for the payment of taxes or assessments or other similar charges;

(i) any Lien arising by reason of deposits with, or the giving of any form of security to, any governmental agency or any body created or approved by law or governmental regulation for any purpose at any time as required by law or governmental regulation as a condition to the transaction of any business or the exercise of any privilege or license, or to enable any Obligated Issuer to maintain self-insurance or to participate in any funds established to cover any insurance risks or in connection with workers' compensation, unemployment insurance, pension or profit sharing plans or other similar social security plans, or to share in the privileges or benefits required for companies participating in such arrangements;

(j) any Lien arising by reason of an Escrow Deposit;

(k) any Lien in favor of a trustee or the holder of a Note on the proceeds of Indebtedness or cash or investments deposited with such trustee and acquired with such proceeds prior to the application of such proceeds or cash or investments and (ii) Liens in favor of a trustee, including the Master Trustee, to secure obligations to compensate, reimburse or indemnify such trustees;

(l) any Lien on moneys deposited by patients or others with any Obligated Issuer as security for or as prepayment for the cost of patient care;

(m) any Lien on Property received by any Obligated Issuer through gifts, grants or bequests, such Lien being due to restrictions on such gifts, grants or bequests of Property or the income thereon;

(n) statutory rights of the United States of America by reason of federal funds made available under 42 U.S.C. § 291 g. and similar rights under other federal and state statutes;

(o) any Lien existing at the time of a consolidation or merger pursuant to Section 6.4 of the Master Indenture on the date of acquisition of any Property or at the time a Person becomes an Obligated Issuer pursuant to Section 3.1 of the Master Indenture;

(p) any Lien described in Exhibit A to the Master Indenture which is existing on the date of authentication and delivery of the Initial Obligations, provided that no such Lien (or the amount of Indebtedness secured thereby) may be increased, extended, renewed or modified to apply to any Property of any Obligated Issuer not subject to such Lien on such date, unless such Lien as so extended, renewed or modified otherwise qualifies as a Permitted Lien thereunder;

(q) a security interest in any funds or accounts established pursuant to the provisions of any Related Financing Documents;

(r) any Lien in the form of purchase money security interest in Property financed with the proceeds of Indebtedness secured thereby;

(s) any Lien securing any Indebtedness permitted under the Master Indenture, provided that the Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent to the effect that not more than 15% of the Value of all property of the Obligated Issuers would be subject to a Lien;

(t) any Lien on accounts receivable arising as a result of a sale or a hypothecation of such accounts receivable as described in the Master Indenture;

(u) options granted by any Obligated Issuer to others to purchase real property or other assets of such member;

(v) deposits of cash or cash equivalents to secure obligations under letters of credit incurred in the ordinary course of business of any Obligated Issuer; and

(w) Liens on Unrestricted Property.

“Person” means a corporation, association, partnership, limited liability company, joint venture, trust, organization, business, individual or government or any governmental agency or political subdivision thereof.

“Pledged Note” shall mean a promissory note executed by a Limited Obligor, as maker, in favor of an Obligated Issuer, as payee, evidencing a sum certain liability of such maker to such payee, which is assigned by such payee to the Master Trustee pursuant to the Master Indenture.

“Principal,” when used to refer to the amount of any Obligation, shall mean (i) the principal amount of any Obligation that constitutes Indebtedness, (ii) with respect to an Guaranty, the principal amount guaranteed, (iii) with respect to a Credit Facility, the amount disbursed by the issuer of the Credit Facility and not reimbursed on the date the principal amount is determined, and (iv) with respect to any other type of Obligation, the amount specified in the Supplemental Indenture creating such Obligation; provided, however, that with respect to a Hedge Agreement with a Qualified Hedge Agreement Counterparty, (A) the notional amount of the Hedge Agreement shall not be treated as principal (only the principal amount of the Hedged Obligations shall be treated as principal), and (B) any Termination Payment shall not be treated as principal so long as the Termination Payment constitutes Subordinated Indebtedness.

“Projected Debt Service Coverage Ratio” shall mean for any future period of time, the ratio determined by dividing projected Total Income Available for Debt Service for such period by Maximum Annual Debt Service of the Obligated Issuers.

“Property” shall mean any and all rights, titles and interests in and to any and all property, whether real or personal, tangible or intangible, including cash, and wherever situated.

“Qualified Financial Obligated Issuers” shall mean a bank, trust company, national banking association, insurance company or other financial services company whose unsecured long-term debt obligations (in the case of a bank, trust company, national banking association or other financial services company) are rated in any of the three highest rating categories (without reference to sub-categories) by Moody’s or S&P. For purposes hereof, the term “financial services company” shall include any investment banking firm or any affiliate or division thereof which may be legally authorized to enter into the transactions described in the Master Indenture pertaining, applicable or limited to a Qualified Financial Obligated Issuer.

“Qualified Hedge Agreement Counterparty” means the provider of any Hedge Agreement whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, or whose payment obligations under the Hedge Agreement are absolutely and unconditionally guaranteed by an entity whose senior unsecured long term obligations, financial program rating, counterparty rating, or claims paying ability, are, as of the date of execution of the Hedge Agreement, rated at least as high as the middle range of the third highest rating category of any Rating Agency, but in no event lower than any uninsured credit rating assigned to the Hedged Obligations at the time of execution of the Hedge Agreement (in the event the Hedge Agreement is entered into with respect to Related Bonds or other Indebtedness).

“Rating Agency” under the Series 2008A Certificate Indenture, means S&P or Moody’s, whichever has provided and is maintaining a rating on the Series 2008A Certificates.

“Rating Agency” under the Master Indenture, means severally or collectively, if applicable (a) S&P and any successor thereto, if it has assigned a rating to any Obligation issued outstanding under the Master Indenture or any Related Bonds issued and outstanding pursuant to any Related Financing Documents, (b) Moody’s and any successor thereto, if it has assigned a rating to any Obligation issued and Outstanding under the Master Indenture or any Related Bonds issued and Outstanding pursuant to any Related Financing Documents, and (iii) Fitch and any successor thereto, if it has assigned a rating to any Obligation issued and outstanding pursuant to any Related Financing Documents. If any such Rating Agency shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to the others, but if both of the others shall no longer perform the functions of a securities rating service for whatever reason, the term “Rating Agency” shall thereafter be deemed to refer to any other nationally recognized rating service or services as shall be designated in writing by the Obligated Group Agent to the Master Trustee; provided that such designee shall not be unsatisfactory to the Master Trustee.

“Related Bond Indenture” shall mean any indenture, bond resolution or other comparable instrument pursuant to which a series of Related Bonds is issued.

“Related Bond Issuer” shall mean the Governmental Issuer of any issue of Related Bonds.

“Related Bonds” shall mean the revenue bonds, notes, other evidences of indebtedness or any other obligations (including the Series 2008A Certificates) issued by a Governmental Issuer, pursuant to a single Related Bond Indenture, the proceeds of which are loaned or otherwise made available to an Obligated Issuer in consideration of the execution, authentication and delivery of a Note to or for the order of such Governmental Issuer.

“Related Financing Documents” shall mean:

(a) in the case of any Note, (i) all documents, including any Related Bond Indenture, pursuant to which the proceeds of the Series 2008A Master Note are made available to an Obligated Issuer, the payment obligations evidenced by the Series 2008A Master Note are created and any security for the Series 2008A Master Note (if permitted under the Master Indenture) is granted, and (ii) all documents creating any additional payment or other obligations on the part of an Obligated Issuer which are executed

in favor of the Holder in consideration of the Series 2008A Master Note proceeds being loaned or otherwise made available to the Obligated Issuer;

(b) in the case of any Guaranty, all documents creating the indebtedness being guaranteed pursuant to the Guaranty and providing for the loan or other disposition of the proceeds of the indebtedness and all documents pursuant to which any security for the Guaranty (if permitted under the Master Indenture) is granted; and

(c) in the case of Indebtedness other than Notes and Guaranties, all documents relating thereto which are of the same nature and for the same purpose as the documents described in clauses (a) and (b) above.

“Reorganization Lease” shall mean any lease executed in connection with a reorganization pursuant to which the Facilities of the Authority are leased to a nonprofit or for-profit corporation and such corporation becomes an Obligated Issuer.

“Reserve Requirement” means at any time of computation, an amount equal to the least of (i) ten percent of the aggregate principal amount of the Outstanding Series 2008A Certificates; (ii) 125% of average annual Principal and Interest Requirements on Outstanding Series 2008A Certificates in any Certificate Year or (iii) the maximum annual Principal and Interest Requirements on Outstanding Series 2008A Certificates in any Certificate Year.

“Revenue Fund” shall mean the fund created pursuant to the Master Indenture into which the Obligated Issuers will deposit their Gross Revenues with the Depositories.

“S&P” shall mean Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority by notice to the Series 2008A Certificate Trustee.

“Series 2008A Certificate Indenture” shall mean the Trust Indenture, dated as of September 1, 2008, between the Authority and the Series 2008A Certificate Trustee, pursuant to which the Series 2008A Certificates are issued.

“Series 2008A Certificate Trustee” shall mean U.S. Bank National Association, a national banking association, and its successor trustee or trustees under the Series 2008A Certificate Indenture.

“Series 2008A Certificates” means the Authority’s Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008A, from time to time Outstanding under the Series 2008A Certificate Indenture.

“Series 2008A Master Note” shall mean the Master Note, dated as of September 9, 2008 in favor of the Series 2008A Certificate Trustee and securing the Series 2008A Certificates.

“Sixteenth Supplemental Indenture” shall mean the Sixteenth Supplemental Master Trust Indenture, dated as of September 1, 2008, between the Obligated Group and the Master Trustee.

“State” shall mean the State of Georgia.

“Subordinated Indebtedness” shall mean any promissory note, guaranty, lease, contractual agreement to pay money or other obligation of any Obligated Issuer which is expressly made subordinate and junior in right of payment of principal of, redemption premium, if any, and interest on, (a) all Obligations issued pursuant to the Master Indenture, and (b) all other obligations of the Obligated Group thereunder, on terms and conditions which substantially require that (i) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other

acquisition or retirement of such Subordinated Indebtedness, unless full payment of all amounts then due and payable upon maturity of Obligations issued under the Master Indenture have been made or duly provided for in accordance with the terms of such Obligations; (ii) no payment on account of principal of, redemption premium, if any, or interest on such Subordinated Indebtedness shall be made, nor shall any property or assets be applied to the purchase or other acquisition or retirement of such Subordinated Indebtedness if, at the time of such payment or application, or immediately after giving effect thereto, (A) there shall exist a default in the payment of the principal of, redemption premium, if any, or interest on any Obligations (whether at maturity or upon mandatory redemption), or (B) there shall have occurred an event of default with respect to any Obligations, as defined therein and in the Master Indenture, and such event of default shall not have been cured or waived or shall not have ceased to exist; and (iii) in the event that any Subordinated Indebtedness is declared or otherwise becomes due and payable because of the occurrence of an event of default with respect thereto, (A) the Holders at such time shall be entitled to receive payment in full thereon before the holders of the Subordinated Indebtedness shall be entitled to receive any payment on account of such Subordinated Indebtedness as a result of such event of default, and (B) no holder of Subordinated Indebtedness, or a trustee acting on such holder's behalf, shall be entitled to exercise any control over proceedings to enforce the terms and conditions of the Master Indenture.

“Total Income Available for Debt Service” shall mean, as to any period, (a) the aggregate of Income Available for Debt Service of each Obligated Issuer for such period, determined in such a manner that no portion of Income Available for Debt Service of any Obligated Issuer is included more than once, plus (b) the Income Available For Debt Service of each Limited Obligor up to an amount equal to the amount of such Limited Obligor's Debt Service Requirement for such period with respect to the Indebtedness of such Limited Obligor guaranteed by an Obligated Issuer.

“Total Net Operating Revenues” shall mean, as to any period, the aggregate of Net Operating Revenues of each Obligated Issuer for such period, determined in such a manner that no portion of Net Operating Revenues of any Obligated Issuer is included more than once.

“Trust Estate” for purposes of the Series 2008A Certificate Indenture, means (i) the 2008A Note, (ii) all moneys and securities held from time to time in any of the Funds, (iii) all amounts derived from the exercise by the Series 2008A Certificate Trustee of any rights or remedies under the Series 2008A Certificate Indenture or under the 2008A Note and (iv) any and all other property from time to time pledged by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security under the Series 2008A Certificate Indenture.

“Trust Estate” for purposes of the Master Indenture, shall mean (i) the Net Revenues, (ii) all moneys and securities held by the Master Trustee or any other depositaries in any and all of the funds and accounts established under the Master Indenture and (iii) all property which is by the express provisions of the Master Indenture required to be subject to the lien thereof and any additional property that may, from time to time, by delivery or by writing of any kind, be subjected to the lien of the Master Indenture, by the Obligated Issuers or by anyone on their behalf.

“Value,” when used in connection with any property, shall mean either (a) Book Value, or (b) at the election of the Obligated Group Agent evidenced by an Officer's Certificate delivered to the Master Trustee, the aggregate fair market value of such property, as reflected in the most recent written report of an appraiser selected by the Obligated Group Agent and, in the case of real property, who or which is a member of the American Institute of Real Estate Appraisers (MAI), delivered to the Master Trustee (which report shall be dated not more than three years prior to the date as of which value is to be calculated) (i) increased by the cost of any property acquired, or decreased by the fair market value of any property disposed of, since the date of such report and (ii) increased or decreased by a percentage equal to the aggregate percentage increase or decrease in the Construction Index from the date of such report to the date as of which value is to be calculated.

“Variable Rate Indebtedness” shall mean any portion of Indebtedness the interest rate on which fluctuates subsequent to the time of incurrence; provided, however, any Indebtedness for which payment obligations do not fluctuate in the aggregate shall not constitute Variable Rate Indebtedness; provided, however, any Indebtedness for which payment obligations do not fluctuate in the aggregate shall not constitute Variable Rate Indebtedness.

THE SERIES 2008A CERTIFICATE INDENTURE

Establishment of Funds and Accounts; Investment of Funds

General

Upon the issuance of the Series 2008A Certificates, the Series 2008A Certificate Trustee will create the following funds and accounts: (a) the Closing Fund, (b) the Certificate Fund and (c) the Debt Service Reserve Fund.

Closing Fund*

A portion of the proceeds of the Series 2008A Certificates will be deposited into the Closing Fund. Upon receipt of a written requisition executed by an Authorized Authority Representative, moneys in the Closing Fund shall be applied to the payment of the cost of the Costs of the Closing, including:

- (a) the repayment of the Bank Loan; and
- (b) the costs of issuing the Series 2008A Certificates.

The payment of all of the Costs of the Closing will be evidenced by the filing with the Series 2008A Certificate Trustee of the Completion Certificate. As soon as practicable and in any event not more than 60 days from the date of the Completion Certificate, any balance remaining in the Closing Fund will without further authorization be transferred into the Certificate Fund and thereafter applied in the manner provided in the Series 2008A Certificate Indenture.

Certificate Fund

Payments on the Series 2008A Certificates received by the Series 2008A Certificate Trustee shall be deposited into the Certificate Fund. Moneys on deposit in the Certificate Fund will be used to pay the principal of, redemption premium (if any) and interest on the Series 2008A Certificates as the same becomes due and payable.

Debt Service Reserve Fund

A portion of the proceeds of the Series 2008A Certificates will be deposited into the Debt Service Reserve Fund in order to fund the Reserve Requirement. The Series 2008A Certificate Trustee shall use any funds in the Debt Service Reserve Fund to the full extent thereof to make transfers to the Certificate Fund to the extent necessary to pay interest on and principal of the Series 2008A Certificates (whether at maturity, by acceleration or in satisfaction of the redemption price therefor), whenever and to the extent that the money on deposit in the Certificate Fund are insufficient for such purposes.

Investment Securities on deposit in the Debt Service Reserve Fund shall be valued at least annually. If at any time the money held in the Debt Service Reserve Fund exceeds the Reserve Requirement, including any excess created in whole or in part by the earnings on such account or as a result of contributions to such account by the Obligated Group, an amount equal to such excess shall be transferred by the Series 2008A Certificate Trustee to the Certificate Fund. Any such excess transferred to the Certificate Fund shall be credited against future transfers to such Certificate Fund, unless transferred to cure deficiencies therein, and shall be credited by the Series 2008A Certificate Trustee against future payments to be made by the Authority. If funds are withdrawn from the Debt Service Reserve Fund and such withdrawal reduces the Debt Service Reserve Fund to less than the Reserve Requirement, the deficiency shall be restored through equal monthly installments over the next 12 months.

Notwithstanding any other provisions of the Series 2008A Certificate Indenture, the Series 2008A Certificate Trustee shall at any time, at the direction of the Authority, terminate the Debt Service Reserve Fund and

* Throughout this Appendix C, an asterisk indicates that the information has changed since the Preliminary Official Statement, dated August 8, 2008, as supplemented on August 21, 2008.

transfer amounts therein as directed by the Authority the terms described in the body of this Official Statement under the heading “SECURITY FOR AND SOURCES OF PAYMENT – Debt Service Reserve Fund –Alternative Reserve Fund.”

Investment of Moneys

Moneys in all Funds held by the Series 2008A Certificate Trustee shall be invested by the Series 2008A Certificate Trustee, as soon as possible upon receipt, in Investment Securities as directed in writing by the Authority provided that the maturity date or the date on which such Investment Securities may be redeemed at the option of the holder thereof shall be determined by the Authority and shall coincide as nearly as practicable with (but in no event shall be later than) the date or dates on which moneys in the Funds are estimated to be required. Notwithstanding the foregoing, Investment Securities on deposit in the Debt Service Reserve Fund shall mature or be subject to redemption at the option of the holder within five years.

All amounts earned in a Fund shall be credited to such Fund, except earnings on the Debt Service Reserve Fund in excess of the Reserve Requirement which will be transferred to the Certificate Fund. Amounts credited to a Fund may be invested, together with amounts credited to one or more other Funds, in the same Investment Securities, provided that (i) each such investment complies in all respects with the provisions of the Series 2008A Certificate Indenture as they apply to each Fund for which the joint investment is made, and (ii) the Series 2008A Certificate Trustee maintains separate records for each Fund and such investments are accurately reflected therein.

The Series 2008A Certificate Trustee may make any deposit or investment through or with its own commercial banking or investment departments or such departments of an Affiliate unless otherwise directed by the Authority. Investment Securities shall be valued at the current market value thereof.

Covenants of Authority

Payment of Principal of and Interest

The Authority has covenanted to promptly pay the principal of and the interest on, every Series 2008A Certificate according to the terms thereof. In order to provide for the payment of principal on the Series 2008A Certificates, the Authority shall pay the Series 2008A Certificate Trustee equal monthly amounts that will enable the Series 2008A Certificate Trustee to pay the principal on the next August 1 and interest on the next Interest Payment Date. The Authority’s obligation is secured by and is payable solely from the Trust Estate.

Covenant Against Encumbrances

The Authority has not created and will not create any other lien on the Trust Estate which is superior to or which ranks on parity with the lien created under the Series 2008A Certificate Indenture on the Trust Estate.

Events of Default and Remedies

Events of Default Defined

Each of the following shall be an “Event of Default”:

- (a) failure to make payment of any installment of interest on any Series 2008A Certificate when the same shall become due and payable;
- (b) failure to pay the principal or redemption price of any Series 2008A Certificate when the same becomes due and payable, whether at maturity or by proceedings for redemption or by declaration of acceleration or otherwise;
- (c) failure of the Authority to observe or perform any other covenant or agreement on its part under the Series 2008A Certificate Indenture (other than its covenant to provide continuing disclosure,

which shall only give rise to a cause of action for specific performance, as described in the body of this Official Statement under the heading “Continuing Disclosure”) for a period of 30 days after written notice of such failure, requiring the same to be remedied, shall have been given to the Authority by the Series 2008A Certificate Trustee, or to the Authority and the Series 2008A Certificate Trustee by the holders of at least 25% in aggregate principal amount of Series 2008A Certificates then Outstanding. If the failure stated in the notice is correctable but cannot be corrected within such 30-day period, the Series 2008A Certificate Trustee will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Authority within such 30-day period and diligently pursued until such failure is corrected; provided, further, however, if by reason of Force Majeure the Authority is unable in whole or in part to carry out the covenants and agreements on its part herein contained, the Authority shall not be deemed in default during the continuance of such inability; or

- (d) an event of default shall occur under the Master Indenture.

Acceleration

If any Event of Default occurs, the Series 2008A Certificate Trustee upon written request of the holders of at least 25% in principal amount of all Series 2008A Certificates then Outstanding, shall, by notice in writing to the Authority, declare the principal plus accrued interest of all Series 2008A Certificates then Outstanding to be immediately due and payable and the payments to be made by the Authority; and upon such declaration such principal, together with interest accrued thereon, shall become due and payable immediately without any further action or notice, anything in the Series 2008A Certificate Indenture or in the Series 2008A Certificates to the contrary notwithstanding. Upon any declaration of acceleration under the Series 2008A Certificate Indenture, the Series 2008A Certificate Trustee shall immediately exercise such rights as it may have under the Series 2008A Master Note and declare the Series 2008A Master Note to be immediately due and payable and shall immediately exercise such rights as it may have under the Master Indenture and the Sixteenth Supplemental Indenture as holder of the Series 2008A Master Note.

If after the principal of the Series 2008A Certificates has been declared to be due and payable, all arrears of principal and interest upon the Series 2008A Certificates are paid, and the Authority also performs all other things in respect to which it may have been in default under the Series 2008A Certificate Indenture and the Authority, shall pay the reasonable charges of the Series 2008A Certificate Trustee, then, and in every such case, the registered owners of a majority in principal amount of the Series 2008A Certificates then Outstanding, by notice to the Authority and to the Series 2008A Certificate Trustee, may annul such declaration and its consequences, and such annulment shall be binding upon the Series 2008A Certificate Trustee and upon all registered owners of the Series 2008A Certificates issued under the Series 2008A Certificate Indenture. No such annulment shall extend to or affect any subsequent default or impair any right or remedy consequent thereon. The Series 2008A Certificate Trustee shall forward a copy of any notice from Certificateholders received by it pursuant to this requirement to the Authority.

Termination of Proceedings

If any proceedings taken by the Series 2008A Certificate Trustee on account of any default is discontinued or is determined adversely to the Series 2008A Certificate Trustee, then the Authority, the Series 2008A Certificate Trustee and the Certificateholders shall be restored to their former positions and rights as though no such proceeding had been taken.

Limitations on Actions by Certificateholders

No Certificateholder shall have any right to pursue any remedy under the Series 2008A Certificate Indenture unless (a) the Series 2008A Certificate Trustee shall have been given written notice of an Event of Default, (b) the registered owners of at least 25% in principal amount of the Series 2008A Certificates then Outstanding shall have requested the Series 2008A Certificate Trustee, in writing, to exercise the powers granted in the Series 2008A Certificate Indenture or to pursue such remedy in its or their name or names, (c) the Series 2008A Certificate Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Series 2008A Certificate Trustees shall for 60 days after receipt of such notice, request and offer of indemnity

have failed or refused to exercise the powers granted above or to pursue such remedy in its name or in the name of the Certificateholders and (e) no direction inconsistent with such written request has been given to the Series 2008A Certificate Trustee by the registered owners of at least 25% in principal amount of the Series 2008A Certificates then Outstanding. It being understood and agreed that no one or more Certificateholders shall have the right in any manner whatever by virtue of or by availing of any provision of the Series 2008A Certificate Indenture to affect, disturb or prejudice the rights of any other Certificateholder or to obtain or seek to obtain priority over or preference to any other such Certificateholder, or to enforce any right under the Series 2008A Certificate Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Certificateholders.

Application of Moneys Upon Event of Default

The Authority has covenanted in the Series 2008A Certificate Indenture that if an event of default shall happen and shall not have been remedied, that the Series 2008A Certificate Trustee will apply all moneys, securities and funds received by the Series 2008A Certificate Trustee in the following order: (a) to the payment of the reasonable fees, charges, expenses and liabilities of the Series 2008A Certificate Trustee (including attorney and collection fees) and (b) to the payment of the interest and principal or redemption price then due on Series 2008A Certificates, as follows:

(i) Unless the principal of all Series 2008A Certificates shall have become due and payable, all such moneys shall be applied first to the payment to the persons entitled thereto of all installments of interest then due, in the order of the maturity of such installments, and if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference; second to the payment to the persons entitled thereto of the unpaid principal of any of Series 2008A Certificates that shall have become due (other than Series 2008A Certificates called for redemption for the payment of which moneys are held pursuant to the provisions of the Series 2008A Certificate Indenture), in the order of their due dates, with interest on such Series 2008A Certificates from the respective dates upon which they became due, and if the amount available shall not be sufficient to pay in full Series 2008A Certificates due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the persons entitled thereto without any discrimination or preference; and third to the payment of the redemption premium on and the principal of any Series 2008A Certificates called for redemption pursuant to the provisions of the Series 2008A Certificate Indenture; and

(ii) (ii) if the principal of all Series 2008A Certificates shall have become due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon Series 2008A Certificates, with interest thereon as aforesaid, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Series 2008A Certificate over any other Series 2008A Certificate, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Such moneys shall be applied by the Series 2008A Certificate Trustee at such times, and from time to time, as the Series 2008A Certificate Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. The setting aside of such moneys in trust for the proper purpose shall constitute proper application by the Series 2008A Certificate Trustee; and the Series 2008A Certificate Trustee shall incur no liability whatsoever to the Authority, to any owner of a Series 2008A Certificate or to any other person for any delay in applying any such funds, so long as the Series 2008A Certificate Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies the same in accordance with such provisions of the Series 2008A Certificate Indenture as may be applicable at the time of application by the Series 2008A Certificate Trustee. Whenever the Series 2008A Certificate Trustee shall exercise such discretion in applying such funds, it shall fix the date (which shall be an interest payment date unless the Series 2008A Certificate Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal paid on such date shall cease to accrue. The Series 2008A Certificate Trustee shall give such notice as it may deem

appropriate of the fixing of any such date and of the endorsement to be entered on each Series 2008A Certificate on which payment shall be made, and shall not be required to make payment to the owner of any Series 2008A Certificate until such Series 2008A Certificate shall be presented to the Series 2008A Certificate Trustee for appropriate endorsement, or some other procedure deemed satisfactory by the Series 2008A Certificate Trustee.

The Series 2008A Certificate Trustee

Acceptance of the Trusts

The Series 2008A Certificate Trustee has accepted the trusts imposed upon it by the Series 2008A Certificate Indenture and has agreed to perform such trusts, but only upon and subject to the express terms and conditions as set forth in the Series 2008A Certificate Indenture.

Resignation of Series 2008A Certificate Trustee

The Series 2008A Certificate Trustee may resign and be discharged of the trusts created by the Series 2008A Certificate Indenture by written resignation filed with the Authority not less than 60 days before the date when such resignation is to take effect and by giving notice of such resignation by mail to each Certificateholder not less than three weeks prior to the date specified in such notice when such resignation shall take effect. Such resignation shall take effect upon the appointment of a successor trustee.

Removal of Series 2008A Certificate Trustee

The Series 2008A Certificate Trustee may be removed at any time by an instrument appointing a successor to the Series 2008A Certificate Trustee so removed, executed by the registered owners of a majority in principal amount of the Series 2008A Certificates then Outstanding and filed with the Series 2008A Certificate Trustee and the Authority. Such removal shall only take effect upon the appointment of a successor trustee.

Voting the Series 2008A Master Note

The Series 2008A Certificate Trustee, as assignee of the Series 2008A Master Note, shall be entitled to vote the Series 2008A Master Note or the indebtedness represented thereby in connection with any proposed amendment, change, modification, waiver or consent (hereinafter in this Section referred to as an “amendment”) to or in respect of the Master Indenture. The Series 2008A Certificate Trustee may agree to any such amendment, without obtaining the consent of or the provision of notice to the Certificateholders, if the Series 2008A Certificate Trustee receives an opinion of Counsel in form and substance satisfactory to it stating that the effect of such amendment is not materially adverse to the interests of the Certificateholders. In the event that the Series 2008A Certificate Trustee does not receive such opinion of Counsel, the Series 2008A Certificate Trustee shall solicit the consent of the Certificateholders to such amendment. The Series 2008A Certificate Trustee shall consent to such amendment if the holders of at least a majority in principal amount of the then-outstanding Series 2008A Certificates consent to such amendment; provided, that, (i) no such consent shall be given to an amendment which affects the rights of some but less than all the Outstanding Series 2008A Certificates without the consent of the holders of a majority in aggregate principal amount of the Series 2008A Certificates affected and (b) no such consent shall be given to an amendment which alters the time, amounts, currency or terms of any payment terms of the Series 2008A Master Note without the consent of the holders of all Outstanding Series 2008A Certificates.

Amendments and Supplements of Series 2008A Certificate Indenture

Amendments and Supplements Without Certificateholders’ Consent

The Series 2008A Certificate Indenture may be amended or supplemented at any time, without the consent of the Certificateholders for one or more of the following purposes:

(a) to add additional covenants of the Authority, to provide additional security for the Series 2008A Certificates, to add to the available remedies under the Series 2008A Certificate Indenture or to surrender any right or power therein conferred upon the Authority;

(b) to cure any ambiguity or to cure, correct or supplement any defective (whether because of any inconsistency with any provisions of the Series 2008A Certificate Indenture or otherwise) provision of the Series 2008A Certificate Indenture in such manner as shall not be inconsistent with the Series 2008A Certificate Indenture and shall not impair the security hereof or adversely affect the Certificateholders;

(c) to obtain or maintain a rating on such Series 2008A Certificates from any Rating Agency;

(d) to provide for a non-certificated method of delivery of the Series 2008A Certificates; and

(e) to make any other change that, in the opinion of the Trustee, will not materially adversely affect the Certificateholders.*

Amendments And Supplements With Certificateholders' Consent

The Series 2008A Certificate Indenture may be amended or supplemented from time to time for any purpose with the consent of the owners of a majority in principal amount of the Series 2008A Certificates; provided, however, if the amendment or supplement concerns (a) the amounts payable upon any Series 2008A Certificate, (b) the dates of maturity, and redemption provisions of any Series 2008A Certificates, or (c) the number of owners required to approve amendments to the Series 2008A Certificate Indenture, then the owners of 100% of the principal amount of the Series 2008A Certificates shall approve such amendment or supplement. The Certificateholders need not approve the particular form of any proposed supplemental indenture, if such consent shall approve the substance thereof. Each Rating Agency shall receive prior written notice from the Authority of the proposed amendment, but such notice shall not be a condition to the effectiveness of such amendment.

Amendments and Supplements of Note

Amendments and Supplements Without Certificateholders' Consent

The Series 2008A Certificate Trustee shall without the consent of, or notice to, the Certificateholders consent to any amendment, change or modification of the Series 2008A Master Note (a) as may be required by the provisions of the Series 2008A Master Note or the Series 2008A Certificate Indenture, (b) for the purpose of curing any ambiguity or formal defect or omission in the Series 2008A Master Note, (c) to make any changes necessary to conform the Series 2008A Master Note to any amendment, change or modification of the Series 2008A Certificate Indenture, or (d) that, in the opinion of Counsel, will not materially adversely affect the Certificateholders.

Amendments and Supplements With Certificateholders' Consent

Except for the amendments, changes or modifications as provided above, neither the Authority nor the Series 2008A Certificate Trustee will consent to any other amendment, change or modification of the Series 2008A Master Note without the consent of the owners of a majority in principal amount of the Series 2008A Certificates; provided, however, that nothing contained in the Series 2008A Certificate Indenture shall permit, or be construed as permitting, any amendment, change or modification of the Authority's unconditional obligations to make payments under the Series 2008A Master Note.*

Defeasance

Payment and Defeasance

When the principal or redemption price (as the case may be) of and interest to the maturity or redemption prior to maturity on all Series 2008A Certificates issued under the Series 2008A Certificate Indenture have been paid, or provision has been made for payment of the same as described in the Series 2008A Certificate Indenture,

together with the compensation of the Series 2008A Certificate Trustee and all other sums payable under the Series 2008A Certificate Indenture by the Authority, the right, title and interest of the Series 2008A Certificate Trustee in the Series 2008A Master Note and the moneys payable thereunder shall thereupon cease and the Series 2008A Certificate Trustee, on demand of the Authority, shall release the Series 2008A Certificate Indenture and shall execute such documents to evidence such release as may be reasonably required by the Authority. Any remaining amounts in any funds or accounts established under the Series 2008A Certificate Indenture not being held for the payment of specific Series 2008A Certificates shall be turned over by the Series 2008A Certificate Trustee to or upon the order of the Authority.

Provision for the payment of Series 2008A Certificates or any portion thereof shall be deemed to have been made when the Series 2008A Certificate Trustee holds in the Certificate Fund either (i) cash in an amount sufficient to make all payments specified above with respect to such Series 2008A Certificates, (ii) Defeasance Obligations maturing on or before the date or dates when the payments specified above with respect to the Series 2008A Certificates shall become due, the principal amount of which and the interest thereon, when due, is or will be in the aggregate sufficient without any further reinvestment to make all such payments or (iii) any combination of such cash and such obligations the amounts of which and interest thereon, when due, are or will be in the aggregate sufficient without any further reinvestment to make all such payments.

Neither the obligations nor the moneys deposited with the Series 2008A Certificate Trustee shall be withdrawn or used for any purpose other than and shall be segregated and held in trust for the payment of the principal or Redemption Price of and interest on such Series 2008A Certificates or portions thereof.

Whenever moneys or obligations shall be deposited with the Series 2008A Certificate Trustee for the payment or redemption of Series 2008A Certificates more than 60 days prior to the date that such Series 2008A Certificates are to mature or be redeemed, the Series 2008A Certificate Trustee shall mail, by first class mail, postage prepaid a notice to the registered owners of Series 2008A Certificates for the payment of which such moneys or obligations are being held at their registered addresses stating that such moneys or obligations have been deposited.

Moneys so deposited with the Series 2008A Certificate Trustee that remain unclaimed three years after the date payment thereof becomes due shall be paid to the Authority; and the registered owners of the Series 2008A Certificates for which the deposit was made shall thereafter be limited to a claim against the Authority to the extent of such transferred amount.

Prior to or contemporaneously with the consummation of any defeasance, there shall be delivered by (i) Bond Counsel to the Authority and the Series 2008A Certificate Trustee an opinion to the effect that (A) such defeasance has been carried out in accordance with provisions of the Series 2008A Certificate Indenture and (B) that interest payable on those Series 2008A Certificates remaining outstanding following the consummation of the defeasance will not become includable in gross income for federal income tax purposes by reason of the consummation of such defeasance and (ii) a certified public accountant or firm thereof acceptable to the Authority, the Series 2008A Certificate Trustee and Bond Counsel a certificate verifying the adequacy of the principal and the interest amounts thereon of the authorized investments and other funds to be deposited to defease such Series 2008A Certificates, to provide for the payment, when due, of the principal of and interest on such Series 2008A Certificates.

THE MASTER INDENTURE

Granting Clause and General Provisions

Granting Clause

Each Obligation will be issued pursuant to the Master Indenture and will entitle each holder thereof to the protection of the covenants, restrictions and other obligations imposed upon the Obligated Issuers by the Master

Indenture. Such Obligations will be secured equally and ratably by the assignment and pledge to the Master Trustee of a security interest in the Trust Estate.

Master Indenture Obligations

Issuance

Each Obligated Issuer is permitted to issue one or more series of Obligations under the Master Indenture on which all Obligated Issuers will be jointly and severally liable pursuant to their Cross Guaranties. The terms of the Obligations shall be set forth in a Supplemental Indenture. All Obligations issued under the Master Indenture will be ratably secured and will be payable solely from the Trust Estate.

Payment

The principal of, premium, if any, and interest on the Obligations shall be payable in any currency of the United States of America which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. Such payment shall be made at the principal corporate trust office of the Master Trustee or, if an Obligated Issuer so elects, by check, draft or wire transfer to such Holder, in either case delivered on or prior to the date on which such payment is due. In the case of all payments made directly to a Holder, the Obligated Issuers shall give notice of such payment to the Master Trustee concurrently with the making thereof.

Cross Guaranties

Each Obligated Issuer, jointly and severally, unconditionally guarantees to the Holders of the Obligations and to the Master Trustee the due and punctual payment of the principal of, and interest on the Obligations and all other amounts due and payable under the Master Indenture; provided, however, in the event that any Cross Guarantee would constitute or result in a violation of any applicable fraudulent conveyance or similar law, then the liability of an Obligated Issuer under such Cross Guarantee shall be reduced to the maximum amount permissible under the applicable fraudulent conveyance or similar law. Subject to the preceding limitations on liability, each Cross Guarantee constitute a guarantee of payment in full when due and not merely a guarantee of collectability.

The Obligation of each Obligated Issuer under the Master Indenture is absolute and unconditional, and will not be impaired, modified, released or limited by any occurrence or condition whatsoever. Each Obligated Issuer has waived diligence, presentment, demand of payment, filing of claims with a court in the event of the merger, insolvency or bankruptcy of any other Obligated Issuer, any right to require a proceeding first against any other Obligated Issuer or to realize on any collateral, protest or notice with respect to the Obligations and all demands whatsoever.

Each Obligated Issuer has also agreed that if at any time all or any part of any payment theretofore applied by any person to any Obligation is, or must be, rescinded or returned for any reason whatsoever, including, without limitation, the insolvency, bankruptcy or reorganization of any Obligated Issuer, such Obligation shall for the purposes of any Obligated Issuer's Cross Guarantee to the extent that such payment is or must be rescinded or returned, be deemed to have continued in existence notwithstanding such application, and such Obligated Issuer's Cross Guarantee shall continue to be effective or be reinstated, as the case may be, as to such Obligations as though such application had not been made.

Each Obligated Issuer shall be subrogated to all rights of the Holders of the Obligations and the Master Trustee against the other Obligated Issuers in respect of any amounts paid pursuant to the Master Indenture; provided, however no Obligated Issuer shall be entitled to enforce such right of subrogation until all Obligations shall have been paid in full or discharged.

If any Person ceases to be an Obligated Issuer, such Person shall cease to be a "Cross Guarantor" under the Master Indenture, and its Obligations as such shall be terminated and released; provided, however, that the foregoing provision is inapplicable (a) if such Person ceases to be an Obligated Issuer as a result of a transaction which is prohibited by the terms of the Master Indenture or (b) if, at the time such Person would otherwise have been released

under the provisions of this paragraph, there has occurred and is continuing a default in the payment of principal, or interest, on any Obligation.

If an Obligated Issuer is called upon to make a payment under its Cross Guarantee, each of the other Obligated Issuers shall contribute to such paying Obligated Issuer their pro rata share, determined pursuant to the Master Indenture, of the amount of such payment.

Execution and Authentication

All Obligations will be executed for and on behalf of an Obligated Issuer by an authorized officer. Further, each Obligation will also be signed by an authorized officer of the Obligated Group Agent. Each Obligation will be manually authenticated by an authorized officer or employee of the Master Trustee, without which authentication no Obligation shall be valid or entitled to the benefits of the Master Indenture.

Establishment of Funds and Investment of Fund Money

The Obligated Issuers have caused the Revenue Fund to be created. The Obligated Issuers will cause each Depository to enter into a written depository agreement, which shall be satisfactory in form and substance to the Master Trustee, pursuant to which each Depository shall agree to hold any and all Net Revenues from time to time on deposit with such banking institution as assets of a trust for the Holders of the Obligations and to transfer the Net Revenues to the Master Trustee upon receipt from the Master Trustee of a notice stating that delivery of such Net Revenues is required pursuant to the Master Indenture.

The Obligated Issuers have agreed to deposit daily, so far as practicable, all of the Gross Revenues into the Revenue Fund. Unless on the date on which any account payment is due and payable on Outstanding Obligations, there shall have been paid to the Master Trustee for deposit in the appropriate funds established under the Master Indenture moneys sufficient for the payment in full of all payments due and payable on such due date, the Net Revenues will be delivered on such due date to the Master Trustee by the transfer thereof by each Depository to the credit of the Master Trustee until the total of the Net Revenues delivered to the Master Trustee for such month shall equal the total amount of such payments, at which time such banking institution or institutions may suspend the further delivery of the Net Revenues until the next date upon which any payment on Outstanding Obligations is due and not paid in which event the Net Revenues shall be again delivered to the Master Trustee as aforesaid. On any day that any Depository is not obliged to deliver Net Revenues to the Master Trustee because of a failure to make payments on Outstanding Obligations which are due and payable, the Obligated Issuers shall have full authority to withdraw funds from the Revenue Fund and to expend such funds for any lawful purpose.

The Master Trustee will apply the Net Revenues in the same manner as the payments on the Outstanding Obligations are to be applied.

Unless the Depositories are required to deliver the Net Revenues held in the Revenue Fund to the Master Trustee as described above, all money held at any time in any fund established hereunder shall be invested in accordance with the Obligated Issuer's normal investment practices. Any money received by the Master Trustee following a failure by the Obligated Issuers to make any payment on any Outstanding Obligation when due and payable will be invested by the Master Trustee, without need of any further authorization or direction only in Investment Securities. The Master Trustee will not be liable or responsible for any loss resulting from any such investment.

Conditions to Issuance of Obligations

Simultaneously with or prior to the execution, authentication and delivery of Obligations pursuant to the Master Indenture:

- (a) all requirements and conditions to the issuance of such Obligations, if any, set forth in the Master Indenture and the Supplemental Indenture shall have been complied with and satisfied, as evidenced by an opinion of counsel;

(b) the applicable Obligated Issuer or the Obligated Group Agent shall have delivered to the Master Trustee such opinions, certificates, proceedings, instruments and other documents as the Master Trustee or the Related Bond Issuer, if any, may reasonably request;

(c) the requirements of the Master Indenture with respect to the incurrence of Additional Indebtedness shall have been satisfied if such Obligations constitute Indebtedness;

(d) each Supplemental Indenture shall specify the purpose or purposes for which such Obligations are being issued, which may be any purpose within the corporate power of the applicable Obligated Issuer; and

(e) the Obligated Group Agent shall have delivered to the Master Trustee an opinion of counsel, regarding the Securities Act of 1933 and the Trust Indenture Act of 1939, as required pursuant to the Master Indenture.

Membership in and Withdrawal From the Obligated Group

Conditions for Membership

The Master Indenture permits Persons to become Obligated Issuers upon the satisfaction, the following conditions:

(a) such Person shall execute and deliver to the Master Trustee an appropriate instrument, satisfactory to the Obligated Group Agent, containing (i) the agreement of such Person to become an Obligated Issuer under the Master Indenture and thereby to become subject to compliance with all provisions of the Master Indenture pertaining to an Obligated Issuer, including the performance and observance of all covenants and obligations of an Obligated Issuer under the Master Indenture; (ii) the agreement of such Person to secure the written consent of the Obligated Group prior to incurring any Obligations; and (iii) such other restrictions on the ability of such Person to incur Obligations as shall be imposed by the Obligated Group;

(b) the Master Trustee shall have received an Officer's Certificate from the Obligated Group Agent (i) to the effect that the Obligated Group Agent consents to such Person becoming an Obligated Issuer and (ii) instructing the Master Trustee to amend the description of the Healthcare Premises;

(c) the Master Trustee shall have received an opinion of counsel to the effect that (i) the conditions contained in the Master Indenture relating to such Person's membership in the Obligated Group have been satisfied; (ii) under then existing law, such Person becoming an Obligated Issuer will not subject any Obligation to the registration provisions of the Securities Act of 1933, as amended, or any applicable state law of a similar nature or that such Obligation has been so registered if so required, or subject to qualification of the Master Indenture or any Supplemental Indenture pursuant to the Trust Indenture Act of 1939, as amended or any applicable state law of a similar nature or that the Master Indenture or Supplemental Indenture has been so qualified if qualification is required; and (iii) the instrument described in (a) above has been duly authorized, executed and delivered by such Person and constitutes a legal, valid and binding agreement, enforceable in accordance with its terms, except as limited by then-existing laws relating to bankruptcy and insolvency and other standard and customary legal exceptions;

(d) if all amounts due or to become due on any Outstanding Related Bond which bears interest that is not includable in gross income under the Code has not been paid to the holder thereof (or provision for such payment has not been made in such manner as to have resulted in the defeasance of the Related Financing Documents), the Master Trustee shall receive an Opinion of Bond Counsel to the effect that under then existing law such Person becoming an Obligated Issuer would not adversely affect the validity of such Related Bond or cause the interest payable on such Related Bond to become includable in gross income under the Code; and

(e) The Master Trustee shall receive an Officer's Certificate from the Obligated Group Agent to the effect that (i) no event of default then exists under the Master Indenture, nor to such officer's knowledge, does there then exist any event which, with the passage of time or giving of notice or both, would or might become an event of default under the Master Indenture, and (ii) either (1) if one dollar of Additional Indebtedness were incurred immediately following such Person's admission, the Obligated Issuers would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (a) (i) or (ii) under the heading "Additional Long-Term Indebtedness" (assuming, for purposes of such Certificate, that the Income Available for Debt Service and Indebtedness of such Person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such Person becoming a member of the Obligated Group will cure any event of default then in existence under the Master Indenture, or (3) by reason of such membership, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such entry into the Obligated Group will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such entry into the Obligated Group not occurred, and (iii) immediately after the addition of the Person to the Obligated Group, the Obligated Group's fund balance is at least 90% of what it was prior to the addition of such Person.

Withdrawal from the Obligated Group

No Obligated Issuer may withdraw from the Obligated Group unless:

(a) If the Obligated Issuers are other than the Obligated Group Agent, the Obligated Group Agent consents to the withdrawal;

(b) If all amounts due on any Related Bond which bears interest that is not includable in gross income under the Code have not been paid to the holder thereof, the Master Trustee shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then existing law such Person's withdrawal from the Obligated Group would not cause the interest payable on such Related Bond to become includable in gross income under the Code;

(c) The Master Trustee received an Officer's Certificate from the Obligated Group Agent (i) to the effect that either (1) after giving effect to such withdrawal, if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (A)(a) (i) or (ii) under the heading "Long-Term Indebtedness," or (2) such Person's withdrawal from the Obligated Group will cure any event of default then in existence under the Master Indenture, or (3) by reason of such withdrawal, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following withdrawal of such Obligated Issuer from the Obligated Group will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such withdrawal not occurred and (ii) instructing the Master Trustee to amend the description of the Healthcare Premises and the Unrestricted Property;

(d) The Master Trustee received an Officer's Certificate from the Obligated Group Agent to the effect that, immediately after the withdrawal of such Person from the Obligated Group, no event of default then exists under the Master Indenture, nor to such officer's knowledge, does there then exist any event which, with the passage of time or giving of notice or both, would or might become an Event of Default; and

(e) To the extent that Obligations have been issued or proceeds thereof shall have been paid or applied for the primary benefit of the withdrawing Obligated Issuer, the Master Trustee received an Officer's Certificate for the Obligated Group Agent, together with any other evidence that the Master Trustee may reasonably require, stating that such Obligation has been paid or deemed paid in accordance with the Master Indenture.

Upon compliance with the above conditions, the Master Trustee may execute any documents reasonably requested by the withdrawing Obligated Issuer to evidence the termination of such Authority's obligations under the Master Indenture, under any Supplemental Indenture and under all Obligations.

The Authority has agreed not to withdraw from the Obligated Group. See “Special Covenants of the Authority.”*

Limitations on Incurrence of Additional Indebtedness

Short Term Indebtedness

Each Obligated Issuer has agreed that it will not incur any Additional Indebtedness constituting Short-Term Indebtedness:

(a) (i) unless immediately after the occurrence of such Short-Term Indebtedness, the principal amount of all Short-Term Indebtedness (exclusive of Long-Term Indebtedness) of the Obligated Issuers then Outstanding does not exceed 20% of the Total Net Operating Revenues for the most recent Fiscal Year for which consolidated or combined financial statements reported upon by an independent certified public Accountant are available, or

(ii) any such Short-Term Indebtedness could be incurred under the tests set forth in the Master Indenture treating such Short-Term Indebtedness as Long-Term Indebtedness pursuant to Subsection (A) under the heading “Long-Term Indebtedness,” or

(iii) any such Short-Term Indebtedness falls within the “basket” of Indebtedness pursuant to (B) under the heading “Long-Term Indebtedness,” and

(b) For a period of not fewer than 15 consecutive days within each Fiscal Year, the Obligated Issuers shall reduce the aggregate principal amount of all Outstanding Short-Term Indebtedness described in (a)(i) above to less than 5% of Total Net Operating Revenues for the immediately preceding Fiscal Year.

Long-Term Indebtedness and Total Indebtedness

(A) Each Obligated Issuer shall be permitted to incur Long-Term Indebtedness provided such Long-Term Indebtedness consists of one or more of the following:

(a) Long-Term Indebtedness of any Obligated Issuer, if prior to the incurrence thereof, there is delivered to the Master Trustee:

(i) (A) an Officer’s Certificate of the Obligated Group Agent (which must be based on consolidated or combined financial statements prepared by an independent certified public Accountant) certifying that the Historical Debt Service Coverage Ratio for the most recent Fiscal Year preceding the delivery of such Officer’s Certificate was not less than 1.10 (or 1.00 if a Consultant certifies that the 1.10 coverage cannot be met due to government regulation); and (B) a Consultant’s report (which must be based on consolidated or combined financial statements prepared by an independent certified public Accountant) certifying that the Projected Debt Service Coverage Ratio for the first complete Fiscal Year following the later of (x) the delivery of such Consultant’s Report or (y) the date upon which the assets financed by such Long-Term Indebtedness were placed in service will not be less than 1.20 (or 1.00 if the Consultant certifies that the 1.20 coverage cannot be met due to government regulation); or

(ii) (A) an Officer’s Certificate of the Obligated Group Agent (which must be based on consolidated or combined financial statements prepared by independent certified public Accountant) certifying that the Projected Debt Service Coverage Ratio for the first complete Fiscal Year following the later of (x) the delivery of such Officer’s Certificate or (y) the date upon which the assets financed by such Long-Term Indebtedness were placed in service will not be less than 1.50 (or 1.00 if a Consultant certifies that 1.50 coverage cannot be met due to government regulation); and (B) an Officer’s Certificate of the Obligated Group Agent (which must be based on consolidated or combined financial statements prepared by an independent certified public

Accountant) certifying that the Historical Pro Forma Debt Service Coverage Ratio for the most recent Fiscal Year preceding the delivery of such Officer's Certificate was not less than 1.25 (or 1.00 if a Consultant certifies that the 1.25 coverage cannot be met due to government regulation); or

(iii) An Officer's Certificate of the Obligated Group Agent certifying that, immediately following the incurrence of such Long-Term indebtedness, the total Outstanding Long-Term Indebtedness of the Obligated Issuers will not exceed 60% of the Capitalization.

(b) Completion Indebtedness of any Obligated Issuer without limit if there is delivered to the Master Trustee: (i) an Officer's Certificate of the applicable Obligated Issuer stating that at the time the original Long-Term Indebtedness for the Property to be completed was incurred, such Obligated Issuer had reason to believe that the proceeds of such Long-Term Indebtedness, together with other moneys then expected to be available, would provide sufficient moneys for the completion of such Property; (ii) a statement of an Architect or an expert setting forth the amount estimated to be needed to complete the Property; and (iii) an Officer's Certificate of such Obligated Issuer stating that the proceeds of such Completion Indebtedness to be applied to the completion of the Property, together with a reasonable estimate of investment income to be earned on such proceeds and the amount of moneys, if any, committed to such completion by such Obligated Issuer or through enumerated bank loans (including letters or lines of credit) or through federal or state grants, will be in an amount not less than the amount set forth in the statement of an Architect or other expert referred to in (ii).

(c) Commitment Indebtedness of any Obligated Issuer or any Guaranty of any Commitment Indebtedness of any Obligated Issuer without limit.

(d) Long-Term Indebtedness of any Obligated Issuer incurred for the purpose of refunding, repurchasing or refinancing (whether in advance or otherwise) any outstanding Long-Term Indebtedness if there is delivered to the Master Trustee an Officer's Certificate certifying that the total debt service on the refunding Indebtedness is not more than 110% of the total debt service on the refunded Indebtedness.

(e) The conversion without limit of Long-Term Indebtedness of any Obligated Issuer that is convertible from one interest or payment mode to another interest or payment mode (*e.g.*, weekly to monthly or to a fixed rate) from one mode to another pursuant to the terms of the documentation authorizing such Long-Term Indebtedness.

(f) Subordinated Indebtedness without limit of any Obligated Issuer or Non-Recourse Indebtedness without limit of any Obligated Issuer.

(g) The Initial Obligations.

(h) Liabilities for contributions to self-insurance or shared or pooled-risk insurance programs required or permitted to be maintained under the Master Indenture.

(i) Capitalized leases in an amount not to exceed 15% of Total Net Operating Revenues.

(j) Long-term Indebtedness in accordance with (B) below.

(B) In addition to the circumstances set forth as items (a)(i) and (ii) of the section titled Short-Term Indebtedness, and item (A)(a)-(i) of this section, the Obligated Issuers shall be able to incur Indebtedness (both Short-Term and Long-Term) the principal amount of which, together with all other Indebtedness issued and outstanding pursuant to this (B), does not exceed 20% of the Total Net Operating Revenues.

Notwithstanding anything to the contrary contained under "Short Term Indebtedness" or in this Section, the total Short-Term Indebtedness, capitalized leases and Indebtedness issued pursuant to (B) above shall not exceed 35% of Total Net Operating Revenues.

Guaranties

The Obligated Issuers agreed that they will not enter into, or become liable in respect of, any Guaranty in excess of \$200,000 per Guaranty and \$2,000,000 in aggregate unless (a) the principal amount of the indebtedness being guaranteed could then be incurred as Long-Term Indebtedness described under the heading “Long-Term Indebtedness,” taking into account the assumptions as to calculating the aggregate annual principal and interest payments on, and the principal amount of, the indebtedness being guaranteed, contained in the immediately succeeding paragraph and (b) the principal obligor is a Limited Obligor.

In the case of Guaranties of indebtedness that would, if such indebtedness were incurred by an Obligated Issuer, constitute Long-Term Indebtedness, the aggregate annual principal and interest payments on, and the principal amount of, the Guaranty shall, for purposes of this paragraph, be deemed to be equal to 100% of the principal and interest payments which would be payable on the indebtedness being guaranteed as if such indebtedness were Long-Term Indebtedness of the Guarantor; provided, however if (a) the guarantor has not been required, by reason of its Guaranty, to make any payment in respect of the indebtedness which is guaranteed within the immediately preceding 24 months, (b) an Officer’s Certificate delivered to the Master Trustee demonstrates that the Guaranteed Debt Service Coverage Ratio is not less than 1:1, and (c) the principal obligor has delivered to the Obligated Group Agent and the Master Trustee financial statements for the principal obligor for the fiscal year for which the Guaranteed Debt Service Coverage Ratio is calculated, the aggregate annual principal and interest payments on, and the principal amount of the Guaranty shall be equal to 20% of the principal and interest payments which would be payable on the indebtedness being guaranteed.

Limited Obligors

Any Person will become a Limited Obligor upon delivery to the Master Trustee of the following:

(a) an Officer’s Certificate from the Obligated Group Agent to the effect that the Obligated Group Agent consents to such Person becoming a Limited Obligor;

(b) an opinion of Counsel to the effect that the Pledged Note (i) has been duly authorized, executed and delivered by the Limited Obligor and (ii) constitutes the legal, valid and binding obligation of the Limited Obligor, enforceable in accordance with its terms, subject only to and limited by the then existing law relating to bankruptcy and insolvency and other customary and standard legal exceptions, and an opinion of Counsel to the applicable Obligated Issuer to the effect that the Pledged Note has been validly assigned by the applicable Obligated Issuer to the Master Trustee; and

(c) the duly executed Pledged Note made by such Person.

Release of Limited Obligor

Any Person shall be released from its obligations and status as a Limited Obligor upon the following conditions:

(a) the Master Trustee shall have received an Officer’s Certificate from the Obligated Group Agent consenting to the release of such Person from its status as a Limited Obligor and certifying that immediately after the release of such Person, no Event of Default would then exist under the Master Indenture, nor to such officer’s knowledge, would there then exist any event which, with the passage of time or giving of notice or both, would or might become an Event of Default; and

(b) the Master Trustee shall have received an Officer’s Certificate from the Obligated Group Agent to the effect that either (i) after giving effect to such release, if one dollar of Additional Indebtedness were incurred, the Obligated Issuers would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to Subsection (A)(a)(i) or (ii) under the heading “Long-Term Indebtedness”, or (iii) by reason of such release, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years immediately following such release will be

greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such release not occurred, or (iv) such Person has become an Obligated Issuer.

Upon compliance with the conditions contained in the paragraph above, the Master Trustee shall surrender the Pledged Note to the released Person, duly marked "cancelled" and shall execute such other documents reasonably requested by such Person to evidence the termination of such Person's status as a Limited Obligor.

Debt Service on Balloon Indebtedness and Variable Rate Indebtedness

For purposes of the covenants and computations required or permitted under the Master Indenture, it shall be assumed that (a) the interest rate on Variable Rate Indebtedness is equal to that rate derived from the Bond Index and (b) the principal of Balloon Indebtedness is amortized as follows:

(i) in the case of Balloon Indebtedness (A) containing no stated maturity date or (B) having a stated maturity date with a provision for the automatic extension thereof unless written notice of nonextension is given to the applicable Obligated Issuer prior to the stated maturity date thereof (after taking into account any previous extensions thereof), from the date of calculation thereof over a term of twenty-five (25) years with level annual debt service payments at an assumed interest rate equal to the Bond Index; or

(ii) in the case of Balloon Indebtedness having a stated maturity date and a sinking fund providing for the payment thereof, during the term to the maturity thereof by deposits made to a sinking fund therefor pursuant to the terms of such Balloon Indebtedness or in accordance with a sinking fund schedule established by resolution of the Governing Body of the applicable Obligated Issuer adopted at or subsequent to the time of incurrence of such Balloon Indebtedness, as certified in an Officer's Certificate, provided that, at the time of such calculation, all deposits required to have been made prior to such date shall have been made; or

(iii) in the case of Balloon Indebtedness having a stated maturity date and no provision for the automatic extension thereof as described in subsection (i) above, from the date of calculation thereof to the stated maturity date; or

(iv) with respect to Balloon Indebtedness for which there exists a Credit Facility, the principal of such Balloon Indebtedness is due and payable in the amounts and at the times specified in the Credit Facility.

Insurance

Coverage

Each Obligated Issuer will maintain, or cause to be maintained insurance covering such risks and in such amounts as, in its reasonable judgment, is adequate to protect it and its Property and operations, including (to the extent that such Obligated Issuer is a health care institution) professional liability or medical malpractice insurance. The Authority will file a report on the adequacy of such insurance at least once every two years. The Obligated Group Agent shall retain an Insurance Consultant who will prepare a report on the adequacy of such insurance once every five years. Each Obligated Issuer will follow any recommendations of the Insurance Consultant to the extent feasible in the opinion of the Obligated Group Agent.

Self-Insurance

In lieu of maintaining the insurance policies required above, the Obligated Issuers, or any member thereof, may self-insure any of the required coverages (or a portion thereof) other than casualty insurance.

Recovery of Insurance Proceeds

In the event of damage to or destruction of all or any part of the Property of the Obligated Issuers with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Issuers, the affected Obligated Issuer or the Obligated Group Agent shall exercise its best efforts to recover any applicable insurance. From such proceeds the Obligated Group Agent shall provide for the payment or reimbursement of reasonable expenses of obtaining the recovery. The Obligated Group Agent shall then give notice to the Master Trustee of such expenses and of the amount of the remaining proceeds (herein called the "Net Proceeds").

Use of Net Proceeds

Subject to the provisions of any Related Financing Document, the affected Obligated Issuer shall apply the Net Proceeds for any lawful corporate purpose as such Obligated Issuer determines, if the Obligated Group Agent shall first have delivered to the Master Trustee an Officer's Certificate stating that the Projected Debt Service Coverage Ratio for each of the next two full succeeding Fiscal Years immediately following the date of such certificate(s), taking into account such damage or destruction and the proposed use of the Net Proceeds is at least 1.10. If the Obligated Group Agent is unable to deliver the foregoing Officer's Certificate, the affected Obligated Issuer shall apply the Net Proceeds or so much thereof as may be needed to the repair, replacement, restoration or reconstruction of the affected Property or, at the option of the applicable Obligated Issuer, to any other capital project of equivalent value and utility, to the acquisition of any property or to the repayment in whole or in part of any Outstanding Obligations. Subject to the provisions of any Related Financing Document, such Obligations shall be prepaid ratably.

Balance of Net Proceeds

Any Net Proceeds remaining after compliance by the affected Obligated Issuer and the Obligated Group Agent with the immediately preceding paragraph shall be transferred by the Obligated Group Agent to the Master Trustee and applied to the redemption or defeasance of the Outstanding Obligations. Subject to the provisions of any Related Financing Document, such Obligations shall be prepaid/defeased ratably.

Eminent Domain

In the event of a taking by eminent domain of all or any part of the Property of the Obligated Issuers with a Value in excess of five percent (5%) of the Value of all Property of the Obligated Issuers, the affected Obligated Issuer or the Obligated Group Agent shall exercise its best efforts to recover any applicable proceeds. Such proceeds shall be paid to the Obligated Group Agent. The Obligated Group Agent shall make appropriate deductions from such proceeds and give notice to the Master Trustee of such deductions and of the amount of the remaining proceeds (also, "Net Proceeds"). The Net Proceeds shall be applied in the same manner as insurance proceeds are applied pursuant to the two immediately preceding paragraphs.

General Covenants of Each Obligated Issuer

Covenants as to Corporate Existence, Maintenance of Properties, Etc.

Each Obligated Issuer has covenanted to: (a) maintain its corporate or other separate legal existence and to be qualified to do business where such qualification is necessary, (b) maintain and keep its Property in good repair, conduct its affairs in compliance with all applicable laws and regulations, (c) pay all lawful taxes and governmental charges and assessments levied or assessed upon or against it or its Property (except that each Obligated Issuer thereof may delay or defer such payments where the validity of such taxes and assessments is being contested in good faith), (d) comply with any covenants and provisions of any Liens upon its property or securing any of its Indebtedness, and (e) procure and maintain all necessary licenses and permits, maintain accreditation of its health care Facilities and its status as a provider of health care services eligible for reimbursement under government programs.

Limitation on Creation of Liens

Each Obligated Issuer has agreed not to create, or allow to be created, any Lien upon the Trust Estate or any Property, other than Permitted Liens.

Consolidation, Merger, Sale or Conveyance

Each Obligated Issuer has covenanted not to merge with or consolidate with any other Person not an Obligated Issuer or sell or convey all or substantially all of its assets to any Person not an Obligated Issuer unless:

(a) Either it will be the surviving corporation, or the successor corporation (if other than the Obligated Issuer) shall be a Person organized and existing under the laws of the United States of America or a state thereof and shall become an Obligated Issuer and shall expressly assume the due and punctual payment of the principal of, premium, if any, and interest on all Outstanding Obligations according to their tenor, and the due and punctual performance and observance of all of the covenants and conditions of the Master Indenture by a Supplemental Indenture satisfactory to the Master Trustee, executed and delivered to the Master Trustee by such Person.

(b) If all amounts due or to become due on any Related Bonds which bear interest that is not includable in gross income under the Code have not been fully paid to the holders thereof, the Master Trustee shall have received an Opinion of Bond Counsel, in form and substance satisfactory to the Master Trustee, to the effect that under then-existing law the consummation of such merger, consolidation, sale or conveyance, whether or not contemplated on the date of the delivery of any such Related Bonds, would not cause the interest payable on such Related Bonds to become includable in gross income under the Code; and

(c) There is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent to the effect that immediately following such transaction, (i) no event of default then exists nor, to such officer's knowledge, does there exist any event which, with the passage of time or the giving of notice or both, would or might become an event of default under the Master Indenture, and (ii) either (1) if one dollar of Additional Indebtedness were incurred, the Obligated Group would meet the tests providing for the incurrence of Long-Term Indebtedness described in subsection (A)(a) (i) or (ii) under the heading "Long-Term Indebtedness," (assuming for purposes of such Certificate that the Income Available for Debt Service and Indebtedness of such person were Income Available for Debt Service and Indebtedness of an Obligated Issuer), or (2) such transaction will cure any event of default then in existence under the Master Indenture, or (3) by reason of such transaction, the Projected Debt Service Coverage Ratio for each of the two Fiscal Years following such transaction will be greater than the Projected Debt Service Coverage Ratio for such Fiscal Years had such transaction not occurred and (iii) the Obligated Group's fund balance is at least 90% of what it was prior to such transaction.

In case of any such consolidation, merger, sale or conveyance and upon any such assumption by the successor corporation and in the case of a merger or consolidation by an Obligated Issuer with another Obligated Issuer, such successor corporation will succeed to and be substituted for its predecessor. Following any such consolidation, merger, sale or conveyance, the Obligated Group Agent shall provide the Master Trustee with an Officer's Certificate instructing the Master Trustee to amend the description of the Healthcare Premises. Arrangements pursuant to which control of any Obligated Issuer is vested in another person shall not constitute a disposition, consolidation, merger or sale.

Disposition of Property

Each Obligated Issuer has agreed that neither it will sell, lease or otherwise dispose of any Property, except for sales, leases or other dispositions of Property:

(a) to another Obligated Issuer;

(b) to any Person if prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate stating that, in the judgment of the officer executing such certificate, such Property has become, or within the next succeeding 24 calendar months is reasonably expected to become, inadequate, obsolete, worn out, unsuitable, unprofitable, undesirable or unnecessary and the sale, lease, removal or other disposition thereof will not impair the structural soundness, efficiency or economic value of the remaining Property;

(c) to any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent certifying that Property transferred pursuant to this paragraph (c) in the then-current Fiscal Year by all Obligated Issuers does not exceed 5% of the Value of all Property of the Obligated Issuers for the immediately preceding Fiscal Year;

(d) to any Person provided that prior to the sale, lease or other disposition there is delivered to the Master Trustee an Officer's Certificate of the Obligated Group Agent, to the effect that immediately after the transfer in question, either (i) if one dollar of Additional Indebtedness were incurred, the Obligated Issuers would meet the test providing for the incurrence of Long-Term Indebtedness pursuant to subsection (A)(a) (i) or (ii) above contained under the heading "Long-Term Indebtedness" or (ii) such disposition will increase the Projected Debt Service Coverage Ratio in the Fiscal Year immediately following such disposition over what such ratio would have been in such Fiscal Year had such disposition not occurred;

(e) as part of a merger, consolidation, sale or conveyance permitted under the heading "Consolidation, Merger, Sale or Conveyance";

(f) to any Person in the ordinary course of business;

(g) to any Person provided that the sale or disposition relates to the sale or disposition of accounts receivable and that such sale or disposition is without recourse, or, if such sale or disposition is limited to 25% of the average gross accounts receivable;

(h) to any Person in connection with an operating lease of Property to such Person;

(i) upon fair and reasonable terms no less favorable than would be obtained in a comparable arm's-length transaction;

(j) to any Person if the transfer involves any Property received as restricted gifts, grants, bequests or other similar sums or the income thereon, to the extent that such sums may not be pledged or applied to the payment of any Debt Service Requirement or operating expenses generally as a result of restrictions or designations imposed by the donor or maker of the gift, grant, bequest or other sums in question;

(k) to any Person if the transfer constitutes a Permitted Lien; or

(l) to any Person if the Property is Unrestricted Property.

The Authority has agreed not to sell, lease or dispose of the real property known as the Southeast Georgia Health System Brunswick Campus in whole or in a series of transactions that constitute in the aggregate a sale, lease or disposal in whole. See "Special Covenants of the Authority."*

Rates and Charges

The Obligated Issuers have agreed to fix, charge and collect subject to applicable requirements or restrictions imposed by law, notes, fees and charges for the use of and for the services furnished by the Obligated Issuer will be sufficient in each Fiscal Year (a) to produce Total Income Available for Debt Service equal to at least 110% (or 100% if a consultant certifies that the 110% coverage cannot be met due to the government regulations) of Maximum Annual Debt Service for such and any subsequent Fiscal Year and (b) together with any other moneys

that shall be available to the Obligated Issuers, enable the Obligated Issuers to discharge their Obligations as they become due and payable for said Fiscal Year.

Special Covenants of the Authority*

In connection with the issuance of the Series 2008A Certificates, the Authority agreed that it will not (i) withdraw from the Obligated Group or (ii) sell, lease or dispose of the real property known as the Southeast Georgia Health System Brunswick Campus in whole or in a series of transactions that constitute in the aggregate a sale, lease or disposal in whole.

Events of Default and Remedies

Events of Default

The following events are “Events of Default” under the Master Indenture:

(a) the failure of any Obligated Issuer to make any payment of principal, redemption price or interest when due under the terms of any Obligations and such failure continues to exist as of the end of any applicable grace period; or

(b) the failure of any Obligated Issuer to observe or perform any covenant or agreement contained in the Master Indenture or any Related Financing Documents for any Obligations for a period of 30 days after written notice of such failure, requiring the same to be remedied, has been given by the Master Trustee to each of the Obligated Issuers, the giving of which notice shall be at the discretion of the Master Trustee unless the Master Trustee is requested in writing to do so by the holders of at least 25% in aggregate principal amount of all Outstanding Obligations, in which event such notice shall be given; provided, however, that if such observance or performance requires work to be done, actions to be taken, or conditions to be remedied, which by their nature cannot reasonably be done, taken or remedied within such period, no Event of Default shall be deemed to have occurred or to exist if, and so long as, the defaulting Obligated Issuer shall commence such observance or performance within such thirty-day period and shall diligently and contributorily prosecute the same to completion;

(c) (i) the default of any Obligated Issuer in the payment of any Indebtedness (other than Obligations issued and Outstanding under the Master Indenture), the principal amount of which in the aggregate exceeds 10% of the Net Operating Revenues of the Obligated Issuers for the immediately preceding Fiscal Year, whether such Indebtedness now exists or shall be created after the date of the Master with respect thereto shall have expired, or (ii) an event of default as defined in any Related Financing Documents under which any such Indebtedness may be issued, secured or evidenced shall occur, which default in payment or event of default results in such Indebtedness becoming or being declared due and payable prior to the date on which it would otherwise be due and payable; provided, however, that such default will not constitute an Event of Default if within the time allowed for service of a responsive pleading in any proceeding to enforce payment of the Indebtedness under the laws governing such proceeding (A) the Obligated Issuers commence proceedings to contest the existence or payment of such Indebtedness, and (B) in the absence of such contest, neither the pledge and security interest created under the Master Indenture nor any Property of the Obligated Issuers will be materially impaired or subject to material loss or forfeiture;

(d) if a decree or order by a court having jurisdiction shall have been entered adjudging any Obligated Issuer as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization or arrangement of any Obligated Issuer under the United States Bankruptcy Code or any other similar applicable federal or state law, and such decree or order of a court having jurisdiction in the premises for the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of the Obligated Issuers or of its property, or for the winding-up or liquidation of its affairs, shall have been entered, and such decree or order shall have remained in force undischarged and unstayed for a period of 180 days;

(e) if any Obligated Issuer shall institute proceedings to be adjudicated bankrupt, or shall consent to the institution of a bankruptcy proceeding against it, or shall file a petition or answer or consent seeking reorganization or arrangement under the United States Bankruptcy Code or any other similar applicable federal or state law, or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver or trustee or assignee in bankruptcy or insolvency of it or of its Property, or shall make assignment for the benefit of creditors, or shall admit in writing its inability to pay its debts generally as they become due, or corporate action shall be taken by any Obligated Issuer in furtherance of any of the aforesaid purposes; or

(f) failure by the Obligated Issuers to deliver the Net Revenues to the Master Trustee as required by the Master Indenture.

Acceleration

Upon the occurrence of an event of default, therein and in each and every case, the Master Trustee may, by notice in writing to the Obligated Issuers and upon the prior written consent of the Holder of any Obligation if such consent is required in any such Obligation, declare the principal of all (but not less than all) Outstanding Obligations to be immediately due and payable. The Master Trustee shall be required to make such a declaration (i) if an event of default described in (a) under "Events of Default" has occurred, (ii) if an event of default described under (b) under "Events of Default" has occurred as a result of a default under the Related Financing Documents for any Obligations, if the Related Financing Documents permit the Holders of such Obligations to declare (or to request the Master Trustee to declare) such Obligations to be immediately due and payable and if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of such Obligations then Outstanding or such greater percentage as may be required under the Related Financing Documents, or (iii) if the Master Trustee is requested to make such a declaration by the Holders of not less than 25% in aggregate principal amount of all Outstanding Obligations.

Any acceleration of the principal shall be subject to the condition that if, at any time after the principal of all Outstanding Obligations shall have been accelerated, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered: (i) one or more Obligated Issuers shall deposit with the Master Trustee an aggregate sum sufficient to pay (A) all matured installments of interest upon all Outstanding Notes and the principal and premium, if any, of all Outstanding Notes due otherwise than by acceleration (with interest on overdue installments of interest, to the extent permitted by law and on such principal and premium, if any, at the respective rates borne by such Notes to the date of such deposit) and any other amounts required to be paid pursuant to such Notes, (B) all amounts due under each Guaranty other than by reason of acceleration, (C) all sums due under any Obligations other than Notes and Guaranties, other than by reason of acceleration, and (D) the expenses and fees of the Master Trustee; and (ii) any and all events of default under the Master Indenture, other than the nonpayment of principal of and accrued interest on Outstanding Obligations that have become due by acceleration, shall have been remedied, then and in every such case, the Master Trustee shall, if requested by the Holders of 25% in aggregate principal amount of all Obligations then Outstanding, waive all events of default and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or effect any subsequent Event of Default.

Payment of Obligations on Default

Upon the occurrence of an event of default, as described in the Master Indenture and upon demand of the Master Trustee, each Obligated Issuer will pay to the Master Trustee, for the benefit of the Holders of all Outstanding Obligations, (i) the whole amount then due and payable on all Obligations for principal or interest, or both, and such other amounts as may be required to be paid on all such Obligations, with interest on the overdue principal and installments of interest (to the extent permitted by law) at the respective rates of interest borne by such Obligations or as is provided in the applicable Supplemental Indenture, and (ii) such further amounts sufficient to cover the cost and expenses of collection, including a reasonable compensation to the Master Trustee, its agents, attorneys and counsel, and any expenses incurred by the Master Trustee other than as a result of its gross negligence or bad faith.

Application of Moneys Collected

Any amounts collected by the Master Trustee in connection with the exercise of any rights and remedies following an Event of Default and, except as otherwise provided in the Master Indenture, all money and Investment Securities on deposit in any funds which the Master Trustee may establish under the Master Indenture from time to time shall be applied for the equal and ratable benefit of the Holders of Obligations in the following order at the date or dates fixed by the Master Trustee for the distribution of such moneys, upon presentation of such Obligations, and stamping thereon the payment, if only partially paid, and upon surrender thereof if fully paid:

(a) to the payment of costs and expenses of collection, including fees of Counsel and reasonable compensation to the Master Trustee; and, thereafter;

(b) whether or not the principal of all Outstanding Obligations shall have become or have been declared due and payable to Holders of the Outstanding Obligations for amounts due and unpaid on the Obligations, ratably, without preference or priority of any kind, according to the amounts due and payable on the Obligations; provided that for the purpose of determining the unpaid amount of any Obligation, there shall be deducted the amount, if any, which has been realized by the Holder by exercise of its rights as a secured party with respect to any Liens permitted pursuant to the Master Indenture or is on deposit in any fund established pursuant to any Related Financing Documents for such Obligations (other than amounts consisting of payments of principal and interest previously made and credited against the payments due under such Obligations) as of the date of payment by the Master Trustee pursuant to this subsection (b), all as certified to the Master Trustee by the Holder; and

(c) to the payment of the remainder, if any, to the Obligated Group Agent, its successors or assigns, or to whomsoever may be lawfully entitled to receive the same, or as a court of competent jurisdiction may direct.

Actions by Holders

No Holder of an Obligation will have any right by virtue of or by availing of any provision of the Master Indenture to institute any suit, action or proceeding in equity or at law upon or under or with respect to the Master Indenture or for the appointment of a receiver or trustee, or any other remedy, unless the Holders of not less than 25% in aggregate principal amount of Obligations then Outstanding (i) shall have made written request upon the Master Trustee to institute such action, suit or proceeding in its own name as Master Trustee; shall have offered to the Master Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities which may be incurred therein or thereby, and (ii) the Master Trustee, for 30 days after its receipt of such notice, request and offer of indemnity, shall have neglected or refused to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Master Trustee. No one or more Holders of Obligations shall have any right in any manner whatever by virtue of or by availing of any provision of the Master Indenture to affect, disturb or prejudice the rights of any other Holder of an Obligation or to obtain or seek to obtain priority over or preference to any other such Holder, or to enforce any right under the Master Indenture, except in the manner therein provided and for the equal, ratable and common benefit of all Holders of Obligations. For the protection and enforcement of these provisions, each and every Holder of an Obligation and the Master Trustee shall be entitled to such relief as can be given either at law or in equity.

The Holder of an Obligation instituting a suit, action or proceeding in compliance with the provisions outlined herein and more fully set forth in the Trust Indenture shall be entitled in such suit, action or proceeding to such amounts as shall be sufficient to cover the costs and expenses of collection, including to the extent permitted by applicable law, a reasonable compensation to its Counsel.

Notwithstanding any other provision of the Master Indenture, the right of a Holder of an Obligation to receive payment of the principal of and interest on any Obligation and any other amounts payable thereunder, on or after the respective due dates expressed in such Obligation, or to institute suit for the enforcement of any such payment on or after such respective dates, will not be impaired or affected without the consent of such Holder, provided that any moneys collected through the exercise of rights and remedies of any Holder against any Obligated Issuer pursuant to the Related Financing Documents for an Obligation (other than rights and remedies relating to

Liens permitted pursuant to the Master Indenture or to funds and accounts established under such Related Financing Documents) shall be paid over to the Master Trustee or, with the consent of the Holder, collected directly by the Master Trustee.

Direction of Proceedings by Holders

The Holders of a majority in aggregate principal amount of Obligations then Outstanding have the right to direct the time, method, and place of conducting any proceeding for any remedy available to the Master Trustee, or exercising any trust or power conferred on the Master Trustee; provided, however, that, the Master Trustee shall have the right to decline to follow any such direction if the Master Trustee, being advised by Counsel, determines that the action so directed may not lawfully be taken, or if the Master Trustee in good faith shall, by a responsible officer or officers of the Master Trustee, determine that the proceedings so directed would be illegal or involve it in personal liability, and provided further that nothing in the Master Indenture shall impair the right of the Master Trustee in its discretion to take any action deemed proper by the Master Trustee and which is not inconsistent with such direction by the Holders.

The Master Trustee

Acceptance of Trusts

The Master Trustee has accepted the trusts imposed upon it by the Master Indenture and has agreed to perform such trusts but only upon and subject to the express terms and conditions as set forth in the Master Indenture.

Resignation, Removal and Succession

The Master Trustee may resign at any time without cause by giving at least 30 days prior notice to the Obligated Group Agent, giving any other notice that may be required by a Supplemental Indenture and mailing notice to each Holder of an Obligation. Such resignation will be effective upon the acceptance of a successor. Further, the Master Trustee may be removed (a) for cause at the direction of the Holders of a majority in aggregate principal amount of Obligations then Outstanding, delivered to the Obligated Group and the Master Trustee, or (b) for any reason at the direction of the Obligation Group Agent if no Event of default then exists under the Master Indenture. Such removal will be effective upon the acceptance of a successor. The Master Trustee will promptly give notice of any removal pursuant to the previous sentence in writing to each Holder of an Obligation then Outstanding. In the case of the resignation and removal of the Master Trustee, a successor Master Trustee may be appointed by the Obligated Group unless an Event of default exists under the Master Indenture. If an Event of default exists under the Master Indenture, or if the Obligated Group otherwise fails to appoint a successor in accordance with the terms of the Master Indenture, a successor may be appointed at the direction of the Holders of a majority in aggregate principal amount of Obligations then Outstanding.

Supplements and Amendments

Supplemental Indentures Without Consent*

Each Obligated Issuer, when authorized by a resolution of its Governing Body, and the Master Trustee may, without the consent of the holders of the Obligations then outstanding, enter into a Supplemental Indenture to (a) provide for the issuance of any Obligations under the Master Indenture, (b) evidence the addition of an Obligated Issuer or the succession of another corporation to any Obligated Issuer, (c) add additional covenants for the protection of the holders of the Obligations, (d) cure any ambiguity or defective provision of the Master Indenture or any Supplemental Indenture in such manner as is not inconsistent with and does not impair the security of the Master Indenture or adversely affect the holders of Obligations of any series of Obligations issued under the Master Indenture, (e) qualify the Master Indenture under the Trust Indenture Act of 1939 or under any similar federal statute hereafter enacted, (f) provide for the establishment of additional funds and accounts, (g) permit the issuance of additional forms of Obligations provided such Obligations are equally and ratably secured with all other Obligations issued under the Master Indenture (except as provided therein), or (h) reflect a change in applicable law.

Modification With Consent

Each Obligated Issuer, when authorized by its Governing Body, and the Master Trustee may, with the consent of the Holders of a majority in aggregate principal amount of Obligations then outstanding, otherwise amend or supplement the Master Indenture, subject to the provisions contained in the Master Indenture, provided, however, that (a) without the consent of the Holders of all Obligations whose Obligations are proposed to be modified, no such supplemental indenture shall effect a change in the times, amounts or currency of payment of the principal of, premium, if any, or interest on any Obligation or a reduction in the principal amount or redemption price of any Obligation or the rate of interest thereon or permit the preference or priority of any Obligation or Obligations over any other Obligation or Obligations, and (b) without the consent of the Holders of all Obligations then outstanding, no such supplemental indenture shall reduce the aforesaid percentage or affected class of Obligations, the Holders of which are required to consent to any such Supplemental Indenture.

Satisfaction and Discharge of Master Indenture

Application of Funds Deposited for Payment of Obligations

All moneys deposited with the Master Trustee shall be held in trust and applied by it to the payment to the Holders of the Obligations for the payment or redemption of which such moneys have been deposited with the Master Trustee, of all sums due and to become due thereon for principal and interest and any other amounts.

APPENDIX D

IRREVOCABLE LETTER OF CREDIT
LETTER OF CREDIT NO. _____

September 9, 2008

U.S. Bank National Association,
as Trustee
1349 West Peachtree Street, Suite 1050
Atlanta, Georgia 30309
Attention: Corporate Trust Services

Dear Ladies and Gentlemen:

At the request of The Glynn-Brunswick Memorial Hospital Authority and Kings Bay Community Hospital, Inc. (collectively the "Companies" and each a "Company"), we hereby establish this Irrevocable Letter of Credit in your favor as Trustee under a Trust Indenture dated as of September 1, 2008, between the Authority and you, as trustee (the "Trust Indenture") pursuant to which \$40,570,000 principal amount of the Authority's Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the "Certificates") have been issued. This Letter of Credit is issued pursuant to Letter of Credit and Reimbursement Agreement dated as of September 1, 2008 (the "Reimbursement Agreement") among the Companies and us. We hereby authorize you to draw on us an amount not exceeding \$41,036,833 (the "Initial Stated Amount" and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the "Stated Amount") of which (i) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$40,570,000 may be drawn on in respect of principal or the portion of the purchase price corresponding to principal of the Certificates (the "Principal Component"); and (ii) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$466,833 may be drawn on in respect of the payment of up to 35 days' interest or the portion of the purchase price corresponding to interest on the Certificates at an assumed per annum interest rate of 12% based on a 365-day year (the "Interest Component") effective immediately and expiring at 3:00 P.M. (prevailing Eastern Time) at our Presentation Office (as hereinafter defined) on September 9, 2015 (the "Expiration Date") or as hereinafter provided.

Multiple and partial drawings may be made under this Letter of Credit, but no single drawing under this Letter of Credit shall be honored in an amount exceeding the Stated Amount. Any and all payments made under this Letter of Credit will be made with our own funds.

Funds under this Letter of Credit are available to you against a sight draft drawn on us, stating on its face "Drawn under Branch Banking and Trust Company Irrevocable Letter of Credit No. _____", presented for payment on a Business Day (as defined in the Trust Indenture), and accompanied by a written certificate:

- (a) in the form of Annex A attached hereto (an "A Drawing") if the drawing is made with respect to payment of principal of the Certificates upon the acceleration, redemption or stated maturity thereof;

(b) in the form of Annex B attached hereto (a “B Drawing”) if the drawing is made with respect to payment of interest on the Certificates on or prior to their stated maturity date or upon the acceleration or redemption thereof; and

(c) in the form of Annex C attached hereto (a “C Drawing”) if the drawing is made with respect to payment of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section 214 of the Trust Indenture.

The demand for payment hereunder shall not exceed the Stated Amount. The Stated Amount shall be reduced by delivery to us of your certificate in the form of Annex D in the amount specified in such certificate.

The Principal Component of the Stated Amount shall be further automatically and permanently reduced by the amount of each A Drawing. The Stated Amount shall also be reduced by the amount of any drawing hereunder, except that (i) the amount of each B Drawing honored in respect of interest shall immediately and automatically be reinstated following the honoring of such drawing (except as provided in the next following sentence); and (ii) the amount of each C Drawing shall be restored upon receipt by you of notice from us confirming that the Company has reimbursed us for such drawing. In the case of a B Drawing delivered in connection with a redemption, acceleration or stated maturity (but not purchase) of Certificates as indicated on Annex B, there shall be a pro rata permanent reduction of the Interest Component as provided in such Annex B.

The Letter of Credit shall terminate, effective immediately, on the earliest to occur of any of the following: (i) 3:00 p.m. (prevailing Eastern Time) on the Expiration Date, (ii) the close of business on the second business day following a conversion of the interest rate on the Certificates to a Long-Term Rate (as defined in the Trust Indenture), (iii) the date on which we honor a draft drawn hereunder pursuant to Section 902 of the Trust Indenture following the occurrence of an Event of Default thereunder and an acceleration, (iv) the date this Letter of Credit is surrendered to us by you for cancellation following acceptance by you of a Substitute Letter of Credit (as defined in the Trust Indenture), (v) the date on which we honor a draft drawn hereunder to purchase the Certificates following your receipt of written notice from us directing a mandatory purchase of the Certificates pursuant to Section 214(b)(iv) of the Trust Indenture, and (vi) the date on which we receive from you a certificate in the form of Annex E hereto. This Letter of Credit shall be promptly surrendered to us by you upon such termination. The Expiration Date may be extended by us at our discretion at any time or from time to time, by our giving written notice of such extension to you specifying a new Expiration Date.

The aforesaid certificates, which form an integral part of this Letter of Credit, shall have all blanks appropriately filled in and shall be signed by your authorized officer, and any sight draft and the aforesaid certificates shall be in the form of a letter on your letterhead either delivered to us at our office located at 201 Second Street, Macon Georgia 31201, Attention: Corporate Banker (the “Presentation Office”) on a Business Day or delivered to us by facsimile (at telecopier number (478) 722-7293) on a Business Day (or at such other address or telecopier number as we may designate in a written notice delivered to you). The originals of all

documents telecopied to us pursuant to which a drawing is made hereunder shall be delivered to us immediately following such facsimile. If demand for payment is made hereunder not later than 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds not later than 2:00 P.M. (prevailing Eastern Time) on the same Business Day. If demand for payment is made hereunder after 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds, not later than 10:00 A.M. (prevailing Eastern Time) on the next succeeding Business Day.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee whom you certify to us has succeeded you as Trustee under the Trust Indenture. Transfer of the available balance of this Letter of Credit to a successor transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a written certificate in the form of Annex F attached hereto.

Only you (or a transferee as permitted by the terms of this Letter of Credit) may make a drawing under this Letter of Credit. Upon payment to you or your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to the respective demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment. By paying to you an amount demanded in accordance herewith we make no representation as to the correctness of the amount demanded. Certificates that are registered in the name of, or held by or for the account of the Companies, the Issuer or are held or required to be held for our benefit pursuant to the Trust Indenture ("Pledged Certificates") shall not be entitled to any benefit of this Letter of Credit.

This Letter of Credit sets forth in full the terms of our undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit is related, except for the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates.

This Letter of Credit, except as otherwise expressly stated herein, is subject to the Uniform Customs and Practice for Documentary Credits (1993 Revision) International Chamber of Commerce Publication No. 500 and, to the extent not inconsistent therewith, the laws of the State of North Carolina.

BRANCH BANKING AND TRUST COMPANY

By: _____
Title: _____

DRAWING CERTIFICATE
(Principal)

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the “Trustee”), hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. _____ (the “Letter of Credit”; the terms “Certificates”, “Stated Amount”, “Principal Component” and “Trust Indenture” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of principal of the Certificates.
3. The amount of principal of the Certificates which is due and payable is \$_____ and is the amount of the sight draft accompanying this Drawing Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture and does not exceed the Principal Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of the Certificates pursuant to the Trust Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Trust Indenture and an acceleration of the Certificates in accordance with Section 902 thereof.]

The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Drawing Certificate, the Principal Component of the Stated Amount of the Letter of Credit shall be permanently reduced by the aggregate amount of such sight draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the _____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

DRAWING CERTIFICATE
(Interest)

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the “Trustee”) hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the “Bank”), with reference to Irrevocable Letter of Credit No. _____ (the “Letter of Credit”; the terms “Certificates”, “Stated Amount”, “Interest Component” and “Trust Indenture” as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of interest on the Certificates on or prior to their stated maturity date.
3. The amount of interest on the Certificates which is due and payable is \$_____ and is the amount of the sight draft accompanying this Drawing Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture, and does not exceed the Interest Component of the Stated Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby (a) the undersigned will apply the same directly to the payment when due of the interest on the Certificates pursuant to the Trust Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [The amount drawn hereby is to be used to pay interest on Certificates redeemed and not purchased. The undersigned acknowledges that upon the Bank’s honoring the sight draft accompanying this Drawing Certificate, the Interest Component of the Stated Amount of the Letter of Credit shall be permanently reduced by an amount equal to 35

days interest on the principal amount of the Certificates being redeemed computed at the rate of 12% per annum.]

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Trust Indenture and an acceleration of the Certificates in accordance with Section 902 thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the _____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

DRAWING CERTIFICATE
(Purchase Price)

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Re: Drawing Certificate

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates", "Trust Indenture", "Stated Amount" and "Pledged Certificates" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section 214 of the Trust Indenture, equal to the principal amount thereof. The amount of such portion of the purchase price equal to the principal amount of such Certificates is \$_____.
3. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section _____ of the Trust Indenture, equal to the amount of accrued and unpaid interest on such Certificates to the date of purchase thereof. The amount of such portion of the purchase price equal to accrued and unpaid interest on such Certificates to the date of purchase thereof is \$_____.
4. The amount of this demand for payment is \$_____ (the sum of the amounts in Paragraphs 2 and 3 above) and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture, and does not exceed the Stated Amount of the Letter of Credit.
5. Upon receipt of the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the appropriate amount owing on account of the purchase price of Certificates tendered, or deemed tendered, pursuant to

the Trust Indenture, (b) no portion of said amount shall be applied for any other purpose and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

6. The Trustee agrees to hold, as the designee and agent for the Bank, the Certificates tendered for purchase and, upon request, will deliver the Certificates with respect to which this drawing relates and the purchase price of which demand is made hereunder to the Bank as Pledged Certificates entitled to a security interest in favor of the Bank.

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Reimbursement Agreement and a written notice from you directing a mandatory purchase of the Certificates in accordance with Section 214(b)(iv) thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the _____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates", the "Trust Indenture" and "Stated Amount" as used herein having their respective meanings set forth in the Letter of Credit) that:

- 1. The Trustee is the Trustee under the Trust Indenture.
- 2. The Trustee hereby notifies you that on or prior to the date hereof \$_____ amount of the Certificates have been paid, redeemed or defeased pursuant to the Trust Indenture other than with funds drawn under the Letter of Credit.
- 3. Following the payment, redemption or the defeasance referred to in paragraph (2) above, the aggregate principal amount of all the Certificates outstanding is \$_____.
- 4. The amount of interest (computed at a rate of twelve percent (12%) per annum based on a 365-day year), accruing on the Certificates referred to in paragraph 3 above for a period of 35 days is \$_____.
- 5. Upon receipt by the Bank of this instrument, the Stated Amount of the Letter of Credit is reduced to \$_____ (such amount being equal to the amounts specified in paragraphs 3 and 4 above).

IN WITNESS WHEREOF, the Trustee has executed and delivered this instrument this _____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to Branch Banking and Trust Company, in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates" and "Trust Indenture" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee hereby notifies you that all the Certificates have been paid, redeemed or defeased pursuant to the Trust Indenture.
3. The Letter of Credit is attached hereto and is being surrendered to you herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this instrument this ____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

[Date]

Branch Banking and Trust Company
201 Second Street
Macon, Georgia 31201
Attention: Corporate Banker

Ladies and Gentlemen:

We refer to Irrevocable Letter of Credit No. ____ (the "Letter of Credit"), issued in favor of U.S. Bank National Association, in its capacity as Trustee under the Trust Indenture (as defined in the Letter of Credit).

For value received we hereby irrevocably transfer to _____, hereinafter referred to as the transferee, all rights of the undersigned to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit is returned herewith.

Please notify the transferee of this transfer and the conditions of the Letter of Credit.

Very truly yours,

(Signature of Transferor)

Signature Authenticated

(Bank)

(Authorized Signature)

This page intentionally left blank

APPENDIX E

MURRAY BARNES FINISTER LLP

ONE CAPITAL CITY PLAZA • SUITE 1140 • 3350 PEACHTREE ROAD • ATLANTA, GEORGIA 30326

September ___, 2008

The Glynn-Brunswick Memorial Hospital
Authority
Brunswick, Georgia

U.S. Bank National Association, as trustee
Atlanta, Georgia

BB&T Capital Markets
Richmond, Virginia

Re: \$_____ The Glynn-Brunswick Memorial Hospital Authority
Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System
Project), Series 2008A and \$_____ The Glynn-Brunswick
Memorial Hospital Authority Variable Rate Revenue Anticipation Certificates
(Southeast Georgia Health System Project), Series 2008B

To the Addressees:

We have acted as Bond Counsel to The Glynn-Brunswick Memorial Hospital Authority (the "Authority") in connection with the issuance of \$_____ in aggregate principal amount of its Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008A (the "Series 2008A Certificates") and \$_____ in aggregate principal amount of its Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the "Series 2008B Certificates" and together with the Series 2008A Certificates, the "Certificates"). We have examined the law and such certified proceedings and other papers as we have deemed necessary to render this opinion, including a copy of the validation proceeding concluded in the Superior Court of Glynn County, Georgia, with respect to the Certificates. In all such examinations, we have assumed the genuineness of signatures on original documents and the conformity to original documents of all copies submitted to us as certified, conformed or photographic copies, and, as to certificates of public officials, we have assumed the same to have been properly given and to be accurate.

The Certificates are being issued pursuant to the Hospital Authorities Law of the State of Georgia (O.C.G.A. § 31-7-70, *et seq.*, as amended) (the "Act") and a resolution of the Authority adopted on July 16, 2008, as supplemented on _____, 2008. The Series 2008A Certificates will be issued under and secured by a Trust Indenture, dated as of September 1, 2008 (the "Series 2008A Indenture"), between the Authority and U.S. Bank National Association (the "Trustee"). The Series 2008B Certificates will be issued under and secured by a Trust Indenture,

dated as of September 1, 2008 (the "Series 2008B Indenture"), between the Authority and the Trustee. The proceeds derived from the sale of the Certificates will be used by the Authority to (a) make certain improvements to the healthcare facilities operated by the Authority, (b) pay off a loan (the "Loan") from Branch Banking and Trust Company (the "Bank"), (c) fund a debt service reserve and (d) pay all or a portion of the costs of issuing the Certificates.

The Authority has agreed to execute and deliver in favor of the Trustee a 2008-C Master Note (the "2008-C Master Note") to secure the Series 2008A Certificates and a 2008-D Master Note (the "2008-D Master Note" and together with the 2008-C Master Note, the "2008 Master Notes") to secure the Series 2008B Certificates. Under the terms of the 2008-C Master Note, the Authority has agreed to make payments sufficient to provide for the payment of the principal of, redemption premium (if any) and interest on, the Series 2008A Certificates as the same become due and payable. Under the terms of the 2008-D Master Note, the Authority has agreed to make payments sufficient to provide for the payment of the principal and purchase price of, redemption premium (if any) and interest on, the Series 2008B Certificates as the same become due and payable.

The Master Notes will be issued and secured under the Master Trust Indenture, dated as of April 1, 1996 (the "Original Master Indenture"), between the Authority and Kings Bay Community Hospital, Inc. ("Kings Bay") as obligated issuers (the "Obligated Issuers") and U.S. Bank National Association, as master trustee (the "Master Trustee"), as amended and supplemented by various supplemental master trust indentures, including the Sixteenth Supplemental Master Trust Indenture and the Seventeenth Supplemental Master Trust Indenture, each dated as of September 1, 2008, and each between the Obligated Issuers and the Master Trustee (the Original Master Indenture, as so amended and supplemented, the "Master Indenture").

All Obligations (as defined in the Master Indenture) issued from time to time under the Master Indenture, including the Master Notes, are secured by and are payable solely from the trust estate created by the Master Indenture (the "Master Indenture Trust Estate"), which includes (a) the Net Revenues (as defined in the Master Indenture) of the Obligated Issuers and (b) all moneys and securities held by the Master Trustee or any other depositories in any and all of the funds and accounts established under the Master Indenture. In addition, the Obligated Issuers have jointly and severally guaranteed the payment of all Obligations issued under the Master Indenture, subject to the limitation that in no event shall any such cross guarantee constitute or result in a violation of any applicable fraudulent conveyance or similar law of any relevant jurisdiction. Under the terms of the Master Indenture, additional Obligations may be issued and secured thereunder, which obligations will rank on a parity as to lien on the Master Indenture Trust Estate with the lien thereon securing the Master Notes. Furthermore, under the terms of the Master Indenture, Obligated Issuers may be added to or may be removed from the Obligated Group (as defined in the Master Indenture).

The Series 2008A Certificates are limited obligations of the Authority and are secured by and payable solely from the trust estate created by the Series 2008A Trust Indenture

(the "Series 2008A Trust Estate"), which includes (a) the 2008-C Master Note, (b) all moneys and securities held from time to time in the funds and accounts created thereunder, (c) all amounts derived from the exercise by the Trustee of any rights or remedies thereunder or under the 2008-C Master Note and (d) any and all property from time to time hereafter pledged by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security thereunder. The Series 2008A Certificates bear interest and mature and are subject to registration of transfer and exchange and to optional and mandatory redemption, in the amounts and on the terms specified in the Series 2008A Indenture.

The Series 2008B Certificates are limited obligations of the Authority and are secured by and payable solely from the trust estate created by the Series 2008B Trust Indenture (the "Series 2008B Trust Estate"), which includes (a) the 2008-D Master Note, (b) all moneys held from time to time by the Trustee in the funds and accounts created thereunder, (c) all amounts derived from the exercise by the Trustee of any rights or remedies thereunder or under the 2008-D Master Note and (d) any and all property from time to time hereafter pledged by delivery or by writing conveyed, mortgaged, pledged, assigned or transferred as and for additional security thereunder. The Series 2008B Certificates will be further secured by a direct-pay letter of credit (the "Letter of Credit") issued by the Bank (in such capacity, the "Letter of Credit Provider"). The Letter of Credit will expire on _____, unless terminated or extended. The Series 2008B Certificates bear interest and mature and are subject to registration of transfer and exchange and to optional and mandatory redemption and to optional and mandatory tender, in the amounts and on the terms specified in the Series 2008B Indenture.

As to questions of fact material to our opinion, we have relied upon (a) representations of the Obligated Issuers, (b) certified proceedings and other certifications of public officials furnished to us and (c) certifications by officials of the Obligated Issuers relating to, among other things, the use of the proceeds of the Certificates and the Loan, the design, scope, function, cost and economic life of the facilities financed with the Certificates and the Loan and the relationship of the facilities financed with the proceeds of the Certificates and the Loan to the activities of Kings Bay contained in a certificate of the Obligated Issuers, without undertaking to verify the same by independent investigation.

In rendering our opinion, we have relied solely upon an opinion of Gilbert, Harrell, Sumerford & Martin, P.C., counsel to the Obligated Issuers, with respect to the status of Kings Bay as a corporation qualifying as an entity described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

We express no opinion as to (a) the corporate status and good standing of Kings Bay, (b) the corporate power of the Obligated Issuers to enter into the Master Indenture, (c) the authorization, execution and delivery of the Master Indenture by the Obligated Issuers, (d) the enforceability of the Master Indenture against the Obligated Issuers, (e) the creation of a lien on the Master Indenture Trust Estate, (f) the filing of a UCC Financing Statement covering the Master Indenture Trust Estate, (g) the fact that there are no other properly indexed UCC Financing Statements affecting the Master Indenture Trust Estate or (h) the fact that there are no

other properly indexed UCC Financing Statements affecting the Series 2008A Trust Estate or the Series 2008B Trust Estate. As to such matters, we refer you to an opinion of Gilbert, Harrell, Sumerford & Martin, P.C., counsel to the Obligated Issuers.

We express no opinion as to (a) the corporate power of the Liquidity Provider to execute the Letter of Credit, (b) the authorization, execution and delivery of the Letter of Credit by the Liquidity Provider or (c) the enforceability of the Letter of Credit against the Liquidity Provider. As to such matters, we refer you to an opinion of Moore & Van Allen, PLLC, counsel to the Letter of Credit Provider.

We have not been engaged or undertaken to review the accuracy, completeness or sufficiency of any offering materials relating to the Certificates, and we express no opinion herein relating thereto. We express no opinion as to compliance by the Authority or the Underwriter with any federal or state statute, rule or regulation which may be applicable to the offer or sale of the Certificates.

Based upon our examination, we are of the opinion that, as of the date hereof and under existing law:

1. The Authority is a duly created and validly existing public body corporate and politic of the State of Georgia with full power and authority to (i) issue and sell the Certificates and (ii) execute, deliver and perform its obligations under the Series 2008A Indenture and the Series 2008B Indenture.

2. The Series 2008A Indenture and the Series 2008B Indenture have been duly authorized, executed and delivered by the Authority and constitute valid, legal and binding obligations of the Authority enforceable upon the Authority. The Series 2008A Indenture creates a valid security interest in and lien on the Series 2008A Trust Estate. The Series 2008B Indenture creates a valid security interest in and lien on the Series 2008B Trust Estate.

3. The Series 2008A Certificates have been duly authorized, executed and delivered by the Authority and are valid, legal, binding and limited obligations of the Authority secured by and payable solely from the Series 2008A Trust Estate. The Series 2008B Certificates have been duly authorized, executed and delivered by the Authority and are valid, legal, binding and limited obligations of the Authority secured by and payable solely from the Series 2008B Trust Estate.

4. Under existing statutes, rulings and court decisions, including the Code and applicable regulations thereunder, the interest on the Certificates (including any original issue discount properly allocable to an owner thereof) is not includable in gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such

interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on such corporations. We express no opinion regarding any other federal tax consequences caused by the receipt or accrual of interest on the Certificates. In rendering this opinion, we have assumed continuing compliance by the Authority with its covenants regarding certain requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that the interest on the Certificates be and continue to be excluded from gross income for federal income tax purposes. Failure to comply with such covenants could cause interest on the Certificates to be included in federal gross income retroactive to the date of issuance of the Certificates.

5. The interest on the Certificates is exempt from all present State of Georgia income taxation.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Series 2008A Indenture and the Series 2008B Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally and principles of equity applicable to the availability of specific performance or other equitable relief.

This opinion may be relied upon by the addressees hereto and any of their successors and assigns.

Very truly yours,

MURRAY BARNES LLP

By: _____
A Partner

This page intentionally left blank

APPENDIX F

This page intentionally left blank

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement dated as of September 1, 2008 (this “Disclosure Agreement”), is executed and delivered by the Glynn-Brunswick Memorial Hospital Authority, a public body corporate and politic (the “Authority”), in connection with the issuance by the Authority of its \$_____ Fixed Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008A and its \$_____ Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (together, the “Certificates”). The Certificates are being issued pursuant to two separate Trust Indentures, each dated as of September 1, 2008, between the Authority and U.S. Bank National Association, as trustee (the “Certificate Trustee”). All capitalized terms used but not defined herein shall have the meaning given such terms under generally accepted accounting principals or in the Master Trust Indenture dated as of April 1, 1996 as supplemented and amended, between U.S. Bank National Association, as successor master trustee, and an Obligated Group, which currently consists of the Authority and Kings Bay Community Hospital, Inc., a Georgia non-profit corporation (“Kings Bay”). The Authority hereby covenants and agrees as follows:

Section 1. Purpose. This Disclosure Agreement is being executed and delivered by the Authority for the benefit of the holders of the Certificates and in order to (1) assist BB&T Capital Markets, a division of Scott & Stringfellow, Inc., and Morgan Keegan & Company, Inc., the initial purchasers of the Certificates, in complying the provisions of Section (b)(5)(i) of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission by providing certain annual financial information and material event notices required by the Rule and (2) require future disclosure by the Authority of additional financial and operating data of the Obligated Group. All disclosure made pursuant to this Disclosure Agreement is referred to herein as the “Continuing Disclosure.”

Section 2. Annual Disclosure Required by the Rule.

(a) The Authority shall provide annually financial information and operating data in accordance with the provisions of Section (b)(5)(i) of the Rule as follows:

(i) Audited financial statements of the Obligated Group (the “Audited Financial Statements”), prepared in accordance with generally accepted accounting principles. The Audited Financial Statements may include affiliated entities that are not Members of the Obligated Group but that are consolidated with the Members of the Obligated Group under generally accepted accounting principles if (1) supplemental information is provided in sufficient detail to identify the information with respect to the Members of the Obligated Group is delivered with such financial statements, (2) such supplemental information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in the opinion of the accountant, is fairly stated in all material respects in relation to the Consolidated Financial Statements taken as a whole, and (3) such supplemental information is adequate for the purposes of,

and is used for the purposes of, calculating compliance with the financial covenants under the documents securing payment of the Certificates and in the information provided in Section (ii) below:

(ii) The financial and operating data with respect to the Obligated Group and the HealthCare Facilities as of the end of the Obligated Group's Fiscal Year, including financial and operating data of the type described in Appendix A of the Authority's Official Statement dated _____, 2008, under the heading entitled "Utilization and Patient Service Statistics" and the subheadings in "Financial Information" entitled "Certain Financial Ratios," "Summary of Revenues and Expenses and Assets and Liabilities" (which may be included in the Audited Financial Statements) and "Sources of Revenue"; and

(iii) A management's discussion to include the following:

- (A) Review of financial performance results compared to prior year's results and budget;
- (B) Investment performance, including any change in investment policy or asset allocation;
- (C) Schedule of any debt incurred, including short-term indebtedness, guarantees and off balance sheet transactions, which debt is in excess of 5% of the Obligated Group's property, plant and equipment;
- (D) Utilization trends and competitive environment; and
- (E) Profit and loss of all affiliates and joint ventures.

(b) The Authority shall provide annually the financial information and operating data described in subsection (a) above (collectively, the "Annual Disclosure") within 120 days after the end of the Obligated Group's Fiscal Year, commencing with the Obligated Group's Fiscal Year ending September 30, 2008, to each nationally recognized municipal securities information repository ("NRMSIR") and to the appropriate state information depository if any then exists ("SID"), if available, with a copy to U.S. Bank National Association, as Certificate Trustee (the "Certificate Trustee"); provided, however, that if Audited Financial Statements are not available by 120 days after the end of such Fiscal Year, unaudited financial statements for such Fiscal Year may be furnished instead but must be replaced subsequently by the Audited Financial Statements within 15 days after such Audited Financial Statements become available for distribution. For purposes of the preceding sentence, the Authority need not furnish to each NRMSIR unaudited financial statements of the Obligated Group for such Fiscal Year as a temporary replacement for the audited financial statements if it previously has provided such statements to each NRMSIR pursuant to Section 7(b) hereof.

(c) Any Annual Disclosure may be included by specific reference to other documents previously provided to each NRMSIR and to the appropriate SID, if any is hereafter created, or

filed with the SEC; provided, however, that any final official statement incorporated by reference must be available from the Municipal Securities Rulemaking Board (the “MSRB”).

(d) The Authority shall provide in a timely manner to each NRMSIR or the MSRB and to the appropriate SID, if any is hereafter created, notice specifying any failure of the Authority to provide the Annual Disclosure by the date required above.

Section 3. Event Disclosure Required by the Rule. The Authority shall provide in a timely manner to each NRMSIR or the MSRB and to the appropriate SID, if any is hereafter created, with a copy to the Certificate Trustee, written notice, in a timely manner, of the occurrence of any of the following events with respect to the Certificates, if material:

- (a) principal and interest payment delinquencies;
 - (b) non-payment related defaults;
 - (c) unscheduled draws on debt service reserves reflecting financial difficulties;
 - (d) unscheduled draws on any credit enhancement reflecting financial difficulties;
 - (e) substitution of credit or liquidity providers, or their failure to perform;
 - (f) adverse tax opinions or events affecting the tax-exempt status of the Certificates;
 - (g) modifications to rights of the holders of the Certificates;
 - (h) bond calls;
 - (i) defeasance of all or any portion of the Certificates;
 - (j) release, substitution, or sale of property securing repayment of the Certificates;
- and
- (k) rating changes.

Section 4. Termination. The obligations of the Authority under this Disclosure Agreement will terminate upon the redemption, defeasance (within the meaning of the Rule) or payment in full of all the Certificates.

Section 5. Amendment. The Authority may modify its obligations hereunder without the consent of the holders of the Certificates, provided that this Agreement as so modified complies with the Rule as it exists at the time of modification. The Authority shall provide in a timely manner a description of any such modification of its obligations hereunder to each NRMSIR and to the appropriate SID, if any is hereafter created, with a copy to the Certificate Trustee.

Section 6. Defaults. Any holder (within the meaning of the Rule) of Certificates then outstanding may, by notice to the Authority and the Certificate Trustee, proceed to protect

and enforce its rights and the rights of the holders by an action for specific performance of the Authority's covenant to provide the Continuing Disclosure.

Section 7. Additional Disclosure.

(a) Not later than 60 days after the end of each fiscal quarter of the Obligated Group, the Authority shall provide quarterly, unaudited financial statements and utilization statistics with comparables for the similar period of the prior years to the NRMSIRS, the SID, if any is hereafter created, and the Certificate Trustee.

(b) Not later than 45 days after the beginning of each Fiscal Year of the Obligated Group, the Authority shall provide a copy of its budget to the NRMSIRS, the SID, if any is hereafter created and the Certificate Trustee.

(c) The Authority shall provide notice to the NRMSIRS, the SID, if any is hereafter created, and the Certificate Trustee, of the following events:

(i) Any change in the Chief Executive Officer, Chief Operating Officer or Chief Financial Officer of the Authority or Kings Bay within 45 days of such change;

(ii) Material litigation events;

(iii) Any change in payor contracts representing 10% or more of gross patient revenue;

(iv) Any redemption (other than mandatory sinking fund redemption) of any of the Certificates; and

(v) The downgrading by any rating agency of the Obligated Group's underlying public rating to below "investment grade."

(d) The Authority may from time to time disclose certain information and data in addition to the Continuing Disclosure. Notwithstanding anything herein to the contrary, the Authority shall not incur any obligation to continue to provide, or to update, such additional information or data, unless it specifically agrees to such obligation.

Section 8. Counterparts. This Disclosure Agreement may be executed in several counterparts each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 9. Governing Law. This Disclosure Agreement shall be construed and enforced in accordance with the laws of the State of Georgia.

Section 10. Severability. In case any one or more of the provisions of this Disclosure Agreement shall for any reason be held illegal or invalid, such illegality or invalidity shall not affect any other provision of this Disclosure Agreement, but this Disclosure Agreement shall be construed and enforced as if such illegal or invalid provision had not been contained herein.

Section 11. Texas Municipal Advisory Council. Any filing to the NRMSIRs under this Disclosure Agreement may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Securities and Exchange Commission has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004.

Section 12. Dissemination Agent. The Authority may, from time to time, appoint a dissemination agent to assist it in carrying out its obligations under this Disclosure Agreement, and the Authority may, from time to time, discharge the dissemination agent, with or without appointing a new dissemination agent.

**THE GLYNN-BRUNSWICK MEMORIAL
HOSPITAL AUTHORITY**

By: _____

Its: _____

Accepted as to responsibility to
receive documents as described herein:

U.S. Bank National Association,
as Certificate Trustee

By: _____

Its: _____

APPENDIX G

This page intentionally left blank

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company, New York, New York (“DTC”), will serve as securities depository under a book-entry system for the Series 2008B Certificates with no physical distribution of Certificates made to the public. One fully registered Series 2008 Certificate in the aggregate principal amount of the Series 2008B Certificates will be registered in the name of Cede & Co. (DTC’s partnership nominee), or such other name as may be requested by an authorized representative of DTC, and will be deposited with DTC. EXCEPT AS PROVIDED BELOW, SO LONG AS CEDE & CO., AS NOMINEE FOR DTC, IS THE REGISTERED OWNER OF THE SERIES 2008B CERTIFICATES, REFERENCES HEREIN TO THE HOLDERS, OWNERS OR REGISTERED OWNERS OF THE SERIES 2008B CERTIFICATES SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2008B CERTIFICATES.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve system, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, Banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchase of Certificates under the DTC System must be made by or through Direct Participants, which will receive a credit for the Series 2008B Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 208 Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates except in the event that use of the book-entry system for the Series 2008B Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008B Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by

arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2008B Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Series 2008B Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2008B Certificates within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2008B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Certificate Trustee on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Certificate Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility (of the Authority or Certificate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants).

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Series 2008B Certificates, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of the Series 2008B Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008B Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to the Remarketing Agent's DTC account.

APPENDIX H

This page intentionally left blank

APPENDIX H

CERTAIN INFORMATION CONCERNING BRANCH BANKING AND TRUST COMPANY

The information contained in this Appendix H has been obtained from Branch Banking and Trust Company (the “Bank”) and is not to be construed as a representation by the Authority, Kings Bay or the Underwriter.

The Bank is a wholly-owned subsidiary of BB&T Corporation (the “Bank Corporation”), a North Carolina financial holding company. The Bank is chartered under the laws of the State of North Carolina to engage in a general banking business.

The Bank provides a full range of commercial banking, consumer banking and trust and investment services primarily through its branch network located in North Carolina, South Carolina, Virginia, West Virginia, Kentucky, Georgia, Florida, Alabama, Maryland, Tennessee, Indiana and Washington, D.C. As of June 30, 2008, the Bank had total assets of approximately \$132.884 billion, and total deposits of approximately \$88.149 billion.

The Bank submits quarterly to the Federal Deposit Insurance Corporation, its primary federal regulator, certain information regarding its financial condition entitled “Consolidated Reports of Conditions and Income for a Bank with Domestic and Foreign Offices (“Call Reports”). All Call Reports may be obtained by calling the FDIC at (800) 688-3342 or (877) 275 3342.

Additionally, the Bank Corporation is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the Securities and Exchange Commission (the “SEC”). The Bank will provide copies of the Bank Corporation’s most recent Form 10-K and any reports on Form 10-Q or Form 8-K filed since the date of such Form 10-K, in each case as filed with the SEC, free of charge to any recipient of this document, upon written request of such person delivered in writing to: BB&T Corporation, 200 West Second Street, Winston-Salem, North Carolina 27101, Attention: External Reporting.

The information concerning the Bank Corporation and the Bank contained herein is furnished solely to provide limited introductory information, is not intended to be comprehensive and is qualified in its entirety by the detailed information appearing in the documents and filings (including all financial statements) referenced above.

THE LETTER OF CREDIT IS AN OBLIGATION OF THE BANK AND NOT AN OBLIGATION OF THE BANK CORPORATION.

This page intentionally left blank

EXHIBIT B

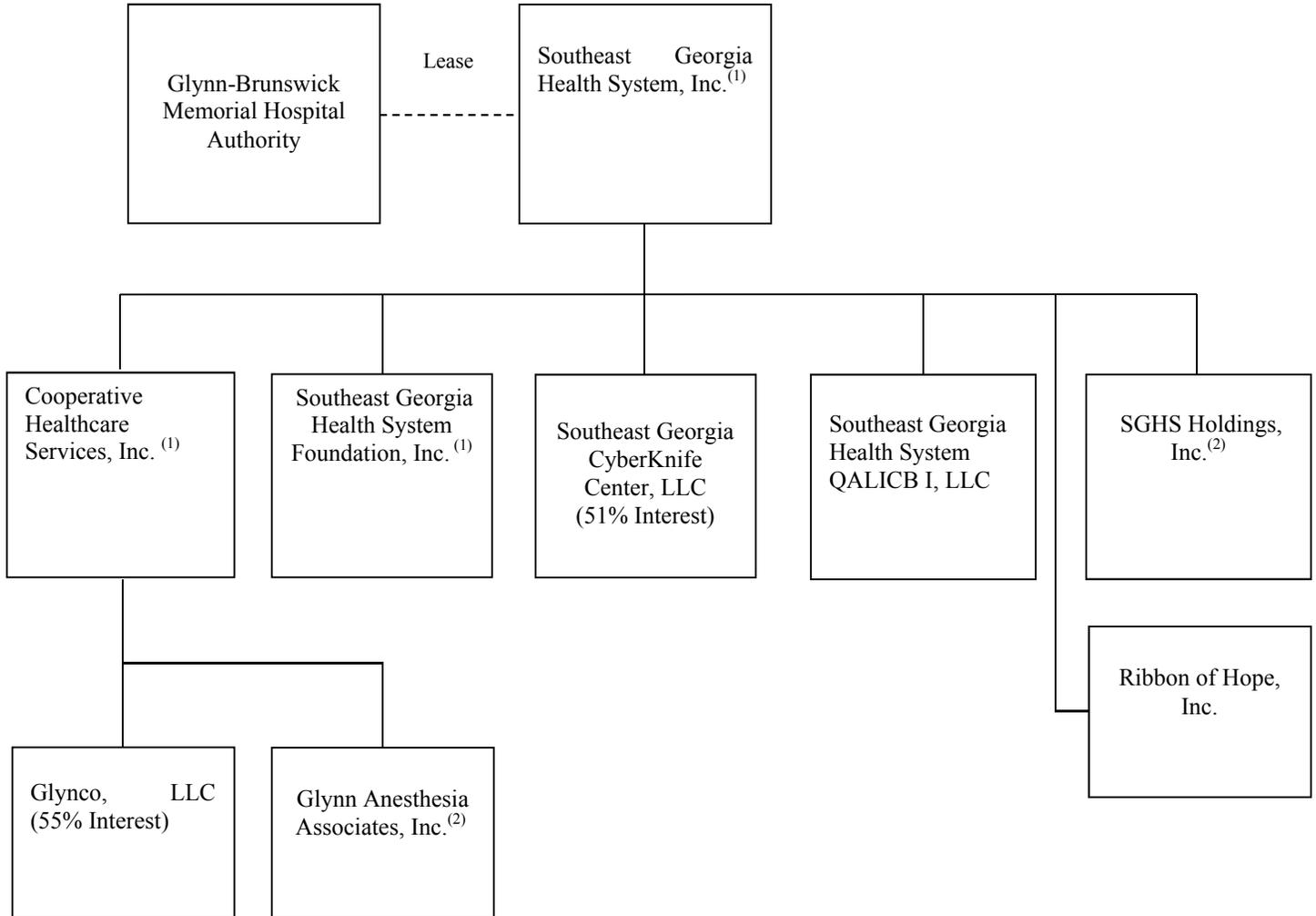
DESCRIPTION OF OBLIGATED GROUP

This Exhibit B replaces in its entirety Appendix A of the Official Statement.

Corporate Structure

Set forth below is an organizational chart showing all the affiliated entities:

Organizational Chart



(1) Georgia nonprofit corporation exempt under IRC § 501(c)(3).

(2) Georgia nonprofit corporation.

The Authority, SEGHS, SEGHS Holdings, Inc. (“Holdings”) and Cooperative Healthcare Services, Inc. (“Cooperative”) are the only Obligated Issuers. The Authority no longer operates any healthcare facilities. All the facilities are operated by SEGHS pursuant to the Lease. Following is a description of each subsidiary entity:

Cooperative Healthcare Services, Inc. operates the medical practices of SEGHS which have been established to (i) meet identified primary and specialized care needs in SEGHS’ service area, (ii) offer alternatives to hospital-based emergency care, and (iii) meet the needs of patients covered by the State of Georgia Medicaid program.

The Southeast Georgia Health System Foundation, Inc. (the “Foundation”) was created in 1993 to raise money for the Brunswick Campus. The Foundation is a Georgia non-stock corporation. SEGHS is the sole corporate member of the Foundation and appoints its directors. It is currently a supporting organization to SEGHS.

Southeast Georgia CyberKnife Center, LLC, a limited partnership formed in 2010, operates an outpatient cancer treatment center. SEGHS owns a 51% interest in this operation which began providing CyberKnife radiation treatment service in 2011. The remaining 49% interest is owned by a limited liability corporation created by certain radiation oncologists and a radiation physicist who provide care in the CyberKnife center.

Southeast Georgia Health System QALICB I, LLC (“QALICB I”) was created in 2013 as a financing vehicle for the construction of certain qualified projects under the New Market Tax Credit (“NMTC”) program offered through the Department of Treasury. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities.

SGHS Holdings, Inc. is a corporation created for possible future use with SEGHS operations. The corporation currently has no assets or operations.

Ribbon of Hope, Inc. was formed in as a means to provide durable medical equipment and other support products to patients of the Cancer Care Centers of the Health System.

Glynco, LLC is a real estate partnership formed by Cooperative in 2003. In August 2007, Cooperative acquired the 5% interest of one of the developers, thereby increasing its interest in Glynco, LLC to 55%. The remaining 45% interest is owned by the primary real estate developer.

Glynn Anesthesia Associates, Inc. was established in 2014 as a wholly-owned subsidiary of CHSI for the purpose of providing anesthesia support within an endoscopy center located near the Brunswick Campus which is owned and operated by SEGHS.

Affiliation

Effective September 1, 2015, SEGHS entered in affiliation arrangement with Jacksonville, Florida based Baptist Health System, Inc. (“Baptist”) and St. Augustine, Florida based Flagler Hospital, Inc. (“Flagler”). The respective boards of the SEGHS, Flagler, and Baptist formed Coastal Community Health, Inc. (“CCH”) as an entity to effect the affiliation when entered into. The objectives of the affiliation are better coordinating all levels of care, more efficiently utilizing available resources and providing improved access to high quality health care across the Northeast Florida and Southeast Georgia region. Initial collaborations pursuant to the affiliation include, among others, quality initiatives, shared savings through group purchases, information systems shared savings and telemedicine initiatives.

The board of CCH consists of six members appointed by Baptist and three members each appointed by Flagler and SEGHS. The CCH board is granted certain reserved powers by Baptist, Flagler, and SEGHS which require each of them, respectively, to obtain authorization from CCH for specified actions to be taken by the requesting corporation. The reserved powers of CCH were accomplished by amendment of the bylaws of each of Baptist, Flagler, and SEGHS and involve matters such as the issuance of debt, the commitment of capital to major construction projects, and other similar actions. The affiliation did not involve the commitment or transfer of any assets to CCH.

Operating and Financial Data

Certain operating and financial data for the fiscal year ending April 30, 2016 and the fiscal quarter ending July 31, 2016 have been posted on EMMA, and such operating and financial data is by this reference thereto incorporated herein.

EXHIBIT C

FINANCIAL STATEMENTS OF SEGHS

The combined audited financial statements of the SEGHS posted on EMMA and incorporated by reference herein replaces in its entirety Appendix B of the Official Statement.

Southeast Georgia Health System, Inc.

Consolidated Financial Statements and Supplementary Information

Year Ended April 30, 2016

Table of Contents

Independent Auditors' Report 1

Consolidated Financial Statements:

 Consolidated Balance Sheet 3

 Consolidated Statement of Operations and Change in Net Assets 5

 Consolidated Statement of Cash Flows 6

 Notes to Consolidated Financial Statements 7

Supplementary Information:

 Consolidating Balance Sheet 22

 Consolidating Statement of Operations and Change in Net Assets 24



Independent Auditors' Report

Board of Directors
Southeast Georgia Health System, Inc.
Brunswick, Georgia

We have audited the accompanying consolidated financial statements of Southeast Georgia Health System, Inc. (the "System"), which comprise the consolidated balance sheet as of April 30, 2016, and the related consolidated statements of operations and change in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the System as of April 30, 2016, and the results of its operations and change in net assets and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



Emphasis of Matter

As disclosed in Note 1 to the consolidated financial statements, effective May 1, 2015, the System undertook a corporate restructuring and executed a lease and transfer agreement with Glynn-Brunswick Memorial Hospital Authority (the "Authority"), a related party, whereby the System agreed to lease substantially all of the assets, liabilities, and operations of the Authority for an initial period of forty years. Our opinion is not modified with respect to this matter.

Supplementary Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary consolidating information on pages 22 through 24 is presented for purposes of additional analysis of the consolidated financial statements, rather than to present the financial position and results of operations of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Dixon Hughes Goodman LLP

**Atlanta, Georgia
July 28, 2016**

Southeast Georgia Health System, Inc.
Consolidated Balance Sheet
April 30, 2016
(in thousands)

ASSETS

Current assets:

Cash and cash equivalents	\$ 22,034
Patient accounts receivable, net of allowance for uncollectible accounts of \$47,050	66,125
Other receivables	998
Supplies and pharmaceutical inventories	7,705
Assets limited as to use	1,934
Other current assets	<u>4,233</u>

Total current assets 103,029

Assets limited as to use:

Held by trustee for debt service	1,680
Restricted by third-parties for construction	576
Internally designated for self-insurance	3,881
Internally designated for capital improvements and other purposes	<u>158,636</u>

Total assets limited as to use 164,773

Property and equipment, net 239,480

Other assets:

Leverage loan receivable	9,785
Other assets	<u>280</u>

Total other assets 10,065

Total assets \$ 517,347

Southeast Georgia Health System, Inc.
Consolidated Balance Sheet
April 30, 2016
(in thousands)

(Continued)

LIABILITIES AND NET ASSETS

Current liabilities:

Current maturities of long-term debt	\$	3,012
Accounts payable		12,366
Estimated third-party payor settlements		5,086
Accrued salaries and compensated absences		14,680
Other accrued expenses		10,927
Deferred revenue		<u>706</u>

Total current liabilities 46,777

Long-term debt, excluding current maturities		168,042
Notes payable to community development entities		13,824
Professional liability claims obligation, net		<u>3,881</u>

Total liabilities 232,524

Net assets:

Unrestricted		<u>284,823</u>
--------------	--	----------------

Total liabilities and net assets \$ 517,347

Southeast Georgia Health System, Inc.
Consolidated Statement of Operations and Change in Net Assets
Year Ended April 30, 2016
(in thousands)

Operating revenues:	
Patient service revenue (net of contractual allowances and discounts)	\$ 419,802
Provision for bad debts	<u>(52,069)</u>
Net patient service revenue	367,733
Other revenues	<u>5,765</u>
Total operating revenues	<u>373,498</u>
Operating expenses:	
Salaries and wages	145,199
Employee benefits	39,233
Contract personnel	13,647
Professional fees	5,273
Supplies and drugs	73,727
Physician fees	5,072
Insurance and utilities	9,584
Outside services	29,885
Depreciation and amortization	20,485
Hospital provider fee	5,232
Other	9,749
Interest expense	<u>4,835</u>
Total operating expenses	<u>361,921</u>
Income from operations	<u>11,577</u>
Non-operating revenues (expenses):	
Net investment loss	(4,230)
Other	<u>10</u>
Total non-operating expenses, net	<u>(4,220)</u>
Excess of revenues over expenses	7,357
Other changes in net assets	<u>(350)</u>
Increase in net assets	7,007
Transfer of net assets from Glynn-Brunswick Memorial Hospital Authority, beginning of the year	<u>277,816</u>
Net assets, end of year	<u><u>\$ 284,823</u></u>

See accompanying notes.

Southeast Georgia Health System, Inc.
Consolidated Statement of Cash Flows
Year Ended April 30, 2016
(in thousands)

Cash flows from operating activities:	
Increase in net assets	\$ 7,007
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation and amortization	20,485
Provision for bad debts	52,069
Net realized and unrealized losses on investments	8,456
Other	(293)
Changes in operating assets and liabilities:	
Patient accounts receivable	(57,301)
Accounts payable and accrued expenses	(1,189)
Estimated third-party payor settlements	1,284
Other	1,507
Net cash provided by operating activities	<u>32,025</u>
Cash flows from investing activities:	
Purchases of capital assets	(16,490)
Net change in assets limited as to use	(6,618)
Other	14
Net cash used by investing activities	<u>(23,094)</u>
Cash flows from financing activities:	
Principal payments on long-term debt	(7,353)
Other	(657)
Net cash used by financing activities	<u>(8,010)</u>
Increase in cash and cash equivalents	921
Cash and cash equivalents, beginning of year	<u>21,113</u>
Cash and cash equivalents, end of year	<u><u>\$ 22,034</u></u>
Supplemental disclosure of cash flow information:	
Cash paid for interest	<u><u>\$ 4,819</u></u>

See accompanying notes.

Notes to Consolidated Financial Statements

1. Reporting Entity

Southeast Georgia Health System, Inc. (the "System") operates Southeast Georgia Health System Brunswick Campus (the "Brunswick Campus"), which includes a 300-bed acute care hospital, an outpatient care center, and a rehabilitation and wound center; Southeast Georgia Health System Camden Campus (the "Camden Campus"), a 40-bed acute care hospital located in St. Marys, Georgia; and two skilled nursing facilities: Senior Care Center-Brunswick, located in Brunswick, Georgia, and Senior Care Center-St. Marys, located in St. Marys, Georgia.

The System also operates the following controlled affiliates:

- Cooperative Healthcare Services, Inc. ("CHSI"), the operations of which consist primarily of various physician practices located in Brunswick, Georgia and the surrounding geographic region
- Southeast Georgia Health System Foundation, Inc. (the "Foundation"), which exists for the sole benefit of the System and receives contributions to support the System and its charitable activities
- Southeast Georgia Health System QALICB I, LLC ("QALICB"), a wholly-owned financing vehicle for the construction of certain qualified projects under the New Market Tax Credit ("NMTC") program discussed in Note 14

The Glynn-Brunswick Memorial Hospital Authority (the "Authority"), a public body corporate and politic, was established by the governing bodies of Glynn County, Georgia (the "County"), and the City of Brunswick, Georgia (the "City"), on March 1, 1961 under the Hospital Authorities Law of Georgia. The Authority is governed by nine members appointed by the governing bodies of the County and the City. Prior to May 1, 2015, the Authority did business as Southeast Georgia Health System.

Effective May 1, 2015, the Authority undertook a corporate restructuring and executed a lease and transfer agreement with the System, a Georgia not-for-profit corporation, (formerly Kings Bay Community Hospital, Inc.), which assumed substantially all of the operations, assets and liabilities of the Authority and agreed to operate the facilities thereof as a community healthcare provider and to perform and abide by all covenants, agreements, and restrictions thereof for an initial period of forty years. Under the agreement, the System makes nominal lease payments to the Authority plus amounts sufficient to make debt service payments on Authority conduit debt obligations as they come due, and assumes all operational, financial, indigent care, and community responsibilities. The governing board of the System was initially comprised of the members of the Authority, plus two additional members, and is self-perpetuating. The Board has subsequently been further expanded and is currently comprised of thirteen members. In connection with the corporate restructuring, the organizational documents of component units of the Authority were amended and restated effective May 1, 2015, such that the System is the sole corporate member and has controlling economic interest in the affiliates, which are consolidated into the System reporting entity. Because the System's Board of Directors is self-perpetuating, and the Authority does not have financial accountability for the System, the System and its controlled affiliates are excluded from the Authority's reporting entity subsequent to the restructuring.

In connection with the restructuring, the Authority and the System entered into an employee lease agreement whereby the Authority leased all its employees to the System from May 1, 2015 through December 31, 2015, at cost. All leased Authority employees were converted to System employment effective January 1, 2016.

Due to the nature of the restructuring, the lease and transfer agreement was accounted for as a transaction between entities under common control, whereby the Authority transferred its net assets at their carrying values as of the beginning of the year.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Effective September 1, 2015, the System entered into the Coastal Community Health, Inc. ("Coastal") Affiliation Agreement with Baptist Health System, Inc., a Florida not-for-profit corporation, and Flagler Hospital, Inc., a Florida not-for-profit corporation, (collectively, the "Health Systems"), in order to pursue potential operational efficiencies in areas such as supply chain management, information systems, and care coordination in the southeast Georgia and northeast Florida regions that the Health Systems serve. The Coastal governing board consists of twelve individuals, three of whom are appointed by the System's Board of Directors. Under the affiliation agreement, the Coastal governing board maintains certain reserved powers which could influence specific operational and governance matters of the Health Systems. The reserved powers do not constitute a control relationship over the Health Systems. As of April 30, 2016, there had been minimal activity, with no capital investments, and no significant financial impact on the accompanying consolidated financial statements.

2. Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies consistently applied by management in the preparation of the accompanying consolidated financial statements:

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the System and its controlled affiliates. Material intercompany transactions and balances have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

The System has been recognized as tax-exempt pursuant to Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for state or federal income taxes has been presented in the accompanying consolidated financial statements.

The System recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities based on the technical merits of the position. The System has determined that it does not have any material unrecognized tax benefits or obligations.

Cash and Cash Equivalents

The System considers all highly liquid debt instruments with an original maturity of three months or less to be cash equivalents. The System maintains cash deposits in excess of federally insured limits and requires financial institutions to pledge collateral for the excess uninsured amounts.

Assets Limited as to Use

Assets limited as to use include assets set aside by the System Board of Directors for future capital improvements, self-insurance, and other purposes, over which the Board retains control and may at their discretion subsequently use for other purposes; and assets held by trustees under loan agreements for construction and debt service. Amounts required to meet current obligations have been classified as current assets.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Investments in marketable debt and equity securities are reported at fair value in the consolidated balance sheet. Alternative investments are reported using net asset value (“NAV”) as a practical expedient for fair value. Interest, dividends and gains and losses, both realized and unrealized, on such investments are reported as non-operating revenues (expenses) when earned.

Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, there is at least a reasonable possibility that changes in the values of investment securities will occur in the near term and that these changes could materially affect the amounts reported in the consolidated balance sheet.

Supplies and Pharmaceutical Inventories

Pharmaceutical inventories are valued at lower of cost or market on the first-in, first-out basis. Supplies and storeroom inventories are valued at average cost.

Property and Equipment

Property and equipment are reported at historical cost. Depreciation is computed on the straight-line method and is provided over the estimated useful life of each class of depreciable asset as follows:

Land improvements	15 to 20 years
Buildings and building improvements	20 to 40 years
Information systems, equipment, and furniture	3 to 15 years

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others as services are rendered, including a provision for bad debts and estimated retroactive adjustments under reimbursement agreements. Retroactive third-party payor settlements and bad debt adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Provisions have been made for estimated settlements arising from adjustments that may result from third-party payor reviews and audits. It is reasonably possible that recorded estimates will change by material amounts in the near term. Net patient service revenue increased approximately \$486,000 during the year ended April 30, 2016 due to differences in actual settlements of prior period cost reports and other changes in prior estimates.

Allowance for Uncollectible Accounts

The System provides an allowance for uncollectible accounts based on the evaluation of the overall collectibility of accounts receivable. As accounts are known to be uncollectible, they are charged against the allowance. Allowance estimates are primarily based on the System’s historical collection experience by payor class. The primary risk of uncollectibility relates to uninsured patient accounts and patient accounts for which primary insurance has paid, but patient deductibles or co-insurance remain outstanding. As such, changes in general economic conditions or healthcare coverage provided by federal or state governments or private insurers may have a material impact on these estimates.

Management routinely assesses, in the normal course of business, the adequacy of the allowance for uncollectible accounts based upon its assessment of factors such as historical collection rates, expected future collection rates considering business and economic conditions, trends in healthcare coverage, and other collection indicators by payor category, and adjusts the allowance and related provision accordingly. The System’s allowance for uncollectible accounts was approximately 93% of self-pay accounts receivable at April 30, 2016.

Charity Care

The System provides care to patients who meet certain criteria under its charity care policy, without charge or at amounts less than its established rates. The System's charity care policy follows federal government guidelines in determining which patients qualify for charity care. Charity services are defined as those for which patients have the obligation and willingness to pay but do not have the ability to do so. Charges related to charity services are written off as charity care in accordance with established policies and are not recognized as net patient service revenue.

Excess of Revenues over Expenses

The System's consolidated statement of operations and change in net assets distinguishes between operating and non-operating revenues and expenses. Operating revenues primarily result from exchange transactions associated with providing healthcare services, which is the System's principal activity. Investment income and losses and certain non-exchange revenues are reported as non-operating revenues. Operating expenses include all expenses incurred to provide healthcare services.

Changes in unrestricted net assets that are excluded from excess of revenues over expenses, consistent with relevant accounting literature and industry practice, include contributions of long-lived assets (including assets acquired using contributions that, by donor restriction, were to be used for the purpose of acquiring such assets), effects of changes in accounting policies, and certain pension accounting items.

Compensated Absences

The System's team members earn paid time off ("PTO") at varying rates depending on salary and years of service. PTO time accumulates based on years of service and generally any days not used at year-end will carry over to the next fiscal year, subject to a maximum limit. Each year, eligible team members may receive payment for up to 25 percent of their PTO balance, but not more than 80 hours per year. Accrued PTO is paid at the time of termination. At April 30, 2016, the System has accrued liabilities of approximately \$8,512,000 related to compensated absences.

Subsequent Events

The System evaluated subsequent events from May 1, 2016 through July 28, 2016, which is the date the consolidated financial statements were issued.

3. Net Patient Service Revenue

Medicare and Medicaid

The System provides care to patients covered by the Medicare and Medicaid programs. Most inpatient and outpatient hospital services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors.

The System is subject to various final settlements determined after submission of annual cost reports and audits by the Medicare fiscal intermediary. The System's classification of patients under the Medicare program and the appropriateness of their admissions are subject to an independent review by a peer review organization. The System's Medicare cost reports have been audited and final settled by the Medicare fiscal intermediary through April 30, 2009.

Inpatient services rendered to Medicaid program beneficiaries are reimbursed under a prospective payment reimbursement methodology. Outpatient services are reimbursed under a cost-based methodology. The System is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the System and audits thereof by the Medicaid fiscal intermediary.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Beginning June 1, 2006, Georgia Medicaid moved a significant portion of its recipients to managed care companies called Care Management Organizations (“CMO”). Contractual payments are made by the CMO for services provided using the same methodology and payment rates as traditional Medicaid. The System’s cost reports have been audited and final settled by the Medicaid fiscal intermediary through April 30, 2012.

The American Recovery and Reinvestment Act of 2009 established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified electronic health records (“EHR”) technology. To qualify for incentive payments, healthcare providers must meet designated EHR meaningful use criteria. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in future periods.

The System recognizes revenue related to incentive payments in the period in which it has attested that it is in compliance with the applicable EHR meaningful use requirements. Accordingly, the System reported other operating revenue totaling approximately \$2,228,000 for the year ended April 30, 2016 related to EHR incentive payments.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 created the Recovery Audit Contractors (“RAC”) program to detect and correct improper payments in the Medicare program. The RAC reviews began in 2009 and have not had a material impact on the System’s consolidated financial statements. Although management believes its billing policies do not result in overpayments, the RAC reviews could result in recoupments. Such amounts, if any, cannot be reasonably estimated.

The Georgia General Assembly enacted legislation which went into effect in July 2010 which established a healthcare provider tax for the purpose of funding the Medicaid program. The healthcare provider tax legislation expired June 30, 2013, and was replaced with a provider fee arrangement. The provider fee percentage is set by the Georgia Department of Community Health based on the appropriation in the State Medicaid budget. The System paid approximately \$5,232,000 to the State for the year ended April 30, 2016.

Under the provisions of the Georgia Indigent Care Trust Fund (“ICTF”), Medicaid disproportionate share hospitals (“DSH”) contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned to DSH as additional Medicaid inpatient reimbursement. During 2016, approximately \$4,073,000 was recorded as net patient service revenue relating to ICTF. The federal government does not ensure future ICTF funding.

Under Georgia Upper Payment Limit Rate (“UPL”) provisions, government owned or operated hospitals and critical access eligible hospitals may contribute funds to be used by the State in the Medicaid program, which may be supplemented by federal funds (combination dollars). Combination dollars are returned in the form of UPL payments and are recorded as additional Medicaid inpatient and outpatient reimbursement. During 2016, approximately \$2,633,000 was recorded as net patient service revenue relating to UPL. The federal government does not ensure future UPL funding.

Laws and regulations governing Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimates may change by a material amount in the near term. The System believes that it is in compliance with all applicable laws and regulations. The System is not aware of any pending of threatened investigations that could have a material effect on the consolidated financial statements. Compliance with such laws and regulations can be subject to future government review and interpretation. Non-compliance can result in significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

Other Payors

The System has entered into payment agreements with certain commercial insurance carriers, local businesses, and preferred provider organizations. The bases for payment to the System under these agreements include prospectively determined rates per discharge, discounts from established charges, and per diem rates.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Net patient service revenue was composed of the following for the fiscal year ended April 30, 2016 (in thousands):

Gross patient service charges	\$ 877,545
Contractual adjustments and discounts	<u>(457,743)</u>
Patient service revenue	419,802
Provision for bad debts	<u>(52,069)</u>
Net patient service revenue	<u>\$ 367,733</u>

4. Concentrations of Credit Risk

In the course of providing healthcare services, the System grants credit to patients and generally does not require collateral or other security in extending credit; however, it routinely obtains assignment of, or is otherwise entitled to receive, patient benefits under governmental and commercial health insurance programs, plans and policies. For the year ended April 30, 2016, approximately 46 percent of the System's net patient service revenue was derived from the federal Medicare and Medicaid programs.

The System provides healthcare services in Glynn and Camden counties and the surrounding areas in southeast Georgia and, as a result, has a related geographic concentration of credit risk pertaining to patient accounts receivable.

The composition of receivables from patients and third-party payors as of April 30, 2016 was as follows:

	<u>Gross</u>	<u>Net</u>
Medicare	32%	30%
Medicaid	9%	8%
Self-pay	32%	16%
Other third-party payors	<u>27%</u>	<u>46%</u>
	<u>100%</u>	<u>100%</u>

5. Deposits and Investments

Deposits and investments are exposed to various risks. The System employs a number of investment managers and has adopted a formal investment policy which endeavors to conform with the Uniform Prudent Investor Act and the Prudent Investor Standard as a means of managing its exposure to risk. Due to the level of risk associated with certain investment securities, there is a reasonable possibility that the values of investment securities will change in the near term by a material amount.

Concentration of credit risk. The System has an investment policy which provides objectives and guidelines for diversification of funds, but places no specific limit on the amount that may be invested in any one issuer.

Interest rate risk. The System has an investment policy that considers investment risks and provides for a prudent approach with regular monitoring and reporting. The investment policy does not specifically limit investment maturities as a means of managing its exposure to fair value losses arising from changing interest rates.

Credit risk. The System has adopted an investment policy that permits specific investments, including debt and equity securities, separate accounts, mutual funds, trusts, partnerships, commingled funds, pooled funds, contracts, and other types of investments. The policy provides guidelines regarding risk tolerance and investment objectives by type, including credit rating, liquidity, market capitalization, region, sector, and investment strategy.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Custodial credit risk. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned to it. The System secures its deposits through depository insurance, a collateral pool administered under the direction of the State of Georgia Office of Treasury and Fiscal Services, and collateral held by third parties or the respective pledging financial institutions' trust departments in the System's name.

Assets Limited as to Use

The composition of assets limited as to use at April 30, 2016 is summarized as follows (in thousands):

Held by trustee for debt service:	
Depository accounts	\$ 2,781
Money market funds	833
	<u>3,614</u>
Restricted by third-parties for construction:	
Depository accounts	<u>576</u>
Internally designated for self-insurance:	
Money market funds	276
Mutual funds	3,605
	<u>3,881</u>
Internally designated for capital improvements and other purposes:	
Depository accounts	393
Money market funds	1,852
Corporate bonds	1,103
Corporate equity securities	12,771
Mutual funds	102,780
U.S. agencies mortgage/asset-backed	15,192
U.S. treasuries	1,851
Alternative investments	22,694
	<u>158,636</u>
	166,707
Less amounts classified as current	<u>(1,934)</u>
Total	<u>\$ 164,773</u>

Investment income and gains and losses for assets limited as to use are comprised of the following for the year ended April 30, 2016 (in thousands):

Interest and dividend income	\$ 4,226
Net realized gains on sales of trading securities	2,450
Net unrealized losses on sales of trading securities	<u>(10,906)</u>
	<u>\$ (4,230)</u>

6. Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The System has categorized its financial instruments into a three-level fair value hierarchy based on the priority of inputs used in related valuation techniques. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within multiple levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

A description of the valuation methodologies used for instruments measured at fair value on a recurring basis in accordance with the three-level fair value hierarchy follows:

Level One – Values based on unadjusted quoted prices for identical assets or liabilities in an active market that the System has the ability to access.

Level Two – Values based on pricing inputs which are either directly observable or that can be derived or supported from observable data. These inputs may include quoted prices for similar assets or liabilities in nonactive markets or pricing models whose inputs are observable for substantially the full term of the asset or liability.

Level Three – Values based on prices or valuation techniques that require inputs that are both significant to the fair value of the financial asset or financial liability and are generally less observable from objective sources.

Level One investments held by the System include common stocks and mutual funds that are traded in active markets. Level Two investments held by the System include U.S. government and corporate obligations which are valued using prices that are determined through observable market information such as quotes from less active markets and/or quoted prices of securities with similar characteristics. The System did not hold any Level Three securities as of April 30, 2016.

The System's alternative investments include two private pooled investment funds with underlying investment holdings. Approximately \$14.3 million is invested in a hedge fund through funds of funds structures, and approximately \$8.4 million is invested in a closed benchmark index fund. The hedge funds achieve diversification by allocating investment funds across various money managers or market groups, using different trading methods, and focusing on different markets worldwide. The fund managers employ a variety of investment strategies and hedging techniques to achieve long-term capital growth, while seeking to reduce volatility. The closed index fund employs a strategy of investing in U.S. government securities and derivative instruments in order to exceed the expected returns of the Bank of America Merrill Lynch Three Month U.S. Treasury Bill Index.

Alternative investments may have less liquidity, a stale quoted price, or varying prices from independent sources. The System is subject to limitations on redemption of its hedge fund investment, whereby redemptions can only occur quarterly with seventy-five days' notice. In addition, hedge fund redemptions may be temporarily restricted under certain conditions, including situations where the fund is restricted in its ability to make comparable withdrawals from one or more portfolio funds. Otherwise, all funds are redeemable at NAV per share as of the redemption date. In accordance with GAAP, alternative investments measured at NAV as a practical expedient for fair value are excluded from the fair level hierarchy.

Fair value estimates are based on pertinent information available to management as of April 30, 2016. Although management is not aware of any factors that would significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of the consolidated financial statements since that date, and current estimates of fair value may differ significantly from the amounts presented herein.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

The fair value hierarchy of assets limited as to use at April, 30, 2016 is summarized as follows (in thousands):

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Money market mutual funds	\$ 2,961	\$ -	\$ 2,961
Corporate equities	12,771	-	12,771
Mutual funds:			
Equities	43,947	-	43,947
Bonds/fixed income	37,285	-	37,285
Balanced	18,839	-	18,839
Closed end	6,314	-	6,314
U.S. agencies mortgage/asset backed	-	15,192	15,192
U.S. treasuries	-	1,851	1,851
Corporate bonds	<u>846</u>	<u>257</u>	<u>1,103</u>
	<u>\$ 122,963</u>	<u>\$ 17,300</u>	140,263
Cash depository accounts			3,750
Alternative investments measured at NAV			<u>22,694</u>
Total assets limited as to use			<u>\$ 166,707</u>

The carrying amounts of current financial assets and liabilities approximate fair value based on their short-term nature. The fair value of long-term debt at April 30, 2016 totaled approximately \$190,114,000, measured using pricing models that utilize Level 2 inputs, including debt terms, market conditions, and recent transaction prices in thinly-traded markets.

7. Property and Equipment

Property and equipment is summarized as follows at April 30, 2016 (in thousands):

Land and land improvements	\$ 32,924
Buildings and building improvements	282,538
Information systems, equipment, and furniture	208,264
Construction in progress	<u>1,671</u>
	525,397
Less accumulated depreciation	<u>(285,917)</u>
Property and equipment, net	<u>\$ 239,480</u>

Assets recorded under capital leases at April 30, 2016 were approximately \$13,860,000, with related accumulated depreciation of approximately \$9,321,000.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

8. Long-Term Debt

Long-term debt at April 30, 2016 is summarized as follows (in thousands):

Series 2015 fixed rate refunding revenue anticipation certificates, bearing interest at 3.5 percent to 5.0 percent, payable semi-annually on the first day of February and August each year, beginning in 2019 through 2034	\$ 83,935
Series 2012 fixed rate refunding revenue anticipation certificates, bearing interest at 2.33 percent, payable annually, maturing annually through 2016	705
Series 2008A fixed rate revenue anticipation certificates, bearing interest from 4.5 percent to 5.625 percent, payable annually, maturing annually beginning in 2017 through 2034	17,605
Series 2008B variable rate revenue anticipation certificates, bearing interest at rates that reset weekly (.43 percent at April 30, 2016), payable monthly, maturing annually through 2038	40,325
Notes payable, bearing interest at rates equal to LIBOR plus .75 percent to 1.25 percent, payable in monthly installments of principal and interest, maturing annually through 2022, secured by real property	14,614
Capital lease obligations	3,135
Unamortized issuance premiums and discounts	<u>10,735</u>
	171,054
Less current maturities	<u>(3,012)</u>
Long-term debt, excluding current maturities	<u>\$ 168,042</u>
Notes payable to community development entities (see Note 14)	<u>\$ 13,824</u>

Scheduled principal repayments on long-term debt, notes payable to community development entities, and capital lease obligations for years ending April 30 are as follows (in thousands):

2017	\$ 3,012
2018	5,296
2019	6,510
2020	4,826
2021	15,627
Thereafter	<u>138,872</u>
	<u>\$ 174,143</u>

Pursuant to the lease and transfer agreement, the System pays the Authority amounts sufficient to pay the principal of, redemption premium and interest on any and all revenue anticipation certificates, bonded indebtedness, loans, borrowings or other debt obligations of the Authority existing at May 1, 2015.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

In April 2015, the Authority issued Refunding Revenue Anticipation Certificates ("Series 2015 Certificates") in the amount of \$83,935,000. The purpose of the issuance was to advance refund a portion of the Authority's outstanding Series 2008A Certificates, as well as to pay costs of issuance. In connection with the issuance of the Series 2015 Certificates, the master trust indenture was amended such that the obligated group consists of the Authority, Camden Campus, CHSI, and Brunswick Campus.

In February 2012, the Authority issued Refunding Revenue Anticipation Certificates ("Series 2012 Certificates") in the amount of \$4,220,000. The purpose of the issuance was to refund the Authority's outstanding Series 1996 Certificates.

In September 2008, the Authority issued Fixed Rate Revenue Anticipation Certificates ("Series 2008A Certificates") in the amount of \$106,865,000 and Variable Rate Revenue Anticipation Certificates ("Series 2008B Certificates") in the amount of \$40,570,000. The variable interest rate is reset by the remarketing agent based on investor demand in weekly auctions. The purpose of the issuance was to fund the acquisition and renovation of a 200-bed skilled nursing facility contiguous to the Brunswick Campus; the construction of additional labor, delivery, recovery and postpartum patient rooms and renovation of the existing Maternity Care Center on the Brunswick Campus; the replacement of utility infrastructure within the St. Simons Tower on the Brunswick Campus; the development and build-out of an Orthopaedic and Neurologic care center within the St. Simons Tower on the Brunswick Campus; certain other renovations to the Brunswick Campus and medical equipment acquisitions; and to refund the Authority's outstanding Series 2004 Certificates.

The Authority utilized the net proceeds from the issuance of the Series 2015 Certificates, plus certain debt service reserve funds on hand, to purchase U.S. government securities and deposit them into an irrevocable trust with an escrow agent in order to provide for all future debt service payments on the refunded Series 2008A Certificates. As a result, outstanding advance refunded certificates totaling \$89,260,000 at April 30, 2015 are considered to be defeased and the liability for these bonds is not reported in the System's consolidated balance sheet.

The outstanding revenue certificates are secured by a first and prior liens on revenues from the operations of the obligated group. Monies in debt service funds are also subject to a lien in favor of the holders of the certificates issued. The Series 2008B Certificates are supported by a letter of credit issued by Branch Banking and Trust Company for \$40,325,000 plus related accrued interest at April 30, 2016. The term of the letter of credit is through March 31, 2018.

Under the terms of the certificate indentures, the System is required to maintain certain deposits with trustees for debt service and construction purposes. Such deposits are included within assets limited as to use in the consolidated balance sheet. The certificate indentures also contain various restrictive covenants pertaining to certain measures of financial performance. The System is in compliance with these covenants.

The System maintains an open end revolving line of credit of \$6,000,000 at an interest rate equal to the greater of 3.25 percent or LIBOR plus 125 basis points. The line of credit is unsecured. As of April 30, 2016, there were no outstanding advances on the credit line.

The System has two notes payable with Branch Banking and Trust Company with an aggregate initial available amount of \$20,000,000 for the purpose of constructing a new medical office building located in Glynn County, Georgia and a new medical office building located in Camden County, Georgia. The notes carry an interest rate equal to the sum of one-month LIBOR and 1.25 percent (1.69% at April 30, 2016). Beginning January 21, 2014, the System began making monthly principal payments on the 21st day of each month in an amount equal to 1/360th of the principal loan balance at December 21, 2012. The entire outstanding principal balance and all accrued unpaid interest under the notes shall be due and payable in full on December 21, 2021.

9. Commitments and Contingencies

The System is involved in litigation in the ordinary course of business related to professional liability claims. The System maintains umbrella insurance with a limit of \$10,000,000 each occurrence and \$20,000,000 annual aggregate for professional liability and other general liability claims exceeding self-retained limits of \$2,000,000 individually and \$6,000,000 collectively, on an annual basis. The System is self-insured under these limits. At April 30, 2016, malpractice and other various claimants had filed claims that are in various stages of processing, and some may ultimately be brought to trial.

The System has engaged the services of an independent actuary to perform an annual evaluation of estimated professional liability claims obligations and to determine the reserve requirements at the end of each fiscal year. The discount rate used in actuarial calculations for 2016 was 3 percent. The current portion of the estimated professional liability claims obligation included in other accrued expenses totaled approximately \$1,294,000 at April 30, 2016, while the non-current obligation totaled approximately \$3,881,000. Self-insured professional liability claims expense for 2016 aggregated approximately \$2,576,000. Management is of the opinion that the accrual for professional liability claims is adequate for loss contingencies, however, it is possible that actual losses may differ from management's estimates.

The System has designated non-current assets limited as to use of approximately \$3,881,000 at April 30, 2016 for self-insurance reserves.

The System is committed under various non-cancelable operating leases for equipment with expiration dates through 2019, as well as lease agreements for office space with expiration dates through 2022. Future minimum operating lease payments for years ending April 30 are as follows (in thousands):

2017	\$	3,087
2018		2,782
2019		1,925
2020		1,364
2021		1,107
Thereafter		<u>991</u>
Total	\$	<u>11,256</u>

The System had contractual commitments related to construction and information system projects totaling approximately \$4,431,000 as of April 30, 2016.

10. Employee Benefit Trust and Self-Insurance

The System maintains a plan and trust agreement to provide life insurance, accident and health benefits (including hospitalization, medical, surgical, major medical, and other health benefits), and workers' compensation for its team members. The System maintains excess workers' compensation and employers' liability insurance above self-insured retention limits of \$750,000 per occurrence through the Georgia Self Insurers Guarantee Trust Fund. The System maintains an irrevocable standby letter of credit in the amount of \$2,850,000 which is committed at April 30, 2016 for self-insured workers compensation claims. At April 30, 2016, there were no outstanding advances on the letter of credit.

Life insurance coverage is provided by premiums paid to an independent insurance carrier. Health benefits for team members and their dependents, if elected, are funded entirely by contributions into the plan by the System and its team members. The plan is administered by a third-party administrator.

Claims liabilities related to health benefit and workers' compensation are included in other accrued expenses at April 30, 2016 in the amount of \$5,325,000.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

11. Retirement Plans

The Authority sponsors a frozen non-contributory defined benefit pension plan. Benefits in the defined benefit pension plan were frozen in 1998, and participants were offered incentives to transfer their benefit to 403(b) defined contribution plans. Most participants converted to the defined contribution plans and the Authority funded the remaining pension obligation.

Under the lease and transfer agreement, the System has assumed the plan obligation has agreed to fund the future benefits of the remaining participants in the frozen pension plan.

The System contributed \$1,800,000 to the frozen pension plan during the year ended April 30, 2016. The plan will continue in existence as long as benefits are being paid to existing participants. The calculated benefits are based on years of service and the team member's compensation during the last five years of employment.

Assumptions used in the accounting for net periodic pension costs in the System's financial statements for the year ended April 30, 2016 were as follows:

Weighted average discount rate	3.64%
Expected long-term rate of return	3.64%

Estimated future benefit payments are as follows for years ending April 30 (in thousands):

2017	\$ 581
2018	583
2019	573
2020	562
2021	545
2022-2026	2,475

The System's net periodic pension cost and changes in net pension (liability) asset for the year ended April 30, 2016 were as follows (in thousands):

Interest on net pension obligation	\$ (320)
Expected return on plan assets	253
Net loss	<u>(94)</u>
Annual pension cost	(161)
Contributions	1,800
Other adjustments	<u>309</u>
Decrease in net pension liability	1,948
Net pension liability, beginning of year	<u>(1,770)</u>
Net pension asset, end of year	<u>\$ 178</u>

As of April 30, 2016, the plan was approximately 102% funded, with a total pension liability of approximately \$8,234,000 and assets totaling approximately \$8,412,000.

Plan assets are invested and managed in accordance with the System's investment policy, which provides for a "prudent investor" approach to investment and asset management decisions. Plan assets are held with a life insurance company under a group annuity contract. The Plan assets are classified within the fair value hierarchy as Level Three investments and are measured utilizing contract value, which is the expected redemption price of the investment as of the measurement date.

Southeast Georgia Health System, Inc.
Notes to Consolidated Financial Statements

Through December 31, 2015, the Authority sponsored several defined contribution plans. Effective January 1, 2016, the Authority-sponsored defined contribution plans were terminated and merged into the System's 403(b) plan. Under the defined contribution plans, participants receive employer matching contributions based on individual deferral contributions and years of credited service. Employer discretionary contributions are made annually as a percent of each participant's salary. The System administers the plans and can change or alter plan provisions. Contributions to the 403(b) plans aggregated approximately \$5,535,000 during the year ended April 30, 2016.

12. Charity Care and Community Service

The System is committed to meeting the needs of the communities which it serves. To this end, the System provides care to patients who cannot afford healthcare because of inadequate resources and/or who are uninsured or underinsured. The amount of support provided for the year ended April 30, 2016 is as follows (in thousands):

Indigent care:		
Based on established rates	\$	19,002
Based on estimated cost of the care provided		6,970
Provision for bad debts, based on established rates		52,069

Management estimates the cost to provide indigent care by applying a cost-to-charge ratio to the value of charity care based on established rates.

The System provides financial support for a variety of programs designed to meet the health and educational needs of the communities which it serves. The amount of direct financial support provided to those community programs for the year ended April 30, 2016 was as follows (in thousands):

College of Coastal Health Professional Education	\$	55
Athletic trainer support to schools		188
Davis Love Foundation		75
American Cancer Society		21
Emergency & Acute Care Medical Co. Southeast LLC		<u>2,885</u>
Total	\$	<u>3,224</u>

The System also sponsored and participated in over 125 other programs during 2016, in support of not-for-profit community organizations, providing direct financial support to those activities in the amount of approximately \$175,000 during the year ended April 30, 2016.

13. Charitable Remainder Trust

The System is beneficiary to a charitable remainder trust. The trust provides for the payment of distributions over the trust's term to designated beneficiaries. At April 30, 2016, the System is the sole remaining beneficiary. The trust indenture provides that, contingent upon approval of the trustee, the remaining trust assets are available to fund permanent additions to the System. The indenture dictates that the trustee has sole authority to determine what constitutes a permanent addition and that, should all of the distributable amount not be disbursed to the System, the trust assets could contingently be made available to another charitable organization. Management is of the belief that, as the sole remaining beneficiary to the trust, the System will have the ability to utilize the assets in the future in order to fund permanent additions to the System. However, no beneficial interest has been recorded at April 30, 2016, as the trustee maintains variance power over ultimate disbursement of the funds.

Proceeds from the trust are recorded as contributions in the period in which the funding is authorized and committed by the trustee. Such contributions totaled approximately \$246,000 during the year ended April 30, 2016. Assets held in the trust totaled approximately \$4,431,000 at April 30, 2016.

14. New Market Tax Credit

The System participates in the NMTC program offered through the Department of the Treasury in order to finance the renovation and construction of medical facilities in designated areas of Brunswick, Georgia. The NMTC program permits corporate and individual taxpayers to receive a credit against federal income taxes for making qualified equity investments in qualified community development entities ("CDE").

The System entered into a NMTC transaction with JPMorgan Chase Bank ("Bank") in December 2012, whereby the System made a leverage loan of approximately \$9,785,000 to Chase NMTC Brunswick Investment Fund, LLC ("Investment Fund"). The Investment Fund is a funding vehicle for the CDEs that was capitalized with an equity investment of approximately \$4,473,000 by Chase Community Equity, LLC ("Investor"), the federal tax credit investor under the NMTC program. The Investment Fund made qualified equity investments totaling \$14,250,000 into two CDEs, which loaned to QALICB approximately \$13,824,000 in qualified low-income community investment loans. The QALICB notes payable to the CDEs bear interest only for the first seven years at a rate of 0.65 percent. Beginning in fiscal year 2020, payments of principal and interest totaling approximately \$144,000 are due each month until maturity in 2045. The terms of the System's leverage loan receivable from the Investment Fund mirror those of the terms of the notes payable to the CDE, except at a rate of .62 percent.

In connection with the NMTC transaction, the System entered into a put/call option agreement with the Bank. In 2019, the Bank can exercise its put option and sell its interest in the Investment Fund to the System for a nominal price of \$1,000 plus transfer taxes. If the Bank does not exercise its put option then the System can exercise its call option to purchase the equity in the Investment Fund at fair value. Thus, it is expected that the System will acquire the Bank's equity interest in the Investment Fund, at which time it will forgive the notes payable from QALICB to the CDEs and the leverage loan receivable from the Investment Fund to the System. Any potential anticipated gain to be realized from the NMTC transaction is an unrecorded contingency.

15. Functional Expenses

The System does not present expense information by functional classification because its resources and activities are primarily related to providing healthcare services. Further, since the System receives substantially all of its resources from providing healthcare services in a manner similar to business enterprise, other indicators contained in these consolidated financial statements are considered important in evaluating how well management has discharged their stewardship responsibilities.

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2016
(in thousands)

	<u>Brunswick Campus</u>	<u>Camden Campus</u>	<u>CHSI</u>	<u>Eliminations</u>	<u>Total Obligated Group</u>	<u>Foundation</u>	<u>QALICB I</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Consolidated</u>
ASSETS										
Current assets:										
Cash and cash equivalents	\$ 21,913	\$ (317)	\$ (506)	\$ -	\$ 21,090	\$ -	\$ 944	\$ 22,034	\$ -	\$ 22,034
Patient accounts receivable, net	48,807	8,722	8,596	-	66,125	-	-	66,125	-	66,125
Other receivables	663	36	45	-	744	254	-	998	-	998
Supplies and pharmaceutical inventories	6,484	1,075	146	-	7,705	-	-	7,705	-	7,705
Assets limited as to use	1,772	162	-	-	1,934	-	-	1,934	-	1,934
Other current assets	3,834	277	108	-	4,219	-	14	4,233	-	4,233
Total current assets	<u>83,473</u>	<u>9,955</u>	<u>8,389</u>	<u>-</u>	<u>101,817</u>	<u>254</u>	<u>958</u>	<u>103,029</u>	<u>-</u>	<u>103,029</u>
Assets limited as to use:										
Held by trustee for debt service	1,231	449	-	-	1,680	-	-	1,680	-	1,680
Restricted by third-parties for construction	-	-	-	-	-	-	576	576	-	576
Internally designated for self-insurance	3,881	-	-	-	3,881	-	-	3,881	-	3,881
Internally designated for capital improvements and other purposes	150,265	-	-	-	150,265	8,371	-	158,636	-	158,636
Total assets limited as to use	<u>155,377</u>	<u>449</u>	<u>-</u>	<u>-</u>	<u>155,826</u>	<u>8,371</u>	<u>576</u>	<u>164,773</u>	<u>-</u>	<u>164,773</u>
Property and equipment, net	179,851	36,714	4,416	(130)	220,851	-	18,629	239,480	-	239,480
Other assets:										
Investment in affiliates	27,925	-	128	(14,205)	13,848	-	-	13,848	(13,848)	-
Intercompany receivable	3,185	2,143	-	(4,229)	1,099	-	-	1,099	(1,099)	-
Leverage loan receivable	9,785	-	-	-	9,785	-	-	9,785	-	9,785
Other assets	280	-	-	-	280	-	-	280	-	280
Total other assets	<u>41,175</u>	<u>2,143</u>	<u>128</u>	<u>(18,434)</u>	<u>25,012</u>	<u>-</u>	<u>-</u>	<u>25,012</u>	<u>(14,947)</u>	<u>10,065</u>
Total assets	<u>\$ 459,876</u>	<u>\$ 49,261</u>	<u>\$ 12,933</u>	<u>\$ (18,564)</u>	<u>\$ 503,506</u>	<u>\$ 8,625</u>	<u>\$ 20,163</u>	<u>\$ 532,294</u>	<u>\$ (14,947)</u>	<u>\$ 517,347</u>

Southeast Georgia Health System, Inc.
Consolidating Balance Sheet
April 30, 2016
(in thousands)

(Continued)

	<u>Brunswick Campus</u>	<u>Camden Campus</u>	<u>CHSI</u>	<u>Eliminations</u>	<u>Total Obligated Group</u>	<u>Foundation</u>	<u>QALICB I</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Consolidated</u>
LIABILITIES AND NET ASSETS										
Current liabilities:										
Current maturities of long-term debt	\$ 2,839	\$ 114	\$ 59	\$ -	\$ 3,012	\$ -	\$ -	\$ 3,012	\$ -	\$ 3,012
Accounts payable	10,516	1,056	794	-	12,366	-	-	12,366	-	12,366
Intercompany payable	-	-	4,229	(4,229)	-	993	106	1,099	(1,099)	-
Estimated third-party payor settlements	4,484	602	-	-	5,086	-	-	5,086	-	5,086
Accrued salaries and compensated absences	7,931	1,183	5,555	-	14,669	11	-	14,680	-	14,680
Other accrued expenses	9,041	1,088	792	-	10,921	-	6	10,927	-	10,927
Deferred revenue	394	312	-	-	706	-	-	706	-	706
Total current liabilities	35,205	4,355	11,429	(4,229)	46,760	1,004	112	47,876	(1,099)	46,777
Long-term debt, excluding current maturities	136,942	30,007	1,093	-	168,042	-	-	168,042	-	168,042
Notes payable to community development entities	-	-	-	-	-	-	13,824	13,824	-	13,824
Professional liability claims obligation, net	2,906	675	300	-	3,881	-	-	3,881	-	3,881
Total liabilities	175,053	35,037	12,822	(4,229)	218,683	1,004	13,936	233,623	(1,099)	232,524
Net assets	284,823	14,224	111	(14,335)	284,823	7,621	6,227	298,671	(13,848)	284,823
Total liabilities and net assets	\$ 459,876	\$ 49,261	\$ 12,933	\$ (18,564)	\$ 503,506	\$ 8,625	\$ 20,163	\$ 532,294	\$ (14,947)	\$ 517,347

Southeast Georgia Health System, Inc.
Consolidating Statement of Operations and Change in Net Assets
Year Ended April 30, 2016
(in thousands)

	<u>Brunswick Campus</u>	<u>Camden Campus</u>	<u>CHSI</u>	<u>Eliminations</u>	<u>Total Obligated Group</u>	<u>Foundation</u>	<u>QALICB I</u>	<u>Subtotal</u>	<u>Eliminations</u>	<u>Consolidated</u>
Operating revenues:										
Patient service revenue (net of contractual allowances and discounts)	\$ 308,912	\$ 56,343	\$ 55,295	\$ (748)	\$ 419,802	\$ -	\$ -	\$ 419,802	\$ -	\$ 419,802
Provision for bad debts	(35,128)	(10,599)	(6,342)	-	(52,069)	-	-	(52,069)	-	(52,069)
Net patient service revenue	273,784	45,744	48,953	(748)	367,733	-	-	367,733	-	367,733
Other revenues	8,680	955	4,967	(8,015)	6,587	587	467	7,641	(1,876)	5,765
Total operating revenues	282,464	46,699	53,920	(8,763)	374,320	587	467	375,374	(1,876)	373,498
Operating expenses:										
Salaries and wages	75,527	13,676	55,802	-	145,005	194	-	145,199	-	145,199
Employee benefits	23,755	4,911	10,519	-	39,185	48	-	39,233	-	39,233
Contract personnel	10,498	912	2,237	-	13,647	-	-	13,647	-	13,647
Professional fees	4,705	138	429	-	5,272	1	-	5,273	-	5,273
Supplies and drugs	62,718	7,362	3,634	-	73,714	13	-	73,727	-	73,727
Physician fees	6,319	2,164	951	(4,362)	5,072	-	-	5,072	-	5,072
Insurance and utilities	6,726	2,122	1,005	(276)	9,577	7	-	9,584	-	9,584
Outside services	23,586	4,202	2,807	(748)	29,847	35	3	29,885	-	29,885
Depreciation and amortization	17,047	2,453	591	-	20,091	-	394	20,485	-	20,485
Hospital provider fee	4,560	672	-	-	5,232	-	-	5,232	-	5,232
Other	7,249	1,369	5,211	(3,377)	10,452	1,111	62	11,625	(1,876)	9,749
Interest expense	3,607	1,100	38	-	4,745	-	90	4,835	-	4,835
Total operating expenses	246,297	41,081	83,224	(8,763)	361,839	1,409	549	363,797	(1,876)	361,921
Income (loss) from operations	36,167	5,618	(29,304)	-	12,481	(822)	(82)	11,577	-	11,577
Non-operating revenues (expenses):										
Net investment (loss) income	(4,585)	7	4	-	(4,574)	341	3	(4,230)	-	(4,230)
Other	10	-	-	-	10	-	-	10	-	10
Total non-operating (expenses) revenues, net	(4,575)	7	4	-	(4,564)	341	3	(4,220)	-	(4,220)
Excess (deficit) of revenues over expenses	31,592	5,625	(29,300)	-	7,917	(481)	(79)	7,357	-	7,357
Other changes in net assets	(493)	-	(89)	14	(568)	218	-	(350)	-	(350)
Equity in earnings of affiliates	(24,092)	-	-	23,750	(342)	-	-	(342)	342	-
Equity transfers	-	(47,630)	52,384	(4,754)	-	-	-	-	-	-
Increase (decrease) in net assets	\$ 7,007	\$ (42,005)	\$ 22,995	\$ 19,010	\$ 7,007	\$ (263)	\$ (79)	\$ 6,665	\$ 342	\$ 7,007

See independent auditors' report.

EXHIBIT D
FORM OF LETTER OF CREDIT

This Exhibit D replaces in its entirety Appendix D of the Official Statement.

EXHIBIT A

IRREVOCABLE DIRECT-PAY LETTER OF CREDIT NO. [Letter of Credit Number]

September ___, 2016

U.S. Bank National Association,
as Trustee
1349 West Peachtree Street, Suite 1050
Atlanta, Georgia 30309
Attention: Corporate Trust Services

At the request of The Glynn-Brunswick Memorial Hospital Authority (the “Authority”) and Southeast Georgia Health System, Inc. (collectively the “Companies” and each a “Company”), we hereby establish this Irrevocable Direct Pay Letter of Credit in your favor as Trustee under a Trust Indenture dated as of September 1, 2008, between the Authority and you, as trustee (the “Trust Indenture”), pursuant to which \$40,570,000 in original aggregate principal amount of the Authority’s Variable Rate Revenue Anticipation Certificates (Southeast Georgia Health System Project), Series 2008B (the “Certificates”) have previously been issued. This Letter of Credit is issued pursuant to a Reimbursement Agreement, dated as of September 1, 2016 (the “Reimbursement Agreement”), between Southeast Georgia Health System, Inc. and us. We hereby authorize you to draw on us an amount not exceeding \$40,662,576 (the “Initial Available Amount” and, as the same may from time to time be reduced and thereafter reinstated as hereinafter provided, the “Available Amount”) of which (i) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$40,200,000 may be drawn on in respect of principal or the portion of the purchase price corresponding to principal of the Certificates (the “Principal Component”); and (ii) subject to the provisions below reducing amounts available hereunder, an aggregate amount not exceeding \$462,576 may be drawn on in respect of the payment of up to 35 days’ interest or the portion of the purchase price corresponding to interest on the Certificates at an assumed per annum interest rate of 12% based on a 365-day year (the “Interest Component”) effective immediately and expiring at 3:00 P.M. (prevailing Eastern Time) at our Presentation Office (as hereinafter defined) on [September 21, 2021] (the “Expiration Date”) or as hereinafter provided.

Multiple and partial drawings may be made under this Letter of Credit, but no single drawing under this Letter of Credit shall be honored in an amount exceeding the Available Amount. Any and all payments made under this Letter of Credit will be made with our own funds.

Funds under this Letter of Credit are available to you against a sight draft drawn on us, stating on its face “Drawn under TD Bank, N.A. Irrevocable Direct Pay Letter of Credit No. _____”, presented for payment on a Business Day (as defined in the Trust Indenture), and accompanied by a written certificate:

- (a) in the form of Annex A attached hereto (an “A Drawing”) if the drawing is made with respect to payment of principal of the Certificates upon the acceleration, redemption or stated maturity thereof;
- (b) in the form of Annex B attached hereto (a “B Drawing”) if the drawing is made with

respect to payment of interest on the Certificates on or prior to their stated maturity date or upon the acceleration or redemption thereof; and

- (c) in the form of Annex C attached hereto (a “C Drawing”) if the drawing is made with respect to payment of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section 214 of the Trust Indenture.

The demand for payment hereunder shall not exceed the Available Amount. The Available Amount shall be reduced by delivery to us of your certificate in the form of Annex D in the amount specified in such certificate.

The Principal Component of the Available Amount shall be further automatically and permanently reduced by the amount of each A Drawing. The Available Amount shall be further automatically and permanently reduced upon delivery by us to you of a certificate in the form of Annex G hereto in an amount equal to the principal portion of any unreimbursed C Drawing outstanding after 180 days from the date of such C Drawing. The Available Amount shall also be reduced by the amount of any drawing hereunder, except that (i) the amount of each B Drawing honored in respect of interest shall immediately and automatically be reinstated following the honoring of such drawing (except as provided in the next following sentence); and (ii) the amount of each C Drawing shall be restored upon receipt by you of notice from us confirming that the Company has reimbursed us for such drawing. In the case of a B Drawing delivered in connection with a redemption, acceleration or stated maturity (but not purchase) of Certificates as indicated on Annex B, there shall be a pro rata permanent reduction of the Interest Component as provided in such Annex B.

The Letter of Credit shall terminate, effective immediately, on the earliest to occur of any of the following: (i) 3:00 p.m. (prevailing Eastern Time) on the Expiration Date, (ii) the close of business on the second business day following a conversion of the interest rate on all of the outstanding Certificates to a Long-Term Rate (as defined in the Trust Indenture), (iii) the date on which we honor a draft drawn hereunder pursuant to Section 902 of the Trust Indenture following the occurrence of an Event of Default thereunder and an acceleration, (iv) the date this Letter of Credit is surrendered to us by you for cancellation following acceptance by you of a Substitute Letter of Credit (as defined in the Trust Indenture), (v) the date on which we honor a draft drawn hereunder to purchase the Certificates following your receipt of written notice from us directing a mandatory purchase of the Certificates pursuant to Section 214(b)(iv) of the Trust Indenture, and (vi) the date on which we receive from you a certificate in the form of Annex E hereto. This Letter of Credit shall be promptly surrendered to us by you upon such termination. The Expiration Date may be extended by us at our discretion at any time or from time to time, by our giving written notice of such extension to you specifying a new Expiration Date.

The aforesaid certificates, which form an integral part of this Letter of Credit, shall have all blanks appropriately filled in and shall be signed by your authorized officer, and any sight draft and the aforesaid certificates shall be in the form of a letter on your letterhead either delivered to us at our office located at TD Bank, N.A., Standby Letter of Credit Department, 6000 Atrium Way, 2nd Floor, Mount Laurel, New Jersey, 08054, or such other office which may be designated in writing by us to you (the “Presentation Office”) on a Business Day or delivered to us by facsimile (at telecopier number (856-533-6545) on a Business Day (or at such other address or telecopier number as we may designate in a written notice delivered to you). If demand for payment is made hereunder not later than 11:00 A.M. (prevailing Eastern Time) on

any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds not later than 2:00 P.M. (prevailing Eastern Time) on the same Business Day. If demand for payment is made hereunder after 11:00 A.M. (prevailing Eastern Time) on any Business Day, and provided that such demand for payment and the documents presented in connection therewith conform to the terms and conditions hereof, payment of the amount demanded shall be made in immediately available funds, not later than 10:00 A.M. (prevailing Eastern Time) on the next succeeding Business Day.

This Letter of Credit is transferable in its entirety (but not in part) to any transferee whom you certify to us has succeeded you as Trustee under the Trust Indenture. Transfer of the available balance of this Letter of Credit to a successor transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a written certificate in the form of Annex F attached hereto.

Only you (or a transferee as permitted by the terms of this Letter of Credit) may make a drawing under this Letter of Credit. Upon payment to you or your account of the amount demanded hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to the respective demand for payment and we shall not thereafter be obligated to make any further payments under this Letter of Credit in respect of such demand for payment. By paying to you an amount demanded in accordance herewith we make no representation as to the correctness of the amount demanded. Certificates that are registered in the name of, or held by or for the account of the Companies, the Issuer or are held or required to be held for our benefit pursuant to the Trust Indenture ("Pledged Certificates") shall not be entitled to any benefit of this Letter of Credit.

This Letter of Credit sets forth in full the terms of our undertaking and shall not in any way be amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit is related, except for the certificates referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement except for such certificates.

This Letter of Credit shall be governed by the International Standby Practices 1998 ("ISP98") and as to matters not covered by ISP98, this Letter of Credit shall be governed by the laws of the State of Georgia.

TD BANK, N.A.

By: _____
Title: _____

DRAWING CERTIFICATE TO
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]
(Principal)

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee"), hereby certifies to TD Bank, N.A., in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates", "Available Amount", "Principal Component" and "Trust Indenture" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of principal of the Certificates.
3. The amount of principal of the Certificates which is due and payable is \$_____ and is the amount of the sight draft accompanying this Drawing Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture and does not exceed the Principal Component of the Available Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the principal of the Certificates pursuant to the Trust Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Trust Indenture and an acceleration of the Certificates in accordance with Section 902 thereof.]

The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Drawing Certificate, the Principal Component of the Available Amount of the Letter of Credit shall be permanently reduced by the aggregate amount of such sight draft.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the ____ day of _____, 20_.

U.S. Bank National Association,
as Trustee

By: _____

DRAWING CERTIFICATE TO
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]
(Interest)

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to TD Bank, N.A., in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. _____ (the "Letter of Credit"; the terms "Certificates", "Available Amount", "Interest Component" and "Trust Indenture" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit with respect to \$_____ to be used for the payment of interest on the Certificates on or prior to their stated maturity date.
3. The amount of interest on the Certificates which is due and payable is \$_____ and is the amount of the sight draft accompanying this Drawing Certificate.
4. The amount of this demand for payment and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture, and does not exceed the Interest Component of the Available Amount of the Letter of Credit.
5. Upon receipt by the undersigned of the amount demanded hereby (a) the undersigned will apply the same directly to the payment when due of the interest on the Certificates pursuant to the Trust Indenture, (b) no portion of said amount shall be applied by the undersigned for any other purpose, and (c) no portion of said amount shall be commingled with any other funds held by the Trustee.

[6.] [Only if applicable] [The amount drawn hereby is to be used to pay interest on Certificates redeemed and not purchased. The undersigned acknowledges that upon the Bank's honoring the sight draft accompanying this Drawing Certificate, the Interest Component of the Available Amount of the Letter of Credit shall be permanently reduced by an amount equal to 35

days interest on the principal amount of the Certificates being redeemed computed at the rate of 12% per annum.]

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Trust Indenture and an acceleration of the Certificates in accordance with Section 902 thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the ____ day of _____, 20_.

U.S. Bank National Association,
as Trustee

By: _____

DRAWING CERTIFICATE TO
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]
(Purchase Price)

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to TD Bank, N.A., in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates", "Trust Indenture", "Available Amount" and "Pledged Certificates" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section 214 of the Trust Indenture, equal to the principal amount thereof. The amount of such portion of the purchase price equal to the principal amount of such Certificates is \$ _____.
3. The Trustee is making a demand for payment under the Letter of Credit to be applied to the payment of the portion of the purchase price of Certificates tendered, or deemed tendered, for purchase pursuant to Section 214 of the Trust Indenture, equal to the amount of accrued and unpaid interest on such Certificates to the date of purchase thereof. The amount of such portion of the purchase price equal to accrued and unpaid interest on such Certificates to the date of purchase thereof is \$ _____.
4. The amount of this demand for payment is \$ _____ (the sum of the amounts in Paragraphs 2 and 3 above) and the sight draft accompanying this Drawing Certificate was computed in compliance with the terms and conditions of the Certificates and the Trust Indenture, is made in accordance with the Trust Indenture, and does not exceed the Available Amount of the Letter of Credit.
5. Upon receipt of the undersigned of the amount demanded hereby, (a) the undersigned will apply the same directly to the payment when due of the appropriate amount owing on account of the purchase price of Certificates tendered, or deemed tendered, pursuant to the Trust Indenture, (b) no portion of said amount shall be applied for any other purpose and (c) no portion of said

amount shall be commingled with any other funds held by the Trustee.

- 6. The Trustee agrees to hold, as the designee and agent for the Bank, the Certificates tendered for purchase and, upon request, will deliver the Certificates with respect to which this drawing relates and the purchase price of which demand is made hereunder to the Bank as Pledged Certificates entitled to a security interest in favor of the Bank.

[7.] [Only if applicable] [This drawing is being made on account of an Event of Default under the Reimbursement Agreement and a written notice from you directing a mandatory purchase of the Certificates in accordance with Section _____ thereof.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Drawing Certificate as of the _____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

NOTICE RE: REDUCTION IN AVAILABLE AMOUNT OF
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to TD Bank, N.A., in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. ____ (the "Letter of Credit"; the terms "Certificates", the "Trust Indenture" and "Available Amount" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee hereby notifies you that on or prior to the date hereof \$ _____ amount of the Certificates have been paid, redeemed or defeased pursuant to the Trust Indenture other than with funds drawn under the Letter of Credit.
3. Following the payment, redemption or the defeasance referred to in paragraph (2) above, the aggregate principal amount of all the Certificates outstanding is \$ _____.
4. The amount of interest (computed at a rate of twelve percent (12%) per annum based on a 365-day year), accruing on the Certificates referred to in paragraph 3 above for a period of 35 days is \$ _____.
5. Upon receipt by the Bank of this instrument, the Available Amount of the Letter of Credit is reduced to \$ _____ (such amount being equal to the amounts specified in paragraphs 3 and 4 above).

IN WITNESS WHEREOF, the Trustee has executed and delivered this instrument this ____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

SURRENDER FOR CANCELLATION OF
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]

Annex E

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

U.S. Bank National Association, in its capacity as Trustee (the "Trustee") hereby certifies to TD Bank, N.A., in its capacity as issuer of the Letter of Credit (the "Bank"), with reference to Irrevocable Direct Pay Letter of Credit No. _____ (the "Letter of Credit"; the terms "Certificates" and "Trust Indenture" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. The Trustee is the Trustee under the Trust Indenture.
2. The Trustee hereby notifies you that all the Certificates have been paid, redeemed or defeased pursuant to the Trust Indenture.
3. The Letter of Credit is attached hereto and is being surrendered to you herewith.

IN WITNESS WHEREOF, the Trustee has executed and delivered this instrument this ____ day of _____, 20__.

U.S. Bank National Association,
as Trustee

By: _____

NOTICE RE: TRANSFER TO SUCCESSOR TRUSTEE OF
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]

Annex F

[Date]

TD Bank, N.A.
Standby Letter of Credit Department
6000 Atrium Way, 2nd Floor
Mount Laurel, New Jersey 08054

Ladies and Gentlemen:

We refer to Irrevocable Direct Pay Letter of Credit No. _____ (the “Letter of Credit”), issued in favor of U.S. Bank National Association, in its capacity as Trustee under the Trust Indenture (as defined in the Letter of Credit).

For value received we hereby irrevocably transfer to _____ hereinafter referred to as the transferee, all rights of the undersigned to draw under the above Letter of Credit in its entirety.

By this transfer, all rights of the undersigned in such Letter of Credit are transferred to the transferee and the transferee shall have the sole rights relating to any amendments, whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned.

The Letter of Credit is returned herewith.

Please notify the transferee of this transfer and the conditions of the Letter of Credit.

Very truly yours,

(Signature of Transferor)

Signature Authenticated

(Bank)

(Authorized Signature)

NOTICE TO TRUSTEE RE:
REDUCTION IN AVAILABLE AMOUNT OF
IRREVOCABLE DIRECT PAY LETTER OF CREDIT NO.: [LOC number]

Annex G

[Date]

U.S. Bank National Association as Trustee
1349 West Peachtree Street, Suite 1050
Atlanta, Georgia 30309
Attention: Corporate Trust Services

Dear Ladies and Gentlemen:

TD Bank, N.A., in its capacity as issuer of the hereinafter defined Letter of Credit (the "Bank") hereby certifies to U.S. Bank National Association, in its capacity as Trustee (the "Trustee"), with reference to Irrevocable Direct Pay Letter of Credit No. _____ (the "Letter of Credit"; the terms "Certificates", the "Trust Indenture" and "Available Amount" as used herein having their respective meanings set forth in the Letter of Credit) that:

1. On _____, 20____, a "C Drawing" (as such term is defined in the Letter of Credit, occurred in an amount equal to \$ _____ (with \$ _____ equaling the Principal Component and \$ _____ equaling the Interest Component (each as such term is defined in the Letter of Credit).
2. As of the date of this certificate, \$ _____ of such Principal Component and \$ _____ of such Interest component have not been reimbursed to the Bank .
3. In accordance with the terms of the Reimbursement Agreement, such unreimbursed amounts of such C Drawing have converted to a term loan effective on the date hereof, which date is the 181st day following the occurrence of such C Drawing.
4. The Bank has separately instructed you to cancel the Certificates that are the subject to such C Drawing in accordance with the terms of the Indenture, effective as of the date of this certificate.
5. Upon receipt by the Trustee of this instrument, the Available Amount of the Letter of Credit is reduced to \$ _____ (such amount relating to a reduction in the Principal Component of the Letter of Credit equal to the outstanding unreimbursed principal portion of such C Drawing described in 2 above).

IN WITNESS WHEREOF, the Bank has executed and delivered this instrument this ____
day of _____, 20_.

TD BANK, N.A.,

By: _____

EXHIBIT E

BOOK-ENTRY ONLY SYSTEM

This Exhibit E replaces in its entirety Appendix G of the Official Statement.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Series 2008B Certificates”). The Series 2008B Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2008B Certificate certificate will be issued for the Series 2008B Certificates, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2008B Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2008B Certificates on DTC’s records. The ownership interest of each actual purchaser of each Series 2008B Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2008B Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2008B Certificates, except in the event that use of the book-entry system for the Series 2008B Certificates is discontinued.

To facilitate subsequent transfers, all Series 2008B Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2008B Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2008B Certificates; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2008B Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Series 2008B Certificates within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series 2008B Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Series 2008B Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2008B Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Series 2008B Certificate Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Series 2008B Certificate Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Series 2008B Certificate Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series 2008B Certificates purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Series 2008B Certificates by causing the Direct Participant to transfer the Participant's interest in the Series 2008B Certificates, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series 2008B Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Series 2008B Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series 2008B Certificates to the Remarketing Agent's DTC account.

DTC may discontinue providing its services as depository with respect to the Series 2008B Certificates at any time by giving reasonable notice to the Authority or the Series 2008B Certificate Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series 2008B Certificate certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series 2008B Certificate certificates will be printed and delivered to DTC.

The Authority takes no responsibility for the accuracy of the information in this section concerning DTC and DTC's book-entry system.