

RatingsDirect®

Mississippi; Appropriations; General Obligation; Moral Obligation

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Mississippi; Appropriations; General Obligation; Moral Obligation

Credit Profile

Mississippi GO

Long Term Rating

AA/Stable

Outlook Revised

Rationale

S&P Global Ratings revised its outlook on the State of Mississippi to stable from negative. At the same time, S&P Global Ratings affirmed its 'AA' rating on the state's general obligation (GO) debt outstanding, secured by Mississippi's full faith and credit; its 'AA-' rating on Mississippi's issues secured by state appropriations; and its 'A' ratings on various issues of the Mississippi Development Bank (MDB) based on the state's moral obligation pledge. S&P Global Ratings also affirmed its 'AA-' ratings on various issues of the Mississippi Development Bank Community and Junior College State Aid Intercept Program and the Mississippi State Aid Capital Improvement Bond Program based on the intercept and withholding provisions of these state enhancement programs.

The outlook revision reflects our view of Mississippi's concerted effort to build reserves; a demonstrated commitment to improve the funding ratio of the state's pension system; and new revenue streams, along with conservative budgeting practices, that should contribute to greater flexibility in future budget years.

The 'AA' rating on Mississippi's GO debt reflects our view of the state's:

- Strong budgetary and governmental framework, with a statutory requirement to adopt and maintain a balanced budget throughout the fiscal year;
- Historically conservative and proactive fiscal management, including making timely budget adjustments to maintain fiscal balance through periods of revenue decline; and
- Working cash stabilization fund, which represent a good 6.5% of budget in 2018, and could increase from current levels, given conservative budgeting practices and new revenue streams.

Credit factors that somewhat mitigate the preceding credit strengths include our opinion of the state's:

- Relatively limited economy, which trails many national median indicators and has a higher dependency on federal government spending compared with other states, stagnant population growth, above-average unemployment, some concentration in manufacturing, below-average wealth and income indicators, and one of the nation's highest poverty rates and lowest educational attainment levels; and
- Moderately high debt burden across several measures as well as a relatively low average pension-funded ratio.

Mississippi's ability to self-correct by introducing new policies and by restraining spending contributes to what we view as a healthy financial profile. In 2018 and 2019, the state is expected to restore reserves to 2015 levels (before tax cuts) aided by new revenue streams from sports betting, the Wayfair ruling, and BP settlement funds (which combined total

\$88 million) that will contribute to positive year-end balances and the build-up of reserves. Mississippi is achieving strong financial performance through its practice of only budgeting 99% of revenue in 2018 and 98% in 2019.

For S&P Global Ratings, this is a marked turnaround from where the state was only one year before. Revenue had been trending downward as a result of several state-level tax reforms, resulting in tighter budgets and reduced spending. Rainy-day reserves fell to \$280 million in 2017 from \$411 million in 2015, which was out of sync with an improving economy. Furthermore, the state was not addressing its infrastructure needs, forcing the closure of 500 bridges, and its pension-funded ratio was weakening due to a contribution schedule that was not keeping pace with a ballooning liability.

The governor convened a special session in August to address the state's infrastructure needs. Legislators agreed to borrow \$300 million, and further divert 35% of the state's use tax on out-of-state sales to bridge and road funding. Through a combination of these measures and others, Mississippi expects to allocate an additional \$120 million-\$130 million a year toward infrastructure funding, which we believe will be sufficient to restore service to many of the bridges that were previously closed and ensure that the state's infrastructure needs are met moving forward. The special session also introduced a lottery bill that is expected to yield \$40 million in the first year and \$80 million a year thereafter, with the majority of new revenues allocated to the state's highway fund. Finally, the state allocated a majority of BP settlement funds, including the recurring \$40 million in annual payments that commence April 2019 and the \$100 million previously held in reserves. The \$40 million of recurring payments will be split between the Gulf Coast Restoration Fund (75%) and the BP Settlement Fund (25%). The \$100 million previously held in reserves will go to transportation improvements and the Gulf Coast Restoration Fund. In our opinion, this recent legislative action demonstrates an ability to adjust revenue streams to meet rising costs.

We believe that measures taken to address the state's pension liability help mitigate our previous concerns about a declining pension-funded ratio and pension contribution rates. In a corrective measure, the board of trustees of the state's Public Employees' Retirement System of Mississippi (MSPERS) voted in June 2018 to increase the fixed employer contribution rate (FCR) to 17.40% of payroll from 15.75%. The funded ratio was projected to be 51% 30 years out (by 2047). With the higher contribution rate, the projected funded ratio improved to 100%. The board also introduced a new funding policy that uses a signal light approach and alerts the board if certain indicators fall outside of policy parameters. Should any one of three metrics fall to red, the board must increase the contribution rate to get all three metrics back to green. The three signal light metrics are:

- A 30-year projected funded ratio (2047 this year). If the funded ratio falls below 65% (red), the board must reset contributions to ensure the funded ratio remains above 80% (green);
- Minimum projected cash flow into the system at any point in the next 30 years. If cash flow is less than negative 7.75% (red), then the board must reset contribution levels so that cash flow remains higher than negative 6% (green); or
- The ratio of actuarially determined contribution (ADC), calculated to pay off unfunded liabilities over 30 years, to FCR (currently 17.4%). If FCR differs from ADC by more than 10% (red), the contribution must be revised to ensure FCR equals ADC (green).

Although the pension system remains a credit pressure, given the high contribution rates and optimistic investment

return rate at 7.75% (7.30% is the national average), we believe these recent pension reforms position the state to be able to afford its \$3.1 billion liability and thus contribute to rating stability.

We recognize the state continues to face challenges relating to below-average wealth and income indicators: Mississippi's nominal per capita gross state product (GSP) is the lowest in the continental U.S. at \$37,434, and per capita income is 72% of the nation at \$36,346 in 2017 (also the lowest in the continental U.S.). Educational attainment levels are also low: Only 84% of Mississippi residents over the age of 25 are high school graduates, 4 percentage points lower than the national average; only 31% in that age group have an advanced degree, compared with 40% for the country. Despite these limitations, the state is experiencing some economic growth: Continental Tire began construction on an employee training facility in Jackson in preparation for its new commercial vehicle tire manufacturing plant and expects to create 2,500 new jobs by 2028. Toyota is investing \$170 million in a manufacturing facility in Blue Springs, creating 400 jobs, and SYNEX Corp. is creating 600 jobs in the process of expanding operations in the cities of Olive Branch and Southaven. In our view, escalating trade tensions could pressure the state's relatively strong manufacturing base although it is too early to determine the magnitude of the impact.

We expect Mississippi's economic indicators to continue to trend upward, albeit at a pace that trails the nation. According to IHS Markit reports, GSP will rise 1%-2% over the next three years and employment will increase 0.9% in 2019, tapering off to 0.4% in 2020 and 0.1% in 2021. Population is expected to remain flat at 0.3% growth by 2021.

Based on the analytical factors evaluated for Mississippi, on a scale where '1.0' is the strongest score and '4.0' is the weakest, we assigned a total or composite score of '2.01' to Mississippi under our State Ratings Methodology.

Outlook

The stable outlook reflects our view of Mississippi's history of proactive financial management, including the state's demonstrated practice of making budget adjustments to maintain balance through periods of revenue decline. We believe state officials will continue to take timely action to adjust the budget, correct underfunded liabilities, and maintain structural balance even when faced with sluggish economic growth. Should spending or revenue pressures result in significant reliance on the working-cash stabilization reserve or other nonrecurring measures, or should the state's commitment to funding pension contributions fail to meet its stated goals, we could lower the rating. Also, if financial flexibility is compromised due to the state's unwillingness to cut expenditures or raise revenues where and when needed or increased debt issuance occurs without a commensurate increase in liquidity, these could all lead us to lower the rating. Although not expected in the next two years, a higher rating would reflect greater economic diversification and growth along with fundamental and significant improvement in pension-funded levels.

Financial Management

We consider Mississippi's financial management practices strong under its Financial Management Assessment methodology, indicating our view that practices are well-embedded, and likely sustainable.

Mississippi creates its multiyear budgeting and cash flow projections through the annual budget process, addressing

both the current and subsequent budget year. It also develops a five-year revenue forecast. Its formal investment management policy calls for at least monthly reporting to elected officials, including the governor. Statutes provide guidelines for deposits to the formal working cash stabilization reserve and the state maintains a five-year capital improvement budget that it presents for consideration to the legislature annually. The constitution limits debt to 1.5x the sum of all revenues Mississippi collects in any one of the four preceding fiscal years, whichever is higher. Because the state has issued variable-rate debt and entered into swaps, enabling legislation limited its variable-rate debt to no more than 20% of its total GO debt and Mississippi has a comprehensive derivatives management policy that it reviews annually. The treasurer has published an annual debt affordability study since 2014, which reflects current debt ratios as well as projected annual debt service requirements and issuance.

In our opinion, Mississippi has historically followed strong budget management practices. We consider the executive branch and budget office to have broad powers to adjust appropriations. Should a revenue shortfall occur, the Department of Finance and Administration (DFA) can amend budgets to improve structural gaps and cut expenditures directly as needed. All state agencies receiving general or special funds are subject to funding reductions of up to 5%, but no agency receives a cut in excess of 5%, unless all have been reduced by this percent. As required by state statute, the state treasurer and the executive director of the DFA monitor the state general fund revenues and cash balances against monthly estimates in anticipation of adjustments that they might need to make. Although the state can use a portion of its rainy-day balance to address budget shortfalls, it cannot carry over deficits from the previous fiscal year. Thus, previous gap-closing solutions have included structural adjustments rather than relying solely on nonrecurring revenue or spending actions.

On a scale where '1.0' is the strongest score and '4.0' is the weakest, we have assigned a score of '1.0' to Mississippi's financial management framework.

Economy

Mississippi's population has historically increased at much lower rate than that of the nation, with year-over-year population growth slowing at 0.2% over the last 10 years, compared with 0.8% for the U.S. In 2017, the state's population growth stalled and declined slightly by 0.04% to 2.984 million. IHS Markit continues to forecast slow annual population growth of 0.2% and 0.3%, respectively, in the next two years, which is likely to restrict long-term economic growth prospects. Given the state's age-to-population dependency ratio of 64.6, the dependent population is 3.3% higher than the national rate, reflecting a larger proportion of residents younger than 15 or older than 64 when compared with the working population.

Mississippi's unemployment rate improved to 4.5% in 2018 from its peak of 10.4% in 2010, but remains higher than national levels. The employment base by sector is generally in line with that of the nation, but exhibits some concentration in manufacturing and government, which represent 12.5% and 20.1% of state employment, respectively, when compared with the 8.5% and 18.8% respective national averages. In addition, Mississippi's share of professional business services jobs at 9.4% is well below the 13.9% national average. In the manufacturing sector, automotive-related manufacturing remains a bright spot with future developments planned. Continental Tire began construction on an employee training facility in Jackson in preparation for its new commercial vehicle tire

manufacturing plant. It plans to invest \$1.45 billion in a plant in Hinds County and could create 2,500 new jobs by 2028. The state has approved tax exemptions for the plant and expects to issue \$263 million of GO debt for incentive payments over five years. It also approved \$11 million of additional debt for incentives to a shipbuilding expansion that it expects will add 1,000 new jobs in Gulfport. Despite these improvements, IHS Markit predicts that Mississippi's manufacturing sector will not even return to its pre-recession level before it starts falling again in the mid-2020s.

State wealth and income levels continue to rank the lowest among U.S. states and have deteriorated relative to national levels in the past two years. At \$36,346 per capita, 2017 personal income was 72% of the national average, down from 75% in 2013. Because of the below-average income levels, many Mississippi residents depend highly on federal and state social program spending. GSP per capita in 2017 was \$37,434, or 63% of the national GDP per capita compared with 66% in 2013. In seven of the previous 10 years, Mississippi has trailed the nation in the annual percent change in GSP versus national GDP and, although IHS Markit projects average annual GSP growth will be stronger than historical trends in the next few years, projected state growth doesn't exceed national projections.

We continue to believe Mississippi has many advantages in the long term to attract new economic development related to the trade and transportation industries compared with other states given its Gulf Coast location, related sea ports, and proximity to the Panama Canal. Furthermore, the cost of doing business is also lower than that in most other states, and Mississippi has one of the lowest corporate income taxes in the South. However, the state's educational attainment and wealth and income levels are among the lowest in the country. Just 84% of Mississippi residents over the age of 25 are high school graduates, which is 4 percentage points lower than the national average. Although the state has prioritized workforce education needs through funding scholarship and literacy programs, its current lack of educational attainment is likely to remain a challenge to attracting professional services and high-tech industries, which generally offer higher-paying jobs that require more education.

We have assigned a score of '3.3' to Mississippi's economy, on a scale where '1.0' is the strongest score and '4.0' is the weakest.

Budget Performance

The Budget Reform Act of 1992 created the working-cash stabilization reserve account, which requires the state to deposit 100% of the unencumbered general fund cash balance into the account at the close of each fiscal year until the balance reaches \$40 million. Thereafter, Mississippi must deposit 50% of the unencumbered general fund ending cash balance into the account until it reaches 7.5% of general fund appropriations for the current fiscal year. As required by state law, the state does not consider the account surplus or available funds when adopting a balanced budget. In the event of a revenue shortfall, the governor is authorized to transfer permanently the amount in excess of \$40 million of the working-cash stabilization reserve account balance to the general fund to cover such deficits up to a maximum of \$50 million in any one fiscal year, although this limit was removed by the legislature for fiscal 2016. In addition to the working cash stabilization reserve account, the state directs a portion of the unencumbered balance to a capital expense reserve designated for capital needs and to reduce reliance on bonding. In the past, it has also directed small amounts in the budget contingency fund to cover nonrecurring expenses in the budget.

The state recently introduced the FORTIFY Act, which increases the cap on the rainy-day fund to 10.0% from 7.5% of general fund appropriations; excludes unencumbered beginning cash in the calculation of the 2.0% set aside; and revises the distribution of year-end cash so that the state is no longer carrying over 1.0% in cash, and that the first \$750,000 is designated to the Municipal Aid Revolving Fund, with the remainder split 50/50 between the rainy-day fund and capital expense fund.

Mississippi historically recorded budgetary surpluses in periods of positive economic growth, which it has used to fund reserves. In periods of economic decline, the state has addressed budget imbalances through a combination of structural solutions and the use of reserves within the limits of state statute.

Five independently derived projections form the basis of the state's official consensus revenue forecast used in budget development. In October of each year, revenue estimating officials with the office of the state treasurer, legislative budget office, DFA, department of revenue, and the University Research Center present their consensus revenue projection to the Joint Legislative Budget Committee and the governor's budget office. The official state revenue forecast binds the budget, and state law is supposed to limit appropriations to 98% of the official revenue estimate as a way to create some buffer for revenue volatility. Although the legislature only budgeted 99% of revenue in 2018 and 98% in 2019, the legislature suspended the requirement altogether for fiscal years 2015 through 2017 as it did for several budgets before fiscal 2013 and after the recession. The suspension was a result of income and corporate tax cuts, which reduced revenue, and the lag time in creating corresponding expenditure cuts.

In 2018, the state is anticipating a \$113 million surplus, bringing total reserves to \$408 million or 6.5% of expenditures. The surplus is a result of the 1% set aside, \$32 million in settlement funds, as well as general fund revenue collection that exceeded estimates by \$57.9 million. The 2019 budget totals \$5.5 billion, which is 0.61% less than 2018. However, state officials are still expecting a surplus due to the 2% set aside. In August 2018, the governor convened a special session to address the state's infrastructure needs--more than 500 bridges had recently closed due to safety concerns, and the state had yet to identify funding to repair, replace, and reopen the bridges. During the special session, legislators agreed to borrow \$300 million, and to further divert 35% of Mississippi's use tax on out-of-state sales to bridge and road funding. Through a combination of these measures and others, the state expects to allocate an additional \$120 million-\$130 million a year toward infrastructure funding.

Mississippi also expects additional revenue to come from recently legalized sports betting (\$8 million), and the Wayfair ruling (which will add \$30 million-\$50 million to revenues in 2019, and \$50 million-\$70 million for every year after that). The special session also introduced a lottery bill expected to yield \$40 million in year one and \$80 million a year thereafter, with the majority of new revenues allocated to the state's highway fund. We believe these new revenue streams, along with the state's conservative budgeting practices, position Mississippi for long-term structural alignment, although we recognize there is some risk in the state's heavy dependence on federal funds. In 2018, federal funding represented 43% of funds available for expenditure.

We consider the state's tax revenue structure to be diverse, as sales tax receipts are expected to contribute about 37% of local general fund revenues in fiscal 2019 while individual income tax revenues account for about 32.8%. A portion of Mississippi's sales taxes also flows to the education enhancement special fund to support education spending and the state uses annual tobacco settlement money through its health care expendable fund to help fund its Medicaid

budget. State spending on Medicaid and education represent more than two-thirds of the total state support budget. State officials estimate minimal caseload growth and higher federal medical assistance percentages (FMAP) match rates help to minimize Medicaid cost growth in the budget. Expenditures are generally predictable, and, to maintain budget balance, the state has been willing to cut across all services and expenditures when revenue declines necessitate doing so. In our view, Mississippi has historically used expenditure cuts to achieve balanced operations when necessary. Only recently did the state look to new revenue streams (online sales tax, the lottery) to meet rising spending obligations.

Mississippi has not historically issued short-term debt for cash flow purposes. To address the need for temporary cash, the general fund may borrow from special funds and the working-cash stabilization fund, but the state must repay any money borrowed by the end of the fiscal year. Statute requires the state treasurer and the executive director of the DFA to analyze the amount of cash in Mississippi's general fund and special funds at least monthly and at any other time deemed necessary. Although the state has the authority to do so, it has not issued short-term notes for temporary cash flow deficiencies. In our view, Mississippi's broad authority to cut expenditures in response to revenue shortfalls also supports its liquidity position.

Fiscal 2017 audited results on a generally accepted accounting principles basis

The fiscal 2017 (June 30) general fund balance decreased by \$140.4 million over the previous fiscal year bringing the ending unassigned general fund balance to \$417 million, or a moderate 2.5% of general fund expenditures (on a generally accepted accounting principles basis). Total general fund revenues increased by \$85 million (1.2%). Total general fund expenditures increased by \$239 million (1.4%) over the previous fiscal year.

The state reports that, through the end of fiscal 2017, income tax collections underperformed by \$104 million or 5.56%, and sales tax underperformed by \$57.5 million or 2.72% of fiscal 2017 estimates. In fiscal 2017, the budget was revised four times to address revenue shortfalls and a forecasting error from earlier in the year. The majority of the budget adjustments have been recurring reductions in spending totaling a cumulative \$171 million, or about 3.0% of budget, and another \$80 million (or 1.4%) represented one-time solutions from attorney general settlement funds primarily.

Although down slightly from 2016, reserves remain on par with historical levels. Combined reserves totaled \$698 million, or 4.2% of 2017 expenditures. We note that while the state had the authority to draw more on the fund balance, it maintained reserves in line with budgeted amounts. At the end of 2017, the state had \$297 million in the rainy-day fund, down from \$411 million in 2016. Mississippi also had \$109.6 million in the budget contingency fund, a special fund created by the legislature to handle nonrecurring budget shortfalls during the 2016 legislative session and funded with an initial \$150 million deposit of the BP Litigation Settlement. In the August 2018 special session, the state allocated the majority of these reserves to transportation improvements and the Gulf Coast Restoration Fund. As of June 30, 2017, the working cash stabilization fund had a balance of \$291.0 million, down from \$292.9 million in fiscal 2016 and \$396.0 million in fiscal 2015.

We have assigned a score of '1.6' to Mississippi's budgetary performance, on a scale where '1.0' is the strongest score and '4.0' is the weakest.

Debt And Liability Profile

In our opinion, Mississippi's debt levels remain moderately high by most measures. Fiscal 2017 tax-supported debt outstanding--including GO, appropriation debt, and notes payable--totaled \$5.3 billion, or \$1,773 per capita, which we consider moderate, and 5% of personal income and GSP, which we consider moderately high. Mississippi's debt service burden as a percent of expenditures is also moderately high, in our view, with fiscal 2017 debt service accounting for 6.7% of total governmental fund expenditures (net of federal government revenues received). Debt amortization is average, in our opinion, with 60% of tax-supported debt principal repaid over 10 years. Notes payable include debt issued by the department of transportation for roads and bridges, but tax-supported debt ratios do not include MDB bonds backed by the state's moral obligation pledge that historically have been supported by the loan repayments from various issuers. The balance of bonds outstanding issued by the bank was approximately \$2 billion at June 2017 fiscal-year end. Also included in the debt figure is \$155 million of variable-rate debt, which represents about 3% of total tax-supported debt outstanding. The state entered into interest rate swap agreements in connection with the variable-rate debt outstanding in order to hedge changes in cash flows. The counterparties on the swaps are Bank of New York-Mellon, Wells Fargo Bank, and Morgan Stanley Capital Services Inc. In our view, the swaps have low risk because termination risk is remote given the current ratings, there are requirements for the counterparties to post collateral below certain rating triggers, and the state has strong management practices with formal swap and debt management policies in place. We assess Mississippi's market risk profile as low and, as such, view remarketing risk as minimal. Our review of the state's debt profile incorporates an \$135 million privately placed note with Regions Commercial Equipment Finance LLC. We view the events that would give rise to an acceleration in the repayment of the loans--largely limited to a default by the state on its GO bonds--as remote at the current rating level. The MDB issues debt on behalf of various Mississippi local governments. Local revenue streams and the state's moral obligation pledge to replenish the debt service reserve in case of a deficiency secure the development bank debt.

Mississippi's unfunded pension liability primarily represents its proportionate share of the net pension liability in the Public Employees' Retirement System of Mississippi (MSPERS) as well as a relatively minor liability for its Mississippi Highway Safety Patrol Retirement System and Supplemental Legislative Retirement Plan single-employer retirement plans. We consider the state's overall three-year average pension-funded ratio across plans low at 60%.

The system sets its pension contribution rates by board policy. The board policy was revised in June of 2018 to address the state's ballooning liability. The new policy introduces a signal light approach that alerts the board if the 30-year projected funded ratio drops below 65%; if there is a negative cash flow into the system greater than 7.75%; or if there is more than a 10% difference between the board-determined contribution rate (currently 17.40% of payroll), and the contribution rate determined by an actuary (ADC) to pay off all unfunded liabilities over 30 years. In addition to introducing a new policy, the board increased the employee contribution rate to 17.40% from 15.75% to ensure that all three triggers remain at green. The state expects the higher contribution rate will be a cumulative cost of \$18 million annually, which officials anticipate absorbing into the state's 2020 budget.

The board recently increased contribution rates for the Mississippi Highway Safety Patrol Retirement System, responding to a projected ratio of only 51.6% in 2042 for the system. With a fixed contribution rate of 49.08% (up from

37.00%) beginning July 1, 2018, for the length of the projection period, the projection results for 2017 show that the plan will have a funded ratio of 96.50% in 2042.

MSPERS pension benefits include a compounded annual 3% cost-of-living increase for eligible retirees after they reach age 55, although the board extended the age to 60 for new hires in fiscal 2012. The MSPERS assumed rate of return remains at 7.75% (which is above the national average of 7.30%). In April 2017, the MSPERS board reduced its payroll growth assumption to 3.25% from 3.75%, and lowered the disability rates for most ages. Although we view the lower payroll growth assumption to be more conservative, we note that it could still be optimistic given the state's demographic trends. We calculate that total annual plan contributions across systems in fiscal years 2015, 2016 and 2017 have not covered levels equal to service cost and an interest cost component plus some amortization of the unfunded liability, but that this could improve with the higher contribution rate.

We believe management's demonstrated ability to self correct when funded ratios decline improves our view of the state's overall pension funding discipline. According to the 2018 year-end investment report, the five-year rate of return of 8.12% exceeded the targeted long-term actuarial 7.75% assumed rate, although we still consider this assumption optimistic. The combined ratio of active members to beneficiaries in the plan equals 1.49, which is slightly better than the median national ratio of 1.42 and indicates a capacity for cost reduction in the future if needed. We believe the system incorporates experience trends and industry standards in its experience study and we favorably view its practice to produce an experience study every two years. The MSPERS system uses a closed layered amortization over 25 years, which is a reasonable methodology. Mortality is not generational and only projects statically to 2016, which we consider a risky assumption. Furthermore, the system uses a level percentage of pay method (at 3.25%, which is high). This assumes rising future payroll and results in escalating pension contributions over time. Although in our view the state has demonstrated an ability to actively manage its pension system, we believe the relatively high employer pension contribution rate remains a budget pressure in light of slow revenue growth as well as slow economic growth compared to the nation.

Mississippi's proportionate share of the total plans' net pension liability translates into what we view as a moderate \$1,048 per capita and 3% of personal income.

We view Mississippi's other postemployment benefit (OPEB) risk to be moderate compared with that of other states, given a relatively low unfunded OPEB liability per capita and an annual OPEB cost that is moderately low in relation to the state budget. Mississippi provides just one OPEB plan, a medical plan, and a life insurance program administered by the State and School Employees' Health Insurance Management Board. Based on the plan's most recent valuation on June 30, 2017, the total unfunded actuarial accrued liability was about \$785 million, or about \$263 per capita. The state finances the plan on a pay-as-you-go basis and has no assets accumulated in a trust. It funded almost 69% of the approximately \$45 million annual OPEB cost in fiscal 2017, which represents only 0.8% of the state's general fund budget.

On a scale where '1.0' is the strongest score and '4.0' is the weakest, we have assigned a score of '2.4' to Mississippi's debt and liability profile.

Ratings Detail (As Of September 7, 2018)

Ratings Detail (As Of September 7, 2018) (cont.)

| | | |
|---|-----------------|-----------------|
| Mississippi | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Meridian Comb Wtr & Swr Sys Rfdg Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO (AGM) (SEC MKT) | | |
| <i>Unenhanced Rating</i> | AA(SPUR)/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi (Nissan North America, Inc Proj) | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi (Nissan North America, Inc Proj) | | |
| <i>Long Term Rating</i> | AA/Stable | Outlook Revised |
| Mississippi Dev Bank spl oblig bnds (Booneville Comb Wtr Swr & Solid Waste Disp Sys Proj) ser 2002 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank spl oblig bnds (Pearl River Cnty Ltd Oblig Hosp Imp Bnd Proj) ser 2002 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi GO | | |
| <i>Unenhanced Rating</i> | AA(SPUR)/Stable | Outlook Revised |
| Jackson State Univ Educl Bldg Corp, Mississippi | | |
| Mississippi | | |
| Jackson State Univ Educl Bldg Corp (Mississippi) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Center Educational Building Corporation, Mississippi | | |
| Mississippi | | |
| Medical Center Educl Bldg Corp (Mississippi) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Center Educl Bldg Corp (Mississippi) (Univ of Mississippi Medl Ctr Facs Expansion & Renovation Proj) | | |

| Ratings Detail (As Of September 7, 2018) (cont.) | | |
|--|----------------|-----------------|
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Center Educl Bldg Corp (Mississippi) (Univ of Mississippi Medl Ctr Facs Expansion & Renovation Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Center Educl Bldg Corp (Mississippi) (Univ of Mississippi Medl Ctr Facs Expansion & Renovation) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Ctr Educl Bldg Corp (Mississippi) (Medl Ctr Facs Expansion & Renovation Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Medical Ctr Educl Bldg Corp (Mississippi) (Medl Ctr Facs Expansion & Renovation Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept of Transp, Mississippi | | |
| Mississippi Dev Bank, Mississippi | | |
| Mississippi Dept of Transp spl oblig bnds (Mississippi Dev Bank) (Desoto Cnty, Ms Highway Construction Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept of Transp (Mississippi Dev Bank) spl oblig rfdg bnds (Mississippi Dev Bank) (Desoto Cnty, Ms Hwy Rfdg Proj) ser 2017B | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept Of Fin & Admin, Mississippi | | |
| Mississippi | | |
| Mississippi Dept of Fin & Admin (Mississippi) (Master Lse Prog For Sch Dists & Comnty Coll Dists) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept Of Fin & Admin (Mississippi) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept Of Fin & Admin (Mississippi) (Master Lse Prog For State Agencies) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dept Of Fin & Admin (Mississippi) (Sch Dist Master Lse Prog) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Claiborne Cnty, Mississippi | | |
| Mississippi Dev Bank (Claiborne Cnty) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Gulfport, Mississippi | | |
| Mississippi Dev Bank (Gulfport) (Mississippi Pub Imp Proj) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Jefferson Cnty, Mississippi | | |
| Mississippi Dev Bank (Jefferson Cnty) MORALOBLIG | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Madison, Mississippi | | |
| Mississippi Dev Bank (Madison) (Madison Mississippi Swr Sys Proj) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |

Ratings Detail (As Of September 7, 2018) (cont.)

Mississippi Dev Bank, Mississippi

Mississippi

Mississippi Dev Bank spl oblig bnds (Mississippi) (Yazoo Cnty, Mississippi Correctional Fac Rfdg Proj)

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig bnds (Ms Department Corrections East Mississippi Correction Fac Rfdg Bnds Proj) ser 2016C

| | | |
|-------------------------|------------|-----------------|
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
|-------------------------|------------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) spl oblig (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) taxable spl oblig bnds (Mississippi) (Ms Department Corrections Walnut Grove Correct Fac Rfdg) ser 2016B

| | | |
|-------------------------|------------|-----------------|
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
|-------------------------|------------|-----------------|

Mississippi Dev Bank (Mississippi) GO (BAM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) MORALOBLIG

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) MORALOBLIG

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) MORALOBLIG

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) (Alcorn Cnty Regl Correctional Fac Bnd Proj) (ASSURED GTY)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) (Attala Cnty Montfort Jones Mem Hosp Proj)

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) (Bolivar Cnty Correctional Fac Rfdg Proj) (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) (Bolivar Cnty Correctional Fac Rfdg Proj) (AGM)

| | | |
|--------------------------|----------------|-----------------|
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
|--------------------------|----------------|-----------------|

Mississippi Dev Bank (Mississippi) (Cap Proj & Equip Acquis Prog)

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) (Cap Proj & Equip Acquis Prog)

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) (Clay Cnty Proj)

| | | |
|-------------------------|----------|-----------------|
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
|-------------------------|----------|-----------------|

Mississippi Dev Bank (Mississippi) (Dept of Corrections East Mississippi Correctional Fac Rfdg Bnds Proj)

| | | |
|-------------------------|------------|-----------------|
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
|-------------------------|------------|-----------------|

Ratings Detail (As Of September 7, 2018) (cont.)

| | | |
|---|----------------|-----------------|
| Mississippi Dev Bank (Mississippi) (Dept of Corrections Walnut Grove Youth Correctional Fac Rfdg Bnds Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Dept of Corrections Wilkinson Cnty Correctional Fac Rfdg Bnds Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Dept of Rehab Svcs Cap Imp Proj) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Rating Assigned |
| Mississippi Dev Bank (Mississippi) (Diamondhead Wtr & Swr Dist Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (D'Iberville Comb Wtr & Swr Sys Rev Proj) (ASSURED GTY) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Gautier comb util sys rev proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (George-Greene Cnty Regl Corr Fac Rfdg Bnd Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Horn Lake Wtr & Swr Sys Proj) (BAM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Jackson Cnty Singing River Hlth Sys) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Jackson Cnty) (Singing River Hlth Sys) (ASSURED GTY) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Jones Cnty Jr Coll Dist Cap Imp Proj) (ASSURED GTY) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Jones Cnty Jr Coll) moral oblig (BAM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Meridian Wtr & Swr Sys Rev Rfdg Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Ms Dept of Corrections Walnut Grove Youth Correctional Fac Rfdg Bnds Proj) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (MS Dept of Corrections East Mississippi Correctional Fac) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Ocean Springs, MS Pub Safety & Recreational Facs Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Pearl Cap Imp Projs) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Pearl Childre Road Urban Renewal Rfdg Proj) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Pearl River Comnty Coll Dist Rfdg Proj) (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Southaven Recre Facs Rfdg Proj) (BAM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Washington Cnty Regl Correctional Fac Rfdg Proj) MORALOBLIG (AGM) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (West Jackson Cnty Util Dist Rev Bnd Proj) | | |
| <i>Long Term Rating</i> | A/Stable | Outlook Revised |

| Ratings Detail (As Of September 7, 2018) (cont.) | | |
|--|----------------|-----------------|
| Mississippi Dev Bank (Washington Cnty) (Regl Correctional Fac Bnd Proj) (ASSURED GTY) | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank spl oblig rev bnds (Wtr & Swr Sys Rev Rfdg Proj) ser 1998 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi) (Southaven, MS Recreation Facs Rfdg Bnd Proj) ser 2006 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank (Southaven) spl oblig bnds (Southaven Recreation Fac Proj) ser 2004 | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Mississippi Dept of Transp, Mississippi | | |
| Mississippi Dev Bank (Mississippi Dept of Transp) spl oblig rfdg bnds (Mississippi Dept of Transp) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) spl oblig rfdg bnds (Mississippi Dept of Transp) (Indl Dev Auth Marshall Cnty Hwy Constr Proj) ser | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) spl oblig rfdg bnds (MS Dep of Trans) (Ind Dev Auth Of Marshall Cnty Hwy Rfdg Proj) ser 2017B due 01 | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) (Desoto Cnty Hwy Rfdg Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) (Marshall Cnty Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) (Tunica Cnty Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bnk (Mississippi Dept of Transp) (Harrison Cnty Proj) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bnk (Mississippi Dept of Transp) (Laurel Proj) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bnk (Mississippi Dept of Transp) (Madison Cnty Proj) APPROP | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) (DeSoto Cnty Hwy Const Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank (Mississippi Dept of Transp) (Harrison Cnty Hwy Construction Proj) | | |
| <i>Long Term Rating</i> | AA-/Stable | Outlook Revised |
| Mississippi Dev Bank, Mississippi | | |
| Pearl, Mississippi | | |
| Mississippi Dev Bank (Pearl) (Pearl, Mississippi Cap Proj & Equip Prepayment Proj) GO | | |
| <i>Unenhanced Rating</i> | A(SPUR)/Stable | Outlook Revised |

Ratings Detail (As Of September 7, 2018) (cont.)

Mississippi Dev Bank, Mississippi

Yazoo Cnty, Mississippi

Mississippi Dev Bank (Yazoo Cnty) (ASSURED GTY)

Unenhanced Rating

A(SPUR)/Stable

Outlook Revised

Many issues are enhanced by bond insurance.

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