

Upon delivery of the Series 2006 Bonds, Butler, Snow, O'Mara, Stevens & Cannada PLLC, Bond Counsel, will render its opinion that, under existing statutes, regulations, rulings and judicial decisions and assuming continuing compliance with certain tax covenants, interest on the Series 2006 Bonds will be excluded from gross income for federal income tax purposes. Interest on the Series 2006 Bonds will not be a specific preference item for purposes of the federal alternative minimum tax imposed on individuals and corporations. See TAX MATTERS herein for a description of certain other federal tax consequences of ownership of the Series 2006 Bonds. Bond Counsel is also of the opinion that the Series 2006 Bonds, together with interest thereof, income therefrom and gain upon the sale thereof, is exempt from all state and local income taxes in the State of Mississippi.

\$7,125,000
PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI
SPECIAL ASSESSMENT BONDS,
SERIES 2006

Dated: Date of Delivery

Due: February 1, 2029

Pinelands Public Improvement District, Rankin County, Mississippi (the "Issuer" or the "District"), a public improvement district organized and existing under the laws of the State of Mississippi, is issuing \$7,125,000 aggregate principal amount of its Special Assessment Bonds, Series 2006 (the "Series 2006 Bonds").

The Series 2006 Bonds will bear interest on each February 1 and August 1, commencing August 1, 2006 (each an "Interest Payment Date"). The Bonds will initially be issued in book-entry form as a single fully registered Bond in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds will be available for purchase in book-entry only form, in denominations of \$25,000 or any \$5,000 integral multiple in excess thereof. Payments of principal of, premium, if any, and interest on the Bonds will be made by Hancock Bank, Jackson, Mississippi, as trustee for the Bonds (the "Trustee"), directly to Cede & Co., as nominee for DTC, as registered owner of the Bonds, to be subsequently disbursed to DTC participants and thereafter to the beneficial owners of the Bonds, all as further described herein.

The proceeds of the Series 2006 Bonds will be used to provide funds to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain certain capital infrastructure improvements which have been or will be constructed, established, or installed within the boundaries of the District, which include, but which are not limited to, (a) the acquisition and construction of roadway improvements, including curbs and gutters and sidewalks, water, sewer, drainage, lighting or landscaping, all for the special benefit of the immovable property situated within the boundaries of the Issuer, (b) a debt service reserve fund for the Series 2006 Bonds in the amount of \$601,300, (c) 24 months of capitalized interest on the Series 2006 Bonds, and (d) the costs of issuance of the Series 2006 Bonds. More detailed descriptions of the use of the proceeds from the sale of the Series 2006 Bonds and the project related thereto are included under the captions entitled "ESTIMATED SOURCES AND USES OF FUNDS" and "THE PROJECT" herein.

The Series 2006 Bonds are being issued by the District pursuant to the provisions of Sections 19-13-1 et seq., Mississippi Code of 1972, as amended (the "Act"), an ordinance adopted by the Board of Supervisors of Rankin County, Mississippi (the "County") on July 6, 2004 (the "Ordinance") and resolutions of the District adopted by the Board of Directors of the District on December 5, 2005, January 3, 2006, January 18, 2006 and February 10, 2006 (the "Resolution"), and that certain Trust Indenture, dated as of February 1, 2006 (the "Indenture"), by and between the District and the Trustee. The Series 2006 Bonds will be secured under the Indenture by a pledge of the revenues derived by the District from certain benefit special assessments (the "Special Assessments") levied upon lands within the District, as more fully described in APPENDIX A hereto (the "District Lands"), specially benefited by the capital infrastructure improvements to be financed by the District from the proceeds of the Series 2006 Bonds. See "THE PROJECT" herein and "APPENDIX A - MAPS AND LEGAL DESCRIPTION OF DISTRICT LANDS" and "APPENDIX B - ALLOCATION OF INFRASTRUCTURE COST" attached hereto. The Series 2006 Bonds are additionally secured in part by amounts on deposit in the funds and accounts, other than the Rebate Fund, created for the benefit of the Series 2006 Bonds pursuant to the Indenture (with the Special Assessments, the "Pledged Revenues"). The Pledged Revenues will be applied to pay the principal of, premium, if any, and interest on the Series 2006 Bonds. See "SECURITY FOR THE SERIES 2006 BONDS" herein.

Pursuant to the Indenture, the Series 2006 Bonds are subject to optional, extraordinary mandatory and mandatory sinking fund redemption prior to maturity at the times, in the amounts and at the redemption price as more fully described herein under the caption "DESCRIPTION OF THE SERIES 2006 BONDS - Redemption Provisions."

THE SERIES 2006 BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE AND ASSIGNMENT OF AND LIEN UPON THE PLEDGED REVENUES PURSUANT TO THE INDENTURE, AND NEITHER THE PROPERTY, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE DISTRICT, RANKIN COUNTY, MISSISSIPPI (THE "COUNTY"), THE CITY OF FLOWOOD, MISSISSIPPI (THE "CITY"), THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2006 BONDS, EXCEPT THAT THE DISTRICT IS OBLIGATED UNDER THE INDENTURE TO LEVY AND TO EVIDENCE AND CERTIFY, OR CAUSE TO BE CERTIFIED, FOR COLLECTION, SPECIAL ASSESSMENTS TO SECURE AND PAY DEBT SERVICE ON THE SERIES 2006 BONDS INCLUDING THE MAINTENANCE OF THE DEBT SERVICE RESERVE FUND (AS DEFINED HEREIN) IN AN AMOUNT EQUAL TO THE DEBT SERVICE RESERVE REQUIREMENT (AS DEFINED HEREIN). THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION OTHER THAN THE PLEDGED REVENUES DESCRIBED HEREIN.

The purchase of the Series 2006 Bonds involves certain risks. In making an investment decision, investors must rely on their own examination of the offering, including the merits and the risks involved. This Official Statement has been prepared in connection with the offer and sale of the Series 2006 Bonds to the purchasers on the date hereof and is not intended for use in connection with any subsequent sale, reoffering or remarketing of the Series 2006 Bonds. The Series 2006 Bonds have not been rated by any credit rating agency. See "CERTAIN BONDHOLDERS' RISKS" herein.

This cover page contains information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Series 2006 Bonds are offered for delivery when, as, and if issued by the District and received by the purchasers thereof and the receipt of the approving opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by its counsel, McGlinchey Stafford PLLC, Jackson, Mississippi and for the District by its counsel, Morrow Law Firm, P.L.L.C., Brandon, Mississippi. It is expected that the Series 2006 Bonds will be delivered in definitive form in New York, New York, on or about February 15, 2006, against payment therefor.

DUNCAN-WILLIAMS, INC.

The date of this Official Statement is February 10, 2006.

MATURITY SCHEDULE

\$7,125,000
PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI
SPECIAL ASSESSMENT BONDS,
SERIES 2006

\$1,050,000 4.75% Series 2006 Term Bond due February 1, 2013, Price 100%

\$1,350,000 5.50% Series 2006 Term Bond due February 1, 2018, Price 100%

\$4,725,000 6.00% Series 2006 Term Bond due February 1, 2029, Price 100%

PINELANDS PUBLIC IMPROVEMENT DISTRICT

BOARD OF DIRECTORS

**George Bobo, Chairman
Tom Troxler, Secretary
Garry Miller, Director
Bill Brandon, Director
Richard Wilson, Director**

DISTRICT COUNSEL

**Morrow Law Firm, P.L.L.C
Brandon, Mississippi**

TRUSTEE

**Hancock Bank
Jackson, Mississippi**

BOND COUNSEL

**Butler, Snow, O'Mara, Stevens & Cannada, PLLC,
Jackson, Mississippi**

UNDERWRITER

**Duncan-Williams, Inc.
Memphis, Tennessee**

UNDERWRITER'S COUNSEL

**McGlinchey Stafford PLLC
Jackson, Mississippi**

CONSULTING ENGINEERS

**Engineering Service
Jackson, Mississippi**

ASSESSMENT METHODOLOGY CONSULTANT

Government Consultants, Inc.

No broker, dealer, salesman or other person has been authorized by the District or the County to give any information or to make any representations other than those contained in this Official Statement (this "Official Statement"), and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. 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 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the District, the Assessment Methodology Consultant, the Developers (as defined herein), and other sources that are believed to be reliable. This information is not guaranteed as to accuracy and is not to be construed as a representation of such by the Issuer. The District, the Developers and the Assessment Methodology Consultant will all, at closing, deliver certificates certifying that the information each supplied does not contain any untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information and expressions of opinion herein are subject to change without notice, and 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 with respect to the matters described herein since the date hereof.

THE SERIES 2006 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION BY REASON OF THE PROVISIONS OF SECTION 3(a)(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON CERTAIN EXEMPTIONS SET FORTH IN SUCH ACTS. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2006 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF ANY JURISDICTIONS WHEREIN THESE SECURITIES HAVE BEEN OR WILL BE REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE MERITS OF THE SERIES 2006 BONDS, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

TABLE OF CONTENTS

| | |
|--|----|
| INTRODUCTION | 1 |
| General | 1 |
| Definitions | 1 |
| The District | 1 |
| Series 2006 Bonds | 2 |
| BOOK ENTRY FORM OF SERIES 2006 BONDS | 3 |
| DESCRIPTION OF THE SERIES 2006 BONDS | 5 |
| General | 5 |
| Redemption Provisions | 6 |
| SECURITY FOR THE SERIES 2006 BONDS | 9 |
| General | 9 |
| Limited Obligations; Security | 10 |
| Special Assessments | 10 |
| Debt Service Reserve Fund | 11 |
| Parity Obligations | 11 |
| Additional Bonds | 12 |
| Refunding Bonds | 12 |
| Deposit and Application of Pledged Revenues | 12 |
| Investments | 13 |
| Enforcement of Payment of Special Assessments | 13 |
| THE SPECIAL ASSESSMENTS | 13 |
| General | 13 |
| Collection | 13 |
| Methodology | 14 |
| Prepayment of Assessments; Early Redemption of Series 2006 Bonds | 14 |
| Collection and Enforcement Procedures | 14 |
| CERTAIN BONDHOLDERS' RISKS | 16 |
| General | 16 |
| Considerations Involving the Developers | 16 |
| Adequacy of Collection of Special Assessments | 17 |
| Real Estate Development Risks Affecting Lot Sales | 17 |
| Risk of Early Redemption | 18 |
| Information Not Verified | 18 |
| Transferability | 18 |
| Secondary Market and Prices | 18 |
| No Rating | 18 |
| Limited Security and Liability of the District | 18 |
| Enforceability of Remedies | 19 |
| ESTIMATED SOURCES AND USES OF FUNDS | 19 |
| ESTIMATED DEBT SERVICE REQUIREMENTS OF SERIES 2006 BONDS | 19 |
| THE DISTRICT | 20 |
| General | 20 |
| Legal Powers and Authority | 20 |
| Board of Directors | 21 |
| THE PROJECT | 22 |
| The Acquisition Agreement and the Contribution Agreement | 22 |

| | |
|--|----|
| THE DEVELOPMENT | 22 |
| The Development | 22 |
| The Principals | 24 |
| Utilities | 24 |
| Development Status | 25 |
| Property Taxes | 25 |
| TAX MATTERS | 26 |
| General | 26 |
| State Taxes | 27 |
| QUALIFIED TAX-EXEMPT OBLIGATIONS - DESIGNATION OF THE SERIES 2006 BONDS | 27 |
| NO FINANCIAL STATEMENTS | 27 |
| EXPERTS AND CONSULTANTS | 27 |
| LITIGATION | 27 |
| UNDERWRITING | 27 |
| LEGAL MATTERS | 28 |
| CONTINUING DISCLOSURE | 28 |
| MISCELLANEOUS | 28 |
| | |
| APPENDIX A – Maps and Legal Description of District Lands | |
| APPENDIX B – Allocation of Infrastructure Cost | |
| APPENDIX C – Form of Trust Indenture | |
| APPENDIX D – Form of Bond Counsel Opinion | |
| APPENDIX E – Form of Continuing Disclosure Agreement | |
| APPENDIX F – Demographic Information Concerning the County and the City | |
| APPENDIX G – Petition to Establish the District | |
| APPENDIX H – Ordinance of the County Establishing the District | |

OFFICIAL STATEMENT

\$7,125,000

PINELANDS PUBLIC IMPROVEMENT DISTRICT, RANKIN COUNTY, MISSISSIPPI SPECIAL ASSESSMENT BONDS, SERIES 2006

INTRODUCTION

General

The purpose of this Official Statement (this "Official Statement"), including the cover page and appendices hereto, is to set forth certain information in connection with the offering and issuance by Pinelands Public Improvement District, Rankin County, Mississippi (the "District" or the "Issuer"), a political subdivision of the State of Mississippi (the "State") and a public improvement district organized and existing under the laws of the State, of its \$7,125,000 aggregate principal amount of Special Assessment Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds are being issued pursuant to the provisions of Section 19-31-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act"), an ordinance adopted by the Board of Supervisors of Rankin County, Mississippi (the "County") on July 6, 2004 (the "Ordinance") and certain resolutions of the Board of Directors of the District duly adopted on December 5, 2005, January 3, 2006, January 18, 2006 and February 10, 2006 (the "Resolution"), authorizing the issuance of the Series 2006 Bonds, and a Trust Indenture, dated as of February 1, 2006 (the "Indenture"), by and between the District and Hancock Bank, Jackson, Mississippi, as trustee (the "Trustee").

Definitions

All capitalized terms used in this Official Statement that are defined in the Indenture and not defined herein shall have the meanings set forth in the Indenture. See **"APPENDIX C – FORM OF TRUST INDENTURE"** attached hereto.

The District

The District is a public improvement district and a political subdivision of the State organized and existing under the provisions of the Act and the Ordinance. The District is governed by a Board of Directors (the "Board"), which shall exercise the powers granted to the District under the Act. The Act was adopted to provide the legal authority and method for the establishment of independent special districts to manage and finance basic community development services, including capital infrastructure required for community developments throughout the State.

The District encompasses approximately 694 acres of land of which 644.6 is developable located partially within the incorporated boundaries of the City of Flowood, Mississippi (the "City") and partially within the unincorporated boundaries of the County and more fully described in **APPENDIX A** hereto (the "District Lands"), all as more fully set forth under the caption **"THE DISTRICT"** herein. The District was established for the purpose of delivering specialized services and facilities described in the Act, including water, sewer, drainage, roads and streets. The Act authorizes the District to issue special assessment bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining facilities relating to such services, and other basic infrastructure projects within the boundaries of the District, all as provided in the Act. Additional information concerning the District and the Board is contained under the caption **"THE DISTRICT"** herein.

Series 2006 Bonds

The principal of, premium, if any, and interest on the Series 2006 Bonds are secured by a pledge of: (a) all revenues derived by the District from the benefit special assessments levied and collected on the District Lands, including prepayment thereof by the purchasers of the lots within the District, which benefit special assessments the District has covenanted to levy and impose to secure the Series 2006 Bonds (the "Special Assessments"), including amounts received, if any, from any foreclosure proceeding for the enforcement of collection of such Special Assessments and (b) all moneys on deposit in the Funds and Accounts established under the Indenture (together with the Special Assessments, the "Pledged Revenues"); provided, however, that Pledged Revenues do not include special assessments which may be levied and collected by the District for operation and maintenance purposes or any moneys in the Rebate Fund established under the Indenture. **See "SECURITY FOR THE SERIES 2006 BONDS" herein.**

THE SERIES 2006 BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE AND ASSIGNMENT OF AND LIEN UPON THE PLEDGED REVENUES PURSUANT TO THE INDENTURE AND NEITHER THE DISTRICT LANDS, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2006 BONDS, EXCEPT THAT THE DISTRICT IS OBLIGATED UNDER THE INDENTURE AND THE ACT TO LEVY AND TO EVIDENCE AND CERTIFY, OR CAUSE TO BE CERTIFIED, FOR COLLECTION, SPECIAL ASSESSMENTS TO SECURE AND PAY THE SERIES 2006 BONDS INCLUDING THE MAINTENANCE OF THE DEBT SERVICE RESERVE FUND IN AN AMOUNT EQUAL TO THE DEBT SERVICE RESERVE REQUIREMENT. THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

The Series 2006 Bonds are unrated and are not a suitable investment for all investors. See "CERTAIN BONDHOLDERS' RISKS" herein. Prospective investors in the Series 2006 Bonds are invited to visit the District, ask questions of representatives of the Developers (as hereinafter defined) and representatives of the District and to request documents, instruments and information which may not necessarily be referred to, summarized or described herein. Therefore, prospective investors should use the information appearing in this Official Statement within the context of and in conjunction with such additional information.

The Series 2006 Bonds are being issued in order to finance a portion of the cost of the acquisition and construction of certain infrastructure improvements in the District, consisting of roadway improvements, sidewalks, lighting, water, sewer, drainage and/or landscaping (collectively, the "Project"). **See "THE PROJECT" herein.** The Project will benefit the residential and commercial development encompassed by the District (the "Development"). The Development is included completely within the boundaries of the District and is being developed and constructed by the developers described herein under **"THE DEVELOPMENT"** (collectively, the "Developers"). **See "THE DEVELOPMENT" herein.**

In addition to funding a portion of the Project, proceeds of the Series 2006 Bonds will also be used to (a) pay approximately 24 months of capitalized interest accruing on the Series 2006 Bonds, (b) fund a debt service reserve fund for the Series 2006 Bonds in the amount of \$601,300, and (c) pay the costs of issuing and delivering the Series 2006 Bonds. **See "ESTIMATED SOURCES AND USES OF SERIES 2006 BOND PROCEEDS" herein.**

The Indenture provides that the District will not issue any obligations other than the Series 2006 Bonds payable from the Pledged Revenues nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge payable from the Pledged Revenues, except in the ordinary course of business. **See "SECURITY FOR AND SOURCE OF PAYMENT OF THE SERIES 2006 BONDS" herein.** The District and/or other public entities may impose taxes or other assessments on the same properties encumbered by the Special Assessments without the consent of the owners of the Series 2006 Bonds. No additional or parity bonds secured by Pledged Revenues may be issued

pursuant to the Indenture. See **"CERTAIN BONDHOLDERS' RISKS"** and **"THE DEVELOPMENT"** herein.

In order to comply with the Securities and Exchange Commission Rule 15c2-12 (the "Rule"), the District will enter into a Continuing Disclosure Agreement with those Developers owning a substantial portion of the Development as more particularly described in the Continuing Disclosure Agreement and the Trustee pursuant to which the District and such Developers covenant to comply with certain provisions of the Rule. See **"CONTINUING DISCLOSURE"** herein and **"APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"** hereto.

There follows in this Official Statement a brief description of the Project, the Developers and the Development, together with summaries of the terms of the Series 2006 Bonds, the Indenture and certain provisions of the Act. All references herein to the Indenture and the Act are qualified in their entirety by reference to such documents and statutes and all references to the Series 2006 Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. Capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Indenture. See **"APPENDIX C – FORM OF TRUST INDENTURE"** hereto. The information set forth under the caption **"THE DEVELOPMENT"** herein has been furnished by the Developers and has not been independently verified by the District or Duncan-Williams, Inc., Memphis, Tennessee, Underwriter for the Series 2006 Bonds.

This Official Statement speaks only as of its date and the information contained herein is subject to change.

BOOK ENTRY FORM OF SERIES 2006 BONDS

The information provided under this caption has been provided by DTC. No representation is made by the District, the Underwriter or the Trustee as to the accuracy or adequacy of such information, or as to the absence of material adverse changes in such information subsequent to the date hereof.

DTC will act as securities depository for the Series 2006 Bonds. The Series 2006 Bonds will be initially issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered Series 2006 Bond certificate for each maturity will be issued for the Series 2006 Bonds in the aggregate principal amount of the issue and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MSB Clearing Corporation, and Emerging Markets Clearing Corporation, ("NSCC", "GSCC", "MBSCC", and "EMCC", also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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.

Purchases of Series 2006 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2006 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2006 Bond ("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 purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the Series 2006 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Bonds, except in the event that use of the book-entry system for the Series 2006 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2006 Bonds 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 2006 Bonds with DTC and their registration in the name of Cede & Co. does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2006 Bonds. DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2006 Bonds 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 are to be sent to Cede & Co. If less than all of the Series 2006 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2006 Bonds to be redeemed.

Neither DTC nor Cede & Co., (nor any other DTC nominee) will consent or vote with respect to Series 2006 Bonds. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Trustee 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and divided payments on the Series 2006 Bonds will be made to DTC 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 detailed information from the District or Agent, on the 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 nor its nominee, Trustee, or the District 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 District, or the 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.

DTC may discontinue providing its services as depository with respect to the Series 2006 Bonds at any time by giving reasonable notice to the District or the Trustee. The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates are required to be printed and delivered.

THE DISTRICT, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL

DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2006 BONDS (a) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2006 BONDS; (b) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2006 BONDS; OR (c) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2006 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE DISTRICT, THE TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2006 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2006 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2006 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered holder of the Series 2006 Bonds as nominee of DTC, references herein to the Holders, holders, or registered owners of the Series 2006 Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2006 Bonds.

DESCRIPTION OF THE SERIES 2006 BONDS

General

The Series 2006 Bonds are issuable only as fully registered bonds in denominations of \$25,000 and integral multiples of \$5,000 in excess thereof. The Series 2006 Bonds will be issued as fully registered obligations without coupons.

The Series 2006 Bonds will be initially dated the date of their original issuance and delivery, and will bear interest from the date of delivery at the fixed rate per annum set forth on the inside cover page hereof and will mature, subject to the redemption provisions set forth below, on the date and in the amounts set forth on the inside cover page hereof. Interest on the Series 2006 Bonds shall be payable from the most recent Interest Payment Date to which interest has been paid next preceding their date of authentication, unless any such Series 2006 Bond is authenticated as of Interest Payment Date to which interest has been paid, in which case it will bear interest from such authentication date, or unless a Series 2006 Bond is authenticated between a Record Date and the next succeeding Interest Payment Date, in which case such Series 2006 Bond will bear interest from such Interest Payment Date. Interest on the Series 2006 Bonds will be computed on the basis of a 360-day year consisting of 12 thirty-day months and will be payable semi-annually on each February 1 and August 1, commencing August 1, 2006. The final maturity of the Series 2006 Bonds is February 1, 2029.

Interest on the Series 2006 Bonds will be payable by check or draft drawn on the Paying Agent and mailed on the applicable Interest Payment Date to each Owner as such Owner appears on the Bond Register maintained by the Registrar as of the close of business on the Regular Record Date, at such person's address as it appears on the Bond Register. Any interest on any Series 2006 Bond which is payable, but is not punctually paid or provided for on any Interest Payment Date (hereinafter called "Defaulted Interest") shall be paid to the Owner in whose name the Series 2006 Bond is registered at the close of business on a Special Record Date to be determined by the Trustee, such date to be not more than 15 nor less than ten days prior to the date of proposed payment. The Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed,

first-class, postage-prepaid, to each Owner of record as of the fifth day prior to such mailing, at such person's address as it appears in the Bond Register not less than ten days prior to such Special Record Date. The foregoing notwithstanding, any Owner of Series 2006 Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Paying Agent, upon requesting the same in a writing received by the Paying Agent at least 15 days prior to the relevant Interest Payment Date, which writing shall specify the bank, which shall be a bank within the continental United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Paying Agent at least 15 days prior to the relevant Interest Payment Date. The principal or redemption price of the Series 2006 Bonds will be payable in lawful money of the United States of America at the corporate trust office of the Trustee and Paying Agent in Jackson, Mississippi, upon the presentation and surrender of such Series 2006 Bonds as the same is due and payable. If all of the Series 2006 Bonds are registered in the name of one owner, the Series 2006 Bonds will not be required to be presented and surrendered for partial payment of the Series 2006 Bonds, if such owner and the Trustee and Paying Agent agree that evidence of such payment will be evidenced by the records of the Trustee and Paying Agent.

Redemption Provisions

Optional Redemption. The Series 2006 Bonds may, at the option of the Issuer, be called for redemption prior to maturity as a whole, at any time, or in part on any Interest Payment Date, on or after the earlier of (a) February 1, 2016; or (b) the date on which there is \$1,000,000 or less of the Series 2006 Bonds Outstanding (if less than all Series 2006 Bonds are to be redeemed, such redemption shall be selected by lot), at the Redemption Price of par, plus accrued interest from the most recent Interest Payment Date to the redemption date.

Extraordinary Mandatory Redemption. The Series 2006 Bonds are subject to extraordinary mandatory redemption prior to maturity by the Issuer, in whole on any date, or in part on any Interest Payment Date (except as provided in (a) and (e) below), at the redemption price equal to 100% of the principal amount of the Series 2006 Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

(a) beginning February 1, 2008, from Prepayments deposited into the Prepayment Account following the payment in whole or in part of Special Assessments on any portion of the District Lands specially benefited by the Project in accordance with the provisions of Section 6.06(b) of the Indenture, provided, however, that any extraordinary mandatory redemptions from Prepayments shall only occur on February 1 or August 1 of any year Series 2006 Bonds are Outstanding;

(b) from moneys, if any, on deposit in the accounts and subaccounts in the Funds and Accounts (other than the Rebate Fund) sufficient to pay and redeem all Series 2006 Bonds Outstanding, and accrued interest thereon to the redemption date or dates in addition to all amounts owed to Persons under the Indenture;

(c) from excess moneys transferred from the Revenue Fund to the General Account (as defined in the Indenture) of the Bond Redemption Fund, in accordance with Section 6.03 of the Indenture;

(d) following condemnation or the sale of any portion of the Project to a governmental entity under threat of condemnation by such governmental entity and the payment of moneys which are not to be used to rebuild, replace or restore the taken portion of the Project to the Trustee by or on behalf of the Issuer for deposit into the General Account of the Bond Redemption Fund, in order to effectuate such redemption and, which moneys shall be applied by the Issuer to redeem Series 2006 Bonds in accordance with the manner it has credited such

moneys toward extinguishment of Special Assessments relating to the Series 2006 Bonds, which the Issuer shall describe to the Trustee in writing;

(e) following the damage or destruction of all or substantially all of the Project to such extent that, in the reasonable opinion of the Issuer, the repair and restoration thereof would not be economical or would be impracticable, to the extent of amounts paid by the Issuer to the Trustee for deposit to the General Account of the Bond Redemption Fund, which moneys shall be applied by the Issuer to redeem Series 2006 Bonds, in accordance with the manner it has credited such moneys toward extinguishment of Special Assessments relating to the Series 2006 Bonds; provided, however, that at least 45 days prior to such extraordinary mandatory redemption, the Issuer shall cause to be delivered to the Trustee (i) notice setting forth the redemption date, and (ii) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable; or

(f) from amounts on deposit in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement and transferred to the Prepayment Account of the Bond Redemption Fund in accordance with Section 6.05 of the Indenture to be used, together with any Special Assessment Prepayments on deposit in the Prepayment Account of the Bond Redemption Fund, for extraordinary mandatory redemption of Series 2006 Bonds.

Mandatory Sinking Fund Redemption. The Series 2006 Bonds maturing on February 1, 2013 are subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| Year | Amount |
|-------|------------|
| 2009 | \$ 190,000 |
| 2010 | 200,000 |
| 2011 | 210,000 |
| 2012 | 220,000 |
| 2013* | 230,000 |

* Final Maturity.

The Series 2006 Bonds maturing on February 1, 2018 are subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| Year | Amount |
|-------|------------|
| 2014 | \$ 240,000 |
| 2015 | 255,000 |
| 2016 | 270,000 |
| 2017 | 285,000 |
| 2018* | 300,000 |

* Final Maturity.

The Series 2006 Bonds maturing on February 1, 2029 are subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| Year | Amount |
|-------|------------|
| 2019 | \$ 315,000 |
| 2020 | 335,000 |
| 2021 | 355,000 |
| 2022 | 375,000 |
| 2023 | 400,000 |
| 2024 | 420,000 |
| 2025 | 445,000 |
| 2026 | 475,000 |
| 2027 | 505,000 |
| 2028 | 535,000 |
| 2029* | 565,000 |

* Final Maturity.

In connection with such mandatory sinking fund redemption of the Series 2006 Bonds, amounts representing Sinking Fund Payments shall be transferred from the Revenue Fund to the Sinking Fund Account of the Debt Service Fund, as described in the Indenture.

The principal amounts of sinking fund payments shall be reduced by any principal amounts of the Series 2006 Bonds redeemed pursuant to an optional or extraordinary redemption pursuant to the provisions of the following paragraph.

Partial Redemption of Bonds; Selection of Bonds. If less than all of the Series 2006 Bonds are to be redeemed, the Trustee shall select the particular Series 2006 Bonds or portions of the Series 2006 Bonds to be called for redemption by lot in such reasonable manner as the Trustee in its discretion may determine. In the case of any partial redemption of Series 2006 Bonds pursuant to the Indenture, such redemption shall be effectuated by redeeming the earlier remaining sinking fund payment of Series 2006 Bonds, subject to the provisions of the Indenture. In the case of any partial mandatory sinking fund redemption of the Series 2006 Bonds, such redemption shall be effectuated by redeeming Series 2006 Bonds pro rata among the maturities, treating each date on which a Sinking Fund Payment is due as a separate maturity for such purpose, with the portion to be redeemed from each maturity being equal to the product of the aggregate principal amount of Series 2006 Bonds to be redeemed multiplied times a fraction the numerator of which is the principal amount of the Series 2006 Bonds of such maturity Outstanding immediately prior to the redemption date and the denominator of which is the aggregate principal amount of all Series 2006 Bonds Outstanding immediately prior to the redemption date.

Notice of Redemption. When required to redeem Series 2006 Bonds, either in whole or in part, under any provision of the Indenture or directed to do so by the Issuer, the Trustee shall cause notice of the redemption to be mailed at least 30 but not more than 60 days prior to the redemption date to all Owners of Series 2006 Bonds to be redeemed (as such Owners appear on the Bond Register on the fifth day prior to such mailing), at their address in the Bond Register, but failure to mail any such notice or defect in the notice or in the mailing thereof shall not affect the validity of the redemption of the Series 2006 Bonds for which notice was duly mailed in accordance with the Indenture. Such notice shall be given in the name of the Issuer, shall be dated, shall set forth the Series 2006 Bonds outstanding which shall be called for redemption and shall include, without limitation, the following additional information:

- (a) the redemption date;
- (b) the Redemption Price;

(c) CUSIP numbers, to the extent applicable, and any other distinctive numbers and letters;

(d) if less than all Outstanding Series 2006 Bonds are to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Outstanding Series 2006 Bonds to be redeemed;

(e) that on the redemption date the Redemption Price will become due and payable upon surrender of each such Series 2006 Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date; and

(f) the place where such Outstanding Series 2006 Bonds are to be surrendered for payment of the Redemption Price, which place of payment shall be a corporate trust office of the Trustee.

If at the time of mailing of notice of an optional redemption, the Issuer shall not have deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Outstanding Series 2006 Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption with the Trustee or Paying Agent, as the case may be, not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

If the amount of funds deposited with the Trustee for such redemption, or otherwise available, is insufficient to pay the Redemption Price and accrued interest on the Outstanding Series 2006 Bonds so called for redemption on the redemption date, the Trustee shall redeem and pay on such date an amount of such Outstanding Series 2006 Bonds for which such funds are sufficient, selecting the Outstanding Series 2006 Bonds to be redeemed by lot from among all such Outstanding Series 2006 Bonds called for redemption on such date, in the same manner as the initial selection of Outstanding Series 2006 Bonds to be redeemed, and from and after such redemption date, interest on the Outstanding Series 2006 Bonds or portions thereof so paid shall cease to accrue and become payable; but interest on any Outstanding Series 2006 Bonds or portions thereof not so paid shall continue to accrue until paid at the same rate as it would have had such Outstanding Series 2006 Bonds not been called for redemption.

SECURITY FOR THE SERIES 2006 BONDS

General

The principal of, premium, if any, and interest on the Series 2006 Bonds are secured equally and ratably by a first lien upon and pledge of the Pledged Revenues, which include: (a) the revenues derived, if any, by the District from the Special Assessments levied and collected on the District Lands benefited by the Project, which Special Assessments the District has covenanted to impose to secure the Series 2006 Bonds, including, without limitation, amounts received from any legal proceeding for the enforcement of collection of such Special Assessments with respect to such Special Assessments or from the sale of taxes under State law, (b) all moneys on deposit in the Funds and Accounts established under the Indenture, and (c) any revenue received by or for the account of the Issuer from any Qualified Guarantee or other credit enhancement for the Bonds; provided, however, that Pledged Revenues do not include any moneys (or earnings thereon) in the Rebate Fund established under the Indenture or special assessments levied and collected by the District for maintenance purposes or maintenance special assessments levied and collected by the District under the Act.

The District has covenanted in the Indenture to levy the Special Assessments and to evidence and certify the same for collection and enforcement in amounts necessary to provide for the payment of the debt service on the Series 2006 Bonds including the maintenance of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement.

Limited Obligations; Security

THE SERIES 2006 BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE AND ASSIGNMENT OF AND LIEN UPON THE PLEDGED REVENUES PURSUANT TO THE INDENTURE AND NEITHER THE DISTRICT LANDS, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2006 BONDS, EXCEPT THAT THE DISTRICT IS OBLIGATED UNDER THE INDENTURE AND THE ACT TO LEVY AND TO EVIDENCE AND CERTIFY, OR CAUSE TO BE CERTIFIED, FOR COLLECTION, SPECIAL ASSESSMENTS TO SECURE AND PAY THE SERIES 2006 BONDS INCLUDING THE MAINTENANCE OF THE DEBT SERVICE RESERVE FUND IN AN AMOUNT EQUAL TO THE DEBT SERVICE RESERVE REQUIREMENT. THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

THE SERIES 2006 BONDS AUTHORIZED UNDER THE INDENTURE AND THE OBLIGATION EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE DISTRICT, INCLUDING, WITHOUT LIMITATION, THE PROJECT OR ANY PORTION THEREOF IN RESPECT OF WHICH ANY SUCH SERIES 2006 BONDS ARE BEING ISSUED, OR ANY PART THEREOF, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES AS SET FORTH IN THE INDENTURE. NOTHING IN THE SERIES 2006 BONDS AUTHORIZED UNDER THE INDENTURE OR IN THE INDENTURE SHALL BE CONSTRUED AS OBLIGATING THE DISTRICT TO PAY THE SERIES 2006 BONDS OR THE REDEMPTION PRICE THEREOF OR THE INTEREST THEREON EXCEPT FROM THE PLEDGED REVENUES, OR AS PLEDGING THE FAITH AND CREDIT OF THE DISTRICT, THE COUNTY, THE CITY OR THE STATE OF MISSISSIPPI OR ANY POLITICAL SUBDIVISION THEREOF, OR AS OBLIGATING THE DISTRICT, THE COUNTY, THE CITY OR THE STATE OF MISSISSIPPI OR ANY OF ITS POLITICAL SUBDIVISIONS, DIRECTLY OR INDIRECTLY OR CONTINGENTLY, TO LEVY (EXCEPT FOR THE SPECIAL ASSESSMENTS LEVIED BY THE DISTRICT) OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR.

Special Assessments

The Special Assessments are a type of non-ad valorem benefit special assessments which are levied against District Lands based upon the special benefit to accrue to such District Lands as a result of the implementation of the Project. Non-ad valorem assessments are not based upon millage and can become a lien against homestead property as permitted under the provisions of the Act. The methodology used to establish and determine the benefit special assessments which will pay the cost of the Project has been presented to and approved by the Board and is set forth in the Allocation of Infrastructure Cost (the "Allocation of Infrastructure Cost") prepared by Government Consultants, Inc., the Assessment Methodology Consultant to the District (the "Assessment Methodology Consultant"). See **"APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST"** hereto.

The term "Special Assessment" means (a) the net proceeds derived from the levy and collection of "special assessments", as provided for in Section 19-31-33 of the Act (except for any such special assessments levied and collected for maintenance purposes), against the lands located within the District that are subject to assessment regarding the Project or any portion thereof, including any prepayment thereof in connection with sale of such lands; and (b) the net proceeds derived from the levy and collection of "benefit special assessments", as provided for in Section 19-31-33 of the Act, against the lands within the District that are subject to assessment regarding the Project or any portion thereof, and in the case of both "special assessments" and "benefit special assessments", including the interest and penalties on such assessments, pursuant to all applicable provisions of the Act (and any successor statutes thereto), including, without limitation, any amount received from any foreclosure proceeding for the enforcement of collection of such assessments or from the issuance and sale of tax deeds with respect to such assessments. "Special Assessments" shall not include "maintenance special assessments", if any, levied and collected by the Issuer under Section 19-31-33(2) of the Act.

Debt Service Reserve Fund

The Indenture requires the establishment of a Debt Service Reserve Fund into which \$601,300 of proceeds of the Series 2006 Bonds will be deposited by the Trustee on the date of delivery thereof representing the maximum annual interest due on the Series 2006 Bonds in any year. The Debt Service Reserve Fund shall be held by the Trustee for the benefit of the Series 2006 Bonds and shall constitute an irrevocable trust fund to be applied solely as set forth in the Indenture and shall be held by the Trustee separate and apart from all other Funds and Accounts held under the Indenture and from all other moneys of the Trustee. As long as there exists no default under the Indenture and the amount of deposit in the Debt Service Reserve Fund is not reduced below the Debt Service Reserve Requirement, earnings on investments in the Debt Service Reserve Fund shall, prior to the completion date of the Project, be transferred to the Interest Account of the Debt Service Fund, and, after such completion date, be transferred to the Revenue Fund.

In the event that the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement due to a decrease in the then applicable Debt Service Reserve Requirement as a result of a Prepayment by the owner of a lot or parcel of land of a Special Assessment against such lot or parcel, which Special Assessment is pledged as security for the Series 2006 Bonds, the excess amount shall be transferred from the Debt Service Reserve Fund to the Bond Redemption Fund, as a credit against the principal amount of the Prepayment otherwise required to be made by the owner of such lot or parcel. In the event that the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement due to a decrease in the Debt Service Reserve Fund for any other reason, the excess shall be transferred from the Debt Service Reserve Fund to the Revenue Fund.

Whenever for any reason on any Interest Payment Date, a Principal Payment Date, a Sinking Fund Payment Date or mandatory redemption date, the amount on deposit in the Interest Account, the Principal Account or the Sinking Fund Account, as the case may be, is insufficient to pay all amounts payable on the Series 2006 Bonds on such payment dates, the Trustee is directed under the Indenture, without further instructions, to transfer the amount of any such deficiency from the Debt Service Reserve Fund into the Interest Account, the Principal Account and the Sinking Fund Account, as the case may be, with priority to the Interest Account and then, proportionately according to the respective deficiencies therein, to the Principal Account and the Sinking Fund Account, to be applied to pay the Bonds secured by the Debt Service Reserve Fund.

The Indenture provides that the Issuer may, in lieu of the required deposits into the Debt Service Reserve Fund, caused to be deposited therein a Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit either in lieu of any cash amount required to be deposited therein in connection with the Series 2006 Bonds or in substitution for the full amounts then on deposit therein or an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Debt Service Reserve Fund, which Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit shall be payable (upon giving of notice as may be required thereunder) on any Interest Payment Date or Principal Payment Date for which a deficiency exists which cannot be remedied by moneys in any other fund or account held pursuant to the Indenture and available for such purpose. If any such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit is substituted for moneys on deposit in the Debt Service Reserve Fund, or if at any time there are excess moneys in the Debt Service Reserve Fund, such excess moneys shall be transferred to and deposited in the Revenue Fund. If a disbursement is made from a Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit, the Issuer shall be obligated to either reinstate the maximum limits of such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit immediately following such disbursement, or to deposit into the Debt Service Reserve Fund for restoration of withdrawals from the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit.

Parity Obligations

The District has covenanted in the Indenture that the Pledged Revenues are not and shall not be subject to any other lien or pledge on a parity with the lien created in favor of the Series 2006 Bonds.

ALTHOUGH THE LIEN AND THE PROCEEDS OF SPECIAL ASSESSMENTS SECURING THE SERIES 2006 BONDS ARE PLEDGED EXCLUSIVELY TO THE SERIES 2006 BONDS, THE LIEN OF THE SPECIAL ASSESSMENTS MAY BE ON THE SAME PROPERTY AS, AND THEREFORE OVERLAP AND BE CO-EQUAL WITH THE LIENS IN FAVOR OF OTHER ASSESSMENTS WHICH HAVE BEEN OR MAY BE IMPOSED BY THE DISTRICT, THE COUNTY, THE CITY OR OTHER UNITS OF LOCAL GOVERNMENT HAVING ASSESSMENT POWERS WITHIN THE DISTRICT AND WILL ALSO BE CO-EQUAL WITH THE TAX LIENS OF THE COUNTY, THE CITY AND OTHER UNITS OF LOCAL GOVERNMENT HAVING TAXING POWERS WITHIN THE DISTRICT. See "THE SPECIAL ASSESSMENTS – Collection and Enforcement Procedures" and "THE DEVELOPMENT - Property Taxes and Other Assessments" herein.

Additional Bonds

The Indenture does not provide for or permit the issuance of additional bonds secured on a parity with the Series 2006 Bonds.

Refunding Bonds

The Indenture does not provide for the issuance of refunding bonds secured under the Indenture.

Deposit and Application of Pledged Revenues

Under the Indenture, the Trustee is directed to establish the Revenue Fund and to deposit therein all Special Assessments received by the District immediately upon receipt thereof; provided however that amounts received as prepayments of Special Assessments shall be deposited directly into the Prepayment Account of the Bond Redemption Fund. The Trustee shall transfer from amounts on deposit in the Revenue Fund to the Funds and Accounts designated below, the following amounts, at the following times and in the following order of priority:

FIRST, upon receipt but no later than the Business Day preceding the first Interest Payment Date for which there is an insufficient amount from Series 2006 Bond proceeds (or investment earnings thereon) on deposit in the applicable Interest Account to be applied to the payment of interest on the Series 2006 Bonds due on the next succeeding Interest Payment Date, and no later than the Business Day next preceding each Interest Payment Date thereafter while Series 2006 Bonds issued under the Indenture remain Outstanding, to the Interest Account of the Debt Service Fund, an amount equal to the interest on the Series 2006 Bonds becoming due on the next succeeding Interest Payment Date, less any amount on deposit in such Interest Account not previously credited;

SECOND, beginning on the date set forth in the Indenture, and no later than the Business Day next preceding each Principal Fund Payment Date, thereafter while Series 2006 Bonds issued under the Indenture remain Outstanding, to the Principal Account of the Debt Service Fund, an amount equal to the principal amount of Series 2006 Bonds maturing on the next succeeding principal payment date, less any amount on deposit in the applicable Principal Account not previously credited;

THIRD, beginning on the date set forth in the Indenture, and no later than the Business Day next preceding each Sinking Fund Payment Date thereafter while Series 2006 Bonds issued under the Indenture remain Outstanding, to the Sinking Fund Account of the Debt Service Fund, an amount equal to the principal amount of Series 2006 Bonds subject to mandatory sinking fund redemption on the next succeeding principal payment date, less any amount on deposit in the applicable Sinking Fund Account not previously credited;

FOURTH, upon receipt but no later than the Business Day next preceding each Interest Payment Date while Series 2006 Bonds issued under the Indenture remain Outstanding, to the Debt Service Reserve Fund, an amount equal to the amount, if any, which is necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement;

FIFTH, to the Rebate Fund, any amounts due to the United States of America pursuant to Section 148(f) of the Code; and

SIXTH, subject to the following paragraph, the balance of any moneys remaining after making the foregoing deposits shall remain in the Revenue Fund.

The Trustee shall within ten Business Days after the last Interest Payment Date in any calendar year, at the direction of the Issuer, withdraw any moneys held for the credit of the Revenue Fund which are not otherwise required to be deposited pursuant to the Indenture and deposit such moneys as directed to the credit of the Bond Redemption Fund as provided in the Indenture.

Investments

The Trustee shall, as directed by the Issuer in writing, invest moneys held in the Interest Account and the Principal Account of the Debt Service Fund and the General Account of the Bond Redemption Fund only in Government Obligations and securities described in subparagraphs (d), (e), (h), (j) or (l) of the definition of Investment Securities, as further described in the Indenture. The interest and income received upon such investments and any profit or loss resulting from the sale of securities shall be added or charged to the Fund or Account for which such investments are made; provided, however, that if the amount in any Fund or Account equals or exceeds the amount required to be on deposit therein, any interest and other income so received shall be deposited in the Revenue Fund.

Enforcement of Payment of Special Assessments

The Issuer has covenanted in the Indenture to levy Special Assessments in the manner prescribed in the Indenture and all pertinent resolutions, ordinances or laws at the times and in the amounts as shall be necessary to pay when due the Debt Service Requirements on all Outstanding Bonds. See "THE SPECIAL ASSESSMENTS" herein.

THE SPECIAL ASSESSMENTS

The information and methodology contained in the Allocation of Infrastructure Cost has been prepared by the Assessment Methodology Consultant. In preparation of the Allocation of Infrastructure Cost, the Assessment Methodology Consultant has relied upon information provided by various parties, including but not limited to the District and the Developers, and such information has not been independently verified. Additionally, the Assessment Methodology Consultant is not responsible for the levying of or collecting of such special assessments.

General

Pursuant to the Act, payment of the Special Assessments is secured by a lien on the immovable property in the District coequal with all State, County, City, school districts, special districts and municipal taxes, superior in dignity to all other liens, titles and claims on such real property. ALTHOUGH THE LIEN AND THE PROCEEDS OF THE SPECIAL ASSESSMENTS WILL SECURE THE SERIES 2006 BONDS, AND SAID LIEN AND PROCEEDS OF THE SPECIAL ASSESSMENTS ARE PLEDGED EXCLUSIVELY TO SAID SERIES 2006 BONDS, THE LIEN OF THE SPECIAL ASSESSMENTS MAY BE ON THE SAME PROPERTY AS, AND THEREFORE OVERLAP, BE CO-EQUAL AND ON A PARITY WITH, THE LIENS IN FAVOR OF OTHER ASSESSMENTS WHICH HAVE BEEN OR MAY BE IMPOSED BY THE DISTRICT, THE COUNTY, THE CITY OR OTHER UNITS OF LOCAL GOVERNMENT HAVING ASSESSMENT POWERS WITHIN THE DISTRICT. See "THE DEVELOPMENT - Property Taxes and Other Assessments" herein.

Collection

It is the District's present intent to use the State's uniform method for levy, collection, and enforcement of non-ad valorem benefit special assessments and maintenance special assessments as set forth in the Act. The Board shall annually determine, order and levy the annual installment of the total

benefit special assessments for bonds issued and related expenses to finance District facilities and projects, including for the Series 2006 Bonds and the Project. Such annual installment and levy shall be evidenced to and certified to the Tax Assessor of the County by the Board not later than August 31 of each year. Such assessment shall be entered on the tax rolls and shall be collected and enforced by the Tax Collector in the same manner and at the same time as County ad valorem taxes, and the proceeds thereof shall be paid to the District. The District further intends to ensure that a written agreement with the Tax Assessor is entered into and maintained in order to permit the Special Assessments to be billed and collected by the Tax Collector pursuant to the Act. **See "Collection and Enforcement Procedures" hereinbelow.** The terms of such agreements are typically for one year, automatically renewable for successive annual periods. Pursuant to the Act, any lien in favor of the District for unpaid Special Assessments may be enforced by the District in a court of competent jurisdiction as provided by law to the same extent as a lien for County ad valorem taxes. In the event the uniform method of collecting non ad-valorem assessments is not available to the District in any year, or if the District determines that using the uniform method of collecting non-ad valorem assessments is not in its best interest, the Special Assessments may be collected as is otherwise permitted by law.

The ordinances levying the Special Assessments (the "Assessment Ordinances") are to be adopted and adjusted by the District. The Tax Collector charges for billing and collecting the Special Assessments, are as provided by a contract to be entered into among the District, the Tax Assessor and the Tax Collector.

Methodology

The projected per acre average cost of the Project is approximately \$10,980. The Developers have projected that the Development will encompass approximately 396.8 acres of residential development and 247.8 acres of commercial development. **See "THE DEVELOPMENT" herein.** Based upon the current expectations with regard to the Development, the average annual assessment for use to pay debt service on the Series 2006 Bonds will be approximately \$396 on residential parcels within the District and approximately \$1,179 on commercial parcels within the District. This allocation of costs and annual assessment projections do not include assessments for maintenance purposes. The allocation of costs to benefited parcels within the District and annual assessment projections is presented in the Allocation of Infrastructure Cost prepared by the Assessment Methodology Consultant. **See "APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST" herein."** The District has covenanted in the Indenture to levy and collect Special Assessments sufficient to pay the Debt Service Requirements of all Outstanding Series 2006 Bonds.

Prepayment of Assessments; Early Redemption of Series 2006 Bonds

The owners of property subject to the Special Assessments may pay the entire balance of the Special Assessment remaining due, without interest, within 30 days after the Project has been completed and the Board has adopted a resolution accepting the Project. The Ordinances adopted from time to time by the Board regarding the Special Assessments will provide that the owner of any property subject to the Special Assessments may, after the 30-day period described above, pay the remaining unpaid balance, plus certain interest to accrue, at any time. The Series 2006 Bonds will be subject to extraordinary mandatory redemption, in whole on any date or in part on any Interest Payment Date after proper notice of redemption can be given at a redemption price of 100% of the principal amount thereof, without premium, together with accrued interest to the redemption date, from amounts deposited into the Prepayment Account of the Bond Redemption Fund representing such prepayments. **See "DESCRIPTION OF THE SERIES 2006 BONDS - Redemption Provisions - Extraordinary Mandatory Redemption," "CERTAIN BONDHOLDERS' RISKS – Risk of Early Redemption" and "APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST."**

Collection and Enforcement Procedures

The Series 2006 Bonds are secured by the Special Assessments imposed on lands within the District subject to assessment pursuant to the Assessment Resolutions. To the extent that landowners fail to pay such Special Assessments, delay payments, or are unable to pay the same, the successful

pursuance of collection procedures available to the District is essential to continued payment of principal of, and interest on, the Series 2006 Bonds. The Act provides for various methods of collection of delinquent assessments by reference to other provisions of State statutes. The following is a description of certain statutory provisions of special assessment payment and collection procedures set forth under applicable State law, but is qualified in its entirety by reference to such statutes.

The District intends annually to take such actions as are required to effectuate the collections of Special Assessments under the uniform method of collection provided by the Act.

The determination, order, levy and collection of the Special Assessments must be done in compliance with procedural requirements and guidelines provided by law. Failure by the District or the Tax Collector of the County to comply with such requirements could result in delays in the collection of, or the complete inability to collect annual installments of Special Assessments during any year pursuant to the uniform method. All taxes and non-ad valorem special assessments shown on the tax notice must be paid in whole, as the Tax Collector cannot accept partial payments. Such delays in the collection of, or complete inability to collect, annual installments of Special Assessments pursuant to the uniform method or any other method could have a material adverse effect on the ability of the District to make full or punctual payment of debt service on the Series 2006 Bonds. **See "CERTAIN BONDHOLDERS' RISKS" herein.**

Special assessments are a lien on the land against which they are assessed by August 31st of each year. The lien of the Special Assessments is of equal priority with the liens for State and County taxes upon land, and thus is a first lien, superior to all other liens, including mortgages (except for State and County taxes and other taxes which are of equal dignity). The Tax Collector is required to bill such taxes together with all other County taxes, and landowners in the District are required to pay all such taxes without preference in payment of any particular increment of the tax bill, such as the increment owing for the Special Assessments. Upon receipt by the Tax Collector of the Special Assessments, moneys therefrom will be deposited as provided in the Indenture.

All County, school and special district taxes, special assessments and voter-approved ad valorem taxes levied to pay principal of and interest on bonds, including the Special Assessments levied by the District, are payable at one time. If a taxpayer does not make complete payment, he or she cannot designate specific line items on his or her tax bill as deemed paid in full. In such cases, the Tax Collector does not accept such partial payment and the partial payment is returned to the taxpayer. Therefore, failure to pay any one line item, whether it be the Special Assessments or not, would cause the Special Assessments collected by this method to not be collected, which would have a significant adverse effect on the ability of the District to make full or punctual payment of debt service on the Series 2006 Bonds.

State law provides that, subject to certain conditions, special assessments such as the Special Assessments, may be collected in the same manner as County ad valorem taxes. County ad valorem taxes for each year and non-ad valorem assessments billed by the Tax Collector are payable during the period commencing the middle of November of such year and ending February 1 of the following year. All unpaid taxes become delinquent after February 1 of the year following the November in which they are billed. A one percent per month penalty accrues on the unpaid tax and assessments. Delay in the mailing of tax notices to taxpayers may result in a delay throughout this process.

Section 27-41-55, Mississippi Code of 1972, as amended, and related statutes provide that after the fifteenth day of February or the fifth day of August in each year, the Tax Collector for each county shall advertise all lands in the county on which all taxes due and in arrears have not been paid, as well as all lands liable for other matured taxes, for sale on the first Monday in April or the last Monday of August following, as the case may be, the County conducts its tax sales during the month of August in each year.

All assessments levied for special assessments and improvements are enforced in the same manner as the payment of ad valorem taxes of the County, and all statutes regulating the collection of ad valorem taxes of the County shall apply to the enforcement of assessments levied by the District for Special Assessments. The owner of land sold at a tax sale has two years to redeem the land; otherwise, title rests in the purchaser at the tax sale. While a tax sale is presumed valid and the party attacking it

bears the burden of establishing any invalidity, tax sale challenges are common in the State, and the issue of notice is consistently at issue. If the delinquent taxpayer does not redeem the property, the tax deed shall operate as a cancellation of all conventional and judicial mortgages.

The monies collected at a tax sale may be insufficient to cover the taxes and assessments for the piece of property. In that situation, the District will receive less than the whole assessment on the property, which will in turn affect the District's ability to pay the Series 2006 Bonds.

CERTAIN BONDHOLDERS' RISKS

General

There are certain risks inherent in an investment in bonds secured by special assessments issued by a public authority or governmental body in the State. Certain of these risks are described in the preceding section entitled **"THE SPECIAL ASSESSMENTS – Collection and Enforcement Procedures."** However, certain additional risks are associated with the Series 2006 Bonds offered hereby. This section does not purport to summarize all risks that may be associated with purchasing or owning the Series 2006 Bonds, and prospective purchasers are advised to read this Official Statement including all appendices hereto in its entirety to identify investment considerations relating to the Series 2006 Bonds.

THE SERIES 2006 BONDS INVOLVE A SUBSTANTIAL DEGREE OF RISK. POTENTIAL INVESTORS IN THE SERIES 2006 BONDS ARE RESPONSIBLE FOR CONDUCTING AN INDEPENDENT INVESTIGATION OF MATTERS RELATING TO THE FINANCIAL ASPECTS OF THE SERIES 2006 BONDS, THE PROJECT, THE DISTRICT, THE DEVELOPERS, THE SECURITY FOR THE PAYMENT OF THE SERIES 2006 BONDS AND THE VARIOUS PARTIES TO THE TRANSACTION TO DETERMINE IF AN INVESTMENT IN THE SERIES 2006 BONDS, AND THE RISKS ASSOCIATED THEREWITH, IS CONSISTENT WITH THEIR INVESTMENT OBJECTIVES. POTENTIAL INVESTORS SHOULD NOT RELY ON ANY PARTY TO THE TRANSACTION WITH RESPECT TO THE INVESTIGATION OF ANY SUCH MATTERS. A PURCHASE OF SERIES 2006 BONDS BY AN INVESTOR SHALL BE DEEMED TO BE AN ACKNOWLEDGMENT BY SUCH INVESTOR AS TO ITS RESPONSIBILITY FOR CONDUCTING SUCH INDEPENDENT INVESTIGATION AND THAT SUCH INVESTOR WILL NOT RELY ON ANY PARTY TO THE TRANSACTION WITH RESPECT TO ANY MATTER RELATING TO SUCH INVESTIGATION.

Considerations Involving the Developers

Until all lots are sold to homeowners and/or commercial developers, payment of the Special Assessments is substantially dependent upon timely payment by the Developers. **See "THE DEVELOPMENT" herein.** At closing, it is expected that a significant portion of the property within the District burdened by the Special Assessments will be owned either directly or indirectly by the Developers. In the event of the institution of bankruptcy or similar proceedings with respect to any of the Developers, or any significant owner of property within the District, delays and impairment could occur in the payment of debt service on the Series 2006 Bonds as such bankruptcy could negatively impact the ability of (a) the Developers and any other significant land owner being able to pay the Special Assessments; and (b) the District to foreclose the lien on the Special Assessments. In addition, the remedies available to the Owners of the Series 2006 Bonds upon an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, the remedies specified by federal, state and local law and in the Indenture and the Series 2006 Bonds, including, without limitation, enforcement of the obligation to pay Special Assessments and the ability of the District to foreclose the lien of the Special Assessments, may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds (including Bond Counsel's approving opinion) will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors enacted before or after such delivery. The inability, either partially or fully, to enforce remedies

available respecting the Series 2006 Bonds could have a material adverse impact on the interest of the Owners hereof.

As provided in the preceding paragraph, the Developers are the initial owners of all of the District Lands. It will be the Developers' obligation to pay the Special Assessments on unsold lots. The Developers are not guarantors of payment on any Special Assessment and the recourse for any Developer's failure to pay the Special Assessments is limited to its ownership interests in the assessed land.

Adequacy of Collection of Special Assessments

The principal security for the payment of the principal and interest on the Series 2006 Bonds is the timely collection of the Special Assessments. The Developers expect in their normal course of business to develop and sell benefited land to be served by the Project to the general public in the form of lots for residential and commercial use and homes for residential use. It is expected that purchasers of lots will prepay the Special Assessments at the time of purchase of the lots. Special Assessments do not constitute a personal indebtedness of the owners of the land subject thereto, but are secured by a lien on such land. There is no assurance that the owners of District Lands will be able to pay the Special Assessments or that they will pay such Special Assessments even though financially able to do so. The assessment of the benefits to be received by the land within the District as a result of implementation of the Project is not indicative of the realizable or market value of the land, which value may actually be higher or lower than the assessment of benefits. To the extent that the realizable or market value of the land benefited by the Project is lower than the assessment of benefits, the ability of the District to realize sufficient value from a foreclosure action or tax sale to pay debt service on the Series 2006 Bonds may be adversely affected. Such adverse effect could render the District unable to collect delinquent Special Assessments, if any, and provided such delinquencies are significant, could negatively impact the ability of the District to make the full or punctual payment of debt service on the Series 2006 Bonds.

The willingness and/or ability of an owner of land within the District to pay the Special Assessments could be affected by the existence of other taxes and assessments imposed upon the property by the County or other governmental entities with jurisdiction over the District. Public entities whose boundaries overlap those of the District, such as the County, the City, the Rankin County School District and other special districts, could, without the consent of the owners of the land within the District, impose additional taxes or assessments on the property within the District. **See "THE DEVELOPMENT - Property Taxes and Other Assessments" herein.**

In addition to legal delays that could result from bankruptcy, the ability of the District to enforce collection of delinquent Special Assessments will be dependent upon various factors, including the delay inherent in any judicial proceeding to enforce the lien of the Special Assessments and the value of the land which is the subject of such proceedings and which may be subject to sale. **See "THE SPECIAL ASSESSMENTS" herein.** If the District has difficulties in collecting the Special Assessments, the ability of the District to pay debt service on the Series 2006 Bonds could be materially adversely affected.

Owners of the Series 2006 Bonds should note that in other states with statutes similar to the Act, several mortgage lenders have, in the past, raised legal challenges to the priority of the liens of Special Assessments in relation to the liens of mortgages burdening the same real property. To the best knowledge of the District (without independent investigation), in all such cases to date, the applicable courts have held that the assessment liens (similar to the Special Assessments) are superior to those of the commercial mortgage lenders. However, there can be no assurance that a commercial mortgage lender in the State might not file suit raising a legal challenge to the priority of the liens of Special Assessments to a mortgage lien.

Real Estate Development Risks Affecting Lot Sales

The District may be affected by changes in general economic conditions, fluctuations in the real estate market, increases in lending rates and other factors. In addition, the Development is subject to comprehensive federal, state, and local regulations and future changes to such regulations. Approval is

required from various public agencies in connection with, among other things, the design, nature and extent of required public improvements, both public and private, and construction of the Development in accordance with applicable zoning, land use and environmental regulations for the Development. **Although no delays are anticipated, failure to obtain any such approvals in a timely manner could delay or adversely affect the frequency of lot sales, which may negatively impact the ability to pay principal and interest on the Series 2006 Bonds.**

Risk of Early Redemption

Purchasers of lots have the option to prepay the Special Assessment on their lot at the time of purchase. Beginning February 1, 2008, the Series 2006 Bonds will be subject to extraordinary mandatory redemption from prepayments at a redemption price of par plus accrued interest to the redemption date.

Information Not Verified

The information contained herein and the appendices hereto respecting the Development have been obtained or derived from the Developers and other sources which are believed to be reliable. Some of that information involves predictions with regard to future events, such as future revenues and expenses of the District; such information is, by its nature, not subject to verification and has not been verified by any feasibility consultant, assessment methodology consultant, or other third party.

Transferability

The Series 2006 Bonds are exempt from registration and qualification under the Securities Act of 1933 (the "Securities Act") and any applicable state securities laws.

EACH PURCHASER WILL BE DEEMED TO HAVE MADE ITS OWN INDEPENDENT EVALUATION OF THE RISKS ASSOCIATED WITH THE OWNERSHIP OF THE SERIES 2006 BOND AND BE ABLE TO BEAR THE ECONOMIC RISKS ASSOCIATED WITH OWNERSHIP OF SUCH SERIES 2006 BOND.

Secondary Market and Prices

No assurance can be given that a secondary market for any of the Series 2006 Bonds will be available and no assurance can be given that the initial offering prices for the Series 2006 Bonds will continue for any period of time.

The Series 2006 Bonds may not constitute a liquid investment, and there is no assurance that a liquid secondary market will exist for the Series 2006 Bonds in the event an Owner thereof determines to solicit purchasers of the Series 2006 Bonds. Even if a liquid secondary market exists, there can be no assurance as to the price for which the Series 2006 Bonds may be sold. Such price may be lower than that paid by the current Owner of the Series 2006 Bonds, depending on the progress of the District, existing market conditions and other factors.

No Rating

No application has been made for a credit rating for the Series 2006 Bonds and there is no obligation on the part of the District to seek a credit rating for the Series 2006 Bonds in the future. The absence of a rating could adversely affect the marketability and the price of the Series 2006 Bonds.

Limited Security and Liability of the District

THE SERIES 2006 BONDS ARE LIMITED OBLIGATIONS OF THE DISTRICT PAYABLE SOLELY FROM AND SECURED BY THE PLEDGE AND ASSIGNMENT OF AND LIEN UPON THE PLEDGED REVENUES PURSUANT TO THE INDENTURE AND THE ACT AND NEITHER THE PROPERTY, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE DISTRICT, THE COUNTY, THE CITY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE SERIES 2006 BONDS, EXCEPT THAT THE

DISTRICT IS OBLIGATED UNDER THE INDENTURE TO LEVY AND TO EVIDENCE AND CERTIFY, OR CAUSE TO BE CERTIFIED, FOR COLLECTION, SPECIAL ASSESSMENTS TO SECURE AND PAY THE SERIES 2006 BONDS. THE SERIES 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE DISTRICT, THE COUNTY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

Enforceability of Remedies

The remedies available to the owners of the Series 2006 Bonds, upon the occurrence of an event of default under the Indenture or other documents described herein, are in many respects dependent upon regulatory and judicial actions which are often subject to judicial discretion and delay. Under existing laws and judicial decisions, including specifically Title 9 of the United States Code, the remedies specified by the United States Bankruptcy Code, the Indenture and the various documents referred to herein may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds will be qualified to the extent that enforceability of certain legal rights related to the Series 2006 Bonds are subject to limitations imposed by bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

ESTIMATED SOURCES AND USES OF FUNDS

The proceeds from the sale of the Series 2006 Bonds are expected to be applied as follows:

SOURCES:

| | |
|---------------------------------------|-----------------------|
| Principal Amount of Series 2006 Bonds | \$7,125,000.00 |
| TOTAL SOURCES | \$7,125,000.00 |

USES:

| | |
|--|------------------------------|
| Deposit to the Acquisition and Construction Fund | \$5,206,802.08 |
| Deposit to Interest Account of Debt Service Fund | 799,397.92 |
| Deposit to Debt Service Reserve Fund | 601,300.00 |
| Costs of Issuance (including all legal fees, consulting fees and Trustee fees) | 375,000.00 |
| Total Underwriter's Discount | <u>142,500.00</u> |
| TOTAL | <u>\$7,125,000.00</u> |

ESTIMATED DEBT SERVICE REQUIREMENTS OF SERIES 2006 BONDS

The following table sets forth the estimated debt service requirements for the Series 2006 Bonds for each calendar year set forth below, assuming no optional redemption or extraordinary mandatory redemption of Series 2006 Bonds:

| Year | Principal | Interest | Total Debt Service |
|-------------|------------------|-----------------|---------------------------|
| 2007 | \$ | \$ 391,772.92 | \$ 391,772.92 |
| 2008 | | 407,625.00 | 407,625.00 |
| 2009 | 190,000.00 | 407,625.00 | 597,625.00 |
| 2010 | 200,000.00 | 398,600.00 | 598,600.00 |
| 2011 | 210,000.00 | 389,100.00 | 599,100.00 |
| 2012 | 220,000.00 | 379,125.00 | 599,125.00 |

| | | | |
|-------|------------------------|------------------------|-------------------------|
| 2013 | 230,000.00 | 368,675.00 | 598,675.00 |
| 2014 | 240,000.00 | 357,750.00 | 597,750.00 |
| 2015 | 255,000.00 | 344,550.00 | 599,550.00 |
| 2016 | 270,000.00 | 330,525.00 | 600,525.00 |
| 2017 | 285,000.00 | 315,675.00 | 600,675.00 |
| 2018 | 300,000.00 | 300,000.00 | 600,000.00 |
| 2019 | 315,000.00 | 283,500.00 | 598,500.00 |
| 2020 | 335,000.00 | 264,600.00 | 599,600.00 |
| 2021 | 355,000.00 | 244,500.00 | 599,500.00 |
| 2022 | 375,000.00 | 223,200.00 | 598,200.00 |
| 2023 | 400,000.00 | 200,700.00 | 600,700.00 |
| 2024 | 420,000.00 | 176,700.00 | 596,700.00 |
| 2025 | 445,000.00 | 151,500.00 | 596,500.00 |
| 2026 | 475,000.00 | 124,800.00 | 599,800.00 |
| 2027 | 505,000.00 | 96,300.00 | 601,300.00 |
| 2028 | 535,000.00 | 66,000.00 | 601,000.00 |
| 2029 | <u>565,000.00</u> | <u>33,900.00</u> | <u>598,900.00</u> |
| TOTAL | \$ <u>7,125,000.00</u> | \$ <u>6,256,722.92</u> | \$ <u>13,381,722.92</u> |

THE DISTRICT

General

The District consists of approximately 694 acres located partially within the incorporated boundaries of the City and partially within the unincorporated boundaries of the County. It was established by Ordinance of the Board of Supervisors of the County, adopted on July 6, 2004. A site map showing the location of the District in the County is included in "**APPENDIX A – MAPS AND LEGAL DESCRIPTION OF DISTRICT LANDS**" hereto.

Legal Powers and Authority

The District is an independent special district created in accordance with the Act (see **APPENDIX G AND APPENDIX H**). The Act provides a uniform method for the establishment of independent special districts to manage and finance basic services for public improvements and community facilities through the levy and collection of special assessments. Such districts are commonly referred to as "public improvement districts." The Act provides legal authority for public improvement districts (such as the District) to finance the acquisition, construction, equipping, operation and maintenance of capital infrastructure in the State in order to service projected growth without overburdening counties and municipalities and their taxpayers.

The Act provides that public improvement districts have the power to issue special assessment revenue debt obligations to finance all or part of the cost of infrastructure improvements authorized under the Act. The Act further provides that public improvement districts have the power to determine, order, levy, impose, collect and enforce special assessments, on all property within their boundaries to pay the principal of and interest on debt obligations issued and to provide for any sinking or other funds established in connection with any such debt obligation issues. Pursuant to the Act, such special assessments may be assessed, levied, collected and enforced in the same manner and time as County property taxes.

Among other provisions, the Act gives the Board the right: (i) to hold, control and acquire by donation, purchase, condemnation or dispose of (by dedication, donation or other conveyance) any real and personal property, public servitudes or dedications to public use, and to make use of such servitudes or dedications for any of the purposes authorized by the Act; (ii) to finance, fund, establish, acquire, construct or reconstruct, enlarge or extend, equip, operate and maintain systems, facilities, and basic infrastructure for (a) water management and control for the lands within the District in connection of some

or any such facilities with roads and bridges (b) water supply, sewer and waste water management, reclamation and reuse, or any combination thereof, (c) bridges or culverts that may be needed across any drain, ditch, canal, floodway, holding basin, excavation, public highway, track, grade, fill or cut in roadways over levies and embankments, (d) District roads equal to or exceeding the specifications of the County in which such District roads are located, and streetlights, (e) parks and facilities or indoor and outdoor recreational, cultural and educational uses, and other tourism related infrastructure and facilities, (f) fire prevention and control, including fire stations, water mains and plugs, fire trucks, and other vehicles and equipment, (g) security, except that the District may not exercise any police power, but may contract with the appropriate local governmental agencies for an increased level of such services within the District boundaries, (h) waste collection and disposal, (i) systems as defined in Section 21-27-11(b) of the Mississippi Code of 1972, as amended; (iii) to borrow money and issue bonds, certificates, warrants, or other evidence of indebtedness of the District; and (iv) to exercise all of the powers necessary, convenient, incidental or proper in connection with any of the powers, duties or purposes authorized by the Act.

The Act does not empower the District to adopt and enforce land use plans or zoning ordinances, and the Act does not empower the District to grant building permits. These functions are performed by the County or the City, acting through its governing body and its departments of government.

Board of Directors

Pursuant to the provisions of Section 19-31-9 of the Act, the powers granted to the District under the Act shall be exercised by a Board of Directors consisting of five members who shall serve for a term of four years and until a successor is chosen and qualifies. The initial members of the Board shall each be residents of the State, and at least one of the initial members shall be a resident of the area immediately adjacent to the District. Each of the initial members of the Board shall hold office for a term of four years and until a successor is chosen and qualifies. If a vacancy shall occur during the term of any Board member, the remaining Board members shall fill such vacancy by an appointment for the remainder of such Board member's unexpired term. Commencing six years after the appointment of the initial members of the Board, the position of each member of the Board whose term has expired shall be filled by a qualified elector of the District, who shall be duly elected by a majority of the qualified electors of the District. A qualified elector is a registered voter who is a resident of the District and the State of Mississippi and a citizen of the United States.

The current members of the Board and their occupations are set forth below.

| <u>Initial Member</u> | <u>Occupation</u> | <u>Term Expires</u> |
|--------------------------|---|---------------------|
| George Bobo, Chairman | Road Manager, Rankin County, Mississippi | July 6, 2010 |
| Tom Troxler, Secretary | Executive Director, Rankin First Economic Development Authority | July 6, 2010 |
| Garry Miller, Director | Public Works Director, City of Flowood, Mississippi | July 6, 2010 |
| Bill Brandon, Director | Director of Community Development, Rankin County, Mississippi | July 6, 2010 |
| Richard Wilson, Director | Director of Emergency Management, Rankin County, Mississippi | July 6, 2010 |

The Act empowers the Board to adopt administrative rules and regulations with respect to any projects of the District. The Act permits the Board to levy special assessments, and to charge, collect and enforce fees and user charges for use of District facilities.

THE PROJECT

The Project consists of certain capital infrastructure improvements which are necessary to serve the needs of the residents of the District. The Project, which encompasses approximately 25 acres of District Lands, includes a four-lane, divided median, curb and gutter roadway known as the Hugh Ward Boulevard, extending from Spillway Road to Mississippi Highway 25 and located partially in the incorporated area of the City and partially in the unincorporated area of the County (the "Road"). The Road is approximately 2.1 miles long and is a limited access north/south corridor between Spillway Road and Mississippi Highway 25 designed to alleviate existing traffic congestion in the area and open up for development additional residential and commercial property in the County and the City. See **"THE DEVELOPMENT"** below. The Road is expected to have a traffic count of approximately 15,000 to 20,000 vehicles per day. Two local connector roads, known as Abbey Woods and Farmington Way (the "Connector Roads"), are also included in the Project and are part of the Development. The Project includes sanitary sewer services consisting of a pump station and force main to the City and gravity service along portions of the Road, and a water main which has been extended along portions of Road as an extension of water service from the City (the "Utilities" and together with the Road and the Connector Roads, the "Acquired Improvements").

As authorized by the Act, the Acquired Improvements were constructed by Square Knot, LLC ("Square Knot"), an entity owned and operated by the Principals (as defined below), and are being sold to the District pursuant to the Acquisition Agreement. See **"THE PROJECT-The Contribution Agreement and the Acquisition Agreement"** herein. In addition, as part of the Project, a portion of the proceeds of the Series 2006 Bonds will be used by the District to construct sidewalks and provide street lighting in connection with the Road and construct the final overlay on the Road (the "District Improvements").

The District has estimated the total cost of the Project, including the cost of the acquisition of the Acquired Improvements, the costs of the District Improvements and the costs associated with the issuance of the Series 2006 Bonds, to be \$10,278,162. Of such amount, \$2,143,793 will be paid for by County, \$1,009,369 will be paid for by the City and the remainder will be paid from the proceeds of the Series 2006 Bonds. See **"THE PROJECT-The Acquisition Agreement and the Contribution Agreement"** herein.

See **"APPENDIX A – MAPS AND LEGAL DESCRIPTION OF DISTRICT LANDS"** hereto for site maps of the Development and the legal description of the District Lands.

The Acquisition Agreement and the Contribution Agreement

A portion of the Project is being acquired by the District from Square Knot pursuant to an Acquisition Agreement, dated February 15, 2006, between the District and Square Knot (the "Acquisition Agreement"). Simultaneously with the issuance of the Series 2006 Bonds, the District will purchase the Acquired Improvements. The Consulting Engineer will certify that the cost of acquiring the Acquired Improvements is reasonable. A portion of the cost of the acquisition of the Acquired Improvements will be paid for with the proceeds of the Series 2006 Bonds and the remainder will be paid for from contributions made by the County and the City pursuant to Contribution Agreement, dated January 17, 2006 among the District, the County and the City (the "Contribution Agreement"). Under the Contribution Agreement, the County will contribute \$2,143,793 and the City will contribute \$1,009,369 to the payment of the costs of the Project. The Contribution Agreement also provides that the District will dedicate that portion of the Project located within the incorporated boundaries of the City to the City and that portion of the Project located within the unincorporated boundaries of the County to the County. See **"APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST"** hereto.

THE DEVELOPMENT

The Development

The Development consists of the development of approximately 644.6 acres of the District Lands with portions in the incorporated area of the City and portions in the unincorporated area of the County.

The current expectation of the Developers with regard to the Development is that approximately 396.8 acres will be developed for residential use and approximately 247.8 acres will be developed for commercial use. Of the 396.8 residential acres, 147.9 acres have been platted and 248.9 acres remain to be platted. Of the 247.8 commercial acres, 1.8 acres have been platted and 246 acres remain to be platted. See **"APPENDIX A - MAPS AND LEGAL DESCRIPTION OF DISTRICT LANDS"** hereto.

It is anticipated that the Development will contain private homes, patio homes, estate lots, a retirement community, shopping centers, restaurants, office/warehouse development and medical office development. See the **Preliminary Master Plan** included in **"APPENDIX A - MAPS AND LEGAL DESCRIPTION OF DISTRICT LANDS"** hereto. In the residential portion of the Development, approximately five subdivisions are planned for development, with four subdivisions presently under construction. Within the 147.9 acres that have been platted, there are a total of 431 lots. Of the 431 lots already developed, approximately 329 lots have been sold. Of the lots sold, approximately half have sold within the past three months. The Developers have estimated that upon completion, the final value of the Development will be approximately \$500,000,000.

The Development is located in a county and city that have seen widespread growth in recent years. The County is the second fastest growing county in the State. In addition, the area within a 10 mile radius of the Development enjoys the highest per capita income in the State and the City and County enjoy one of the lowest crime rates in the State. See **"APPENDIX F-DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY AND THE CITY"** hereto.

The following entities are the initial developers of the Development and have been referred to herein as the Developers:

Pinelands, LLC
Madison/Lakeland Diversified Investment Properties, LLC
Pine Knot Plantation, LLC
T & F Development, Inc.
Spann Land, LLC
Lighter Knot, LLC

Pinelands, LLC. The Pinelands, LLC ("Pinelands") is a Mississippi limited liability company located in Jackson, Mississippi, with ownership held as follows: Richard Partridge, 16.333%, Pete Alman, 16.333%, Barry Jackson, 16.333%, and an additional 92 investors holding the remaining 51% interest. Pinelands owns 247.8 acres of the Development and intends to develop approximately 197.8 acres for commercial use and 50 acres for residential use. Much of Pinelands property fronts Mississippi Highway 25, one of the fastest growing commercial corridors in the State.

Madison/Lakeland Diversified Investment Properties, LLC. Madison/Lakeland Diversified Investment Properties, LLC ("M/L") is a Mississippi limited liability company located in Jackson, Mississippi with ownership held as follows: Richard Partridge, 10%; Pete Alman, 10%; Barry Jackson, 10% and an additional 113 investors holding the remaining 70% interest. M/L owns 141.78 acres of the Development and is developing its property for residential use. M/L has developed 38.92 acres with a total of 104 lots ranging in price from \$40,000 to \$55,000. Of the 104 lots, approximately 50 have been sold. M/L intends to develop the remaining 102.86 acres over the next two to three years and to sell these lots for approximately \$50,000 to \$100,000 each.

Pine Knot Plantation, LLC. Pine Knot Plantation, LLC ("Pine Knot") is a Mississippi limited liability company located in Jackson, Mississippi and owned equally by Richard Partridge, Pete Alman and Barry Jackson. Pine Knot owns 154.45 acres in the Development and presently intends to develop this property primarily for residential use. Pine Knot has already developed 52.92 acres into 159 residential lots and has sold them all for \$40,000 each. It intends to develop the remaining 101.53 acres into lots of varying sizes and sell them within the next three years for approximately \$40,000 to \$100,000 each.

T & F Development, Inc. T & F Development, Inc. ("T&F") is a Mississippi corporation whose principal shareholders are Thomas M. Harkins, Jr. and J. Frank Pucylowski. T&F, which is located in Ridgeland, Mississippi, owns 56.10 acres in the Development. This property has been developed for residential use as the Pinebrook Subdivision. Of the 168 lots in the Pinebrook Subdivision, approximately 120 have been sold at prices ranging from \$30,000 to \$35,000.

Spann Land, LLC. Spann Land, LLC ("Spann") is a Mississippi limited liability company owned by Gus Primos and Mrs. Hugh Ward. The 33.5 acres in the Development owned by Spann is presently being offered for commercial development.

Lighter Knot, LLC. Lighter Knot, LLC ("Lighter Knot") is a Mississippi limited liability company owned equally by Richard Partridge, Pete Alman and Barry Jackson. Lighter Knot, which is located in Jackson, Mississippi, owns 10.93 acres in the Development. Lighter Knot intends to develop its property, which fronts the Road, for light commercial or residential use.

The Principals

The individuals owning the largest interest in the Development are Richard Partridge, Pete Alman and Barry Jackson (the "Principals"). Below is biographical information on each:

L.C. Pete Alman. Pete Alman, age 46, is a lifelong resident of the County. He is a graduate of Brandon Academy in the County and attended Hinds Junior College, Mississippi State University and the University of Southern Mississippi. He was an oil and gas lease broker for two years with Southern Petroleum and worked as a real estate broker with Conrad Martin Real Estate for 11 years. In 1991, Mr. Alman established Alman Realty & Associates and since that time, has successfully developed and sold over \$50,000,000 worth of real estate in Alabama, Mississippi, Louisiana and Missouri. Mr. Alman is a current member of the Mississippi Home Builders Association, the Jackson Board of Realtors, the Mississippi State Board of Realtors, the Rankin County Chamber of Commerce, the Dixie National Booster Club and the Realtors Land Institute.

G. Barry Jackson. Barry Jackson, age 64, is founder and president of Professional Planning and Associates, P.A., a financial and estate planning firm providing advisory services to professional and business clients. He is a Chartered Life Underwriter ("CLU") and a National Association of Securities Dealers ("NASD") Registered Representative. Mr. Jackson attended the University of Mississippi and received his CLU designation from The American College in Bryn Mawr, Pennsylvania. He has served on the Board of Directors of the agent's association for one of the major mutual life insurance companies, is a life member of the Million Dollar Round Table and has been active in the Jackson metropolitan community for many years. He is a previous member of the Board of Directors on both the Metropolitan and Downtown YMCAs.

D. Richard Partridge. Richard Partridge, age 66, has been a resident of Jackson, Mississippi for approximately 45 years. He is the owner of Partridge Propane, Inc. (a distributor of propane for a 20 county area in central Mississippi), Partridge Sibley Industrial Services, Inc., (an industrial waste disposal company, working in four states for International Paper Company, Champion International and Georgia Pacific), Partridge Raleigh, LLC (an oil operator and producer) and Paramount Development (a commercial real estate developer with holdings in Hinds and Rankin Counties, Mississippi). Mr. Partridge has been a general contractor for approximately 20 years and served a large role in many major developments. In addition to his part in the Development, he is presently in the process of developing an approximately \$50,000,000 commercial development located on 200 acres in Madison County, Mississippi and known as the Nissan Parkway Development.

Utilities

The Development is served by Entergy Mississippi for electric services, Atmos Energy for gas services and the City for water and sewer services.

Development Status

General On-Site Development. The Developers began offering lots for sale in the area covering the Project in June, 2005. Of the 431 residential lots now platted, 329 have been sold. The remaining lots are presently available for sale. Of the 247.8 commercial acres, 1.78 acres have been platted. It is anticipated that approximately 1.7 acres of the commercial acreage will be sold immediately after the closing on the Series 2006 Bonds and the opening of the Road.

Property Taxes

In addition to the Special Assessments levied by the District relating to the administration/maintenance costs of the District and debt service on the Series 2006 Bonds, landowners within the District will pay ad valorem taxes.

The following millage rates appeared on the ad valorem tax bill within the District for the assessment year ending September 30, 2005:

| RANKIN COUNTY MILLAGE RATES As of October 1, 2005 | |
|--|----------------|
| Taxing Authority | Millage |
| County | 37.49 |
| City | 20.00 |
| Rankin County School District | 51.66 |

Based on these millage rates for calendar year 2005, the estimated tax liability of a person owning a \$150,000 house located within the District be as follows:

| ESTIMATED TAX LIABILITY FOR COUNTY RESIDENTS | | |
|---|-----------------------|----------------------|
| | County Millage | Tax Liability |
| County Tax Levy | 37.49 | \$ 562.35 |
| School District | 51.66 | 774.90 |
| Less: Homestead Exemption Allowed | | (300.00) |
| Ad Valorem Taxes | <u>89.15</u> | 1,037.25 |
| Special Assessment for Hugh Ward Boulevard | | <u>411.10</u> |
| TOTAL TAXES | | \$ <u>1,448.35</u> |

| ESTIMATED TAX LIABILITY FOR CITY RESIDENTS | | |
|---|-----------------------|----------------------|
| | County Millage | Tax Liability |
| County Tax Levy | 37.49 | \$ 562.35 |
| City Tax Levy | 20.00 | 300.00 |
| School District | 51.66 | 774.90 |
| Less: Homestead Exemption Allowed | 0.00 | (300.00) |
| Ad Valorem Taxes | <u>109.15</u> | 1,337.25 |
| Special Assessment for Hugh Ward Boulevard | | <u>411.10</u> |
| TOTAL TAXES | | \$ <u>1,748.35</u> |

This would compare favorably with other tax burdens of residents in the area. For example, much of the contiguous property in the area is adjacent to the Ross Barnett Reservoir. Below is an estimate of the tax liability which a person owning a \$150,000 house would owe for calendar year 2005 in the Reservoir area:

| ESTIMATED TAX LIABILITY FOR RESIDENTS OF RESERVOIR AREA | | |
|---|-----------------------|---------------------------|
| | County Millage | Tax Liability |
| County Tax Levy | 37.49 | \$ 562.35 |
| School District | 51.66 | 774.90 |
| Less: Homestead Exemption Allowed | | (300.00) |
| Ad Valorem Taxes | <u>89.15</u> | 1,037.25 |
| Reservoir Lease Assessment (Assessments range from \$400 to \$1400 per developed lot in the Reservoir area) | | <u>600.00</u> |
| TOTAL TAXES | | \$ <u>1,637.25</u> |

TAX MATTERS

General

The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Issuer must continue to meet after the issuance of the Series 2006 Bonds in order that interest on the Series 2006 Bonds not be included in gross income for federal income tax purposes. The Issuer's failure to meet these requirements may cause interest on the Series 2006 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance. The Issuer has covenanted in the Indenture to take the actions required by the Code in order to maintain the exclusion from federal gross income of interest on the Series 2006 Bonds.

In the opinion of Bond Counsel, rendered on the date of issuance of the Series 2006 Bonds, under existing statutes, regulations, rulings and judicial decisions and assuming continuing compliance by the Issuer with the tax covenants referred to above, interest on the Series 2006 Bonds is excluded from gross income for federal income tax purposes. Interest on the Series 2006 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2006 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Series 2006 Bonds. Prospective purchasers of Series 2006 Bonds should be aware that the ownership of Series 2006 Bonds may result in other collateral federal tax consequences, including: (i) the denial of a deduction for interest or indebtedness incurred or continued to purchase or carry Series 2006 Bonds or, in the case of a financial institution, that portion of an owner's interest expenses allocable to interest on a Series 2006 Bond; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by fifteen percent of certain items, including the interest on the Series 2006 Bonds; (iii) the inclusion of interest on Series 2006 Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of the branch profits tax; (iv) the inclusion of interest on the Series 2006 Bonds in passive investment income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion in gross income of interest on Series 2006 Bonds by recipients of certain Social Security and Railroad Retirement benefits.

The Series 2006 Bonds are being offered as qualified tax exempt obligations within the meaning of Section 265(b)(3) of the Code.

State Taxes

In the opinion of Bond Counsel, rendered on the date of issuance of the Series 2006 Bonds, the Series 2006 Bonds, together with interest thereof, income therefrom and gain upon the sale thereof, is exempt from state and local income taxes in the State of Mississippi.

QUALIFIED TAX-EXEMPT OBLIGATIONS - DESIGNATION OF THE SERIES 2006 BONDS

The Issuer has designated the Series 2006 Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code and has represented that the aggregate amount of tax-exempt obligations which the Issuer reasonably anticipates issuing during the calendar year 2006 does not exceed \$10 million. Based upon such representation, Bond Counsel is of the opinion that, under existing statutes, the Series 2006 Bonds are qualified tax-exempt obligations. Generally, a financial institution is allowed a deduction for eighty percent (80%) of its interest expense that is allocable to interest on qualified tax-exempt obligations.

NO FINANCIAL STATEMENTS

The District was created in July, 2004 and the activities of the District to the date of this Official Statement have been limited principally to the non-revenue producing activities preliminary to the issuance of the Series 2006 Bonds. Financial statements of the District are therefore not available and not included herein. The District has covenanted in the Form of Continuing Disclosure Agreement set forth in **"APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"** hereto to provide its annual audit commencing with the audit for the District year ended September 30, 2006 to certain information repositories as described in **"APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"** attached hereto.

EXPERTS AND CONSULTANTS

The Allocation of Infrastructure Cost prepared by Government Consultants, Inc., relating to the Project has been included as **"APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST"** attached to the Official Statement in reliance upon such firm in providing advisory services. References to and excerpts herein from the Allocation of Infrastructure Cost do not purport to be adequate summaries of such Report or complete in all respects. Such Report is an integral part of this Official Statement and should be read in its entirety for complete information with respect to the subjects discussed herein. Government Consultants, Inc. has acted and continues to act as Assessment Methodology Consultant to the District.

LITIGATION

There is no pending or, to the knowledge of the District, any threatened litigation against the District of any nature whatsoever which in any way questions or affects the validity of the Series 2006 Bonds, or any proceedings or transactions relating to their issuance, sale, execution, or delivery, or the execution of the Indenture. Neither the creation, organization or existence, nor the title of the present members of the Board is being contested.

UNDERWRITING

The Series 2006 Bonds are being purchased by Duncan-Williams, Inc., Memphis, Tennessee (the "Underwriter"), pursuant to a Bond Purchase Agreement for the Series 2006 Bonds at a purchase price of \$6,982,500 representing the principal amount of the Series 2006 Bonds less the Underwriter's discount of \$142,500. The District has agreed to indemnify the Underwriter against certain liabilities relating to this Official Statement.

LEGAL MATTERS

All legal matters related to the authorization, issuance, sale, and delivery of the Series 2006 Bonds are subject to the approval of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi as Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McGlinchey Stafford, PLLC, Jackson, Mississippi, and for the District by its counsel, Morrow Law Firm, P.L.L.C., Brandon, Mississippi.

CONTINUING DISCLOSURE

The Securities and Exchange Commission (the "Commission") has promulgated amendments to Rule 15c2-12 (the "Rule") under the Securities and Exchange Act of 1934, as amended, which prohibit underwriters from purchasing or selling municipal securities unless such underwriters have reasonably determined that the "issuer" and any "obligated persons" with respect thereto, have undertaken to provide continuing disclosure with respect to its securities, subject to certain exemptions. Although, the Series 2006 Bonds are not subject to the Rule, the District, Square Knot, Pinelands, M/L, Pine Knot and Lighter Knot have agreed to provide certain information to the Trustee and certain Owners of the Series 2006 Bonds. In the Indenture and in the Continuing Disclosure Agreement, substantially in the form attached hereto as **"APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"**, to be delivered at the time of the issuance of the Series 2006 Bonds, the District, and Square Knot, Pinelands, M/L, Pine Knot and Lighter Knot (as long as they own 20%, either individually or collectively, or more in acreage of District Lands) have covenanted and will covenant, for the benefit of the Owners of the Series 2006 Bonds, including Beneficial Owners thereof, to deliver to the Trustee and certain Owners of the Series 2006 Bonds certain financial information and operating data relating to the District, Pinelands, M/L, Pine Knot and Lighter Knot ("Annual Information") not later than June 1 of each year, commencing June 1, 2007, and to provide timely notices to the Trustee and certain Owners of the Series 2006 Bonds of the occurrence of any of certain material events with respect to the Series 2006 Bonds. The specific nature of the information to be contained in the Annual Information and of the material events are set forth in **"APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT"** attached hereto.

The District has never before been required to provide continuing disclosure information with respect to the Rule. In addition, the District, as an independent special district and political subdivision under the laws of Mississippi, is required to file certain information, including audited annual financial statements, and to maintain records open to the public for examination and copying under state public records laws. Public records of the District may be examined upon reasonable notice during normal business hours at the offices of the District, 211 East Government Street, Brandon, Mississippi, 39042, phone: (601) 825-1475, and the District will furnish copies of any public records of the District, upon written request of such Owner or person specifying the particular records to be copied and payment of the District's reasonable copying charges then in effect and mailing or other delivery costs.

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement that may have been made verbally or in writing is to be construed as a contract with the holders of the Series 2006 Bonds.

The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder is to create, under any circumstances, any implication that there has been no change in the affairs of the District or the Developers from the date hereof. However, certain parties to the transaction will, on the closing date of the Series 2006 Bonds, deliver certificates to the effect that nothing has come to their attention that would lead them to believe that the Official Statement contains an untrue statement of a material fact or omits to state a material fact that should be included herein for the purpose for which the Official Statement is intended to be used, or that is necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading and to the effect that from the date of the

Official Statement to the date of closing of the Series 2006 Bonds that there has been no material adverse change in the information provided.

This Official Statement is submitted in connection with the sale of the securities referred to herein and may not be reproduced or used, as a whole or in part, for any other purpose. The appendices hereof are integral parts of this Official Statement and must be read in their entirety together with all foregoing statements.

**PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI**

By /s/ George Bobo

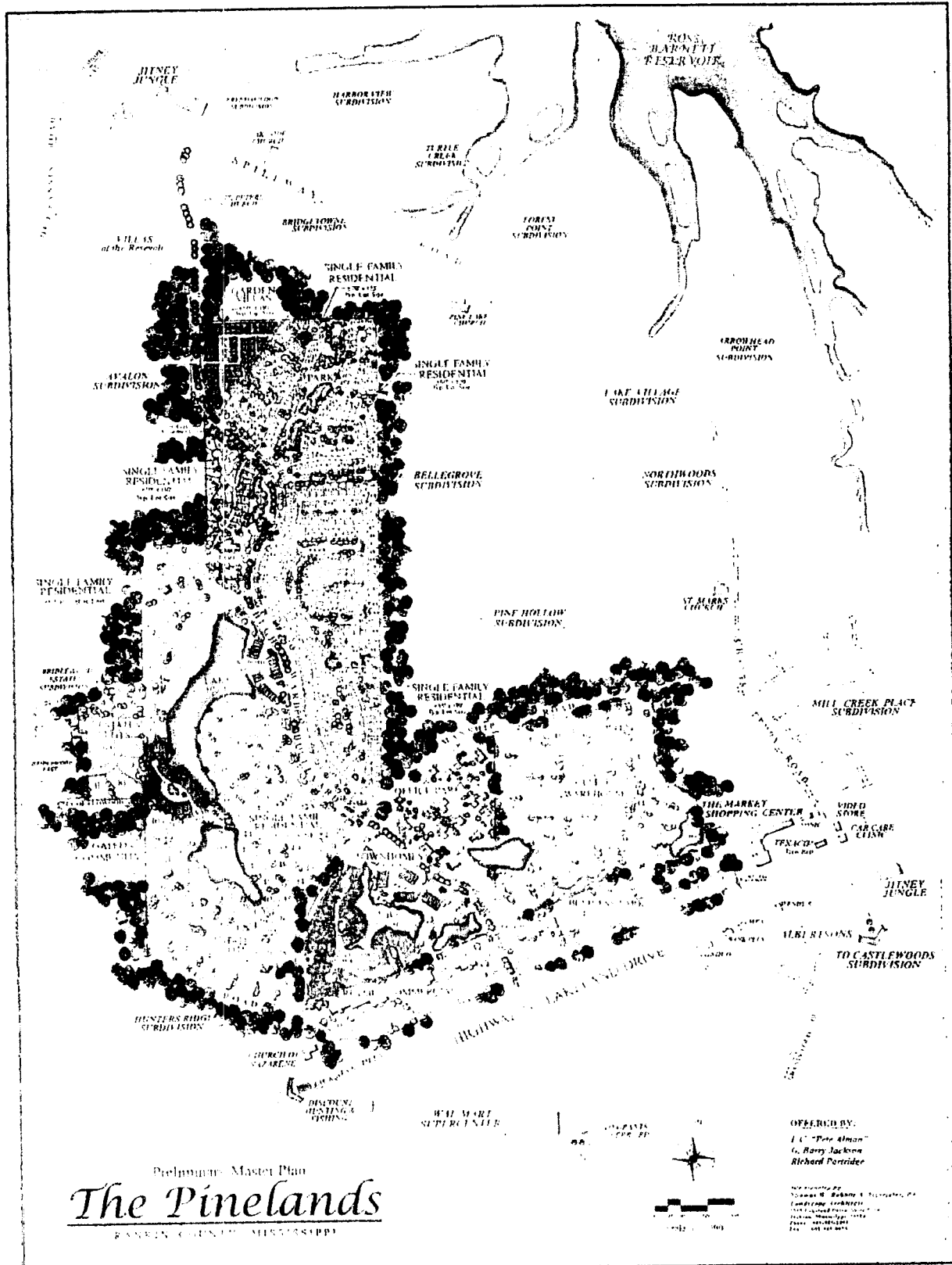
George Bobo, Chairman, Board of Directors

194937.2
014269.4

[THIS PAGE INTENTIONALLY LEFT BLANK]

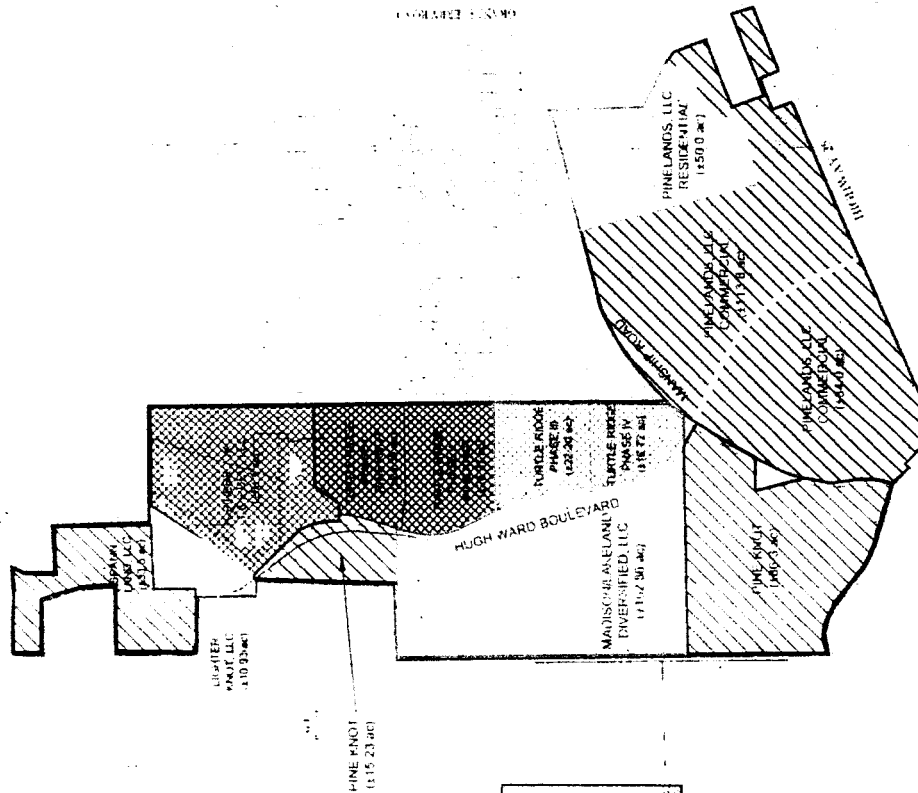
**APPENDIX A – MAPS AND LEGAL DESCRIPTION
OF DISTRICT LANDS**

[THIS PAGE INTENTIONALLY LEFT BLANK]



LEGEND

- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- PINE KNOT LLC - UNDEVELOPED RESIDENTIAL (100.00 ACRES)
- PINE KNOT LLC - UNDEVELOPED RESIDENTIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)
- MAISON ROUGE LLC - UNDEVELOPED COMMERCIAL (100.00 ACRES)



| Development Name | Acres | Lots | No. Lots/Acre |
|------------------------------|-------|------|---------------|
| MAISON ROUGE LLC (Phase I) | 11.45 | 76 | 6.60 |
| MAISON ROUGE LLC (Phase II) | 28.4 | 83 | 2.92 |
| MAISON ROUGE LLC (Phase III) | 15.20 | 90 | 5.92 |
| MAISON ROUGE LLC (Phase IV) | 10.72 | 44 | 4.10 |
| MAISON ROUGE LLC (Phase V) | 10.40 | 108 | 10.38 |
| MAISON ROUGE LLC (Phase VI) | 11.94 | 114 | 9.54 |
| TOTAL DEVELOPED | 88.11 | 595 | 6.74 |

| Development Name | Acres |
|------------------|--------|
| MAISON ROUGE LLC | 102.86 |
| PINE KNOT LLC | 100.00 |
| MAISON ROUGE LLC | 100.00 |
| PINE KNOT LLC | 100.00 |
| MAISON ROUGE LLC | 100.00 |
| PINE KNOT LLC | 100.00 |
| MAISON ROUGE LLC | 100.00 |
| PINE KNOT LLC | 100.00 |
| MAISON ROUGE LLC | 100.00 |
| PINE KNOT LLC | 100.00 |
| TOTAL DEVELOPED | 406.02 |

LEGAL DESCRIPTION

A parcel of land being located in the West ½ of Section 7, the West ½ of Section 18, the SE ¼ of Section 18, the SW ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, all in Township 6 North, Range 3 East, Rankin County, Mississippi, and being more particularly described as follows:

Commence at a found 2x2 iron pin at the Southwest corner of Section 18, said point being the POINT OF BEGINNING, and run along the apparent west line of Section 18 N00°09'25"W for 4161.07 feet to the southwest corner of Avalon Subdivision, Part Four (C); thence run along the south line of said Subdivision N89°50'35"E for 750.00 feet to the southeast corner of said subdivision; thence run along the east line of said subdivision N00°09'25"W for 1478.17 feet to the NE corner of said subdivision; thence run along the north line of said Subdivision S89°28'20"W for 127.93 feet to the SE corner of Avalon Subdivision, Part Four (B); thence run along the east line of said subdivision N00°49'00"W for 594.13 feet to a point on the north right-of-way of Avalon Way; thence run along the north right-of-way of Avalon Way for the following six (6) calls: run West for 105.54 feet; thence run S89°46'41"W for 431.95 feet; thence run N89°09'26"W for 58.82 feet; thence run N87°16'17"W for 34.08 feet; thence run N82°56'40"W for 38.64 feet; thence run N78°13'34"W for 44.07 feet; thence leaving the north right-of-way of Avalon Way run N00°20'10"W for 744.77 feet to the SW corner of the Villas at the Reservoir; thence run along the south line of the Villas of the Reservoir N89°42'59"E for 754.07 feet to a point on the west right-of-way of Hugh Ward Drive, as now laid out and constructed; thence run along the west right-of-way of Hugh Ward Drive for the following four (4) calls: run N00°49'00"W for 133.89 feet; thence run along a curve to the left, said curve having a radius of 1470.00 feet, an arc length of 473.22 feet, a chord length of 471.18, and a chord bearing of N10°02'35"W; thence run N19°15'00"W for 91.42 feet; thence run along a curve to the right to the NE corner of the Villas at the Reservoir, said curve having a radius of 1055.00 feet, an arc length of 108.01 feet, a chord length of 107.96 feet, and a chord bearing of N16°19'01"W; thence leaving the west right-of-way of Hugh Ward Drive, run along the north line of the Villas at the Reservoir S89°42'59"W for 614.15 feet to a point on the west line of Spann Land, LLC, property on file in deed book 858, page 215, in the Rankin County Chancery Clerk's Office; thence run along the west line of said Spann Land property N00°20'10"W for 1086.94 feet to a point on the south right-of-way of Spillway Road; thence run along the south right-of-way of Spillway Road S64°41'27"E for 1095.23 feet to the northeast corner of said Spann Land property; thence run along the east line of said Spann Land, LLC, property S25°29'45"W for 367.19 feet; thence continue along the east line of said Spann Land, LLC property along a curve to the left, said curve having a radius of 308.10 feet, an arc length of 141.08 feet, a chord length of 139.85 feet, and a chord bearing of S12°14'32"W; thence continue along the east line of said Spann Land, LLC property S00°13'46"E for 85.90 feet; thence continue along the line of said Spann Land, LLC property N89°43'00"E for 507.01 feet to a point on the east line of the West ½ of the West ½ of said Section 7, said line also being the west line of Bridgetowne I Subdivision; thence run along the east line of the West ½ of the West ½ of said Section 7 and along the west line of Bridgetowne I Subdivision S00°07'48"E for 1123.40 feet to the SW corner of the NE ¼ of the SW ¼ of said Section 7, said point being located on the north line of T & F Development, Inc., property described in deed book 954, page 632, thence run along the north line of said T & F Development property S89°30'13"E for 1380.86 feet to the NE corner thereof; thence run along the east line of said T & F Development property and along the east line of Pine Knot Plantation, LLC, property described in deed book 919, page 75 S00°06'57"E for 5375.27 feet to the south right-of-way of Manship Road, also being the north line of The Pinelands, LLC property as described in deed book 970, page 387; thence run along the north line of The Pinelands, LLC property and along the south right-of-way of Manship Road for the following seven (7) calls: run N42°55'04"E for 147.21 feet; thence run N53°35'04"E for 801.35 feet; thence run N65°42'04"E for 121.45 feet; thence run N75°45'04"E for 1304.45 feet; thence run N75°27'04"E for 536.85 feet; thence run N76°55'04"E for 249.35 feet; thence run N79°10'04"E for 190.80 feet; thence leaving the north line of said Pinelands property and the south right-of-way of Manship Road, run along the east line of said Pinelands, LLC property for the following nine (9) calls: run S00°48'22"E for 952.64 feet; thence run S62°45'56"E for 518.03 feet; thence run S06°57'56"E for 240.20 feet; thence run S17°53'56"E for 100.93 feet; thence run S22°00'56"E for 264.29 feet; thence run S67°31'20"W for 733.83 feet; thence run S22°28'40"E for 300.00 feet; thence run N67°31'20"E for 890.34 feet; thence run S15°16'16"E for 251.99 feet to a point on the north right-of-way of Highway 25 as now laid out and constructed; thence run along said right-of-way

S67°31'20"W for 710.71 feet to the SE corner of Comprehensive Family Dentistry, P.A. property described in deed book 1041, page 401 on file in the Rankin County Chancery Clerk's Office; thence run along the east line of said Family Dentistry office N22°28'40"E for 220.00 feet; thence run along and beyond the north line of said Family Dentistry Office and along the north line of W.H. Capital, L.L.C. property, as described in deed book 997, page 7, S67°31'20"E for 268.51 feet; thence run along the west line of said W.H. Capital property S22°28'40"E for 220.00 feet to a point on the north right-of-way of Highway 25; thence run along the north right-of-way of Highway 25 for the following six (6) calls: run S67°31'20"W for 3386.35 feet; thence run S67°28'41"W for 121.58 feet; thence run N88°15'56"W for 396.15 feet; thence run N48°09'56"W for 226.96 feet; thence run N45°59'56"W for 68.98 feet; thence run S42°23'04"W for 56.00 feet; thence leaving the north right-of-way of Highway 25, run N51°39'56"W for 268.00 feet to the centerline of Manship Road; thence run N25°46'09"W for 31.20 feet to a point on the north right-of-way of Wertz Road; thence run along the north right-of-way line of Wertz Road for the following twelve (12) calls: run N73°54'19"W for 250.74 feet; thence run N71°40'25"W for 160.04 feet; thence run N75°26'56"W for 303.90 feet; thence run N69°23'12"W for 46.01 feet; thence run along a curve to the right, said curve having a radius of 498.51 feet, an arc length of 182.16 feet, and included angle of 20°56'10", a chord length of 181.15 feet, and a chord bearing of N55°44'12"W; thence run N46°02'22"W for 76.17 feet; thence run N44°53'55"W for 113.21 feet; thence run along a curve to the left, said curve having a radius of 778.00 feet, an arc length of 385.66 feet, and included angle of 28°24'06", a chord length of 381.72 feet, and a chord bearing of N57°39'22"W; thence run N77°22'00"W for 76.03 feet; thence run along a curve to the left, said curve having a radius of 489.48 feet, an arc length of 177.01 feet, and included angle of 20°43'12", a chord length of 176.05 feet, and a chord bearing of S84°46'49"W; thence run S75°48'10"W for 25.15 feet; thence run S75°07'06"W for 55.21 feet to a point on the west line of said Section 19; thence run along the west line of Section 19 N00°04'43"W for 478.54 feet back to the POINT OF BEGINNING. Said parcel contains 694.27 acres, more or less.

APPENDIX B – ALLOCATION OF INFRASTRUCTURE COST

[THIS PAGE INTENTIONALLY LEFT BLANK]

Summary of Public Improvements/Projected Annual Assessments

| % of Acquired Public Improvements | <u>Developer 61.42%</u> | <u>County 26.23%</u> | <u>City 12.35%</u> | <u>Totals 100.00%</u> |
|--|-----------------------------|--------------------------|------------------------|---------------------------|
| Acquired Improvements | \$ 4,221,103 | \$ 1,802,712 | \$ 848,777 | \$ 6,872,592 |
| District Improvements | 929,807 | 183,701 | 86,492 | 1,200,000 |
| Capitalized Interest (24 months) | 855,000 | | | 855,000 |
| Debt Service Reserve Fund | 607,800 | | | 607,800 |
| Costs of Issuance of the Series 2006 Bonds, including Underwriter's Discount | <u>511,290</u> | <u>157,380</u> | <u>74,100</u> | <u>742,770</u> |
| Projected Bond Issue Size Requirements | \$ <u>7,125,000</u> | | | |
| Contribution Payment Requirements | | <u>\$2,143,793</u> | <u>\$1,009,369</u> | |
| Total Projected Funding Requirements | | | | <u>\$10,278,162</u> |
| Projected Annual Debt Payments | \$ <u>607,800</u> | | | |

Infrastructure Per Acre Cost Allocation

| | |
|--|------------------------|
| Acquired Improvements from proceeds of Series 2006 Bonds | \$ 4,221,103.00 |
| Public Improvements & Other Costs Paid by the District: | |
| District Improvements from Series 2006 Bonds | 929,807.00 |
| Costs of Issuance if the Series 2006 Bonds | <u>511,020.00</u> |
| Total Cost of Project paid from Series 2006 Bonds | \$ <u>5,661,930.00</u> |
| Projected Residential Units | <u>940.00</u> |
| Projected Commercial Acres | <u>247.80</u> |
| Gross Acreage | 644.56 |
| Estimated % Loss from Streets, etc. | <u>20.00%</u> |
| Projected Acreage Available for Construction | <u>515.65</u> |
| Average Per Acre Public Infrastructure Cost | \$ <u>10,980.22</u> |

| Annual Assessment Projections | |
|---|------------------------|
| Residential Infrastructure Allocation | \$ 3,465,885.00 |
| Commercial Infrastructure Allocation | <u>2,196,045.00</u> |
| Total Cost Allocation | <u>\$ 5,661,930.00</u> |
| <u>Annual Assessments Projections</u> | |
| Projected Annual Debt Service on Series 2006 Bonds | <u>607,800.00</u> |
| Residential Annual Payment Allocation | 372,058.00 |
| Commercial Annual Payment Allocation | <u>235,742.00</u> |
| Projected Annual Debt Service Payment | <u>607,800.00</u> |
| Residential Per Unit Annual Payment Allocation | <u>395.81</u> |
| Residential Per Unit Monthly Payment Allocation | <u>32.98</u> |
| Commercial Gross Per Acre Annual Payment Allocation | <u>1,178.71</u> |
| Commercial Per Acre Monthly Annual Payment Allocation | <u>98.23</u> |

| Special Assessment Cash Flows | | | |
|---|--------------------|-------------------|------------------------|
| Assessment to Pay Debt Service | Residential | Commercial | Total |
| Number of Gross Acres | <u>396.80</u> | <u>247.80</u> | <u>644.60</u> |
| Number of Assessment Units | 940.00 | 200.00 | |
| Projected Assessment per Unit | <u>395.81</u> | <u>1,178.71</u> | |
| Projected Average Annual Assessments | 374,926.44 | 232,873.56 | 607,800.00 |
| Number of Years of Assessments | <u>20</u> | <u>20</u> | <u>20</u> |
| Total Assessments | 7,441,155.77 | 4,714,844.23 | 12,156,000.00 |
| Debt Service Reserve Fund | | | 607,800.00 |
| Capitalized Interest | | | <u>855,000.00</u> |
| Total Funds Available for Bond Payments | | | 13,618,800.00 |
| Less: Total Projected Principal & Interest Payments | | | <u>(13,571,100.00)</u> |
| Projected Revenues over Total P&I Payments | | | <u>47,700.00</u> |

Projected Annual Operating Cost & Assessments

Projected Annual Operating Cost

| | |
|---|-------------------------|
| Tax Collection Fees (2.25% of Annual Assessments) | \$ 13,675.50 |
| Audit | 5,000.00 |
| Meetings/Supplies | <u>4,800.00</u> |
| Projected Total Operating Cost | \$ <u>23,475.50</u> |

| Projected Assessment to Property Owners | <u>Residential</u> | <u>Commercial</u> |
|--|--------------------|---------------------|
| Per Unit Projected Debt Service Assessment | 395.81 | 1,178.71 |
| Per Unit Projected Operating Assessment | <u>15.29</u> | <u>45.53</u> |
| Projected Average Annual Assessment | <u>411.10</u> | <u>1,224.24</u> |
| Per Unit Average Monthly Payment | <u>34.26</u> | <u>102.02</u> |

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX C – FORM OF TRUST INDENTURE

[THIS PAGE INTENTIONALLY LEFT BLANK]

TRUST INDENTURE

between

**PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI**

and

**HANCOCK BANK,
As Trustee**

Dated as of February 1, 2006

Relating To

**PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI
SPECIAL ASSESSMENT BONDS,
SERIES 2006**

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| ARTICLE I. DEFINITIONS | 2 |
| Section 1.01. Definitions. | 2 |
| ARTICLE II. THE BONDS..... | 11 |
| Section 2.01. Amounts and Terms of Bonds; Details of Bonds. | 11 |
| Section 2.02. Execution..... | 12 |
| Section 2.03. Authentication; Authenticating Agent..... | 12 |
| Section 2.04. Purpose, Designation, Denominations, and Interest Accruals..... | 12 |
| Section 2.05. Debt Service on the Bonds. | 13 |
| Section 2.06. Disposition of Bond Proceeds. | 13 |
| Section 2.07. Appointment of Registrar and Paying Agent..... | 14 |
| Section 2.08. Mutilated, Destroyed, Lost or Stolen Bonds. | 14 |
| Section 2.09. Temporary Bonds..... | 14 |
| Section 2.10. Cancellation and Destruction of Surrendered Bonds..... | 14 |
| Section 2.11. Registration, Transfer, and Exchange..... | 14 |
| Section 2.12. Persons Deemed Owners..... | 15 |
| Section 2.13. Limitation on Incurrence of Certain Indebtedness. | 15 |
| Section 2.14. Qualification for The Depository Trust Company. | 15 |
| ARTICLE III. ISSUE OF BONDS..... | 16 |
| Section 3.01. Issue of Bonds. | 16 |
| ARTICLE IV. ACQUISITION OF PROJECT..... | 18 |
| Section 4.01. Project to Conform to Plans and Specifications; Changes. | 18 |
| Section 4.02. Compliance Requirements..... | 18 |
| ARTICLE V. ACQUISITION AND CONSTRUCTION FUND..... | 18 |
| Section 5.01. Acquisition and Construction Fund..... | 18 |
| ARTICLE VI. SPECIAL ASSESSMENTS; APPLICATION THEREOF TO FUNDS AND ACCOUNTS..... | 19 |
| Section 6.01. Special Assessments; Lien of Indenture on Pledged Revenues..... | 19 |
| Section 6.02. Funds and Accounts Relating to the Bonds..... | 19 |
| Section 6.03. Revenue Fund. | 19 |
| Section 6.04. Debt Service Fund. | 20 |
| Section 6.05. Debt Service Reserve Fund..... | 21 |
| Section 6.06. Bond Redemption Fund..... | 22 |
| Section 6.07. Prepayments; Removal of Special Assessment Liens. | 23 |
| Section 6.08. Procedure When Funds Are Sufficient to Pay All Bonds. | 24 |
| ARTICLE VII. SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS..... | 24 |
| Section 7.01. Deposits and Security Therefor..... | 24 |
| Section 7.02. Investment or Deposit of Funds. | 24 |
| Section 7.03. Valuation of Funds. | 25 |
| ARTICLE VIII. REDEMPTION OF BONDS | 25 |
| Section 8.01. Redemption Dates and Prices..... | 25 |
| Section 8.02. Notice of Redemption..... | 27 |
| Section 8.03. Payment of Redemption Price..... | 28 |
| Section 8.04. Partial Redemption of Bonds. | 28 |
| ARTICLE IX. COVENANTS OF THE ISSUER | 29 |
| Section 9.01. Power to Issue Bonds and Create Lien..... | 29 |
| Section 9.02. Payment of Principal and Interest on Bonds. | 29 |
| Section 9.03. Special Assessments; Re-Assessments. | 29 |
| Section 9.04. Method of Collection..... | 30 |
| Section 9.05. Delinquent Special Assessments..... | 30 |
| Section 9.06. Books and Records with Respect to Special Assessments. | 30 |
| Section 9.07. Deposit of Special Assessments..... | 30 |
| Section 9.08. Construction to be on District Lands; Exceptions..... | 30 |
| Section 9.09. Operation, Use, and Maintenance of Project. | 30 |
| Section 9.10. Observance of and Compliance with Valid Requirements. | 31 |
| Section 9.11. Payment of Operating or Maintenance Costs by State or Others..... | 31 |

| | |
|--|-----------|
| Section 9.12. Public Liability and Property Damage Insurance; Maintenance of Insurance; Use of Insurance and Condemnation Proceeds. | 31 |
| Section 9.13. Collection of Insurance Proceeds. | 32 |
| Section 9.14. Use of Revenues for Authorized Purposes Only. | 33 |
| Section 9.15. Books, Records, and Annual Reports. | 33 |
| Section 9.16. Observance of Accounting Standards. | 33 |
| Section 9.17. Employment of Certified Public Accountant. | 33 |
| Section 9.18. Establishment of Fiscal Year, Annual Budget. | 33 |
| Section 9.19. Employment of Consulting Engineer; Consulting Engineer's Report. | 34 |
| Section 9.20. Audit Reports. | 34 |
| Section 9.21. Information to Be Filed with Trustee. | 34 |
| Section 9.22. Covenant Against Sale or Encumbrance; Exceptions. | 34 |
| Section 9.23. Fidelity Bonds. | 35 |
| Section 9.24. No Loss of Lien on Pledged Revenues. | 35 |
| Section 9.25. Compliance With Other Contracts and Agreements. | 35 |
| Section 9.26. Issuance of Additional Obligations. | 35 |
| Section 9.27. Extension of Time for Payment of Interest Prohibited. | 35 |
| Section 9.28. Further Assurances. | 35 |
| Section 9.29. Use of Bond Proceeds to Comply with Internal Revenue Code. | 35 |
| Section 9.30. Corporate Existence and Maintenance of Properties. | 36 |
| Section 9.31. Continuing Disclosure. | 36 |
| Section 9.32. Sale of Taxes and Sale of Land for Taxes; Foreclosure of Special Assessment Liens. | 36 |
| Section 9.33. Removal of Special Assessment Liens. | 36 |
| ARTICLE X. EVENTS OF DEFAULT AND REMEDIES. | 37 |
| Section 10.01. Events of Default and Remedies. | 37 |
| Section 10.02. Events of Default Defined. | 37 |
| Section 10.03. No Acceleration. | 37 |
| Section 10.04. Legal Proceeding by Trustee. | 37 |
| Section 10.05. Discontinuance of Proceedings by Trustee. | 38 |
| Section 10.06. Bondholders May Direct Proceedings. | 38 |
| Section 10.07. Limitations on Actions by Bondholders. | 38 |
| Section 10.08. Trustee May Enforce Rights Without Possession of Bonds. | 38 |
| Section 10.09. Remedies Not Exclusive. | 38 |
| Section 10.10. Delays and Omissions Not to Impair Rights. | 38 |
| Section 10.11. Application of Moneys in Event of Default. | 38 |
| Section 10.12. Trustee's Right to Receiver; Compliance with Act. | 39 |
| Section 10.13. Trustee and Bondholders Entitled to all Remedies under Act. | 39 |
| ARTICLE XI. THE TRUSTEE; THE PAYING AGENT AND REGISTRAR. | 39 |
| Section 11.01. Acceptance of Trust. | 39 |
| Section 11.02. No Responsibility for Recitals. | 39 |
| Section 11.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence. | 40 |
| Section 11.04. Compensation and Indemnity. | 40 |
| Section 11.05. No Duty to Renew Insurance. | 40 |
| Section 11.06. Notice of Default Right to Investigate. | 40 |
| Section 11.07. Obligation to Act on Defaults. | 40 |
| Section 11.08. Reliance by Trustee. | 40 |
| Section 11.09. Trustee May Deal in Bonds. | 40 |
| Section 11.10. Construction of Ambiguous Provisions. | 41 |
| Section 11.11. Resignation of Trustee. | 41 |
| Section 11.12. Removal of Trustee. | 41 |
| Section 11.13. Appointment of Successor Trustee. | 41 |
| Section 11.14. Qualification of Successor. | 41 |
| Section 11.15. Instruments of Succession. | 41 |
| Section 11.16. Merger of Trustee. | 42 |
| Section 11.17. Extension of Rights and Duties of Trustee to Paying Agent and Registrar. | 42 |
| Section 11.18. Resignation of Paying Agent or Registrar. | 42 |
| Section 11.19. Removal of Paying Agent or Registrar. | 42 |

| | |
|--|----|
| Section 11.20. Appointment of Successor Paying Agent or Registrar..... | 42 |
| Section 11.21. Qualifications of Successor Paying Agent or Registrar. | 42 |
| Section 11.22. Judicial Appointment of Successor Paying Agent or Registrar. | 43 |
| Section 11.23. Acceptance of Duties by Successor Paying Agent or Registrar..... | 43 |
| Section 11.24. Successor by Merger or Consolidation..... | 43 |
| Section 11.25. Acts of Bondholders; Evidence of Ownership of Bonds..... | 43 |
| ARTICLE XII. AMENDMENTS AND SUPPLEMENTS | 43 |
| Section 12.01. Amendments and Supplements Without Bondholders' Consent. | 43 |
| Section 12.02. Amendments With Bondholders' Consent. | 44 |
| Section 12.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel..... | 44 |
| ARTICLE XIII. DEFEASANCE..... | 44 |
| Section 13.01. Defeasance..... | 44 |
| Section 13.02. Deposit of Funds for Payment of Bonds. | 44 |
| ARTICLE XIV. MISCELLANEOUS PROVISIONS | 45 |
| Section 14.01. Limitations on Recourse. | 45 |
| Section 14.02. Payment Dates. | 45 |
| Section 14.03. No Rights Conferred on Others. | 45 |
| Section 14.04. Illegal Provisions Disregarded..... | 45 |
| Section 14.05. Substitute Notice..... | 45 |
| Section 14.06. Controlling Law..... | 46 |
| Section 14.07. Successors and Assigns. | 46 |
| Section 14.08. Headings for Convenience Only..... | 46 |
| Section 14.09. Counterparts..... | 46 |
| Section 14.10. Appendices and Exhibits..... | 46 |
| EXHIBIT A Legal Description of District Lands | |
| EXHIBIT B Form of Bond | |
| EXHIBIT C Form of Requisition | |

TRUST INDENTURE

THIS TRUST INDENTURE, dated as of February 1, 2006 (the "Trust Indenture"), by and between **PINELANDS PUBLIC IMPROVEMENT DISTRICT, RANKIN COUNTY, MISSISSIPPI** (the "Issuer"), a public improvement district organized and existing under the laws of the State of Mississippi, and **HANCOCK BANK**, a state banking corporation duly organized and existing under the laws of the State of Mississippi and having corporate trust offices in Jackson, Mississippi (said bank or trust company becoming successor trustee under this Indenture being hereinafter referred to as the "Trustee").

WITNESSETH:

WHEREAS, the Issuer is a public improvement district organized and existing under the provisions of Section 19-13-1 *et seq.* of the Mississippi Code of 1912, as amended (the "Act"), and pursuant to an ordinance adopted by the Rankin County, Mississippi Board of Supervisors on July 6, 2006 (the "Ordinance"), for the purpose, among other things, of financing and managing the acquisition and construction, maintenance, and operation of capital infrastructure improvements within and without the boundaries of the Issuer; and

WHEREAS, the immovable property to be governed by the Issuer (as further described in Exhibit A hereto, the "District Lands") consists of approximately 694.27 acres located within the unincorporated boundaries of Rankin County, Mississippi (the "County") and the incorporated areas of the City of Flowood, Mississippi (the "City"); and

WHEREAS, pursuant to the provisions of the Act, the Issuer is authorized to finance, fund, plan, establish, acquire, construct or reconstruct, enlarge, extend, equip, operate and maintain systems, facilities and basic infrastructure for the following: (i) surface water management and control systems, (ii) water distribution and transmission and wastewater collection and transmission facilities, (iii) roadwork, and (iv) related incidental costs, including a reserve fund for bonds, if required, capitalized interest for bonds and issuance costs thereof; and

WHEREAS, the Issuer has found and determined that, pursuant to the provisions of the Act, it is beneficial that the Issuer undertake, the construction and/or acquisition of certain capital infrastructure improvements which have been or will be constructed, established, or installed in the District Lands, which include, but which are not limited to, the acquisition and construction of roadway improvements, water, sewer, drainage or landscaping, which infrastructure improvements will be for the special benefit of the immovable property situated within the boundaries of the Issuer (the "Project"); and

WHEREAS, the Issuer proposes to finance the cost of acquisition and construction of the Project, by the issuance of a series of bonds pursuant to this Indenture; and

WHEREAS, pursuant to this Indenture (hereinafter sometimes referred to as the "Indenture"), the Issuer has determined to issue Seven Million One Hundred Twenty-Five Thousand Dollars (\$7,125,000) aggregate principal amount of its Special Assessment Bonds, Series 2006 (the "Bonds"); and

WHEREAS, the proceeds of the Bonds will be used to provide funds for any one or more of: (i) the payment of all of the Costs of the Project (ii) if required, the payment of capitalized interest on the Bonds, (iii) if required, the funding of a Debt Service Reserve Fund, and (iv) payment of the costs of issuance of the Bonds (including credit enhancement, if required); and

WHEREAS, the Bonds will be secured solely by a pledge of and security interest in the Pledged Revenues (as hereinafter defined) to the extent provided herein.

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to provide for the issuance of Bonds under this Indenture, the security and payment of the principal, Redemption Price thereof and interest thereon, the rights of the Owners of the Bonds and the performance and observance of all of the covenants contained herein, and for and in consideration of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and of the acceptance by the Trustee of the trusts hereby created, and intending to be legally

bound hereby, the Issuer hereby assigns, transfers, sets over and pledges to the Trustee and grants a lien on all of the right, title and interest of the Issuer in and to the Pledged Revenues (hereinafter defined) as security for the payment of the principal, Redemption Price and interest on Bonds issued all in the manner hereinafter provided, and the Issuer further hereby agrees with and covenants unto the Trustee as follows:

ARTICLE I.

DEFINITIONS

Section 1.01. Definitions. In this Indenture (except as otherwise expressly provided or unless the context otherwise requires) terms defined in the recitals hereto shall have the same meaning throughout this Indenture, and in addition, the following terms shall have the meanings specified below:

“Account” shall mean any account established pursuant to this Indenture.

“Acquisition Agreements” shall mean one or more Improvement Acquisition Agreements between the Issuer and the Developer, pursuant to which the Developer agrees to provide, design, construct and sell to the Issuer, and/or the Issuer agrees to purchase from the Developer, certain completed improvements comprising all or any portion of the Project.

“Act” shall mean the provisions of Section 19-31-1 *et seq.* of the Mississippi Code of 1972, as amended and any successor statute thereto.

“Annual Budget” shall mean the Issuer’s budget of current operating and maintenance expenses for the Project for a Fiscal Year, adopted pursuant to the provisions of Section 9.20 of this Indenture, as the same may be amended from time to time.

“Authenticating Agent” shall mean the agent so described in and appointed pursuant to, Section 2.03 hereof.

“Authorized Denomination” shall mean, with respect to the Bonds, integral multiples of \$25,000 or any \$5,000 integral multiple in excess thereof.

“Authorized Newspaper” shall mean a newspaper printed in English and customarily published at least once a week and generally circulated in the County or such other cities as the Issuer from time to time may determine by written notice provided to the Trustee. When successive publications in an Authorized Newspaper are required, they may be made in the same or different Authorized Newspapers.

“Board” shall mean the Board of Directors of the Issuer.

“Bonds” shall mean the Pinelands Public Improvement District, Rankin County, Mississippi, Special Assessment Bonds, Series 2006 and delivered pursuant to the provisions of this Indenture. The aggregate principal amount of Bonds shall not exceed \$7,125,000.

“Bond Counsel” shall mean Butler, Snow, O’Mara, Stevens & Cannada, PLLC or any other attorney or firm of attorneys of nationally recognized standing in matters pertaining to the exclusion from gross income for federal income tax purposes of interest on obligations issued by states and their political subdivisions.

“Bondholder”, “Holder of Bonds”, “Holder” or “Owner” or any similar term shall mean any Person or Persons who shall be the registered owner of any Outstanding Bond or Bonds, as evidenced on the Bond Register of the Issuer kept by the Registrar.

“Bond Redemption Fund” shall mean the Fund so designated which is established pursuant to Section 6.06 hereof.

"Bond Register" shall have the meaning specified in Section 2.04 of this Indenture.

"Business Day" shall mean any day other than a Saturday or Sunday or legal holiday or a day on which the principal office of the Issuer, the Trustee, the Registrar or any Paying Agent is closed.

"Certified Public Accountant" shall mean a Person, who shall be Independent, appointed by the Board, actively engaged in the business of public accounting and duly certified as a certified public accountant under the laws of the State.

"Certified Resolution" or "Certified Resolution of the Issuer" shall mean a copy of one or more resolutions certified by the Secretary or an Assistant Secretary of the Issuer, under its seal, to have been duly adopted by the Board and to be in full force and effect as of the date of such certification.

"City" shall mean the City of Flowood, Mississippi.

"Code" shall mean the Internal Revenue Code of 1986, as amended and the regulations promulgated thereunder.

"Completion Date" shall have the meaning given to such term in Section 5.01 of this Indenture.

"Consultant" shall mean a Person, who shall be Independent, appointed by the Board, qualified to pass upon questions relating to municipal entities and having a favorable reputation for skill and experience in the financial affairs of municipal entities.

"Consultant's Certificate" shall mean a certificate or a report prepared in accordance with then applicable professional standards duly executed by a Consultant.

"Consulting Engineer" shall mean the Independent engineer or engineering firm or corporation at the time employed by the Issuer under the provisions of Section 9.21 of this Indenture to perform and carry out duties imposed on the Consulting Engineer by this Indenture. The Independent engineer or engineering firm or corporation at the time serving as the engineer to the Issuer may serve as Consulting Engineer under this Indenture.

"Continuing Disclosure Agreement" shall mean a Continuing Disclosure Agreement, by and among the Issuer, the Developer and the Trustee in connection with the issuance of the Bonds hereunder, pursuant to the requirements of the Rule.

"Cost" or "Costs" in connection with the Project or any portion thereof shall mean all expenses which are properly chargeable thereto under accounting principals applicable to special districts under State law or which are incidental to the planning, financing, acquisition, construction, reconstruction, equipping and installation thereof, including, without limiting the generality of the foregoing:

- (a) expenses of determining the feasibility or practicability of acquisition, construction, or reconstruction;

- (b) cost of surveys, estimates, plans, and specifications;

- (c) cost of improvements;

- (d) engineering, architectural, fiscal, legal, accounting, consulting and other professional and advisory expenses and charges;

- (e) cost of all labor, materials, machinery, and equipment (including, without limitation, (i) amounts payable to contractors, builders and materialmen and costs incident to the award of contracts and (ii) the cost of labor, facilities and services furnished by the Issuer and its employees, materials and supplies purchased by the Issuer and permits and licenses obtained by the Issuer);

- (f) cost of all lands, properties, rights, easements, and franchises acquired;
- (g) financing charges;
- (h) creation of initial reserve and debt service funds;
- (i) working capital;
- (j) interest charges incurred or estimated to be incurred on money borrowed prior to and during construction and acquisition and for such reasonable period of time after completion of construction or acquisition as the Board may determine;
- (k) the cost of issuance of Bonds, including, without limitation, advertisements, printing and costs related to any Qualified Guarantee, for the Bonds;
- (l) the cost of any election held pursuant to the Act and all other expenses of issuance of bonds;
- (m) the discount, if any, on the sale or exchange of Bonds;
- (n) amounts required to repay temporary or bond anticipation loans made to finance any costs permitted under the Act;
- (o) costs of prior improvements performed or acquired by the Issuer in anticipation of any Project;
- (p) costs incurred to enforce remedies against contractors, subcontractors, any provider of labor, material, services, or any other Person, for a default or breach under the corresponding contract, or in connection with any other dispute;
- (q) premiums for contract bonds and insurance during construction and costs on account of personal injuries and property damage in the course of construction and insurance against the same;
- (r) payments, contributions, dedications, and any other exactions required as a condition to receive any government approval or permit necessary to accomplish any District purpose;
- (s) administrative expenses of the Issuer or the Trustee;
- (t) taxes, assessments and similar governmental charges during construction or reconstruction of any Project;
- (u) expenses of Project management and supervision;
- (v) costs of effecting compliance with any and all governmental permits relating to any Project;
- (w) such other expenses as may be necessary or incidental to the acquisition, construction, or reconstruction of any Project or to the financing thereof; and
- (x) any other "cost" or expense permitted by the Act.

In connection with the refunding or redeeming of any Bonds, "Cost" includes, without limiting the generality of the foregoing, the items listed in (d), (k), (l), (m) and (s) above, and other expenses related to the redemption of the Bonds to be redeemed and the Redemption Price of such Bonds (and the accrued interest payable on redemption to the extent not otherwise provided for). Whenever Costs are required to be itemized, such itemization shall, to the extent practicable, correspond with the items listed above. Whenever Costs are to be paid

hereunder, such payment may be made by way of reimbursement to the Issuer or any other Person who has paid the same in addition to direct payment of Costs.

"Counsel" shall mean an attorney-at-law or law firm (who may be counsel for the Issuer) satisfactory to the Trustee.

"County" shall mean Rankin County, Mississippi.

"Debt Service Fund" shall mean the Fund so designated which is established pursuant to Section 6.04 hereof.

"Debt Service Requirements", with reference to a specified period, shall mean:

(a) interest payable on the Bonds during such period, subject to reduction for amounts held as capitalized interest in the Funds and Accounts established under this Indenture; and

(a) amounts required to be paid into any mandatory sinking fund account with respect to the Bonds during such period; and

(b) amounts required to pay the principal of the Bonds maturing during such period and not to be redeemed prior to or at maturity through any sinking fund account.

"Debt Service Reserve Fund" shall mean, for each series of Bonds for which a debt service reserve is required, the Fund so designated which is established pursuant to Section 6.05 hereof.

"Debt Service Reserve Insurance Policy" shall mean the insurance policy, surety bond or other evidence of insurance, if any, deposited to the credit of the Debt Service Reserve Fund or any account thereof in lieu of or in partial substitution for cash or securities on deposit therein, which policy, bond or the evidence of insurance constitutes an unconditional senior obligation of the issuer thereof. The issuer thereof shall be a municipal bond insurer whose obligations ranking *pari passu* with its obligations under such policy, bond or other evidence of insurance are rated at the time of deposit of such policy, bond or other evidence of insurance to the credit of the Debt Service Reserve Fund or any account thereof in the highest rating category of either Moody's or S&P.

"Debt Service Reserve Letter of Credit" shall mean the irrevocable, transferable letter or line of credit, if any, deposited for the credit of the Debt Service Reserve Fund or any account thereof in lieu of or in partial substitution for cash or securities on deposit therein, which letter or line of credit constitutes an unconditional senior obligation of the issuer thereof. The issuer of such letter or line of credit shall be a banking association, bank or trust company or branch thereof whose senior debt obligations ranking *pari passu* with its obligations under such letter or line of credit are rated at the time of deposit of the letter or line of credit to the credit of the Debt Service Reserve Fund or any account thereof in the highest rating category of either Moody's or S&P.

"Debt Service Reserve Requirement" shall mean an amount equal to (a) the lesser of (i) the maximum annual Debt Service Requirements for the Outstanding Bonds, (ii) 125% of the average annual Debt Service Requirements for the Outstanding Bonds, or (iii) 10% of the original proceeds (within the meaning of the Code) of the Bonds; and (b) such other amount established pursuant to the Indenture authorizing the issuance of the Bonds.

"Defeasance Securities" shall mean, to the extent permitted by State law, (a) cash or (b) noncallable Government Obligations.

"Developer" shall mean Square Knot, LLC, a limited liability company organized and existing under the laws of the State, and any entity which succeeds to all or any part of the interests and assumes any or all of the responsibilities of said entity, as the developer of the District Lands.

"District Lands" or "District" shall mean the premises governed by the Issuer, consisting of approximately 694.27 acres of land located entirely within the County and the City, as more fully described in Exhibit A hereto.

“Event of Default” shall mean any of the events described in Section 10.01 hereof.

“Fiscal Year” shall mean the period of twelve (12) months beginning January 1 of each calendar year and ending on December 31 of the following calendar year; or such other consecutive twelve-month period as may hereafter be established pursuant to a Certified Resolution as the fiscal year of the Issuer for budgeting and accounting purposes as authorized by law.

“Fund” shall mean any fund established pursuant to this Indenture.

“Government Obligations” shall mean direct obligations of, or obligations the timely payment of principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Indenture” shall mean, with respect to the Bonds, this Indenture.

“Independent” shall mean a Person who is not a member of the Issuer's Board, an officer or employee of the Issuer or the Developer, or which is not a partnership, corporation or association having a partner, director, officer, member or substantial stockholder who is a member of the Issuer's Board, or an officer or employee of the Issuer; provided, however, that the fact that such Person is retained regularly by or regularly transacts business with the Issuer or the Developer shall not make such Person an employee within the meaning of this definition.

“Interest Account” shall mean the Interest Account so designated, established as a separate account within the Debt Service Fund pursuant to Section 6.04 hereof.

“Interest Payment Date” shall mean either (a) each February 1 and August 1, commencing on August 1, 2006.

“Interest Period” shall mean the period from and including any Interest Payment Date to and excluding the next succeeding Interest Payment Date; provided, however, that upon final payment of any Bond at maturity or upon earlier redemption, the Interest Period shall extend to, but not include, the date of such final payment, which shall always be a Business Day.

“Investment Securities” shall mean and include any of the following securities, if and to the extent the same are at the time legal investments for funds of the Issuer pursuant to the laws of the State:

(a) Government Obligations;

(b) Bonds, debentures, notes or other evidences of indebtedness issued by any of the following agencies or such other government-sponsored agencies which may presently exist or be hereafter created; provided that, such bonds, debentures, notes or other evidences of indebtedness are fully guaranteed as to both principal and interest by the United States of America: Bank for Cooperatives; Federal Intermediate Credit Banks; Federal Financing Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Rural Economic Community Development Administration; Farm Credit System Financial Assistance Corporation; Small Business Administration; Inter-American Development Bank; International Bank for Reconstruction and Development; Federal Land Banks; the Federal National Mortgage Association; the Government National Mortgage Association; the Tennessee Valley Authority; or the Washington Metropolitan Area Transit Authority;

(c) Direct and general obligations of any state of the United States, the payment of the principal of and interest on which the full faith and credit of such state is pledged, if at the time of their purchase such obligations are rated in either of the two highest rating categories by either S&P or Moody's;

(d) Negotiable or non-negotiable certificates of deposit, time deposits or other similar banking arrangements issued by any bank or trust company, including the Trustee, or any federal savings and loan association, the deposits of which are insured by the Federal Deposit Insurance Corporation (including the FDIC's Savings Association Insurance Fund), which securities, to the extent that the

principal thereof exceeds the maximum amount insurable by the Federal Deposit Insurance Corporation and, therefore, are not so insured, shall be fully secured to the extent permitted by law as to principal and interest by the securities listed in subsections (a), (b) or (c) above; provided, however, that with respect to securities used to secure securities hereunder, in addition to direct and general obligations of any state of the United States, Investment Securities shall include direct and general obligations of any political subdivision or instrumentality of any such state, to the payment of the principal of and interest on which the full faith and credit of such subdivision or instrumentality is pledged if such obligations are initially rated "A" or higher by either S&P or Moody's;

(e) Bank or broker repurchase agreements fully secured by securities specified in (a) or (b) above, which may include repurchase agreements with the commercial banking department of the Trustee, provided that such securities are deposited with the Trustee, with a Federal Reserve Bank or with a bank or trust company (other than the seller of such securities) having a combined capital and surplus of not less than \$30,000,000;

(f) A promissory note of a bank holding company rated "AA" or better by either S&P or Moody's;

(g) Investment agreements with a bank, mono-line insurance company (excluding life and casualty insurance companies) or other financial institution, or the subsidiary of a bank, insurance company or other financial institution if the parent guarantees the investment agreement, which bank, mono-line insurance company, financial institution or parent has an unsecured, uninsured and unguaranteed obligation (or claims paying ability) rated in the highest short-term rating category by Moody's or S&P (if the term of such agreement does not exceed 365 days), or has an unsecured, uninsured and unguaranteed obligation (or claims-paying ability) rated in the highest rating categories (if the term of such agreement is not less than 366 days nor more than twenty-four (24) months) or is the lead bank of "AA" or better, by Moody's or S&P or is the lead parent bank holding company with an uninsured, unsecured and unguaranteed obligation of the aforesaid ratings, provided:

(A) interest is paid at least semiannually at a fixed rate (subject to adjustments for yield restrictions required by the Code) during the entire term of the agreement, consistent with the Interest Payment Dates;

(B) moneys invested thereunder may be withdrawn without penalty, premium, or charge upon not more than two days' notice unless otherwise specified in a Supplemental Indenture;

(C) the same guaranteed interest rate will be paid on any future deposits made to restore the account to its required amount; and

(D) the Trustee receives an opinion of counsel that such agreement is an enforceable obligation of such insurance company, bank, financial institution or parent;

(h) Any short term government fund whose assets consist of (a), (b) and (c) above;

(i) Commercial paper which at the time of purchase is rated in the highest rating category by either S&P or Moody's;

(j) Certificates evidencing a direct ownership interest in non-callable Government Obligations or in future interest or principal payments thereon held in a custody account by a custodian satisfactory to the Trustee, and (B) obligations of any state of the United States of America or any political subdivision, public instrumentality or public authority of any such state which are not subject to redemption prior to the date on which the proceeds attributable to the principal of such obligations are to be used and which are fully secured by and payable solely from non-callable Government Obligations held pursuant to

an escrow agreement satisfactory to the Trustee, provided that such obligations shall be rated in the highest rating category of either Moody's or S&P;

(k) shares of an open-end, diversified investment company which is registered under the Investment Company Act of 1940, as amended, and which invests its assets in any of the securities described in clauses (a), (b) or (c) hereof;

(l) shares of any open-end, SEC-registered money market mutual funds which fund invests its assets in any of the securities described in clauses (a), (b) or (c) hereof; and

(m) any other lawful investment as provided in a Supplemental Indenture.

"Issuer" shall mean Pinelands Public Improvement District, Rankin County, Mississippi.

"Major Non-Recurring Expense" shall mean the cost of major replacement or reconstruction of the Project, or any part thereof, the cost of major repairs, renewals or replacements, the provision of a reserve for the payment of insurance premiums not due on an annual or more frequent basis, and the cost of studies, surveys, estimates and investigations in connection with any of the foregoing.

"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 their 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 Issuer and acceptable to the Trustee.

"Officers' Certificate" or "Officer's Certificate" shall mean a certificate, duly executed by a Responsible Officer and delivered to the Trustee.

"Outstanding", in connection with the Bonds, shall mean, as of the time in question, all Bonds authenticated and delivered under this Indenture, except:

(a) all Bonds theretofore cancelled or required to be cancelled under Section 2.07 hereof;

(b) Bonds for the payment, redemption of which moneys and/or Defeasance Securities, the principal of and interest on which, when due, will provide sufficient moneys to fully pay such Bonds in accordance with Article XIV hereof, shall have been or shall concurrently be deposited with the Trustee; provided that, if such Bonds are being redeemed, the required notice of redemption shall have been given or provision shall have been made therefor, and that if such Bonds are being purchased, there shall be a firm commitment for the purchase and sale thereof; and

(c) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II hereof.

In determining whether the Holders of a requisite aggregate principal amount of Bonds Outstanding have concurred in any request, demand, authorization, direction, notice, consent or waiver under the provisions of this Indenture, Bonds which are known by the Trustee to be held on behalf of the Issuer shall be disregarded for the purpose of any such determination; provided, however, this provision does not affect the right of the Trustee to deal in Bonds as set forth in Section 11.09 hereof.

"Participating Underwriter" shall mean any of the original underwriters, purchasers or placement agents, as the case may be, of the Bonds required to comply with the Rule in connection with the offering of the Bonds.

"Paying Agent" shall mean Hancock Bank and thereafter any successor thereto appointed in accordance with Section 11.20 of this Indenture.

"Person" shall mean any individual, corporation, partnership, limited liability company, association, joint-stock company, trust, unincorporated organization, governmental body, political subdivision, municipality, municipal authority or any other group or organization or individuals.

"Pledged Revenues" shall mean, with respect to Bonds Outstanding, (a) all revenues received by the Issuer from Special Assessments levied and collected on all or a portion of the District Lands with respect to such Bonds, including, without limitation, amounts received from any foreclosure proceeding for the enforcement of collection of such Special Assessments or from the issuance and sale of tax deeds with respect to such Special Assessments, (b) all moneys on deposit in the Funds and Accounts established under the Indenture, and (c) any revenue received by or for the account of the Issuer from any Qualified Guarantee or other credit enhancement for the Bonds; provided, however, that Pledged Revenues shall not include (i) any moneys transferred to the Rebate Fund, or investment earnings thereon and (ii) "special assessments" levied and collected by the Issuer under Section 17(1) of the Act for maintenance purposes or "maintenance special assessments" levied and collected by the Issuer under Section 17(2) of the Act (it being expressly understood that the lien and pledge of the Indenture shall not apply to any of the moneys described in the foregoing clauses (i) and (ii)).

"Prepayment" shall mean the payment by any owner of property of the amount of Special Assessments encumbering its property, in whole or in part, prior to its scheduled due date, including optional prepayments and prepayments which become due pursuant to any provision contained in any resolutions of the Issuer levying and imposing benefit special assessments on District Lands to pay Debt Service Requirements on the Bonds.

"Principal Fund Payment Date" shall mean each date principal on the Bonds is due to be paid, whether at maturity, pursuant to a Sinking Fund Payment Date or otherwise.

"Project" shall mean with respect to the Bonds, the portion or portions of certain roadways, bridges, water, sewer, drainage or landscaping facilities to be acquired and/or constructed by the Issuer, whether within or outside the District Lands; provided that the Project shall specially benefit all of the District Lands on which Special Assessments to secure the Bonds have been levied.

"Qualified Guarantee" shall mean any guarantee or credit enhancement issued or otherwise obtained regarding the Bonds, which guarantee or credit enhancement must meet the requirements of a "qualified guarantee" pursuant to Treasury Regulation Section 1.148-4(f), and which may include, but shall not be limited to, letters of credit, alternate letters of credit, municipal bond insurance policies, Debt Service Reserve Insurance Policies and Debt Service Reserve Letters of Credit, as such may be provided for the Bonds pursuant to this Indenture.

"Rebate Fund" shall mean the Fund, if any, so designated, which is established pursuant to an arbitrage rebate agreement, into which shall be deposited certain moneys in accordance with the provisions of said arbitrage rebate agreement.

"Record Date" shall mean, as the case may be, the applicable Regular or Special Record Date.

"Redemption Price" shall mean the principal amount of any Bond plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture.

"Registrar" shall mean Hancock Bank, which entity shall have the responsibilities set forth in Section 2.04 of this Indenture, and thereafter any successor thereto appointed in accordance with Section 11.20 of this Indenture.

"Regular Record Date" shall mean the fifteenth day (whether or not a Business Day) of the calendar month next preceding each Interest Payment Date.

"Regulatory Body" shall mean and include (a) the United States of America and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the United States of America, (b) the State, any political subdivision thereof and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or established by the State, (c) the County or the City and any department of or corporation, agency or instrumentality heretofore or hereafter created, designated or

established by the County or the City, and (d) any other public body, whether federal, state or local or otherwise having regulatory jurisdiction and authority over the Issuer.

“Responsible Officer” shall mean any member of the Board or any other officer of the Issuer or other person designated by Resolution of the Issuer, a copy of which shall be on file with the Trustee, to act for any of the foregoing, either generally or with respect to the execution of any particular document or other specific matter.

“Revenue Fund” shall mean the Fund so designated which is established pursuant to Section 6.03 hereof.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“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 their 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 Issuer and acceptable to the Trustee.

“Sinking Fund Account” shall mean, for the Bonds for which a sinking fund account is required, the Sinking Fund Account so designated, established as a separate account within the Debt Service Fund pursuant to Section 6.04 hereof.

“Sinking Fund Payment Date” shall mean any of the dates set forth in this Indenture for the making of Sinking Fund Payments.

“Sinking Fund Payments” means the amounts established in this Indenture as sinking fund payments for the Bonds for which sinking fund payments are required.

“Special Assessments” shall mean (a) the net proceeds derived from the levy and collection of “special assessments”, as provided for in Section 19-31-33 of the Act (except for any such special assessments levied and collected for maintenance purposes), against the lands located within the District that are subject to assessment regarding the Project or any portion thereof, including any prepayment thereof in connection with sale of such lands; and (b) the net proceeds derived from the levy and collection of “benefit special assessments”, as provided for in Section 19-31-33 of the Act, against the lands within the District that are subject to assessment regarding the Project or any portion thereof, and in the case of both “special assessments” and “benefit special assessments”, including the interest and penalties on such assessments, pursuant to all applicable provisions of the Act (and any successor statutes thereto), including, without limitation, any amount received from any foreclosure proceeding for the enforcement of collection of such assessments or from the issuance and sale of tax deeds with respect to such assessments. “Special Assessments” shall not include “maintenance special assessments”, if any, levied and collected by the Issuer under Section 19-31-33(2) of the Act.

“Special Record Date” shall mean such date as shall be fixed for the payment of defaulted interest on the Bonds in accordance with Section 2.01 hereof.

“State” shall mean the State of Mississippi.

“Tax Assessor” shall mean the Tax Assessor of the County.

“Tax Collector” shall mean the Tax Collector of the County.

“Tax Collector Agreement” shall mean the Tax Collector Agreement described in Section 9.04 hereof.

“Trust Indenture” shall mean, this Trust Indenture, dated as of February 1, 2006, by and between the Issuer and the Trustee, as supplemented from time to time in accordance with the provisions of Article XIII hereof.

"Trustee" shall mean Hancock Bank, or any other corporation or association at any time appointed by the Issuer and substituted in place of the original Trustee pursuant to this Indenture.

The words "hereof," "herein," "hereto," "hereby," and "hereunder" (except in the form of Bond), refer to the entire Indenture.

Every "request", "requisition", "order", "demand", "application", "notice", "statement", "certificate", "consent", or similar action hereunder by the Issuer shall, unless the form or execution thereof is otherwise specifically provided, be in writing signed by the Chairman or a Vice Chairman and the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary or Responsible Officer of the Issuer.

All words and terms importing the singular number shall, where the context requires, import the plural number and vice versa.

ARTICLE II.

THE BONDS

Section 2.01. Amounts and Terms of Bonds; Details of Bonds. The Issuer is hereby authorized to issue in one or more Series, pursuant to the terms and conditions of this Indenture, its obligations to be known as "Pinelands Public Improvement District, Rankin County, Mississippi Special Assessment Bonds, Series 2006." The total aggregate principal amount of Bonds that may be issued under this Indenture is Seven Million One Hundred Twenty-Five Thousand and No/100 Dollars (\$7,125,000) (exclusive of any refunding bonds, which shall not be subject to any such limitation). The Bonds shall be issued in Authorized Denominations and shall be numbered consecutively from R-1 and upwards and in substantially the form attached hereto as Exhibit B, with such appropriate variations, omissions and insertions as are permitted or required by this Indenture. All Bonds shall be issued only upon satisfaction of the conditions set forth in Article III hereof and the Trustee shall, at the Issuer's request, authenticate such Bonds and deliver them as specified in such request.

Each Bond shall be dated, shall have such Interest Payment Dates, shall bear interest from such date or dates and at such rate or rates until the maturity thereof, payable on such Interest Payment Dates, and shall be stated to mature (subject to the right of prior redemption), all as provided herein.

The principal of, Redemption Price and interest on the Bonds shall be payable in any coin or currency of the United States of America which is legal tender on the respective dates of payment thereof for the payment of public and private debts. Unless otherwise provided in Section 2.11 hereof, the principal and Redemption Price of all Bonds shall be payable at the corporate trust office of the Paying Agent in Jackson, Mississippi, or such other office as shall be agreed upon by the Issuer and the Paying Agent, upon the presentation and surrender of such Bonds as the same shall become due and payable.

Except to the extent otherwise provided in Section 2.11 hereof, interest on any Bond is payable on any Interest Payment Date by check or draft mailed on the Interest Payment Date to the person in whose name that Bond is registered at the close of business on the Regular Record Date for such Interest Payment Date, at such person's address as it appears on the Bond Register. The Bonds shall bear interest from the Interest Payment Date next preceding the date on which they are authenticated unless authenticated on an Interest Payment Date in which event they shall bear interest from such Interest Payment Date, or unless authenticated before the first Interest Payment Date in which event they shall bear interest from their date; provided, however, that if a Bond is authenticated between a Record Date and the next succeeding Interest Payment Date, such Bond shall bear interest from such succeeding Interest Payment Date; provided further, however, that if at the time of authentication of any Bond interest thereon is in default, such Bond shall bear interest from the date to which interest has been paid. Any interest on any Bond which is payable, but is not punctually paid or provided for on any Interest Payment Date (hereinafter called "Defaulted Interest") shall be paid to the Owner in whose name the Bond is registered at the close of business on a Special Record Date to be fixed by the Trustee, such date to be not more than fifteen (15) nor less than ten (10) days prior to the date of proposed payment. The Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class, postage-prepaid, to each Owner of record as of the fifth (5th) day prior to such mailing, at such person's address as it appears in the Bond

Register not less than ten (10) days prior to such Special Record Date. The foregoing notwithstanding, any Owner of Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Trustee and Paying Agent, upon requesting the same in a writing received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date, which writing shall specify the bank, which shall be a bank within the United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Trustee and Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Trustee and Paying Agent at least fifteen (15) days prior to the relevant Record Date. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, or as may otherwise be provided in the Indenture. Interest on overdue principal and, to the extent lawful, on overdue interest will be payable at the numerical rate of interest borne by such Bonds on the day before the default occurred.

The Trustee is hereby constituted and appointed as Paying Agent for the Bonds.

Section 2.02. Execution. The Bonds shall be executed by the manual or facsimile signature of the Chairman or Vice Chairman of the Issuer, and the corporate seal of the Issuer shall appear thereon (which may be in facsimile) and shall be attested by the manual or facsimile signature of its Secretary or Treasurer. Bonds executed as above provided may be issued and shall, upon request of the Issuer, be authenticated by the Trustee, notwithstanding that one or both of the officers of the Issuer whose signatures appear on such Bonds shall have ceased to hold office at the time of issuance or authentication or shall not have held office at the date of the Bonds.

Section 2.03. Authentication; Authenticating Agent. No Bond shall be valid until the certificate of authentication shall have been duly executed by the Trustee, and such authentication shall be proof that the Bondholder is entitled to the benefit of the trust hereby created.

The Trustee shall be entitled to be reimbursed for payments made to any Authenticating Agent as reasonable compensation for its services.

Any corporation into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of the Authenticating Agent hereunder, if such successor corporation is otherwise eligible under this Section, without the execution or filing of any further act on the part of the parties hereto or the Authenticating Agent or such successor corporation.

Any Authenticating Agent may at any time resign by giving written notice of resignation to the Trustee, the Issuer and any Paying Agent. The Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent, the Issuer and any Paying Agent. Upon receiving such a notice of resignation or upon such a termination, or in case at any time any Authenticating Agent shall cease to be eligible under this Section, the Trustee shall promptly appoint a successor Authenticating Agent, shall give written notice of such appointment to the Issuer and the Paying Agent, shall mail a notice of such appointment to all Holders of Bonds as the names and addresses of such Holders appear on the Bond Register.

Section 2.04. Purpose, Designation, Denominations, and Interest Accruals.

(a) The Bonds are being issued hereunder in order to provide funds (i) for the payment of a portion of the costs of the Project, (ii) for the payment of twenty-four (24) months of capitalized interest on the Bonds, (iii) for the funding of the Debt Service Reserve Fund, and (iv) to pay the costs of issuance of the Bonds. The Bonds shall be designated "Pinelands Public Improvement District, Rankin County, Mississippi Special Assessment Bonds, Series 2006," and shall be issued as fully registered bonds without coupons in Authorized Denominations.

(b) The Bonds will be initially dated the date of their original issuance and delivery and shall be issued in denominations of \$25,000 or \$5,000 integral multiples in excess thereof. Interest on the Bonds shall be payable on each Interest Payment Date to maturity or prior redemption. Interest on the Bonds shall be payable from

the most recent Interest Payment Date next preceding the date of authentication thereof to which interest has been paid, unless the date of authentication thereof is an Interest Payment Date to which interest has been paid, in which case from such date of authentication, or unless the date of authentication thereof is prior to August 1, 2006, in which case from the date of authentication or unless the date of authentication thereof is between a Record Date and the next succeeding Interest Payment Date, in which case from such Interest Payment Date.

(c) Except as otherwise provided in Section 2.14 of this Indenture in connection with a book-entry-only system of registration of the Bonds, the principal or Redemption Price of the Bonds shall be payable in lawful money of the United States of America at the designated corporate trust office of the Paying Agent upon presentation of such Bonds. Except as otherwise provided in Section 2.14 of this Indenture in connection with a book entry only system of registration of the Bonds, the payment of interest on the Bonds shall be made on each Interest Payment Date to the Owners of the Bonds by check or draft drawn on the Paying Agent and mailed on the applicable Interest Payment Date to each Owner as such Owner appears on the Bond Register maintained by the Registrar as of the close of business on the Regular Record Date, at such person's address as it appears on the Bond Register. Any interest on any Bond which is payable, but is not punctually paid or provided for on any Interest Payment Date (hereinafter called "Defaulted Interest") shall be paid to the Owner in whose name the Bond is registered at the close of business on a Special Record Date to be determined by the Trustee, such date to be not more than fifteen (15) nor less than ten (10) days prior to the date of proposed payment. The Trustee shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, first-class, postage-prepaid, to each Owner of record as of the fifth (5th) day prior to such mailing, at such person's address as it appears in the Bond Register not less than ten (10) days prior to such Special Record Date. The foregoing notwithstanding, any Owner of Bonds in an aggregate principal amount of at least \$1,000,000 shall be entitled to have interest paid by wire transfer to such Owner to the bank account number on file with the Paying Agent, upon requesting the same in a writing received by the Paying Agent at least fifteen (15) days prior to the relevant Interest Payment Date, which writing shall specify the bank, which shall be a bank within the continental United States, and bank account number to which interest payments are to be wired. Any such request for interest payments by wire transfer shall remain in effect until rescinded or changed, in a writing delivered by the Owner to the Paying Agent, and any such rescission or change of wire transfer instructions must be received by the Paying Agent at least fifteen (15) days prior to the relevant Interest Payment Date.

Section 2.05. Debt Service on the Bonds.

(a) The Bonds shall be issued by series or term and shall bear interest and mature in principal amounts on February 1 as set forth below, subject to the right of prior redemption in accordance with their terms:

| <u>Year</u> | <u>Principal Amount</u> | <u>Interest</u> |
|-------------|-------------------------|-----------------|
| 2013 | \$1,050,000 | 4.75% |
| 2018 | \$1,350,000 | 5.50% |
| 2029 | \$4,725,000 | 6.00% |

(b) Interest on the Bonds will be computed in all cases on the basis of a 360 day year of twelve 30-day months. Interest on overdue principal and, to the extent lawful, on overdue interest will be payable at the numerical rate of interest borne by the Bonds on the day before the default occurred.

Section 2.06. Disposition of Bond Proceeds. From the proceeds of the Bonds received by the Trustee,

(a) \$799,397.92 representing capitalized interest shall be deposited in the Interest Account of the Debt Service Fund;

(b) \$601,300 representing the Debt Service Reserve Requirement shall be deposited into the Debt Service Reserve Fund; and

(c) \$5,565,950.00 constituting all remaining proceeds of the Bonds, shall be deposited in the Acquisition and Construction Fund and applied as follows:

(d) \$5,206,802.08 will be used to acquire the Project; and

(e) \$375,000.00 will be used to pay costs of issuance relating to the Bonds.

Section 2.07. Appointment of Registrar and Paying Agent. The Issuer shall keep, at the designated corporate trust office of the Registrar, the Bond Register for the registration, transfer and exchange of the Bonds, and hereby appoints Hancock Bank as its Registrar to keep such books and make such registrations, transfers, and exchanges as required hereby. Hancock Bank hereby accepts its appointment as Registrar and its duties and responsibilities as Registrar hereunder. Registrations, transfers and exchanges shall be without charge to the Bondholder requesting such registration, transfer or exchange, but such Bondholder shall pay any taxes or other governmental charges on all registrations, transfers and exchanges.

The Issuer hereby appoints Hancock Bank as Paying Agent for the Bonds. Hancock Bank hereby accepts its appointment as Paying Agent and its duties and responsibilities as Paying Agent hereunder.

Section 2.08. Mutilated, Destroyed, Lost or Stolen Bonds. If any Bond shall become mutilated, the Issuer shall execute and the Trustee or Authenticating Agent, as the case may be, shall thereupon authenticate and deliver a new Bond of like series, tenor and denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee or Authenticating Agent, as the case may be, of such mutilated Bond for cancellation, and the Issuer and the Trustee or Authenticating Agent, as the case may be, may require reasonable indemnity therefor. If any Bond shall be reported lost, stolen or destroyed, evidence as to the ownership and the loss, theft or destruction thereof shall be submitted to the Issuer and the Trustee or Authenticating Agent, as the case may be; and if such evidence shall be satisfactory to both and indemnity satisfactory to both shall be given, the Issuer shall execute, and thereupon the Trustee or Authenticating Agent, as the case may be, shall authenticate and deliver a new Bond of like series, tenor and denomination. The cost of providing any substitute Bond under the provisions of this Section shall be borne by the Bondholder for whose benefit such substitute Bond is provided. If any such mutilated, lost, stolen or destroyed Bond shall have matured or be about to mature, the Issuer may, with the consent of the Trustee or Authenticating Agent, as the case may be, pay to the Owner the principal amount of and accrued interest on such Bond upon the maturity thereof and compliance with the aforesaid conditions by such Owner, without the issuance of a substitute Bond therefor.

Every substituted Bond issued pursuant to this Section 2.05 shall constitute an additional contractual obligation of the Issuer, whether or not the Bond alleged to have been destroyed, lost or stolen shall be at any time enforceable by anyone, and shall be entitled to all the benefits of this Indenture equally and proportionately with any and all other Bonds duly issued hereunder.

All Bonds shall be held and owned upon the express condition that the foregoing provisions are exclusive with respect to the replacement or payment of mutilated, destroyed, lost or stolen Bonds, and shall preclude any and all other rights or remedies with respect to the replacement or payment of negotiable instruments, investments or other securities without their surrender.

Section 2.09. Temporary Bonds. Pending preparation of definitive Bonds, or by agreement with the original purchasers of all Bonds, the Issuer may issue and, upon its request, the Trustee shall authenticate in lieu of definitive Bonds one or more temporary printed or typewritten Bonds of substantially the tenor recited above. Upon request of the Issuer, the Trustee shall authenticate definitive Bonds in exchange for and upon surrender of an equal principal amount of temporary Bonds. Until so exchanged, temporary Bonds shall have the same rights, remedies and security hereunder as definitive Bonds. So long as Cede & Co., or any other nominee of DTC is the registered Owner of the Bonds, the definitive Bonds shall be in typewritten form.

Section 2.10. Cancellation and Destruction of Surrendered Bonds. All Bonds surrendered for payment or redemption and all Bonds surrendered for exchange shall, at the time of such payment, redemption or exchange, be promptly transferred by the Registrar, Paying Agent or Authenticating Agent to, and cancelled and destroyed by, the Trustee. The Trustee shall deliver to the Issuer a certificate of destruction in respect of all Bonds destroyed in accordance with this Section.

Section 2.11. Registration, Transfer, and Exchange. As provided in Section 2.04 hereof, the Issuer shall cause a Bond Register in respect of the Bonds to be kept at the designated office of the Registrar.

Upon surrender for requisition of transfer of any Bond at the designated office of the Registrar, and upon compliance with the conditions for the transfer of Bonds set forth in this Section 2.08, the Issuer shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.03 hereof) shall authenticate and deliver, in the name of the designated transferees, one or more new Bonds of alike aggregate principal amount and of the same series and maturity.

At the option of the Bondholder, Bonds may be exchanged for other Bonds of alike aggregate principal amount and of the same series and maturity, upon surrender of the Bonds to be exchanged at any such office or agency. Whenever any Bonds are so surrendered for exchange, the Issuer shall execute and the Trustee (or Registrar or Authenticating Agent as described in Section 2.03 hereof) shall authenticate and deliver the Bonds which the Bondholder making the exchange is entitled to receive.

All Bonds issued upon any transfer or exchange of Bonds shall be valid obligations of the Issuer, evidencing the same debt and entitled to the same benefits under this Indenture as the Bonds surrendered upon such transfer or exchange.

Every Bond presented or surrendered for transfer or exchange shall be duly endorsed or accompanied by a written instrument of transfer in form satisfactory to the Trustee, Paying Agent or the Registrar, duly executed by the Bondholder or his attorney duly authorized in writing.

Transfers and exchanges shall be made without charge to the Bondholder, except that the Issuer or the Trustee may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds.

Although they may, neither the Issuer nor the Registrar on behalf of the Issuer shall be required (i) to issue, transfer or exchange any Bond during a period beginning at the opening of business fifteen (15) days before the day of mailing of a notice of redemption of Bonds selected for redemption and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption in whole or in part.

Section 2.12. Persons Deemed Owners. The Issuer, the Trustee, any Paying Agent, the Registrar, or the Authenticating Agent shall deem and treat the person in whose name any Bond is registered as the absolute Owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, any Paying Agent, the Registrar or the Authenticating Agent) for the purpose of receiving payment of or on account of the principal or Redemption Price of and interest on such Bond, and for all other purposes, and the Issuer, the Trustee, any Paying Agent, the Registrar and the Authenticating Agent shall not be affected by any notice to the contrary. All such payments so made to any such Owner, or upon his order, shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge the liability for moneys payable upon any such Bond.

Section 2.13. Limitation on Incurrence of Certain Indebtedness. The Issuer will not issue Bonds, except upon the conditions and in the manner provided or as otherwise permitted in this Indenture.

Section 2.14. Qualification for The Depository Trust Company. To the extent provided herein or authorized and directed by a Resolution of the Issuer authorizing the issuance of the Bonds, the Trustee shall be authorized to enter into agreements with The Depository Trust Company, New York, New York ("DTC"), and other depository trust companies, including, but not limited to, agreements necessary for wire transfers of interest and principal (and premium, if any) payments with respect to the Bonds, utilization of electronic book entry data received from DTC, and other depository trust companies, in place of actual delivery of Bonds and provision of notices with respect to Bonds registered by DTC and other depository trust companies (or any of their designees identified to the Trustee) by overnight delivery, courier service, telegram, telecopy or other similar means of communication.

So long as there shall be maintained a book-entry-only system with respect to a Series of Bonds, the following provisions shall apply:

The Bonds shall initially be registered in the name of Cede & Co., as nominee for DTC, which will act initially as securities depository for the Bonds, and so long as the Bonds are held in book-entry-only form, Cede & Co. shall be considered the registered owner for all purposes hereof. On original issue, the Bonds shall be deposited with DTC, which shall be responsible for maintaining a book-entry-only system for recording the ownership interest of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). The DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Bonds ("Beneficial Owners").

Principal, Redemption Price, and interest on the Bonds prior to and at maturity shall be payable directly to Cede & Co. in care of DTC. Disbursal of such amounts to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants to Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Trustee or the Issuer.

The Bonds shall initially be issued in the form of one fully registered Bond for each maturity of each Series and shall be held in such form until maturity. Individuals may purchase beneficial interests in Authorized Denominations in book-entry-only form, without certificated Bonds, through DTC Participants and Indirect Participants.

DURING THE PERIOD FOR WHICH CEDE & CO. IS REGISTERED OWNER OF THE BONDS, ANY NOTICES TO BE PROVIDED TO ANY REGISTERED OWNER WILL BE PROVIDED TO CEDE & CO. DTC SHALL BE RESPONSIBLE FOR NOTICES TO DTC PARTICIPANTS AND DTC PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICES TO INDIRECT PARTICIPANTS, AND DTC PARTICIPANTS AND INDIRECT PARTICIPANTS SHALL BE RESPONSIBLE FOR NOTICES TO BENEFICIAL OWNERS.

The Issuer and the Trustee shall enter into a blanket letter of representations with DTC providing for such book-entry-only system. Such agreement may be terminated at any time by either DTC or the Issuer. In the event of such termination, the Issuer shall select another securities depository. If the Issuer does not replace DTC, the Trustee will register and deliver to the Beneficial Owners replacement Bonds in the form of fully registered Bonds in accordance with the instructions from Cede & Co.

In the event DTC, any successor of DTC or the Issuer elects to discontinue the book-entry only system, the Trustee shall deliver bond certificates in accordance with the instructions from DTC or its successor and after such time Bonds may be exchanged for an equal aggregate principal amount of Bonds in other Authorized Denominations and of the same maturity and Series upon surrender thereof at the designated corporate trust office of the Trustee.

ARTICLE III.

ISSUE OF BONDS

Section 3.01. Issue of Bonds. Subject to the provisions of Section 2.01 hereof, the Issuer may issue the Bonds hereunder for the purpose of financing the Cost of acquisition or construction of the Project, to refund all or a portion of the Bonds or for the completion of a Project, and to pay the costs of the issuance of the Bonds and to pay the amounts required to be deposited with respect to such Bonds in the Funds and Accounts established under this Indenture. In connection with the issuance of the Bonds the Trustee shall, at the request of the Issuer, authenticate the Bonds and deliver or cause them to be authenticated and delivered, as specified in the request, but only upon receipt of:

(a) a Certified Resolution of the Issuer (i) approving this Indenture under which the Bonds are to be issued; (ii) providing the terms of the Bonds and directing the payments to be made into the Funds and Accounts in respect thereof as provided in Article VI hereof; (iii) authorizing the execution and delivery of the Bonds to be issued; and (iv) if the purpose is to effectuate a refunding, authorizing the redemption, if any, of the Bonds to be refunded and the defeasance thereof, and the execution and delivery of an escrow agreement, if applicable, and other matters contained in Article XIV hereof;

(b) a written opinion or opinions of Counsel to the Issuer, addressed to the Trustee, that (i) all conditions prescribed herein as precedent to the issuance of the Bonds have been fulfilled; (ii) the Bonds have been validly authorized and executed and when authenticated and delivered pursuant to the request of the Issuer will be valid obligations of the Issuer entitled to the benefit of the trust created hereby and will be enforceable in accordance with their terms except as enforcement thereof may be affected by bankruptcy, reorganization, insolvency, moratorium and other similar laws relating to creditors' rights generally and subject to equitable principles, whether in a proceeding at law or in equity; (iii) any consents of any Regulatory Body required in connection with the issuance of the Bonds or in connection with the acquisition of the improvements included in the Project have been obtained or can be reasonably expected to be obtained; (iv) if the acquisition of any real property or interest therein is included in the purpose of such Issue, (A) the Issuer has or can acquire good and marketable title thereto free from all liens and encumbrances except such as will not materially interfere with the proposed use thereof or (B) the Issuer has or can acquire a valid, subsisting and enforceable leasehold, easement, right-of-way or other interest in real property sufficient to effectuate the purpose of the issue (which opinion may be stated in reliance on the opinion of other Counsel satisfactory to the signer or on a title insurance policy issued by a reputable title company); (v) the Issuer has good right and lawful authority under the Act to undertake the Project, subject to obtaining such licenses, orders or other authorizations as are, at the date of such opinion, required to be obtained from any Regulatory Body; (vi) that the Special Assessment proceedings have been taken in accordance with State law and that the Issuer has taken, or has agreed to take, all action necessary to levy and impose the Special Assessments; (vii) upon adoption of an assessment ordinance, that the Special Assessments will be legal, valid, and binding liens upon the property against which the Special Assessments are made, coequal with the lien of all state, county, Issuer and municipal ad valorem taxes and superior in priority to all other liens, titles and claims against said property then existing or thereafter created, until paid; (viii) this Indenture has been duly and validly authorized, approved, and executed by the Issuer; (ix) the issuance the Bonds has been duly authorized and approved by the Board; and (x) this Indenture (assuming due authorization, execution and delivery by the Trustee) constitutes a binding obligation of the Issuer, enforceable against the Issuer in accordance with its terms except as enforcement thereof may be affected by bankruptcy, reorganization, insolvency, moratorium and other similar laws relating to creditors' rights generally and subject to equitable principles, whether in a proceeding at law or in equity;

(c) a Consulting Engineer's certificate addressed to the Issuer and the Trustee setting forth the estimated Cost of the Project, and in the case of an acquisition by the Issuer of all or a portion of the Project that has been completed, stating, in the signer's opinion that, (i) the portion of the Project improvements to be acquired from the proceeds of such Bonds has been completed in accordance with the plans and specifications therefor; (ii) the Project improvements are constructed in a sound workmanlike manner and in accordance with industry standards; (iii) the purchase price to be paid by the Issuer for the Project improvements is no more than the lesser of (a) the fair market value of such improvements or (b) the actual Cost of construction of such improvements; and (iv) the plans and specifications for the Project improvements have been approved by all Regulatory Bodies required to approve them (specifying such Regulatory Body) or such approval can reasonably be expected to be obtained; provided, however, that in lieu of the information required in clause (i), there may be delivered to the Trustee satisfactory evidence of the acceptance of operational and maintenance responsibility of each component of the Project by one or more governmental entities (the foregoing shall not be applicable in the case of the issuance of a refunding of the Bonds);

(d) a copy of this Indenture for such Bonds, certified by the Secretary or Treasurer of the Issuer as being a true and correct copy thereof;

(e) the proceeds of the sale of such Bonds;

(f) one or more Certified Resolutions (or form of Certified Resolution) of the Issuer relating to the levy of Special Assessments in respect of the Project, and evidencing that the Issuer has undertaken (or has agreed to undertake) and, to the extent then required under applicable law, completed (or has agreed to complete) all necessary proceedings, including, without limitation, the approval of assessment rolls, the adoption of resolutions and the establishment of all necessary collection procedures, in order to levy and collect Special Assessments upon the District Lands in an amount sufficient to pay the Debt Service Requirements on the Bonds (the foregoing shall not be applicable in the case of the issuance of a refunding of the Bonds);

(g) an executed opinion of Bond Counsel;

- (h) a written direction of the Issuer to the Trustee to authenticate and deliver such Bonds;
- (i) such other documents, certifications and opinions as shall be required herein or by the Issuer or the Trustee upon advice of Counsel.

ARTICLE IV.

ACQUISITION OF PROJECT

Section 4.01. Project to Conform to Plans and Specifications; Changes. The Issuer will acquire the Project, and, if applicable, proceed to complete any Project or portion thereof for which the Bonds are being issued to finance in accordance with the plans and specifications therefor (if any), as such plans and specifications may be amended from time to time.

Section 4.02. Compliance Requirements. The Issuer will comply with all present and future laws, acts, rules, regulations, orders and requirements lawfully made and applicable in fact to any acquisition or construction hereby undertaken and shall obtain all necessary approvals under federal, state and local laws, acts, rules and regulations necessary for the completion and operation of any Project or portion thereof for which the Bonds are being issued and shall complete any Project or portion thereof in conformity with such approvals, laws, rules and regulations.

ARTICLE V.

ACQUISITION AND CONSTRUCTION FUND

Section 5.01. Acquisition and Construction Fund. The Trustee shall establish an Acquisition and Construction Fund into which shall be deposited the proceeds from Bonds issued under this Indenture (unless otherwise specified herein) and from which Costs may be paid as set forth herein. The amounts in any Account of the Acquisition and Construction Fund, until applied as hereinafter provided, shall be held exclusively for the security of the Bonds hereunder in respect of which such Account was established. Separate subaccounts within any Acquisition and Construction Fund shall be maintained by the Trustee upon request of the Issuer whenever, in the opinion of the Issuer, it is appropriate to have a separate accounting in respect of the Costs of any designated portion of a Project. Payments shall be made from the Acquisition and Construction Fund to pay any unpaid Costs of issuance of the Bonds in question, including without limitation, legal, financial advisory, engineering, and consultants' fees and to pay amounts to be reimbursed to the Issuer for Costs advanced, and thereafter to pay Costs of planning, financing, acquisition, construction, reconstruction, equipping and installation of the applicable Project or portion thereof.

(a) **Deposits.** In addition to the deposit of amounts received by the Trustee on the date of issuance of the Bonds, the Issuer shall pay or cause to be paid to the Trustee, for deposit into the Acquisition and Construction Fund, as promptly as practicable, the following amounts:

- (i) payments made to the Issuer from the sale, lease or other disposition of the Project or any portion thereof; and
- (ii) the balance of insurance proceeds with respect to the loss or destruction of the Project or any portion thereof.

Amounts in the Acquisition and Construction Fund shall be applied to pay the Cost of a Project or a portion thereof, as applicable, pertaining to the Bonds; provided, however, that if any amounts remain in the Acquisition and Construction Fund after the Completion Date of the Project or portion thereof pertaining to the Bonds, and if such amounts are not reserved for payment of any remaining part of the Cost of such Project, such amounts shall be transferred by the Trustee to the applicable Bond Redemption Fund for application to the redemption of Bonds as set forth in Section 6.06 hereof.

(b) **Disbursements.** All payments from the Acquisition and Construction Fund shall be paid in accordance with the provisions of this subsection. Moneys in the Acquisition and Construction Fund shall be disbursed by check, voucher, order, draft, certificate or warrant signed by any one or more officers or employees of the Trustee legally authorized to sign such items or by wire transfer to an account specified by the payee upon satisfaction of the conditions for disbursement set forth in this subsection (b). Before any such payment shall be made, the Issuer shall file with the Trustee a fully executed requisition in the form of Exhibit C attached hereto. Upon receipt of each such requisition and accompanying certificate, the Trustee shall promptly withdraw from the Acquisition and Construction Fund and pay to the person, firm or corporation named in such requisition the amount designated in such requisition. All requisitions and certificates received by the Trustee pursuant to this Section 5.01 shall be retained in the possession of the Trustee, subject at all reasonable times to the inspection of the Issuer, the Consulting Engineer, the Owner of any Bonds, and the agents and representatives thereof.

(c) **Completion of Project.** On the date of completion of the Project, as evidenced by the delivery of a Certificate of the Consulting Engineer and adoption of a resolution by the Board accepting such Project as provided by the Act (the "Completion Date"), the balance in the Acquisition and Construction Fund not reserved by the Issuer for the payment of any remaining part of the Cost of the Project, shall be transferred by the Trustee (i) to, and deposited in the Bond Redemption Fund and applied as provided in Section 6.06 hereof.

ARTICLE VI.

SPECIAL ASSESSMENTS; APPLICATION THEREOF TO FUNDS AND ACCOUNTS

Section 6.01. Special Assessments; Lien of Indenture on Pledged Revenues. The Issuer hereby covenants that it shall levy Special Assessments, and evidence and certify the same to the Tax Assessor and the Tax Collector for collection and enforcement by the Tax Collector or the Issuer, pursuant to the Act, or any successor statutes, as applicable, to the extent and in the amount necessary to pay the Debt Service Requirements on Bonds issued and Outstanding hereunder, including maintenance of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement pursuant to Section 6.05 herein.

The Issuer shall, within five (5) Business Days of receipt thereof pay to the Trustee for deposit in the Revenue Fund established under Section 6.03 hereof all Special Assessments received by the Issuer from the levy thereof on the District Lands subject to assessments for the payment of the Bonds; provided, however, that amounts received as Prepayments of Special Assessments shall be deposited directly into the Bond Redemption Fund established hereunder or in any account thereof established pursuant to this Indenture. The Issuer shall notify the Trustee at the time of deposit of any amounts received as Prepayments of Special Assessments.

There are hereby pledged for the payment of the principal or Redemption Price of and interest on the Bonds issued, the Pledged Revenues; provided, however, that unless otherwise specifically provided herein. The Pledged Revenues shall immediately be subject to the lien and pledge of this Indenture without any physical delivery thereof or further act; provided, however, that the lien and pledge of this Indenture shall not apply to any moneys transferred by the Trustee to the Rebate Fund.

Section 6.02. Funds and Accounts Relating to the Bonds. The Funds and Accounts specified in this Article VI shall be established under this Indenture to which the Bonds are issued. All moneys, including, without limitation, proceeds of the Bonds, on deposit to the credit of the Funds and Accounts established hereunder (except for moneys transferred to the Rebate Fund) shall be pledged to the payment of the principal, Redemption Price of and interest on the Bonds issued hereunder.

Section 6.03. Revenue Fund. The Trustee is hereby authorized and directed to establish a Revenue Fund for the Bonds issued hereunder, into which the Trustee shall immediately deposit any and all Special Assessments received from the levy thereof on the District Lands or any portion thereof (other than Special Assessment Prepayments), any amounts received as the result of any foreclosure, sale of tax deed or other remedial action for nonpayment of Special Assessments for the payment of the Bonds and any other payments or amounts required or otherwise specified hereunder, or under the Act to be deposited into the Revenue Fund (unless such Special Assessments and/or other payments are specifically designated by the Issuer for deposit into the Rebate Fund or any

other Fund or Account established hereunder, or under the Act. The Trustee shall transfer from amounts on deposit in the Revenue Fund to the Funds and Accounts designated below, the following amounts, at the following times and in the following order of priority:

FIRST, upon receipt but no later than the Business Day preceding the first Interest Payment Date for which there is an insufficient amount from Bond proceeds (or investment earnings thereon) on deposit in the Interest Account to be applied to the payment of interest on the Bonds due on the next succeeding Interest Payment Date, and no later than the Business Day next preceding each Interest Payment Date thereafter while Bonds issued under this Indenture remain Outstanding, to the Interest Account of the Debt Service Fund, an amount equal to the interest on the Bonds becoming due on the next succeeding Interest Payment Date, less any amount on deposit in the Interest Account not previously credited;

SECOND, beginning on the date set forth in this Indenture, and no later than the Business Day next preceding each Principal Fund Payment Date, thereafter while Bonds issued under this Indenture remain Outstanding, to the Principal Account of the Debt Service Fund, an amount equal to the principal amount of Bonds maturing on the next succeeding principal payment date, less any amount on deposit in the applicable Principal Account not previously credited;

THIRD, beginning on the date set forth in this Indenture, and no later than the Business Day next preceding each Sinking Fund Payment Date thereafter while Bonds issued under this Indenture remain Outstanding, to the Sinking Fund Account of the Debt Service Fund, an amount equal to the principal amount of Bonds subject to mandatory sinking fund redemption on the next succeeding principal payment date, less any amount on deposit in the applicable Sinking Fund Account not previously credited;

FOURTH, upon receipt but no later than the Business Day next preceding each Interest Payment Date while Bonds issued under this Indenture remain Outstanding, to the Debt Service Reserve Fund, an amount equal to the amount, if any, which is necessary to make the amount on deposit therein equal to the Debt Service Reserve Requirement;

FIFTH, to the Rebate Fund, any amounts due to the United States of America pursuant to Section 148(f) of the Code;

SIXTH, subject to the following paragraph, the balance of any moneys remaining after making the foregoing deposits shall remain in the Revenue Fund.

The Trustee shall within ten (10) Business Days after the last Interest Payment Date in any calendar year, at the direction of the Issuer, withdraw any moneys held for the credit of the Revenue Fund which are not otherwise required to be deposited pursuant to this Section and deposit such moneys as directed to the credit of the Bond Redemption Fund in accordance with the provisions hereof.

Section 6.04. Debt Service Fund. The Trustee is hereby authorized and directed to establish a Debt Service Fund which shall consist of amounts deposited therein by the Trustee and any other amounts the Issuer may pay to the Trustee for deposit therein with respect to the Bonds. The Debt Service Fund shall be held by the Trustee separate and apart from all other Funds and Accounts held under this Indenture and from all other moneys of the Trustee. The Trustee shall establish within the Debt Service Fund, pursuant to this Indenture, a Principal Account, an Interest Account and the Sinking Fund Account for Bonds, which accounts shall be separate and apart from all other Funds and Accounts established under this Indenture and from all other moneys of the Trustee.

The Trustee at all times shall make available to any Paying Agent the funds in the Principal Account and the Interest Account of the Debt Service Fund to pay the principal of the Bonds as they mature upon surrender thereof and the interest on the Bonds as it becomes payable, respectively. When Bonds are redeemed, the amount, if any, in the Debt Service Fund representing interest thereon shall be applied to the payment of accrued interest in connection with such redemption.

The Trustee shall apply moneys in the Sinking Fund Account in the Debt Service Fund for redemption of the Bonds in amounts and maturities set forth in this Indenture. Whenever Bonds are to be purchased using funds deposited into the Sinking Fund Account, if the Issuer shall notify the Trustee that the Issuer wishes to arrange for such purchase, the Trustee shall comply with the Issuer's arrangements provided such arrangements conform to this Indenture.

Purchases and redemptions using funds deposited into the Sinking Fund Account shall be made as follows:

(a) The Trustee shall apply the amounts required to be transferred to the Sinking Fund Account (less any moneys applied to the purchase of Bonds pursuant to the next sentence hereof) on the Sinking Fund Payment Date in each of the years set forth in this Indenture to the redemption of Bonds in the amounts, manner and maturities and on the dates set forth in this Indenture, at a Redemption Price of 100% of the principal amount thereof. At the written direction of the Issuer, the Trustee shall apply moneys from time to time available in the Sinking Fund Account to the purchase of the Bonds which mature in the aforesaid years, at prices not higher than the principal amount thereof, in lieu of redemption as aforesaid, provided that firm purchase commitments can be made before the notice of redemption would otherwise be required to be given. In the event of purchases at less than the principal amount thereof, the difference between the amount in the Sinking Fund Account representing the principal amount of the Bonds so purchased and the purchase price thereof (exclusive of accrued interest) shall be transferred to the Interest Account of the Debt Service Fund.

(b) Accrued interest on purchased Bonds shall be paid from the Interest Account of the Debt Service Fund.

(c) In lieu of paying the Debt Service Requirements necessary to allow any mandatory redemption of the Bonds from the Sinking Fund Account, the Issuer may present to the Trustee Bonds of a series purchased by the Issuer pursuant to subparagraph (a) above and furnished for such purposes; provided, however, that no Bonds purchased shall be credited towards the Debt Service Requirements in respect of the mandatory redemption of Bonds for which notice of redemption has been given pursuant to Section 8.02 of this Indenture. Any Bond so purchased shall be presented to the Trustee for cancellation. In such event, the Debt Service Requirements with respect to the Bonds for the period in which the purchased Bonds are presented to the Trustee shall, for all purposes hereunder, be reduced by an amount equal to the aggregate principal amount of any such Bonds so presented.

Section 6.05. Debt Service Reserve Fund.

(a) The Trustee is hereby authorized and directed to establish a Debt Service Reserve Fund for Bonds issued hereunder. The Debt Service Reserve Fund shall be held by the Trustee for the benefit of the Bonds. The Debt Service Reserve Fund shall constitute an irrevocable trust fund to be applied solely as set forth herein and shall be held by the Trustee separate and apart from all other Funds and Accounts held under this Indenture and from all other moneys of the Trustee. On the date of issuance and delivery of the Bonds an amount of Bond proceeds equal to the Debt Service Reserve Requirement in respect of the Bonds, calculated as of the date of issuance and delivery of the Bonds, shall be deposited in the Debt Service Reserve Fund. As long as there exists no default under this Indenture and the amount in the Debt Service Reserve Fund is not reduced below the Debt Service Reserve Requirement with respect to the Bonds, earnings on investments in the Debt Service Reserve Fund shall, prior to the Completion Date of a Project, be transferred to the Interest Account of the Debt Service Fund, and after the Completion Date, be transferred to the related Account of the Revenue Fund. Otherwise, earnings on investments in the Debt Service Reserve Fund shall be retained therein until applied as set forth herein.

(b) In the event that the amount in the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement with respect to the Bonds due to a decrease in the Debt Service Reserve Requirement as a result of an optional Prepayment by the owner of a lot or parcel of land of a Special Assessment against such lot or parcel, which Special Assessment is pledged for the payment and security of the Bonds, the excess amount shall be transferred from the Debt Service Reserve Fund to the Bond Redemption Fund established for the Bonds, as a credit against the principal amount of the Prepayment otherwise required to be made by the owner of such lot or parcel. In the event that the amount the Debt Service Reserve Fund exceeds the Debt Service Reserve Requirement due to a decrease in the Debt Service Reserve Fund for any other reason, the excess amount shall be transferred from the Debt Service Reserve Fund to the Revenue Fund.

(c) Whenever for any reason on an Interest Payment Date, a Principal Payment Date, a Sinking Fund Payment Date or mandatory redemption date with respect to the Bonds secured by the Debt Service Reserve Fund the amount in the Interest Account, the Principal Account or the Sinking Fund Account, as the case may be, is insufficient to pay all amounts payable on the Bonds therefrom on such payment dates, the Trustee shall, without further instructions, transfer the amount of any such deficiency from the Debt Service Reserve Fund into the Interest Account, the Principal Account and the Sinking Fund Account, as the case may be, with priority to the Interest Account and then, proportionately according to the respective deficiencies therein, to the Principal Account and the Sinking Fund Account, to be applied to pay the Bonds secured by the Debt Service Reserve Fund.

(d) Notwithstanding the foregoing, in lieu of the required deposits into the Debt Service Reserve Fund, the Issuer may cause to be deposited into the Debt Service Reserve Fund a Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit either in lieu of any cash amount required to be deposited therein in connection with the issuance of the Bonds or in substitution for the full amounts then on deposit therein or in an amount equal to the difference between the amount required to be deposited and the sum, if any, then on deposit in the Debt Service Reserve Fund, which Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit shall be payable (upon the giving of notice as required thereunder) on any Interest Payment Date, Principal Payment Date or Sinking Fund Payment Date on which a deficiency exists which cannot be remedied by moneys in any other Fund or Account held pursuant to this Indenture and available for such purpose. If any such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit is substituted for moneys on deposit in the Debt Service Reserve Fund, or if at any time there are excess moneys in the Debt Service Reserve Fund, the excess moneys in the Debt Service Reserve Fund shall be transferred to and deposited in the Revenue Fund. If a disbursement is made from a Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit, the Issuer shall be obligated to either reinstate the maximum limits of such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit immediately following such disbursement or to deposit into the Debt Service Reserve Fund, as provided in this Indenture for restoration of withdrawals from the Debt Service Reserve Fund, funds in the amount of the disbursement made under such Debt Service Reserve Insurance Policy or Debt Service Reserve Letter of Credit.

In the event that upon the occurrence of any deficiency in the Interest Account, the Principal Account or the Sinking Fund Account, the Debt Service Reserve Fund is then funded with a Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy, the Trustee shall, on an Interest Payment Date, a Principal Payment Date, a Sinking Fund Payment Date or mandatory redemption date to which such deficiency relates, draw upon the Debt Service Reserve Letter of Credit or cause to be paid under the Debt Service Reserve Insurance Policy an amount sufficient to remedy such deficiency, in accordance with the terms and provisions of the Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy, as applicable, and any corresponding reimbursement or other agreement governing the Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy; provided, however, that if at the time of such deficiency the Debt Service Reserve Fund is only partially funded with a Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy, prior to drawing on the Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy, as applicable, the Trustee shall first apply any cash and securities on deposit in the Debt Service Reserve Fund to remedy the deficiency in accordance with the second paragraph of this Section 6.05 and, if after such application a deficiency still exists, the Trustee shall make up the balance of the deficiency by drawing on the Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy, as provided in this sentence. Amounts drawn on the Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy shall be applied as set forth in the second paragraph of this Section 6.05. Any amounts drawn under a Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy shall be reimbursed to the issuer thereof in accordance with the terms and provisions of the reimbursement or other agreement governing such Debt Service Reserve Letter of Credit or Debt Service Reserve Insurance Policy.

Section 6.06. Bond Redemption Fund. The Trustee is hereby authorized and directed to establish a Bond Redemption Fund for the Bonds issued hereunder into which shall be deposited, moneys in the amounts and at the times provided in Sections 5.01, 6.01, 6.03, 6.05, 9.12(c) and 9.33 of this Indenture. The Bond Redemption Fund shall constitute an irrevocable trust fund to be applied solely as set forth in this Indenture and shall be held by the Trustee separate and apart from all other Funds and Accounts held under this Indenture and from all other moneys of the Trustee. All earnings on investments held in the Bond Redemption Fund shall be retained therein and applied as set forth below. The Trustee shall establish a general account (the "General Account") and a prepayment account (the "Prepayment Account") within the Bond Redemption Fund.

(a) Moneys in the Bond Redemption Fund General Account (including all earnings on investments held therein shall be accumulated therein to be used in the following order of priority, to the extent that the need therefor arises:

FIRST, to make such deposits into the Rebate Fund, if any, as the Issuer may direct in accordance with an arbitrage rebate agreement, such moneys thereupon to be used solely for the purposes specified in said arbitrage rebate agreement. Any moneys so transferred from the General Account to the Rebate Fund shall thereupon be free from the lien and pledge of the related Indenture;

SECOND, to be used to call for redemption pursuant to clause (b) of Section 8.01 hereof an amount of Bonds equal to the amount of money transferred to the General Account pursuant to the aforesaid clauses or provisions, as appropriate, for the purpose of such extraordinary mandatory redemption on the dates and at the prices provided in such clauses or provisions, as appropriate; and

THIRD, the remainder to be utilized by the Trustee, at the direction of a Responsible Officer, to call for redemption on each Interest Payment Date on which Bonds are subject to optional redemption pursuant to Section 8.01(a) hereof such amount of Bonds as, with the redemption premium, may be practicable; provided, however, that not less than Twenty-Five Thousand Dollars (\$25,000) principal amount of the Bonds of shall be called for redemption at one time.

(b) Moneys in the Prepayment Account (including all earnings on investments held in the Prepayment Account) shall be accumulated therein to be used, to the extent that the need therefor arises to call for redemption pursuant to Section 8.01(b)(i) hereof an amount of Bonds equal to the amount of money transferred to the Prepayment Account, pursuant to the aforesaid clauses or provisions, as appropriate, and as directed by the Issuer, for the purpose of such extraordinary mandatory redemption on the dates and at the prices provided in such clauses or provisions, as appropriate.

Any such redemption shall be made in accordance with the provisions of Article VIII of this Indenture. The Issuer shall pay all expenses in connection with such redemption.

Section 6.07. Prepayments; Removal of Special Assessment Liens.

(a) At the time of sale of the property subject to the Special Assessments the purchaser may prepay the special assessments and extinguish the lien upon its property by paying to the Issuer on the date of sale the entire amount of the Special Assessment as determined by the District, which shall constitute Prepayment Principal, as directed by the Issuer pursuant to the provisions of Section 6.06(b) of this Indenture, plus accrued interest to the next succeeding Interest Payment Date (or the second succeeding Interest Payment Date if such prepayment is made within 40 calendar days before an Interest Payment Date), attributable to the property subject to Special Assessment owned by such owner, as calculated and certified to the Trustee by the Assessment Methodology Consultant. Such accrued interest shall be deposited by the Trustee in the Interest Account of the Debt Service Fund. The accrued interest attributable to such shall be provided from moneys initially deposited to the Interest Account.

(b) Upon receipt of Prepayment Principal as described in the preceding paragraph (a), subject to satisfaction of the conditions set forth therein, the Issuer shall immediately pay the amount so received to the Trustee, and the Issuer shall take such action as is necessary to record in the official records of the County an affidavit or affidavits, as the case may be, executed by a Responsible Officer of the District, to the effect that the Special Assessment has been paid in whole or in part and that such Special Assessment lien is thereby reduced, or released and extinguished, as the case may be. Upon receipt of any such moneys from the Issuer, the Trustee shall immediately deposit the same into the Prepayment Account of the Bond Redemption Fund to be applied in accordance with clause (i) of Section 8.01(b) of this Indenture, to the redemption of Bonds in accordance with Section 4.01(g) of this Indenture.

Section 6.08. Procedure When Funds Are Sufficient to Pay All Bonds. If at any time the moneys held by the Trustee in the Funds and Accounts hereunder and available therefor are sufficient to pay the principal or Redemption Price of, as the case may be, and interest on all Bonds then Outstanding under this Indenture to maturity or prior redemption, together with any amounts due the Issuer and the Trustee, Paying Agent, Registrar, the Trustee, at the direction of the Issuer, shall apply the amounts in the Funds and Accounts to the payment of the aforesaid obligations and the Issuer shall not be required to pay over to the Trustee any further Pledged Revenues with respect to the Bonds unless and until it shall appear that there is a deficiency in the Funds and Accounts held by the Trustee.

Section 6.09. Unclaimed Moneys. In the event any Bond shall not be presented for payment when the principal of such Bond becomes due, either at maturity or at the redemption date of such Bond or otherwise, if amounts sufficient to pay such Bond have been deposited with the Trustee for the benefit of the Owner of the Bond and have remained unclaimed for three (3) years after the date payment thereof becomes due shall, upon request of the Issuer, if the Issuer is not at the time to the knowledge of the Trustee in default with respect to any covenant in this Indenture or the Bonds contained, be paid to the Issuer, and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Issuer, provided, however, that the Trustee, before making payment to the Issuer, may, at the expense of the Issuer, cause a notice to be published in an Authorized Newspaper, stating that the money remaining unclaimed will be returned to the Issuer after a specified date.

ARTICLE VII.

SECURITY FOR AND INVESTMENT OR DEPOSIT OF FUNDS

Section 7.01. Deposits and Security Therefor. All moneys received by the Trustee under this Indenture for deposit in any Fund or Account established under this Indenture shall be considered trust funds, shall not be subject to lien or attachment, except for the lien created by this Indenture, and shall be deposited with the Trustee, until or unless invested or deposited as provided in Section 7.02 hereof. All deposits of moneys received by the Trustee under this Indenture in the commercial department of the Trustee (whether original deposits under this Section 7.01 or deposits or redeposits in time accounts under Section 7.02) shall, to the extent not insured, and to the extent permitted by law, be fully secured as to both principal and interest earned, by Investment Securities of the types set forth in subparagraphs (a), (b), (c) or (d) of the definition of Investment Securities and the provisions thereof. If at any time the commercial department of the Trustee is unwilling to accept such deposits or unable to secure them as provided above, the Trustee may deposit such moneys with any other depository which is authorized to receive them and the deposits of which are insured by the Federal Deposit Insurance Corporation (including the FDIC'S Savings Association Insurance Fund). All deposits in any other depository in excess of the amount covered by insurance (whether under this Section 7.01 or Section 7.02 as aforesaid) shall, to the extent permitted by law, be fully secured as to both principal and interest earned, in the same manner as required herein for deposits with the Trustee. Such security shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000.

Section 7.02. Investment or Deposit of Funds. The Trustee shall, as directed by the Issuer in writing, invest moneys held in the Debt Service Fund and the Bond Redemption Fund created hereunder only in Government Obligations and securities described in subparagraphs (d), (e), (h), (j) or (l) of the definition of Investment Securities. The Trustee shall, as directed by the Issuer in writing, invest moneys held in the Debt Service Reserve Fund in Investment Securities. All deposits in time accounts shall be subject to withdrawal without penalty and all investments shall mature or be subject to redemption by the holder without penalty, not later than the date when the amounts will foreseeably be needed for purposes set forth herein. All securities securing investments under this Section shall be deposited with a Federal Reserve Bank, with the trust department of the Trustee, as authorized by law with respect to trust funds in the State, or with a bank or trust company having a combined net capital and surplus of not less than \$50,000,000. Except as provided in Section 6.05 hereof, the interest and income received upon such investments and any interest paid by the Trustee or any other depository of any Fund or Account and any profit or loss resulting from the sale of securities shall be added or charged to the Fund or Account for which such investments are made; provided, however, that if the amount in any Fund or Account equals or exceeds the amount required to be on deposit therein, subject to Section 6.05 of this Indenture, any interest and other income so received shall be deposited in the Revenue Fund. Upon request of the Issuer, or on its own initiative whenever payment is to be made out of any Fund or Account, the Trustee shall sell such securities as may be requested to make the payment

and restore the proceeds to the Fund or Account in which the securities were held. The Trustee shall not be accountable for any depreciation in the value of any such security or for any loss resulting from the sale thereof, except as provided hereinafter. If net proceeds from the sale of securities held in any Fund or Account shall be less than the amount invested and, as a result, the amount on deposit in such Fund or Account is less than the amount required to be on deposit in such Fund or Account, the amount of such deficit shall be transferred to such Fund or Account from the Revenue Fund.

Absent specific instructions as aforesaid, all moneys in the Funds and Accounts established under this Indenture shall be invested in investments of the nature described in subparagraph (a) of the definition of Investment Securities; provided, however, that whether or not specific instructions as aforesaid have been received by the Trustee, moneys in the Debt Service Fund and in the Bond Redemption Fund shall be invested only in the types of obligations described in the two first sentences of this Section 7.02. Subject to the provisions of Section 9.29 of this Indenture, moneys in any of the Funds and Accounts established pursuant to this Indenture, when held by the Trustee, shall be immediately invested by the Trustee subject to all written directions from the Issuer. The Trustee shall not be liable or responsible for any loss or entitled to any gain resulting from any investment or sale upon the investment instructions of the Issuer or otherwise, including that set forth in the first sentence of this paragraph.

Section 7.03. Valuation of Funds. The Trustee shall value the assets in each of the Funds and Accounts established hereunder fifteen (15) days prior to each Interest Payment Date (or as the Issuer and the Trustee otherwise agree in writing), and as soon as practicable after each such valuation date (but no later than ten (10) days after each such valuation date) shall provide the Issuer a report of the status of each Fund and Account as of the valuation date. In computing the assets of any Fund or Account, investments and accrued interest thereon shall be deemed a part thereof, subject to Section 7.02 hereof. For the purpose of determining the amount on deposit to the credit of any Fund or Account established hereunder, obligations in which money in such Fund or Account shall have been invested shall be valued at the market value or the amortized cost thereof, whichever is lower, or at the redemption price thereof, to the extent that any such obligation is then redeemable at the option of the holder.

ARTICLE VIII.

REDEMPTION OF BONDS

Section 8.01. Redemption Dates and Prices. The Bonds shall be subject to redemption prior to maturity at the times and in the manner provided in this Article VIII. All payments of the Redemption Price of the Bonds shall be made on the dates hereinafter required. Except as otherwise provided in this Section 8.01, if less than all the Bonds are to be redeemed pursuant to an extraordinary mandatory redemption (as provided in Section 8.01(b) below), the Trustee shall select the Bonds or portions of the Bonds to be redeemed by lot within the Bonds. Partial redemptions of Bonds shall be made in such a manner that the remaining Bonds held by each Bondholder shall be in Authorized Denominations, except for the last remaining Bond.

(a) **Optional Redemption.** The Bonds may, at the option of the Issuer, be called for redemption prior to maturity as a whole, at any time, or in part on any Interest Payment Date, on or after the earlier of (i) February 1, 2016; or (ii) the date on which there is \$1,000,000 or less of the Bonds Outstanding (if less than all Bonds are to be redeemed, such redemption shall be selected by lot), at the Redemption Price of par, plus accrued interest from the most recent Interest Payment Date to the redemption date.

(b) **Extraordinary Mandatory Redemption.** The Bonds are subject to extraordinary mandatory redemption prior to maturity by the Issuer in whole, on any date, or in part, on any Interest Payment Date (except as provided in (i) and (vi) below), at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date, as follows:

(i) beginning February 1, 2008, from Prepayment Principal deposited into the Prepayment Account following the payment in whole or in part of Special Assessments on any portion of the District Lands specially benefited by the Project in accordance with the provisions of Section 6.06(b) of this Indenture, provided, however, that any extraordinary mandatory redemptions from Prepayment Principal shall only occur on February 1 or August 1 of any year Bonds are Outstanding.

(ii) from moneys, if any, on deposit in the Accounts and Subaccounts in the Funds and Accounts (other than the Rebate Fund) sufficient to pay and redeem all Outstanding Bonds, and accrued interest thereon to the redemption date or dates in addition to all amounts owed to Persons under the Indenture.

(iii) from excess moneys transferred from the Revenue Fund to the General Account of the Bond Redemption Fund, in accordance with Section 6.03 of this Indenture.

(iv) following condemnation or the sale of any portion of the Project to a governmental entity under threat of condemnation by such governmental entity and the payment of moneys which are not to be used to rebuild, replace or restore the taken portion of the Project to the Trustee by or on behalf of the Issuer for deposit into the General Account of the Bond Redemption Fund, in order to effectuate such redemption and, which moneys shall be applied by the Issuer to redeem Bonds in accordance with the manner it has credited such moneys toward extinguishment of Special Assessments relating to the Bonds, which the Issuer shall describe to the Trustee in writing.

(v) following the damage or destruction of all or substantially all of the Project to such extent that, in the reasonable opinion of the Issuer, the repair and restoration thereof would not be economical or would be impracticable, to the extent of amounts paid by the Issuer to the Trustee for deposit to the General Account of the Bond Redemption Fund, which moneys shall be applied by the Issuer to redeem Bonds, in accordance with the manner it has credited such moneys toward extinguishment of Special Assessments relating to the Bonds; provided, however, that at least forty-five (45) days prior to such extraordinary mandatory redemption, the Issuer shall cause to be delivered to the Trustee (x) notice setting forth the redemption date and (y) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable.

(vi) from amounts on deposit in the Debt Service Reserve Account in excess of the Debt Service Reserve Requirement and transferred to the Prepayment Account of the Bond Redemption Fund in accordance with Section 6.05 of this Indenture to be used, together with any Special Assessment Prepayments on deposit in the Prepayment Account of the Bond Redemption Fund, for extraordinary mandatory redemption of Bonds.

(c) Mandatory Sinking Fund Redemption. The Bonds maturing February 1, 2013 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2009 | \$190,000 |
| 2010 | 200,000 |
| 2011 | 210,000 |
| 2012 | 220,000 |
| 2013* | 230,000 |

*Final maturity.

The Bonds maturing February 1, 2018 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014 | \$240,000 |
| 2015 | 255,000 |
| 2016 | 270,000 |
| 2017 | 285,000 |
| 2018* | 300,000 |

*Final maturity.

The Bonds maturing February 1, 2029 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2019 | \$315,000 |
| 2020 | 335,000 |
| 2021 | 355,000 |
| 2022 | 375,000 |
| 2023 | 400,000 |
| 2024 | 420,000 |
| 2025 | 445,000 |
| 2026 | 475,000 |
| 2027 | 505,000 |
| 2028 | 535,000 |
| 2029* | 565,000 |

*Final maturity.

In connection with such mandatory sinking fund redemption of Bonds, amounts representing Sinking Fund Payments shall be transferred from the Revenue Fund to the Sinking Fund Account of the Debt Service Fund, all as more particularly described in Section 6.03 hereof.

The principal amounts of sinking fund payments shall be reduced by any principal amounts of the Bonds redeemed pursuant to an optional or extraordinary redemption pursuant to the provisions of Section 8.04 hereof.

Section 8.02 Notice of Redemption. When required to redeem Bonds of a series in whole or in part under any provision of this Indenture or directed to do so by the Issuer, the Trustee shall cause notice of the redemption to be mailed at least thirty (30) but not more than sixty (60) days prior to the redemption date to all Owners of Bonds to be redeemed (as such Owners appear on the Bond Register on the fifth (5th) day prior to such mailing), at their address in the Bond Register; provided, however, that failure to mail any such notice or defect in the notice or in the mailing thereof shall not affect the validity of the redemption of the Bonds for which notice was duly mailed in accordance with this Section 8.02. Such notice shall be given in the name of the Issuer, shall be dated, shall set forth the Bonds Outstanding which shall be called for redemption and shall include, without limitation, the following additional information:

- (a) the redemption date;
- (b) the Redemption Price;
- (c) CUSIP numbers, to the extent applicable, and any other distinctive numbers and letters;

(d) if less than all Outstanding Bonds to be redeemed, the identification (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed;

(e) that on the redemption date the redemption price will become due and payable upon surrender of each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after said date; and

(f) the place where such Bonds are to be surrendered for payment of the redemption, which place of payment shall be a corporate trust office of the Trustee.

Except in the case of the issuance of refunding bonds, if at the time of mailing of notice of an optional redemption, the Issuer shall not have deposited with the Trustee or Paying Agent moneys sufficient to redeem all the Bonds called for redemption, such notice shall state that it is subject to the deposit of the redemption moneys with the Trustee or Paying Agent, not later than the opening of business on the redemption date, and such notice shall be of no effect unless such moneys are so deposited.

If the amount of funds deposited with the Trustee for such redemption, or otherwise available, is insufficient to pay the redemption price and accrued interest on the Bonds so called for redemption on the redemption date, the Trustee shall redeem and pay on such date an amount of such Bonds for which such funds are sufficient, selecting the Bonds to be redeemed by lot from among all such Bonds called for redemption on such date, and among different maturities of Bonds in the same manner as the initial selection of Bonds to be redeemed, and from and after such redemption date, interest on the Bonds or portions thereof so paid shall cease to accrue and become payable; but interest on any Bonds or portions thereof not so paid shall continue to accrue until paid at the same rate as it would have had such Bonds not been called for redemption.

The notices required to be given by this Section 8.02 may state that no representation is made as to correctness or accuracy of the CUSIP numbers listed in such notice or printed on the Bonds.

Section 8.03. Payment of Redemption Price. If any required (a) unconditional notice of redemption has been duly mailed or waived by the Owners of all Bonds called for redemption or (b) conditional notice of redemption has been so mailed or waived and the redemption moneys have been duly deposited with the Trustee or Paying Agent, then in either case, the Bonds called for redemption shall be payable on the redemption date at the applicable Redemption Price plus accrued interest, if any, to the redemption date. Bonds so called for redemption, for which moneys have been duly deposited with the Trustee, will cease to bear interest on the specified redemption date, shall no longer be secured by this Indenture and shall not be deemed to be Outstanding under the provisions of this Indenture.

Payment of the Redemption Price, together with accrued interest, shall be made by the Trustee or Paying Agent to or upon the order of the Owners of the Bonds called for redemption upon surrender of such Bonds. The Redemption Price of the Bonds to be redeemed, the expenses of giving notice and any other expenses of redemption, shall be paid out of the Fund from which redemption is to be made or by the Issuer.

Section 8.04. Partial Redemption of Bonds. If less than all the Bonds are to be redeemed, the Trustee shall select the particular Bonds or portions of the Bonds to be called for redemption by lot in such reasonable manner as the Trustee in its discretion may determine. In the case of any partial optional redemption of Bonds, such redemption shall be effectuated by redeeming Bonds in such manner as shall be specified by the Issuer in writing, subject to the provisions of this Indenture. In the case of any partial extraordinary mandatory redemption of Bonds, such redemption shall be effectuated by redeeming Bonds pro rata among the maturities, with the portion to be redeemed from each maturity being equal to the product of the aggregate principal amount of Bonds to be redeemed multiplied times a fraction, the numerator of which is the principal amount of Bonds of such maturity outstanding immediately prior to the redemption date and the denominator of which is the aggregate principal amount of all Bonds Outstanding immediately prior to the redemption date. In the case of any partial mandatory sinking fund redemption of Bonds, such redemption shall be effectuated by redeeming Bonds pro rata among the maturities, treating each date on which a Sinking Fund Payment is due as a separate maturity for such purpose, with the portion to be redeemed from each maturity being equal to the product of the aggregate principal amount of Bonds to be redeemed multiplied times a fraction the numerator of which is the principal amount of the Bonds of such maturity

outstanding immediately prior to the redemption date and the denominator of which is the aggregate principal amount of all Bonds outstanding immediately prior to the redemption date.

ARTICLE IX.

COVENANTS OF THE ISSUER

Section 9.01. Power to Issue Bonds and Create Lien. The Issuer is duly authorized under the Act and all applicable laws of the State to issue the Bonds, to adopt and execute this Indenture and to pledge the Pledged Revenues for the benefit of the Bonds. The Pledged Revenues are not and shall not be subject to any other lien senior to or on a parity with the lien created in favor of the Bonds. The Bonds and the provisions of this Indenture are and will be valid and legally enforceable obligations of the Issuer in accordance with their respective terms. The Issuer shall, at all times, to the extent permitted by law, defend, preserve and protect the pledge created by this Indenture and all the rights of the Bondholders under this Indenture against all claims and demands of all other Persons whomsoever.

Section 9.02. Payment of Principal and Interest on Bonds. The payment of the principal or Redemption Price of and interest on all of the Bonds issued under this Indenture shall be secured forthwith equally and ratably by a first lien on and pledge of the Pledged Revenues. Pledged Revenues in an amount sufficient to pay the principal or Redemption Price of and interest on the Bonds authorized by this Indenture are hereby irrevocably pledged to the payment of the principal or Redemption Price of and interest on the Bonds authorized under this Indenture, as the same become due and payable. The Issuer shall promptly pay the interest on and the principal or Redemption Price of every Bond issued hereunder according to the terms thereof, but shall be required to make such payment only out of the Pledged Revenues. The Issuer shall appoint one or more Paying Agents for such purpose, each such agent to be a bank and trust company or a trust company or a national banking association having trust powers.

THE BONDS AUTHORIZED UNDER THIS INDENTURE AND THE OBLIGATION EVIDENCED THEREBY SHALL NOT CONSTITUTE A LIEN UPON ANY PROPERTY OF THE ISSUER, INCLUDING, WITHOUT LIMITATION, THE PROJECT OR ANY PORTION THEREOF IN RESPECT OF WHICH ANY SUCH BONDS ARE BEING ISSUED, OR ANY PART THEREOF, BUT SHALL CONSTITUTE A LIEN ONLY ON THE PLEDGED REVENUES AS SET FORTH IN THIS INDENTURE. NOTHING IN THE BONDS AUTHORIZED UNDER THIS INDENTURE OR IN THIS INDENTURE SHALL BE CONSTRUED AS OBLIGATING THE ISSUER TO PAY THE BONDS OR THE REDEMPTION PRICE THEREOF OR THE INTEREST THEREON EXCEPT FROM THE PLEDGED REVENUES, OR AS PLEDGING THE FAITH AND CREDIT OF THE ISSUER, THE COUNTY OR THE STATE OR ANY POLITICAL SUBDIVISION THEREOF, OR AS OBLIGATING THE ISSUER, THE COUNTY, THE CITY OR THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS, DIRECTLY OR INDIRECTLY OR CONTINGENTLY, TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR (EXCEPT FOR SPECIAL ASSESSMENTS LEVIED BY THE ISSUER AGAINST THE DISTRICT LANDS BENEFITING FROM ANY PROJECT).

Section 9.03. Special Assessments; Re-Assessments.

(a) The Issuer shall levy Special Assessments, and evidence and certify the same to the Tax Assessor and the Tax Collector for collection by the Tax Collector and enforcement by the Tax Collector or the Issuer pursuant to the Act, or any successor statutes, as applicable, and Section 9.04 hereof, to the extent and in an amount sufficient to pay Debt Service Requirements on all Outstanding Bonds including maintenance of the Debt Service Reserve Fund in an amount equal to the Debt Service Reserve Requirement pursuant to Section 6.05 herein.

(b) If any Special Assessment shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or if the Issuer shall be satisfied that any such Special Assessment is so irregular or defective that the same cannot be enforced or collected, or if the Issuer shall have omitted to make such Special Assessment when it might have done so, the Issuer shall either (i) take all necessary steps to cause a new Special Assessment to be made for the whole or any part of said improvement or against any property benefited by said improvement, or (ii) in its sole discretion, provide for such amount of such Special Assessment from legally

available moneys, which moneys shall be deposited into the Revenue Fund. In case such second Special Assessment shall be annulled, the Issuer shall obtain and make other Special Assessments until a valid Special Assessment shall be made.

Section 9.04. Method of Collection. The Issuer shall collect or cause to be collected Special Assessments in accordance with the provisions of the Act, or any successor statutes thereto, as applicable, in accordance with the terms of this Section and the Tax Collector Agreement, if any, between the Issuer and the County. The Issuer shall use its best efforts to adopt the method for the levy, collection and enforcement of Special Assessments afforded by the Act, or any successor statutes thereto, as soon as practicable. To the extent that the Issuer is not able to collect Special Assessments pursuant to the method under Section 24-41-1, *et seq.* of the Mississippi Code of 1972, as amended, the Issuer may elect to collect and enforce Special Assessments pursuant to any available method under the Act, or any successor statutes thereto. The election to collect and enforce Special Assessments in any year pursuant to any one method shall not, to the extent permitted by law, preclude the Issuer from electing to collect and enforce Special Assessments pursuant to any other method permitted by law in any subsequent year.

Section 9.05. Delinquent Special Assessments. Subject to the provisions of Section 9.04 hereof, if the owner of any lot or parcel of land assessed for the Project shall be delinquent in the payment of any Special Assessment, then such Special Assessment shall be enforced pursuant to the provisions of under Section 24-41-1, *et seq.* of the Mississippi Code of 1972, as amended, including but not limited to the sale of the indebtedness and sale of land for taxes regarding such delinquent Special Assessment. In the event the provisions of the Act with respect to such sale are inapplicable by operation of law, then upon the delinquency of any Special Assessment the Issuer shall, to the extent permitted by law, utilize any other method of enforcement as provided by the Act or Section 9.04 hereof or otherwise as provided by law.

Section 9.06. Books and Records with Respect to Special Assessments. In addition to the books and records required to be kept by the Issuer pursuant to the provisions of Section 9.15 hereof, the Issuer shall keep books and records for the collection of the Special Assessments on the District Lands, which such books, records and accounts shall be kept separate and apart from all other books, records and accounts of the Issuer. The Board or the Board's designee, at the end of each Fiscal Year, shall prepare a written report setting forth the collections received, the number and amount of delinquencies, the proceedings taken to enforce collections and cure delinquencies and an estimate of time for the conclusion of such legal proceedings. A signed copy of such audit shall be furnished to the Trustee (solely as a repository of such information) within 180 days of the end of the Issuer's Fiscal Year, and shall, upon written request, be mailed to any Registered Owner.

Section 9.07. Deposit of Special Assessments. The Issuer covenants to cause any Special Assessments collected or otherwise received by it to be deposited with the Trustee within five (5) Business Days after receipt thereof for deposit into the Revenue Fund (except that amounts received as Prepayments of Special Assessments shall be designated by the Issuer as such upon delivery to the Trustee and shall be deposited directly into the Bond Redemption Fund).

Section 9.08. Construction to be on District Lands; Exceptions. Except for certain water and sewer improvements and facilities, mitigation and roadway improvements which are outside the District Lands and are required in order for the District Lands to be developed, the Issuer covenants that no part of the Project will be constructed on, over or under lands other than (i) lands good and marketable title to which is owned by the Issuer or other appropriate entity in fee simple, (ii) lands on, over or under which the Issuer or other appropriate entity shall have acquired perpetual easements for the purposes of the Project, or (iii) lands, including public streets and highways, the right to the use and occupancy of which for such purposes shall be vested in the Issuer or other appropriate entity by law or by valid franchises, licenses, easements or rights of way or other legally effective permissions or approval.

Section 9.09. Operation, Use, and Maintenance of Project. The Issuer shall establish and enforce reasonable rules and regulations governing the use of the Project owned by the Issuer, and the operation thereof, such rules and regulations to be adopted in accordance with the Act, and the Issuer shall operate, use and maintain the Project owned by the Issuer in accordance with the Act and all other applicable federal and State laws, rules and regulations; the Issuer shall maintain and operate the Project owned by the Issuer in an efficient and economical

manner, shall at all times maintain the same in good repair and in sound operating condition and shall make all necessary repairs, renewals and replacements; provided, however, that the Issuer may reasonably contract with third parties to perform services related to the operation, maintenance and use of the Project.

Section 9.10. Observance of and Compliance with Valid Requirements. The Issuer shall pay all municipal or governmental charges, if any, lawfully levied or assessed upon the Project or any part thereof or upon any revenues when the same shall become due, and the Issuer shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to the Project. The Issuer shall not, except as otherwise permitted in Section 9.22 of this Article, create or suffer to be created any lien or charge upon the Project or upon Pledged Revenues, except the lien and charge of the Bonds on the Pledged Revenues.

Section 9.11. Payment of Operating or Maintenance Costs by State or Others. The Issuer may permit the United States of America, the State, the County, the City or any of their agencies, departments or political subdivisions to pay all or any part of the cost of maintaining, repairing and operating the Project out of funds other than Pledged Revenues.

Section 9.12. Public Liability and Property Damage Insurance; Maintenance of Insurance; Use of Insurance and Condemnation Proceeds.

(a) Except as otherwise provided in subsection (d) of this Section, the Issuer will carry or cause to be carried, in respect of any portion of the Project not dedicated by the Issuer to public use, comprehensive general liability insurance (covering bodily injury and property damage) issued by one or more insurance companies authorized or eligible to do business under the laws of the State, in such amounts as is customary for similar operations, or as is more specifically set forth hereinbelow.

(b) At all times, to the extent commercially available, the Issuer shall maintain a practical insurance program, with reasonable terms, conditions, provisions and costs which the Board determines will afford adequate protection against loss caused by damage to or destruction of any component of the Project owned by the Issuer or not dedicated by the Issuer to public use. Limits for such coverage will be subject to the Consulting Engineer's recommendations, which are to be provided in an annual report, as required by Section 9.19 hereof, establishing value. The Issuer shall also, at all times, maintain a practical comprehensive general liability insurance program with respect to the Project for such coverage, with such reasonable terms, conditions, provisions and costs as the Board determines will afford adequate protection against bodily injury and property damage.

All insurance policies of the Issuer relating to the Project shall be carried with companies authorized or eligible to do business in the State, with a Best rating of no less than "A" as to management and Class "V" as to financial strength; provided, however, that if, in the opinion of the Board, adequate insurance protection under reasonable terms, conditions, provisions and cost cannot be purchased from an insurance company with the above-designated ratings, then, with prior written notice to the Trustee, the Board, on behalf of the Issuer, may secure such insurance protection as the Issuer determines to be in its best interests and otherwise consistent with this Indenture; provided further, however, that the Issuer may act as a self-insurer in accordance with the requirements of subsection (d) hereof. All policies providing the insurance coverages required by this Section shall designate the Issuer and the Trustee as loss-payee and shall be made payable to the Trustee.

(c) All proceeds received from property damage or destruction insurance and all proceeds received from the condemnation of the Project or any part thereof are hereby pledged by the Issuer as security for the Bonds and shall be deposited at the option of the Issuer, but subject to the limitations hereinafter described, either (i) into a separate fund to be established by the Trustee for such purpose, and used to remedy the loss, damage or taking for which such proceeds are received, either by repairing the damaged property or replacing the destroyed or taken property, as soon as practicable after the receipt of such proceeds, or (ii) into the Bond Redemption Fund for the purpose of purchasing or redeeming Bonds according to the provisions set forth in Article VIII hereof. The Issuer shall not be entitled to deposit insurance proceeds or condemnation awards into the separate fund described above in clause (i) of this paragraph (and such proceeds and awards shall be deposited directly into the Bond Redemption Fund pursuant to clause (ii) of this paragraph) unless there shall have been filed with the Issuer within a reasonable time, and in no event more than thirty (30) days, after the damage, destruction or condemnation (A) a certificate from the Consulting Engineer that the proceeds of the insurance or condemnation awards deposited into

such separate fund, together with other funds available for such purposes, will be sufficient to repair, rebuild, replace or restore such property to substantially the same condition as it was in prior to its damage, destruction or condemnation (taking into consideration any changes, alterations and modifications that the Issuer may desire), (B) an opinion from the Consulting Engineer that the Project can be repaired, rebuilt, replaced or restored within two (2) years following the damage, destruction or condemnation thereof and (C) an opinion of the Consulting Engineer that, in each of the three (3) Fiscal Years following completion of such repair, rebuilding, replacement or restoration, the Issuer will be in compliance with its obligations hereunder. If the certificate described in clause (A) of this paragraph is not rendered because such proceeds or awards are insufficient for such purposes, the Issuer may deposit any other legally available funds in such separate fund in an amount required to enable the Consulting Engineer to render its certificate. If the insurance proceeds or condemnation awards deposited in such separate fund are more than sufficient to repair the damaged property or to replace the destroyed or taken property, the balance thereof remaining shall be deposited to the credit of the Revenue Fund.

(d) The Issuer may be entitled to provide all or a portion of the insurance coverage required by subsections (a) and (b) of this Section through Qualified Self Insurance, provided that the requirements hereinafter set forth in this subsection (d) are satisfied. "Qualified Self Insurance" means insurance maintained through a program of self insurance or insurance maintained with a company or association in which the Issuer has a material interest or of which the Issuer has control, either singly or with others.

Prior to participation in any plan of Qualified Self Insurance not currently in effect, the Issuer shall deliver to the Trustee (i) a copy of the proposed plan, and (ii) from the Board, an evaluation of the proposed plan together with an opinion to the effect that (A) the proposed Qualified Self Insurance plan will provide the coverage required by subsections (a) and (b) of this Section, and (B) the proposed Qualified Self Insurance plan provides for the creation of actuarially sound reserves.

Each plan of Qualified Self Insurance shall be in written form, shall provide that upon the termination of such plan reserves will be established or insurance acquired in amounts adequate to cover any potential retained liability in respect of the period of self insurance, and shall be reviewed annually by the Board or registered actuary who shall deliver to the Issuer a report on the adequacy of the reserves established thereunder in light of claims made. If the Board or registered actuary determines that such reserves are inadequate in light of the claims made, he shall make recommendations as to the amount of reserves that should be established and maintained, and the Issuer shall comply with such recommendations unless it can establish to the satisfaction of the Trustee that such recommendations are unreasonable in light of the nature of the claims or the history of recovery against the Issuer for similar claims. A copy of each Qualified Self Insurance plan and of each annual report thereon shall be delivered to the Trustee.

(e) Copies of all recommendations and approvals made by the Consulting Engineer under the provisions of this Section shall be filed with the Board and the Trustee.

Within the first six (6) months of each Fiscal Year the Board shall file with the Trustee a complete report of the status of the insurance coverages relating to the Project, such report to include, without being limited thereto, a schedule of all insurance policies required by this Indenture which are then in effect, stating with respect to each policy the name of the insurer, the amount, number and expiration date, and the hazards and the risks covered thereby. The Trustee shall hold such report solely as a repository for the holders of the Bonds, and shall have no duty to require the filing of such report or to determine compliance by the Issuer with the requirements of this section.

Section 9.13. Collection of Insurance Proceeds. Copies of all insurance policies referred to in Section 9.12 of this Article shall be available at the offices of the Issuer at all reasonable times to the inspection of the Holders of \$1,000,000 or more in aggregate principal amount of the Bonds and their agents and representatives duly authorized in writing. The Issuer covenants that it will take such action as may be necessary to demand, collect and sue for any insurance money which may become due and payable under any policy of insurance required under this Indenture, whether such policy is payable to the Issuer or to the Trustee. The Trustee is hereby authorized in its own name to demand, collect, sue and receive any insurance money which may become due and payable under any policies payable to it.

Any appraisal or adjustment of any loss or damage under any policy of insurance required under this Indenture, whether such policy is payable to the Issuer or to the Trustee, and any settlement or payment of indemnity under any such policy which may be agreed upon by the Issuer and any insurer shall be evidenced by a certificate, signed by the Chairman of the Board, approved by the Consulting Engineer, and filed with the Trustee. The Trustee shall in no way be liable or responsible for the collection of insurance moneys in case of any loss or damage.

Section 9.14. Use of Revenues for Authorized Purposes Only. None of the Pledged Revenues shall be used for any purpose other than as provided in this Indenture and no contract or contracts shall be entered into or any action taken by the Issuer or the Trustee which will be inconsistent with the provisions of this Indenture.

Section 9.15. Books, Records, and Annual Reports. The Issuer shall keep proper books of record and account in accordance with accounting principals applicable to special districts under State law (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Project, and which, together with all other books and records of the Issuer, including, without limitation, insurance policies (as required by Section 9.13 hereof), relating to the Project, which shall at all times be subject during regular business hours to the inspection of the Trustee.

The Issuer shall annually, within 180 days after the close of each Fiscal Year, file with the Trustee, any rating agency that shall have then in effect a rating on any Outstanding Bonds, any Bondholder that shall have, in writing, requested a copy thereof, and otherwise as provided by law, a copy of an annual report for such year, prepared in accordance with accounting principles applicable to special districts under State law by a Certified Public Accountant, relating to its operations and including, without limitation, statements in reasonable detail of financial condition as of the end of such Fiscal Year and income and expenses for such Fiscal Year relating to each Project, and a summary, with respect to each Fund and Account established under this Indenture, of the receipts therein and disbursements therefrom during such Fiscal Year, and the amounts held therein at the end of such Fiscal Year.

The Issuer shall file with the Trustee annually within 180 days after the close of each Fiscal Year a certificate of a Responsible Officer setting forth (i) a description in reasonable detail of the insurance then in effect pursuant to the requirements of Section 9.12 hereof and that the Issuer has complied in all respects with such requirements, (ii) whether during such year any material part of the Project has been damaged or destroyed and, if so, the amount of insurance proceeds covering such loss or damage and specifying the Issuer's reasonable and necessary replacement costs, and (iii) whether or not to the knowledge of the signatory, the Issuer is in default with respect to any of the covenants, agreements or conditions on its part contained in this Indenture, and if so, the nature of such default.

The report, statements and other documents required to be furnished by the Issuer to the Trustee pursuant to any provisions of this Indenture shall be available for the inspection of Bondholders at the office of the Trustee.

Section 9.16. Observance of Accounting Standards. The Issuer covenants that all the accounts and records of the Issuer relating to the Project will be kept according to accounting principals applicable to special districts under State law consistently applied and consistent with the provisions of this Indenture.

Section 9.17. Employment of Certified Public Accountant. The Issuer shall employ or cause to be employed as required a Certified Public Accountant to perform accounting and auditing functions and duties required by the Act and this Indenture.

Section 9.18. Establishment of Fiscal Year, Annual Budget. The Issuer has established a Fiscal Year beginning January 1 of each year and ending December 31 of the following year. The reports and budget of the Issuer shall relate to such Fiscal Year unless and until, in accordance with applicable law, a different Fiscal Year is established by Certified Resolution of the Issuer and a copy of such Certified Resolution is filed with the Trustee.

On or before the first day of each Fiscal Year the Issuer shall adopt a final Annual Budget with respect to each Project for such Fiscal Year for the payment of anticipated operating and maintenance expenses and shall supply a copy of such budget promptly upon the approval thereof to the Trustee and to any Bondholders who shall

have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose. If for any reason the Issuer shall not have adopted the Annual Budget with respect to any Project on or before the first day of any Fiscal Year, the Annual Budget for the preceding Fiscal Year shall, until the adoption of the new Annual Budget, be deemed in force for the ensuing Fiscal Year. The Issuer may at any time adopt an amended or supplemental Annual Budget for the remainder of the current Fiscal Year, and when such amended or supplemental Annual Budget is approved it shall be treated as the official Annual Budget under this Indenture. Copies of such amended or supplemental Annual Budget shall be filed with the Trustee and mailed by the Issuer to any Bondholders who shall have so requested in writing and shall have filed their names and addresses with the Secretary of the Board for such purpose.

Section 9.19. Employment of Consulting Engineer; Consulting Engineer's Report.

(a) The Issuer shall, for the purpose of performing and carrying out the duties imposed on the Consulting Engineer by this Indenture, employ one or more Independent engineers or engineering firms or corporations having a statewide and favorable repute for skill and experience in such work.

(b) While any Bonds are Outstanding, the Issuer shall cause the Consulting Engineer to make an inspection of the portions of the Project owned, financed or refinanced by the Issuer (as to which Outstanding Bonds relates) at least once in each Fiscal Year and, on or before the first day of December in each Fiscal Year, to submit to the Board a report setting forth (i) its findings as to whether such portions of the Project owned by the Issuer have been maintained in good repair, working order and condition, and (ii) its recommendations as to:

(A) the proper maintenance, repair and operation of the Project owned by the Issuer during the ensuing Fiscal Year and an estimate of the amount of money necessary for such purposes; and

(B) the insurance to be carried under the provisions of Section 9.12 hereof and the amount that should be set aside monthly for the purpose of paying insurance premiums which fall due less often than monthly.

Promptly after the receipt of such reports by the Issuer, copies thereof shall be filed with the Trustee and mailed by the Issuer to all Bondholders, if any, who shall have filed their names and addresses with the Secretary of the Board for such purpose.

Section 9.20. Audit Reports. The Issuer covenants that, no later than 180 days after the end of each Fiscal Year, it will cause an audit to be made by a Certified Public Accountant covering all receipts and moneys then on deposit with or in the name of the Trustee or the Issuer and any security held therefor and any investments thereof. Copies of such audit reports shall be filed with the Trustee and the Secretary of the Board, and mailed by said Secretary to the Consulting Engineer and to all Bondholders who shall have filed their names and addresses with him for such purpose. If the material required to be in such audit also appears in the annual report of the Issuer provided for in Section 9.15 hereof in a manner that can be readily identified, then the filing of a copy of such annual audit shall satisfy the requirement of this Section.

Section 9.21. Information to Be Filed with Trustee. The Issuer shall cause to be kept on file with the Trustee at all times copies of the schedules of Special Assessments levied on all District Lands in respect of the Project. The Issuer shall keep accurate records and books of account with respect to the Project, and shall have a complete audit of such records and accounts made annually by a Certified Public Accountant, as provided in Section 9.20 hereof. A signed copy of said audit shall be furnished to the Trustee as soon as practicable after such audit shall become available.

Section 9.22. Covenant Against Sale or Encumbrance; Exceptions. Subject to Section 9.26 hereof, the Issuer covenants that, (a) except for those improvements comprising the Project that are to be conveyed by the Issuer to the County, the City, another governmental entity or otherwise dedicated as provided in the Act, and (b) except as otherwise permitted in this Section, it will not sell, lease or otherwise dispose of or encumber the Project, or any part thereof. The Issuer may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments or other movable property acquired by it from the proceeds of the Bonds or from Pledged Revenues if the Board shall

determine, with the approval of the Consulting Engineer, that such items are no longer needed or are no longer useful in connection with the construction, maintenance and operation of the applicable Project, and the proceeds thereof shall be applied to the replacement of the properties so sold or disposed of or, at the written direction of the Issuer shall be deposited to the credit of the Revenue Fund.

Upon any sale of property relating to the Project, the aggregate of which in any thirty (30) day period exceeds Fifty Thousand Dollars (\$50,000) under the provisions of this Section, the Issuer shall provide written notice to the Trustee of the property so sold and the amount and disposition of the proceeds thereof.

The Issuer may lease or grant easements, franchises or concessions for the use of any part of the Project not incompatible with the maintenance and operation thereof, if the Consulting Engineer shall approve such lease, easement, franchise or concession in writing, and the net proceeds of any such lease, easement, franchise or concession (after the making of provision for payment from said proceeds of all costs incurred in financing, constructing, operating, maintaining or repairing such leases, easements, franchises or concessions) shall be deposited as received to the credit of the Revenue Fund.

Section 9.23. Fidelity Bonds. Every officer, agent or employee of the Issuer having custody or control of any of the Pledged Revenues shall be bonded by a responsible corporate surety in an amount not less than the greatest amount reasonably anticipated to be within the custody or control of such officer, agent or employee at one time. The premiums on such surety bonds shall be paid by the Issuer as an expense of operation and maintenance of the Project.

Section 9.24. No Loss of Lien on Pledged Revenues. The Issuer shall not do or omit to do, or suffer to be done or omit to be done, any matter or thing whatsoever whereby the lien of the Bonds on the Pledged Revenues or any part thereof, or the priority thereof, would be lost or impaired; provided, however, that this Section shall not prohibit the Trustee from transferring moneys to the Rebate Fund held by the Trustee under any arbitrage rebate agreement.

Section 9.25. Compliance With Other Contracts and Agreements. The Issuer shall comply with and abide by all of the terms and conditions of any and all contracts and agreements which the Issuer enters into in connection with any Project and the issuance of the Bonds.

Section 9.26. Issuance of Additional Obligations. The Issuer shall not issue any obligations other than the Bonds payable from Pledged Revenues, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge, payable from Pledged Revenues, except in the ordinary course of business.

Section 9.27. Extension of Time for Payment of Interest Prohibited. The Issuer shall not directly or indirectly extend or assent to an extension of time for payment of any claim for interest on any of the Bonds and shall not directly or indirectly be a party to or approve any arrangement therefor by purchasing or funding or in any manner keeping alive any such claim for interest; no claim for interest which in any way, at or after maturity, shall have been transferred or pledged apart from the Bonds to which it relates or which shall in any manner have been kept alive after maturity by extension or by purchase thereof by or on behalf of the Issuer, shall be entitled, in case of a default hereunder, to any benefit or security under this Indenture except after the prior payment in full of the principal of all Bonds and claims for interest appertaining thereto not so transferred, pledged, kept alive or extended.

Section 9.28. Further Assurances. The Issuer shall not enter into any contract or take any action by which the rights of the Trustee or the Bondholders may be impaired and shall, from time to time, execute and deliver such further instruments and take such further action as may be required to carry out the purposes of this Indenture.

Section 9.29. Use of Bond Proceeds to Comply with Internal Revenue Code. The Issuer covenants to the Holders of the Bonds that it will not make or direct the making of any investment or other use of the proceeds of any Bonds issued hereunder which would cause such Bonds to be "arbitrage bonds" as that term is defined in Section 148 (or any successor provision thereto) of the Code and or "private activity bonds" as that term is defined in Section 141 (or any successor provision thereto) of the Code, and that it will comply with the requirements of such Code section and related regulations throughout the term of such Bonds. The Issuer hereby further covenants

and agrees to comply with the procedures and covenants contained in any arbitrage rebate agreement executed in connection with the issuance of each Series of Bonds for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds.

Section 9.30. Corporate Existence and Maintenance of Properties. For so long as any Bonds are Outstanding hereunder, unless otherwise provided by the Act, the Issuer shall maintain its corporate existence as a local unit of special purpose government under the Act and shall provide for or otherwise require the Project, and all parts thereof owned by the Issuer to be (a) continuously operated, repaired, improved and maintained as shall be necessary to provide adequate service to the lands benefited thereby; and (b) in compliance with all valid and applicable laws, acts, rules, regulations, permits, orders, requirements and directions of any competent public authority.

Section 9.31. Continuing Disclosure. The Issuer hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Issuer or the Developer (if obligated pursuant to the Continuing Disclosure Agreement) to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount in Outstanding Bonds and receipt of indemnity to its satisfaction, shall) or any Holder of the Bonds or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Issuer to comply with its obligations under this Section 9.31. For purposes of this Section, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

Section 9.32. Sale of Taxes and Sale of Land for Taxes; Foreclosure of Special Assessment Liens. If the Special Assessments levied and collected under the method described in Section 9.04 are delinquent, then the applicable procedures for sale of the taxes and the sale of land for taxes due to nonpayment shall be followed in accordance with the Act, and related statutes. Alternatively, if the aforesaid method of levy and collection is not utilized, and if any property shall be offered for sale for the nonpayment of any Special Assessment, and no person or persons shall purchase the same for an amount at least equal to the full amount due on the Special Assessment (including principal, interest, penalties and costs, plus attorneys' fees, if any), the property may then be purchased by the Issuer for an amount equal to the balance due on the Special Assessment (including principal, interest, penalties and costs, plus attorneys' fees, if any), and the Issuer shall thereupon receive in its corporate name the title to the property for the benefit of the Registered Owners. The Issuer, either through its own actions or actions caused to be done through the Trustee, shall have the power and shall use its best efforts to lease or sell such property and deposit all of the net proceeds of any such lease or sale the Revenue Fund. Not less than ten (10) days prior to the filing of any foreclosure action or any sale of tax deed as herein provided, the Issuer shall cause written notice thereof to be mailed to the Registered Owners of the Bonds. Not less than thirty (30) days prior to the proposed sale of any lot or tract of land acquired by foreclosure by the Issuer, the Issuer shall give written notice thereof to the Registered Owners. The Issuer, either through its own actions or actions caused to be done through the Trustee, agrees that it shall be required to take the measure provided by law for sale of property acquired by it as trustee for the Registered Owners within thirty (30) days after receipt of the request therefor signed by the Registered Owners of at least twenty-five percent (25%) of the aggregate principal amount of all Outstanding Bonds.

Section 9.33. Removal of Special Assessment Liens. The following procedures shall apply in connection with the removal of Special Assessment liens.

(a) At any time from the date of levy of Special Assessments on a parcel of District Lands through the date that is thirty (30) days after the Project has been completed and the Board has adopted a resolution accepting the Project, any owner of property subject to the Special Assessments may, at its option, require the Issuer to release and extinguish the lien upon its property by virtue of the levy of the Special Assessments that relate to the Bonds by paying to the Issuer the entire amount of such Special Assessment on such property, without interest.

(b) At any time subsequent to thirty (30) days after the Project has been completed and the Board has adopted a resolution accepting such Project, any owner of property subject to the Special Assessments may, at its

option, require the Issuer to release and extinguish the lien upon its property by virtue of the levy of the Special Assessments by paying to the Issuer on February 1 of any year the entire amount of the Special Assessment, plus accrued interest to the next succeeding Interest Payment Date (or the second succeeding Interest Payment Date if such Prepayment is made within forty (40) calendar days before an Interest Payment Date), attributable to the property subject to Special Assessment owned by such owner.

(c) Upon receipt of a prepayment as described in (a) or (b) above, the Issuer shall immediately pay the amount so received to the Trustee, and the Issuer shall take such action as is necessary to record in the official records of the County an affidavit or affidavits, as the case may be, executed by an authorized officer of the Issuer, to the effect that the Special Assessment has been paid and that such Special Assessment lien is thereby released and extinguished. Upon receipt of any such moneys from the Issuer the Trustee shall immediately deposit the same into the Bond Redemption Fund to be applied to the redemption of Bonds in accordance with Section 8.01(b)(i) hereof.

ARTICLE X.

EVENTS OF DEFAULT AND REMEDIES

Section 10.01. Events of Default and Remedies. Events of default and remedies with respect to the Bonds shall be as set forth in this Indenture.

Section 10.02. Events of Default Defined. Each of the following shall be an "Event of Default" under this Indenture, with respect to the Bonds:

(a) if payment of any installment of interest on any Bond is not made when it becomes due and payable; or

(b) if payment of the principal or Redemption Price of any Bond is not made when it becomes due and payable at maturity or upon call or presentation for redemption prior to maturity; or

(c) if the Issuer, for any reason, is rendered incapable of fulfilling its obligations under this Indenture or under the Act; or

(d) if the Issuer proposes or makes an assignment for the benefit of creditors or enters into a composition agreement with all or a material part of its creditors, or a trustee, receiver, executor, conservator, liquidator, sequestrator or other judicial representative, similar or dissimilar, is appointed for the Issuer or any of its assets or revenues, or there is commenced any proceeding in liquidation, bankruptcy, reorganization, arrangement of debts, debtor rehabilitation, creditor adjustment or insolvency, local, state or federal, by or against the Issuer and if such is not vacated, dismissed or stayed on appeal within ninety (90) days; or

(e) if the Issuer defaults in the due and punctual performance of any other covenant in this Indenture or in any Bond issued pursuant to this Indenture and such default continues for sixty (60) days after written notice requiring the same to be remedied shall have been given to the Issuer by the Trustee, which may give such notice in its discretion and shall give such notice at the written request of the Holders of not less than a majority in aggregate principal amount of the Outstanding Bonds; provided, however, that if such 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, as the case may be, within such sixty (60) day period, no Event of Default shall be deemed to have occurred or exist if, and so long as the Issuer shall commence such performance within such sixty (60) day period and shall diligently and continuously prosecute the same to completion.

Section 10.03. No Acceleration. No Bonds issued under this Indenture shall be subject to acceleration.

Section 10.04. Legal Proceeding by Trustee. If any Event of Default with respect to the Bonds has occurred and is continuing, the Trustee, in its discretion may, and upon the written request of the Holders of not less than a majority of the aggregate principal amount of the Outstanding Bonds and receipt of indemnity to its satisfaction shall, in its own name:

- (a) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Holders of the Bonds, including, without limitation, the right to require the Issuer to carry out any agreements with, or for the benefit of, the Bondholders of the Bonds and to perform its or their duties under the Act;
- (b) bring suit upon the Bonds;
- (c) by action or suit in equity require the Issuer to account as if it were the trustee of an express trust for the Holders of the Bonds;
- (d) by action or suit in equity enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; and
- (e) by other proceeding in law or equity, exercise all rights and remedies provided for by any other document or instrument securing such Bonds.

Section 10.05. Discontinuance of Proceedings by Trustee. If any proceeding taken by the Trustee on account of any Event of Default is discontinued or is determined adversely to the Trustee, the Issuer, the Trustee, the Paying Agent and the Bondholders shall be restored to their former positions and rights hereunder as though no such proceeding had been taken.

Section 10.06. Bondholders May Direct Proceedings. The Holders of a majority in aggregate principal amount of the Outstanding Bonds then subject to remedial proceedings under this Article X shall have the right to direct the method and place of conducting all remedial proceedings by the Trustee under this Indenture, provided that such directions shall not be otherwise than in accordance with law or the provisions of this Indenture.

Section 10.07. Limitations on Actions by Bondholders. No Bondholder shall have any right to pursue any remedy hereunder unless (a) the Trustee shall have been given written notice of an Event of Default, (b) the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds shall have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names, (c) the Trustee shall have been offered indemnity satisfactory to it against costs, expenses and liabilities, and (d) the Trustee shall have failed to comply with such request within a reasonable time.

Section 10.08. Trustee May Enforce Rights Without Possession of Bonds. All rights under this Indenture and the Bonds may be enforced by the Trustee without the possession of any of the Bonds of such Series or the production thereof at the trial or other proceedings relative thereto, and any proceeding instituted by the Trustee shall be brought in its name for the ratable benefit of the Holders of the Bonds.

Section 10.09. Remedies Not Exclusive. Except as limited under Section 15.01 of this Indenture, no remedy contained in this Indenture is intended to be exclusive of any other remedy or remedies, and each remedy is in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 10.10. Delays and Omissions Not to Impair Rights. No delay or omission in respect of exercising any right or power accruing upon any Event of Default shall impair such right or power or be a waiver of such Event of Default, and every remedy given by this Article X may be exercised from time to time and as often as may be deemed expedient.

Section 10.11. Application of Moneys in Event of Default. Any moneys received by the Trustee or the Paying Agent, as the case may be, in connection with any proceedings brought under this Article X with respect to the Bonds shall be applied:

- (a) to the payment of the costs of the Trustee and Paying Agent incurred in connection with actions taken under this Article X with respect to the Bonds, including counsel fees and any disbursements of the Trustee and the Paying Agent and payment of unpaid fees owed to the Trustee.

(b) unless the principal of all the Bonds shall have become or shall have been declared due and payable:

FIRST: to payment of all installments of interest then due on the Bonds in the order of maturity of such installments of interest, 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 preference or priority of one installment of interest over any other installment; and

SECOND: to payment to the persons entitled thereto of the unpaid principal or Redemption Price of any of the Bonds which shall have become due in the order of their due dates, with interest on such Bonds from the respective dates upon which they become due and, if the amount available shall not be sufficient to pay in full the principal or Redemption Price coming due on the Bonds on any particular date, together with such interest, then to the payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any preference or priority of one such Bond over another or of any installment of interest over another.

(c) If the principal of all Bonds shall have become or shall have been declared due and payable, to the payment of principal or Redemption Price (as the case may be) and interest then owing on the Bonds and in case such moneys shall be insufficient to pay the same in full, then to the payment of principal or Redemption Price and interest ratably, without preference or priority of one Bond over another or of any installment of interest over any other installment of interest.

Any surplus remaining after the payments described above shall be paid to the Issuer or to the Person lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Section 10.12. Trustee's Right to Receiver; Compliance with Act. The Trustee shall be entitled as of right to the appointment of a receiver and the Trustee, the Bondholders and any receiver so appointed shall have such rights and powers and be subject to such limitations and restrictions as are contained in the Act and other applicable law of the State.

Section 10.13. Trustee and Bondholders Entitled to all Remedies under Act. It is the purpose of this Article to provide such remedies to the Trustee and Bondholders as may be lawfully granted under the provisions of the Act and other applicable laws of the State; if any remedy herein granted shall be held unlawful, the Trustee and the Bondholders shall nevertheless be entitled to every other remedy provided by the Act and other applicable laws of the State. It is further intended that, insofar as lawfully possible, the provisions of this Article X shall apply to and be binding upon any receiver appointed in accordance with Section 10.12 hereof.

ARTICLE XI.

THE TRUSTEE; THE PAYING AGENT AND REGISTRAR

Section 11.01. Acceptance of Trust. The Trustee accepts and agrees to execute the trusts hereby created, but only upon the additional terms set forth in this Article XI, to all of which the parties hereto and the Bondholders agree. The Trustee shall act as Trustee for the Bonds. Subject to the provisions of Section 11.03 hereof, the Trustee shall have only such duties as are expressly set forth herein, and no duties shall be implied on the part of the Trustee. The Trustee further agrees to comply with the procedures and covenants contained in any arbitrage rebate agreement to which it is a party for so long as compliance is necessary in order to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds, to the extent applicable. The Trustee shall not be required to give any bond or surety in respect of the execution of the trusts and powers hereunder.

Section 11.02. No Responsibility for Recitals. The recitals, statements and representations in this Indenture or in the Bonds, save only the Trustee's Certificate, if any, upon the Bonds, have been made by the Issuer and not by the Trustee and the Trustee shall be under no responsibility for the correctness thereof.

Section 11.03. Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence. The Trustee may execute any powers hereunder and perform any duties required of it through attorneys, agents, officers or employees, and shall be entitled to advice of Counsel concerning all questions hereunder; the Trustee shall not be answerable for the default or misconduct of any attorney or agent selected and supervised by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture nor for anything whatever in connection with the trust hereunder, except only its own negligence or willful misconduct or breach of its obligations hereunder.

Section 11.04. Compensation and Indemnity. The Issuer shall pay the Trustee reasonable compensation for its services hereunder, and also all its reasonable expenses and disbursements, and shall indemnify and hold the Trustee harmless against any liabilities which it may incur in the proper exercise and performance of its powers and duties hereunder, except with respect to its own willful misconduct, negligence or breach of its obligations hereunder. If the Issuer defaults in respect of the foregoing obligations, the Trustee may deduct the amount owing to it from any moneys coming into its hands and payable to the Issuer but exclusive of the Rebate Fund, which right of payment shall be prior to the right of the holders of the Bonds. This provision shall survive the termination of this Indenture and, as to any Trustee, its removal or resignation as Trustee. The Trustee shall not be required to risk or expand its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder and in the exercise of any of its rights and powers.

Section 11.05. No Duty to Renew Insurance. The Trustee shall be under no duty to effect or to renew any insurance policy nor shall it incur any liability for the failure of the Issuer to require or effect or renew insurance or to report or file claims of loss thereunder.

Section 11.06. Notice of Default Right to Investigate. The Trustee shall give written notice by first-class mail to registered Holders of the Bonds of all defaults known to the Trustee, unless such defaults have been remedied (the term "defaults" for purposes of this Section and Section 11.07 being defined to include the events specified as "Events of Default" in Article X hereof, but not including any notice or periods of grace provided for therein); provided that, except in the case of a default in payment of principal or interest or Redemption Price, the Trustee may withhold such notice so long as it in good faith determines that such withholding is in the interest of the Bondholders. The Trustee shall not be deemed to have notice of any default other than a payment default under this Indenture unless notified in writing of such default by the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds. The Trustee may, however, at any time require of the Issuer full information as to the performance of any covenant hereunder, and if information satisfactory to it is not forthcoming, the Trustee may make or cause to be made, at the expense of the Issuer, an investigation into the affairs of the Issuer.

Section 11.07. Obligation to Act on Defaults. The Trustee shall be under no obligation to take any action in respect of any default or otherwise, unless it is requested in writing to do so by the Holders of at least a majority of the aggregate principal amount of the Outstanding Bonds which are or would be, upon the taking of such action, subject to remedial proceedings under Article X of this Indenture if in its opinion such action may tend to involve expense or liability, and unless it is also furnished with indemnity satisfactory to it.

Section 11.08. Reliance by Trustee. The Trustee may act on any requisition, resolution, notice, telegram, facsimile transmission, electronic transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document which it in good faith believes to be genuine and to have been passed, signed or given by the persons purporting to be authorized (which in the case of the Issuer shall be a Responsible Officer) or to have been prepared and furnished pursuant to any of the provisions of this Indenture; the Trustee shall be under no duty to make any investigation as to any statement contained in any such instrument, but may accept the same as conclusive evidence of the accuracy of such statement.

Section 11.09. Trustee May Deal in Bonds. The Trustee may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Bondholders may be entitled to take with like effect as if the Trustee were not a party to this Indenture. The Trustee may also engage in or be interested in any financial or other transaction with the Issuer; provided, however, that if the Trustee determines that any such relation is in conflict with its duties under this Indenture, it shall eliminate the conflict or resign as Trustee.

Section 11.10. Construction of Ambiguous Provisions. The Trustee may construe any ambiguous or inconsistent provisions of this Indenture, and except as otherwise provided in Article XIII of this Indenture, any construction by the Trustee shall be binding upon the Bondholders. The Trustee shall give prompt notice to the Issuer of any intention to make such construction.

Section 11.11. Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by written resignation filed with the Secretary of the Issuer not less than sixty (60) days before the date when such resignation is to take effect; provided, however, that (i) if any Outstanding Bonds are not registered Bonds, notice of such resignation is published at least once a week for three (3) consecutive calendar weeks in at least one Authorized Newspaper and at least once in The Bond Buyer, or its successor, if any, the first publication to appear not less than three (3) weeks prior to the date when the resignation is to take effect; and that (ii) if any Outstanding Bonds are registered Bonds, notice of such resignation shall be sent by first-class mail to each Bondholder as its name and address appears on the Bond Register and to any Paying Agent, Registrar and Authenticating Agent at least sixty (60) days before the resignation is to take effect. Such resignation shall take effect on the day specified in the Trustee's notice of resignation unless a successor Trustee is previously appointed, in which event the resignation shall take effect immediately on the appointment of such successor; provided, however, that notwithstanding the foregoing, such resignation shall not take effect until a successor Trustee has been appointed. If a successor Trustee has not been appointed within ninety (90) days after the Trustee has given its notice of resignation, the Trustee may petition any court of competent jurisdiction for the appointment of a temporary successor Trustee to serve as Trustee until a successor Trustee has been duly appointed. Notice of such resignation shall also be given to any rating agency that shall then have in effect a rating on any of the Bonds.

Section 11.12. Removal of Trustee. The Trustee may be removed at any time by either (a) the Issuer, if no default exists under this Indenture, or (b) an instrument or concurrent instruments in writing, executed by the Owners of at least a majority of the aggregate principal amount of the Bonds then Outstanding and filed with the Issuer. A photographic copy of any instrument or instruments filed with the Issuer under the provisions of this paragraph, duly certified by a Responsible Officer, shall be delivered promptly by the Issuer to the Trustee and to any Paying Agent, Registrar and Authenticating Agent.

The Trustee may also be removed at any time for any breach of trust or for acting or proceeding in violation of, or for failing to act or proceed in accordance with, any provision of this Indenture with respect to the duties and obligations of the Trustee by any court of competent jurisdiction upon the application of the Issuer or the Holders of not less than a majority of the aggregate principal amount of the Bonds then Outstanding.

Section 11.13. Appointment of Successor Trustee. If the Trustee or any successor Trustee resigns or is removed or dissolved, or if its property or business is taken under the control of any state or federal court or administrative body, a vacancy shall forthwith exist in the office of the Trustee, and the Issuer shall appoint a successor and (i) if any Outstanding Bonds are not registered bonds, shall publish notice of such appointment in an Authorized Newspaper and in The Bond Buyer, or its successor, if any, and (ii) if any Outstanding Bonds are registered Bonds, shall mail notice of such appointment by first-class mail to each Bondholder as its name and address appear on the Bond Register, and to the Paying Agent, Registrar, Authenticating Agent, and any rating agency that shall then have in effect a rating on any of the Bonds. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation or removal as the date when such resignation or removal was to take effect, the Holders of a majority in aggregate principal amount of all Bonds then Outstanding may appoint a successor Trustee.

Section 11.14. Qualification of Successor. A successor Trustee shall be a national bank with trust powers or a bank or trust company with trust powers, having a combined net capital and surplus of at least \$75,000,000.

Section 11.15. Instruments of Succession. Any successor Trustee shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder and thereupon, such successor Trustee, without any further act, deed, or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named Trustee herein. The Trustee ceasing to act hereunder, after deducting all amounts owed to the Trustee, shall pay over to the successor Trustee all moneys held by it hereunder and, upon request of the successor Trustee, the Trustee

ceasing to act and the Issuer shall execute and deliver an instrument or instruments prepared by the Issuer transferring to the successor Trustee all the estates, properties, rights, powers and trusts hereunder of the predecessor Trustee, except for its rights under Section 11.04 hereof.

Section 11.16. Merger of Trustee. Any corporation into which any Trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Trustee hereunder shall be a party, shall be the successor Trustee under this Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding; provided, however, that any such successor corporation continuing to act as Trustee hereunder shall meet the requirements of Section 11.14 hereof, and if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article XI.

Section 11.17. Extension of Rights and Duties of Trustee to Paying Agent and Registrar. The provisions of Sections 11.02, 11.03, 11.04, 11.08, 11.09 and 11.10 hereof are hereby made applicable to the Paying Agent and the Registrar, as appropriate, and any Person serving as Paying Agent and/or Registrar, hereby enters into and agrees to comply with the covenants and agreements of this Indenture applicable to the Paying Agent and Registrar, respectively.

Section 11.18. Resignation of Paying Agent or Registrar. The Paying Agent or Registrar may resign and be discharged of the duties created by this Indenture by executing an instrument in writing resigning such duties and specifying the date when such resignation shall take effect, and filing the same with the Issuer, the Trustee, and any rating agency that shall then have in effect a rating on any of the Bonds, not less than forty-five (45) days before the date specified in such instrument when such resignation shall take effect, and by giving written notice of such resignation not less than three (3) weeks prior to such resignation date to the Bondholders, mailed to their addresses as such appear in the Bond Register. Such resignation shall take effect on the date specified in such instrument and notice, but only if a successor Paying Agent or Registrar shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such successor Paying Agent or Registrar. If the successor Paying Agent or Registrar shall not have been appointed within a period of ninety (90) days following the giving of notice, then the Paying Agent or Registrar shall be authorized to petition any court of competent jurisdiction to appoint a successor Paying Agent or Registrar as provided in Section 11.22 hereof.

Section 11.19. Removal of Paying Agent or Registrar. The Paying Agent or Registrar may be removed at any time prior to any Event of Default by the Issuer by filing with the Paying Agent or Registrar to be removed, and with the Trustee, an instrument or instruments in writing executed by the Issuer appointing a successor, or an instrument or instruments in writing designating, and accompanied by an instrument or appointment by the Issuer of, such successor. Such removal shall be effective thirty (30) days (or such longer period as may be set forth in such instrument) after delivery of the instrument; provided, however, that no such removal shall be effective until the successor Paying Agent or Registrar appointed hereunder shall execute, acknowledge and deliver to the Issuer an instrument accepting such appointment hereunder.

Section 11.20. Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of the Paying Agent or Registrar, as the case may be, and a successor shall be appointed by the Issuer; and in case at any time the Paying Agent or Registrar shall resign, then a successor shall be appointed by the Issuer. After any such appointment, notice of such appointment shall be given by the Issuer to the predecessor Paying Agent or Registrar, the successor Paying Agent or Registrar, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Bondholders. Any new Paying Agent or Registrar so appointed shall immediately, and without further act, supersede the predecessor Paying Agent or Registrar.

Section 11.21. Qualifications of Successor Paying Agent or Registrar. Every successor Paying Agent or Registrar (a) shall be a commercial bank or trust company (i) duly organized under the laws of the United States or any state or territory thereof, (ii) authorized by law to perform all the duties imposed upon it by this Indenture and (iii) capable of meeting its obligations hereunder, and (b) shall have a combined net capital and surplus of at least \$75,000,000.

Section 11.22. Judicial Appointment of Successor Paying Agent or Registrar. In case at any time the Paying Agent or Registrar shall resign and no appointment of a successor Paying Agent or Registrar shall be made pursuant to the foregoing provisions of this Indenture prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the retiring Paying Agent or Registrar may forthwith apply to a court of competent jurisdiction for the appointment of a successor Paying Agent or Registrar. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Paying Agent or Registrar. Notice of such appointment shall be given by the Successor Registrar or Paying Agent to the Issuer, the Trustee, any rating agency that shall then have in effect a rating on any of the Bonds, and all Bondholders. In the absence of such an appointment, the Trustee shall become the Registrar or Paying Agent, or and shall so notify the Issuer, any rating agency that shall have issued a rating on the Bonds, and all Bondholders.

Section 11.23. Acceptance of Duties by Successor Paying Agent or Registrar. Any successor Paying Agent or Registrar shall become duly vested with all the estates, property, rights, powers, duties and obligations of its predecessor hereunder, with like effect as if originally named Paying Agent or Registrar herein. Upon request of such Paying Agent or Registrar, such predecessor Paying Agent or Registrar and the Issuer shall execute and deliver an instrument transferring to such successor Paying Agent or Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Registrar and such predecessor Paying Agent or Registrar shall pay over and deliver to the successor Paying Agent or Registrar all moneys and other assets at the time held by it hereunder.

Section 11.24. Successor by Merger or Consolidation. Any corporation into which any Paying Agent or Registrar hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which any Paying Agent or Registrar hereunder shall be a party, shall be the successor Paying Agent or Registrar under this Indenture without the execution or filing of any paper or any further act on the part of the parties thereto, anything in this Indenture to the contrary notwithstanding.

Section 11.25. Acts of Bondholders; Evidence of Ownership of Bonds. Any action to be taken by Bondholders may be evidenced by one or more concurrent written instruments of similar tenor signed or executed by such Bondholders in person or by an agent appointed in writing. The fact and date of the execution by any person of any such instrument may be provided by acknowledgment before a notary public or other officer empowered to take acknowledgments or by an affidavit of a witness to such execution. Any action by the Owner of any Bond shall bind all future Owners of the same Bond in respect of anything done or suffered by the Issuer, Trustee, Paying Agent or Registrar in pursuance thereof.

ARTICLE XII.

AMENDMENTS AND SUPPLEMENTS

Section 12.01. Amendments and Supplements Without Bondholders' Consent. This Indenture may be amended or supplemented, from time to time, without the consent of the Bondholders, by a Supplemental Indenture authorized by a Certified Resolution of the Issuer filed with the Trustee, for one or more of the following purposes:

- (a) to add additional covenants of the Issuer or to surrender any right or power herein conferred upon the Issuer;
- (b) for any purpose not inconsistent with the terms of this Indenture, or to cure any ambiguity or to cure, correct or supplement any defective provision (whether because of any inconsistency with any other provision hereof or otherwise) of this Indenture, in such manner as shall not impair the security hereof or thereof or adversely affect the rights and remedies of the Bondholders;
- (c) to provide for the execution of any and all contracts and other documents as may be required in order to effectuate the conveyance of the Project to the State, the County, the City, or any department, agency or branch thereof, or any other unit of government of the State, the County, or the City; provided, however, that the Issuer shall have caused to be delivered to the Trustee an opinion of Bond Counsel stating that such conveyance shall not impair the security hereof or adversely affect the rights and remedies of the Bondholders; and

(d) to make such changes as may be necessary in order to reflect amendments to the Act, so long as, in the opinion of counsel to the Issuer, such changes either: (i) do not have an adverse effect on the Holders of the Bonds; or (ii) if such changes do have an adverse effect, that they nevertheless are required to be made as a result of such amendments.

Section 12.02. Amendments With Bondholders' Consent. Subject to the provisions of Section 13.03 hereof, this Indenture may be amended from time to time by a Supplemental Indenture approved by the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding in the case of this Indenture; provided that with respect to (a) the interest payable upon any Bonds, (b) the dates of maturity or redemption provisions of any Bonds, (c) this Article XII and (d) the security provisions hereunder, which may only be amended by approval of the Owners of all Bonds to be affected by such amendment.

Section 12.03. Trustee Authorized to Join in Amendments and Supplements; Reliance on Counsel. The Trustee is authorized to join in the execution and delivery of any supplemental indenture or amendment permitted by this Article XIII and in so doing may rely on a written opinion of Counsel that such supplemental indenture or amendment is so permitted and has been duly authorized by the Issuer and that all things necessary to make it a valid and binding agreement have been done.

ARTICLE XIII.

DEFEASANCE

Section 13.01. Defeasance. When interest on, and principal or Redemption Price (as the case may be) of, the Bonds or any portion thereof to be defeased have been paid, or there shall have been deposited with the Trustee or such other escrow agent designated in a Certified Resolution of the Issuer (the "Escrow Agent") moneys sufficient, or Defeasance Securities, the principal of and interest on which, when due, together with any moneys, remaining uninvested, will provide sufficient moneys to fully pay (i) such Bonds or portion thereof to be defeased, and (ii) any other sums payable hereunder by the Issuer, the right, title and interest of the Trustee with respect to such Bonds or portion thereof to be defeased shall thereupon cease, the lien of this Indenture on the Pledged Revenues, and the Funds and Accounts established under this Indenture shall be defeased and discharged, and the Trustee, on demand of the Issuer, shall release this Indenture as to such Bonds or portion thereof to be so defeased and shall execute such documents to evidence such release as may be reasonably required by the Issuer and shall turn over to the Issuer or to such Person, body or authority as may be entitled to receive the same all balances remaining in any Funds and Accounts upon the defeasance in whole of all of the Bonds.

Section 13.02. Deposit of Funds for Payment of Bonds. If the Issuer deposits with the Escrow Agent moneys sufficient, or Defeasance Securities, the principal of and interest on which, when due, together with any moneys remaining uninvested, will provide sufficient moneys to pay the principal or Redemption Price of any Bonds becoming due, either at maturity or by redemption or otherwise, together with all interest accruing thereon to the date of maturity or such prior redemption, and reimburses or causes to be reimbursed or pays or causes to be paid the other amounts required to be reimbursed or paid under Section 13.01 hereof, interest on such Bonds shall cease to accrue on such date of maturity or prior redemption and all liability of the Issuer with respect to such Bonds shall likewise cease, except as hereinafter provided; provided, however, that (a) if any Bonds are to be redeemed prior to the maturity thereof, notice of the redemption thereof shall have been duly given in accordance with the provisions of Section 8.02 hereof, or irrevocable provision satisfactory to the Trustee shall have been duly made for the giving of such notice, and (b) in the event that any Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days following a deposit of moneys with the Escrow Agent, in accordance with this Section, the Issuer shall have given the Escrow Agent, in form satisfactory to the Escrow Agent, irrevocable instructions to mail to the Owners of such Bonds at their addresses as they appear on the Bond Register, a notice stating that a deposit in accordance with this Section has been made with the Escrow Agent and that the Bonds to which such notice relates are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price (as the case may be) of, and interest on, said Bonds. Thereafter such Bonds shall be deemed not to be Outstanding hereunder and the Owners of such Bonds shall be restricted exclusively to the funds so deposited for any claim of whatsoever nature with respect to such Bonds, and the Escrow Agent shall hold such funds in trust for such Owners.

Money so deposited with the Escrow Agent which remains unclaimed three (3) years after the date payment thereof becomes due shall, upon request of the Issuer, if the Issuer is not at the time to the knowledge of the Escrow Agent in default with respect to any covenant in this Indenture or the Bonds contained, be paid to the Issuer; and the Owners of the Bonds for which the deposit was made shall thereafter be limited to a claim against the Issuer; provided, however, that the Escrow Agent, before making payment to the Issuer, may, at the expense of the Issuer, cause a notice to be published in an Authorized Newspaper, stating that the money remaining unclaimed will be returned to the Issuer after a specified date.

ARTICLE XIV.

MISCELLANEOUS PROVISIONS

Section 14.01. Limitations on Recourse. No personal recourse shall be had for any claim based on this Indenture or the Bonds against any member of the Board of the Issuer, officer, employee or agent, past, present or future, of the Issuer or of any successor body as such, either directly or through the Issuer or any such successor body, under any constitutional provision, statute or rule of law or by the enforcement of any assessment or penalty or otherwise.

The Bonds are payable solely from the Pledged Revenues, and any other moneys held by the Trustee under this Indenture for such purpose. There shall be no other recourse under the Bonds, this Indenture or otherwise, against the Issuer or any other property now or hereafter owned by it.

Section 14.02. Payment Dates. In any case where an Interest Payment Date or the maturity date of the Bonds or the date fixed for the redemption of any Bonds shall be other than a Business Day, then payment of interest, principal or Redemption Price need not be made on such date but may be made on the next succeeding Business Day, with the same force and effect as if made on the due date, and no interest on such payment shall accrue for the period after such due date if payment is made on such next succeeding Business Day.

Section 14.03. No Rights Conferred on Others. Nothing herein contained shall confer any right upon any Person other than the parties hereto and the Holders of the Bonds.

Section 14.04. Illegal Provisions Disregarded. If any term of this Indenture or the Bonds or the application thereof for any reason or circumstances shall to any extent be held invalid or unenforceable, the remaining provisions or the application of such terms or provisions to Persons and situations other than those as to which it is held invalid or unenforceable, shall not be affected thereby, and each remaining term and provision hereof and thereof shall be valid and enforced to the fullest extent permitted by law.

Section 14.05. Substitute Notice. If for any reason it shall be impossible to make duplication of any notice required hereby in a newspaper or newspapers, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice.

(a) **Notices.** Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the Issuer or the Trustee shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when personally delivered and receipted for, or sent by registered United States mail, return receipt requested, addressed as follows:

(b) As to the Issuer –

Pinelands Public Improvement District,
Rankin County, Mississippi
211 East Government Street
Brandon, Mississippi 39042

Attention: Chairman

(c) As to the Trustee –

Hancock Bank
1855 Lakeland Drive, Suite F-231
Jackson, Mississippi 39216
Attention: Susan Tsimortis

Any of the foregoing may, by notice sent to each of the others, designate a different or additional address to which notices under this Indenture are to be sent.

All documents received by the Trustee under the provisions of this Indenture and not required to be redelivered shall be retained in its possession, subject at all reasonable times to the inspection of the Issuer, any Consultant, any Bondholder and the agents and representatives thereof as evidence in writing.

Section 14.06. Controlling Law. This Indenture shall be governed by and construed in accordance with the laws of the State, without regard to any laws, rules, or regulations concerning conflicts of laws.

Section 14.07. Successors and Assigns. All the covenants, promises and agreements in this Indenture contained by or on behalf of the Issuer or by or on behalf of the Trustee shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 14.08. Headings for Convenience Only. The table of contents and descriptive headings in this Indenture are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

Section 14.09. Counterparts. This Indenture may be executed in any number of counterparts, each of which when so executed and delivered shall be an original; but such counterparts shall together constitute but one and the same instrument.

Section 14.10. Appendices and Exhibits. Any and all appendices or exhibits referred to in and attached to this Indenture are hereby incorporated herein and made a part hereof for all purposes.

IN WITNESS WHEREOF, Pinelands Public Improvement District, Rankin County, Mississippi, has caused this Indenture to be executed by the Chairman of its Board, attested by the Secretary of its Board and Hancock Bank has caused this Indenture to be executed by one of its Authorized Officers, all as of the day and year first above written.

**PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI**

By: _____

George Bobo, Chairman
Board of Directors

Attest:

Tom Troxler, Secretary/Treasurer
Board of Directors

HANCOCK BANK
as Trustee

By: _____
Susan Tsimortos
Vice President & Trust Officer

EXHIBIT A
LEGAL DESCRIPTION OF DISTRICT LANDS

A parcel of land being located in the West ½ of Section 7, the West ½ of Section 18, the SE ¼ of Section 18, the SW ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, all in Township 6 North, Range 3 East, Rankin County, Mississippi, and being more particularly described as follows:

Commence at a found 2x2 iron pin at the Southwest corner of Section 18, said point being the POINT OF BEGINNING, and run along the apparent west line of Section 18 N00°09'25"W for 4161.07 feet to the southwest corner of Avalon Subdivision, Part Four (C); thence run along the south line of said Subdivision N89°50'35"E for 750.00 feet to the southeast corner of said subdivision; thence run along the east line of said subdivision N00°09'25"W for 1478.17 feet to the NE corner of said subdivision; thence run along the north line of said Subdivision S89°28'20"W for 127.93 feet to the SE corner of Avalon Subdivision, Part Four (B); thence run along the east line of said subdivision N00°49'00"W for 594.13 feet to a point on the north right-of-way of Avalon Way; thence run along the north right-of-way of Avalon Way for the following six (6) calls: run West for 105.54 feet; thence run S89°46'41"W for 431.95 feet; thence run N89°09'26"W for 58.82 feet; thence run N87°16'17"W for 34.08 feet; thence run N82°56'40"W for 38.64 feet; thence run N78°13'34"W for 44.07 feet; thence leaving the north right-of-way of Avalon Way run N00°20'10"W for 744.77 feet to the SW corner of the Villas at the Reservoir; thence run along the south line of the Villas of the Reservoir N89°42'59"E for 754.07 feet to a point on the west right-of-way of Hugh Ward Drive, as now laid out and constructed; thence run along the west right-of-way of Hugh Ward Drive for the following four (4) calls: run N00°49'00"W for 133.89 feet; thence run along a curve to the left, said curve having a radius of 1470.00 feet, an arc length of 473.22 feet, a chord length of 471.18, and a chord bearing of N10°02'35"W; thence run N19°15'00"W for 91.42 feet; thence run along a curve to the right to the NE corner of the Villas at the Reservoir, said curve having a radius of 1055.00 feet, an arc length of 108.01 feet, a chord length of 107.96 feet, and a chord bearing of N16°19'01"W; thence leaving the west right-of-way of Hugh Ward Drive, run along the north line of the Villas at the Reservoir S89°42'59"W for 614.15 feet to a point on the west line of Spann Land, LLC, property on file in deed book 858, page 215, in the Rankin County Chancery Clerk's Office; thence run along the west line of said Spann Land property N00°20'10"W for 1086.94 feet to a point on the south right-of-way of Spillway Road; thence run along the south right-of-way of Spillway Road S64°41'27"E for 1095.23 feet to the northeast corner of said Spann Land property; thence run along the east line of said Spann Land, LLC, property S25°29'45"W for 367.19 feet; thence continue along the east line of said Spann Land, LLC property along a curve to the left, said curve having a radius of 308.10 feet, an arc length of 141.08 feet, a chord length of 139.85 feet, and a chord bearing of S12°14'32"W; thence continue along the east line of said Spann Land, LLC property S00°13'46"E for 85.90 feet; thence continue along the line of said Spann Land, LLC property N89°43'00"E for 507.01 feet to a point on the east line of the West ½ of the West ½ of said Section 7, said line also being the west line of Bridgetowne I Subdivision; thence run along the east line of the West ½ of the West ½ of said Section 7 and along the west line of Bridgetowne I Subdivision S00°07'48"E for 1123.40 feet to the SW corner of the NE ¼ of the SW ¼ of said Section 7, said point being located on the north line of T & F Development, Inc., property described in deed book 954, page 632, thence run along the north line of said T & F Development property S89°30'13"E for 1380.86 feet to the NE corner thereof; thence run along the east line of said T & F Development property and along the east line of Pine Knot Plantation, LLC, property described in deed book 919, page 75 S00°06'57"E for 5375.27 feet to the south right-of-way of Manship Road, also being the north line of The Pinelands, LLC property as described in deed book 970, page 387; thence run along the north line of The Pinelands, LLC property and along the south right-of-way of Manship Road for the following seven (7) calls: run N42°55'04"E for 147.21 feet; thence run N53°35'04"E for 801.35 feet; thence run N65°42'04"E for 121.45 feet; thence run N75°45'04"E for 1304.45 feet; thence run N75°27'04"E for 536.85 feet; thence run N76°55'04"E for 249.35 feet; thence run N79°10'04"E for 190.80 feet; thence leaving the north line of said Pinelands property and the south right-of-way of Manship Road, run along the east line of said Pinelands, LLC property for the following nine (9) calls: run S00°48'22"E for 952.64 feet; thence run S62°45'56"E for 518.03 feet; thence run S06°57'56"E for 240.20 feet; thence run S17°53'56"E for 100.93 feet; thence run S22°00'56"E for 264.29 feet; thence run S67°31'20"W for 733.83 feet; thence run S22°28'40"E for 300.00 feet; thence run N67°31'20"E for 890.34 feet; thence run S15°16'16"E for 251.99 feet to a point on the north right-of-way of Highway 25 as now laid out and constructed; thence run along said right-of-way S67°31'20"W for 710.71 feet to the SE corner of Comprehensive Family Dentistry, P.A. property described in deed book 1041, page 401 on file in the Rankin County Chancery Clerk's Office; thence run along the east line of said Family Dentistry office N22°28'40"E for 220.00 feet; thence run along and beyond the north line of said Family Dentistry Office and along the north line of W.H. Capital, L.L.C. property, as described in deed book 997, page 7,

S67°31'20"E for 268.51 feet; thence run along the west line of said W.H. Capital property S22°28'40"E for 220.00 feet to a point on the north right-of-way of Highway 25; thence run along the north right-of-way of Highway 25 for the following six (6) calls: run S67°31'20"W for 3386.35 feet; thence run S67°28'41"W for 121.58 feet; thence run N88°15'56"W for 396.15 feet; thence run N48°09'56"W for 226.96 feet; thence run N45°59'56"W for 68.98 feet; thence run S42°23'04"W for 56.00 feet; thence leaving the north right-of-way of Highway 25, run N51°39'56"W for 268.00 feet to the centerline of Manship Road; thence run N25°46'09"W for 31.20 feet to a point on the north right-of-way of Wertz Road; thence run along the north right-of-way line of Wertz Road for the following twelve (12) calls: run N73°54'19"W for 250.74 feet; thence run N71°40'25"W for 160.04 feet; thence run N75°26'56"W for 303.90 feet; thence run N69°23'12"W for 46.01 feet; thence run along a curve to the right, said curve having a radius of 498.51 feet, an arc length of 182.16 feet, and included angle of 20°56'10", a chord length of 181.15 feet, and a chord bearing of N55°44'12"W; thence run N46°02'22"W for 76.17 feet; thence run N44°53'55"W for 113.21 feet; thence run along a curve to the left, said curve having a radius of 778.00 feet, an arc length of 385.66 feet, and included angle of 28°24'06", a chord length of 381.72 feet, and a chord bearing of N57°39'22"W; thence run N77°22'00"W for 76.03 feet; thence run along a curve to the left, said curve having a radius of 489.48 feet, an arc length of 177.01 feet, and included angle of 20°43'12", a chord length of 176.05 feet, and a chord bearing of S84°46'49"W; thence run S75°48'10"W for 25.15 feet; thence run S75°07'06"W for 55.21 feet to a point on the west line of said Section 19; thence run along the west line of Section 19 N00°04'43"W for 478.54 feet back to the POINT OF BEGINNING. Said parcel contains 694.27 acres, more or less.

EXHIBIT B
FORM OF BOND

The following legend shall appear on the Bond only if the Bonds are privately placed:

THIS BOND HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, BASED UPON THE EXEMPTION FROM REGISTRATION AVAILABLE UNDER SECTION 3(a)(2) THEREOF, AND MAY BE SOLD OR OTHERWISE TRANSFERRED ONLY TO AN "ACCREDITED INVESTOR", AS SUCH TERM IS DEFINED IN 17 C.F.R. SECTION 230.501(a), OR ANY SUCCESSOR PROVISION THERETO, IN ACCORDANCE WITH APPLICABLE FEDERAL AND STATE SECURITIES LAWS AND OTHERWISE IN ACCORDANCE WITH THE PROVISIONS OF THIS INDENTURE REFERRED TO BELOW.

R-_____

\$_____

**UNITED STATES OF AMERICA
STATE OF MISSISSIPPI
PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, STATE OF MISSISSIPPI
SPECIAL ASSESSMENT BOND,
SERIES 2006**

| <u>Interest Rate</u> | <u>Maturity Date</u> | <u>Date of Original Issuance</u> | <u>CUSIP</u> |
|----------------------|----------------------|----------------------------------|--------------|
| % | February 1, | February 15, 2006 | |

Registered Owner: CEDE & CO.

Principal Amount:

KNOW ALL PERSONS BY THESE PRESENTS that Pinelands Public Improvement District, County of Rankin, State of Mississippi (the "Issuer"), for value received, hereby promises to pay to the registered owner shown above or registered assigns, on the date specified above, from the sources hereinafter mentioned, upon presentation and surrender hereof at the corporate trust office of Hancock Bank, in Jackson, Mississippi, as paying agent (said Hancock Bank and/or any bank or trust company to become successor paying agent being herein called the "Paying Agent"), the Principal Amount set forth above with interest thereon at the Interest Rate per annum set forth above, computed on a 360-day year of 30-day months, payable on the first day of February of each year. Principal of this Bond is payable at the corporate trust office of Hancock Bank of Mississippi, located in Jackson, Mississippi, in lawful money of the United States of America. Interest on this Bond is payable by check or draft of the Paying Agent made payable to the registered owner and mailed on each Interest Payment Date to the address of the registered owner as such name and address shall appear on the registry books of the Issuer maintained by Hancock Bank, as Registrar (said Hancock Bank and any successor Registrar being herein called the "Registrar") at the close of business on the fifteenth day of the calendar month preceding each Interest Payment Date or the date on which the principal of a Bond is to be paid (the "Record Date"). Such interest shall be payable from the most recent interest payment date next preceding the date of authentication hereof to which interest has been paid, unless the date of authentication hereof is a February 1 or August 1 to which interest has been paid, in which case from the date of authentication hereof, or unless such date of authentication is prior to August 1, 2006, in which case from February 15, 2006, or unless the date of authentication hereof is between a Record Date and the next succeeding interest payment date, in which case from such interest payment date. Any such interest not so punctually paid or duly provided for shall forthwith cease to be payable to the registered owner on such Record Date and may be paid to the person in whose name this Bond is registered at the close of business on a Special Record Date for the payment of such defaulted interest to be fixed by the Paying Agent, notice whereof shall be given to Bondholders of record as of

the fifth (5th) day prior to such mailing, at their registered addresses, not less than ten (10) days prior to such Special Record Date, or may be paid, at any time in any other lawful manner, as more fully provided in this Indenture (defined below).

This Bond is one of an authorized issue of Bonds of Pinelands Public Improvement District, County of Rankin, State of Mississippi, a public improvement organized and existing under the provisions of Section 19-31-1, *et seq.* of the Mississippi Code of 1972, as amended (the "Act"), and pursuant to and Ordinance duly adopted by the Board of Supervisors of Rankin County, Mississippi on July 6th, 2006 (the "Ordinance"), designated as Pinelands Public Improvement District, County of Rankin, State of Mississippi Special Assessment Bonds, Series 2006 (the "Bonds"), in the aggregate principal amount of Seven Million One Hundred Twenty-Five Thousand Dollars (\$7,125,000) of like date, tenor and effect, except as to number. The Bonds are being issued under authority of the laws and Constitution of the State of Mississippi, including particularly the Act, to pay a portion of the costs of the planning, financing, acquisition, construction, reconstruction, equipping and installation of certain roadways and landscaping facilities for the special benefit of the District Lands or portions thereof. The Bonds shall be issued as fully registered Bonds in authorized denominations, as set forth in this Indenture. The Bonds are issued under and secured by a Trust Indenture dated as of February 1, 2006 (the "Indenture") by and between the Issuer and the Trustee, executed counterparts of which are on file at the corporate trust office of the Trustee in Jackson, Mississippi.

Reference is hereby made to this Indenture for the provisions, among others, with respect to the custody and application of the proceeds of the Bonds issued under this Indenture, the operation and application of the Debt Service Fund and other Funds and Accounts (each as defined in this Indenture) charged with and pledged to the payment of the principal of, premium, if any, and the interest on the Bonds, the levy and the evidencing and certifying for collection, of Special Assessments, the nature and extent of the security for the Bonds, the terms and conditions on which the Bonds are issued, the rights, duties and obligations of the Issuer and of the Trustee under this Indenture, the conditions under which such Indenture may be amended without the consent of the registered owners of Bonds, the conditions under which such Indenture may be amended with the consent of the registered owners of a majority in aggregate principal amount of the Bonds outstanding, and as to other rights' and remedies of the registered owners of the Bonds.

The registered owner of this Bond shall have no right to enforce the provisions of this Indenture or to institute action to enforce the covenants therein, or to take any action with respect to any event of default under this Indenture or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in this Indenture.

It is expressly agreed by the registered owner of this Bond that such registered owner shall never have the right to require or compel the exercise of the ad valorem taxing power of the Issuer, the County of Rankin, State of Mississippi, the State of Mississippi or any political subdivision thereof, or taxation in any form of any real or personal property of the Issuer, Rankin County, Mississippi, the City of Flowood, Mississippi or any political subdivision thereof, for the payment of the principal of, premium, if any, and interest on this Bond or the making of any other sinking fund and other payments provided for in this Indenture, except for Special Assessments to be assessed and levied by the Issuer as set forth in this Indenture.

By the acceptance of this Bond, the registered owner hereof assents to all the provisions of this Indenture.

This Bond is payable from and secured by Pledged Revenues, as such term is defined in this Indenture, all in the manner provided in this Indenture. This Indenture provides for the levy and the evidencing and certifying, of non ad valorem assessments in the form of Special Assessments to secure and pay the Bonds.

The Bonds are subject to redemption prior to maturity in the amounts, at the times and in the manner provided below. All payments of the redemption price of the Bonds shall be made on the dates specified below. Upon any redemption of Bonds other than in accordance with scheduled Sinking Fund Installments, the Issuer shall cause to be recalculated and delivered to the Trustee revised Sinking Fund Installments recalculated so as to amortize the Outstanding principal amount of Bonds in substantially equal annual installments of principal and interest (subject to rounding to Authorized Denominations of principal) over the remaining term of the Bonds. The Sinking Fund Installments as so recalculated shall not result in an increase in the aggregate of the Sinking Fund

Installments for all Bonds in any year. In the event of a redemption or purchase occurring less than 45 days prior to a date on which a Sinking Fund Installment is due, the foregoing recalculation shall not be made to Sinking Fund Installments due in the year in which such redemption or purchase occurs, but shall be made to Sinking Fund Installments for the immediately succeeding and subsequent years.

Optional Redemption

The Bonds may, at the option of the Issuer, be called for redemption prior to maturity as a whole, at any time, or in part on any Interest Payment Date, on or after the earlier of (i) February 1, 2016; or (ii) the date on which there is \$1,000,000 or less of the Bonds Outstanding (if less than all Bonds are to be redeemed, such redemption shall be selected by lot), at the Redemption Price of par, plus accrued interest from the most recent Interest Payment Date to the redemption date.

Mandatory Sinking Fund Redemption

(d) The Bonds maturing February 1, 2013 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2009 | \$190,000 |
| 2010 | 200,000 |
| 2011 | 210,000 |
| 2012 | 220,000 |
| 2013* | 230,000 |

*Final maturity.

The Bonds maturing February 1, 2018 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2014 | \$240,000 |
| 2015 | 255,000 |
| 2016 | 270,000 |
| 2017 | 285,000 |
| 2018* | 300,000 |

*Final maturity.

The Bonds maturing February 1, 2029 shall be subject to mandatory sinking fund redemption at a Redemption Price of 100% of the principal amount thereof plus accrued interest to the redemption date, on February 1 in the years and amounts set forth below:

| <u>Year</u> | <u>Principal Amount</u> |
|-------------|-------------------------|
| 2019 | \$315,000 |
| 2020 | 335,000 |
| 2021 | 355,000 |
| 2022 | 375,000 |
| 2023 | 400,000 |
| 2024 | 420,000 |
| 2025 | 445,000 |
| 2026 | 475,000 |
| 2027 | 505,000 |
| 2028 | 535,000 |
| 2029* | 565,000 |

*Final maturity.

Such principal amounts shall be reduced by the Issuer by the principal amounts of the Bonds redeemed pursuant to optional or extraordinary mandatory redemption as set forth above or purchased and cancelled pursuant to the provisions of the Indenture.

Extraordinary Mandatory Redemption in Whole or in Part

The Bonds are subject to extraordinary mandatory redemption prior to maturity by the Issuer in whole, on any date, or in part, on any interest payment date, at an extraordinary mandatory redemption price equal to 100% of the principal amount of the Bonds to be redeemed, plus interest accrued to the redemption date, (i) from moneys deposited into the Bond Redemption Fund following the payment in full of Special Assessments on any portion of the District Lands in accordance with the provisions of the Section 9.33(a) or (b) of this Indenture; (ii) when sufficient moneys are on deposit in the related Funds and Accounts (other than the Rebate Fund) to pay and redeem all Outstanding Bonds and accrued interest thereon to the redemption date in addition to all amounts owed to Persons under this Indenture; (iii) from moneys in excess of the Debt Service Reserve Requirement in the Debt Service Reserve Fund transferred to the Bond Redemption Fund pursuant to this Indenture; (iv) from excess moneys transferred from the Revenue Fund to the Bond Redemption Fund in accordance with this Indenture; or (v) from moneys, if any, on deposit in the Bond Redemption Fund following condemnation or the sale of any portion of the District Lands benefitted by the Project to a governmental entity under threat of condemnation by such governmental entity or the damage or destruction of all or substantially all of the Project when such moneys are not to be used pursuant to this Indenture to repair, replace or restore the Project; provided, however, that at least forty-five (45) days prior to such extraordinary mandatory redemption, the Issuer shall cause to be delivered to the Trustee (x) notice setting forth the redemption date and (y) a certificate of the Consulting Engineer confirming that the repair and restoration of the Project would not be economical or would be impracticable; or (vi) from amounts transferred to the Bond Redemption Fund from the Acquisition and Construction Fund.

Notice of Redemption

The Trustee shall cause notice of redemption to be mailed at least thirty but not more than sixty days prior to the date of redemption to all registered owners of Bonds to be redeemed (as such owners appear on the books of the Registrar on the fifth (5th) day prior to such mailing) and to certain additional parties as set forth in this Indenture; provided, however, that failure to mail any such notice or any defect in the notice or the mailing thereof shall not affect the validity of the redemption of the Bonds for which such notice was duly mailed in accordance with this Indenture. If less than all of the Bonds shall be called for redemption, the notice of redemption shall specify the Bonds to be redeemed. On the redemption date, the Bonds called for redemption will be payable at the designated corporate trust office of the Paying Agent and on such date interest shall cease to accrue, such Bonds

shall cease to be entitled to any benefit under this Indenture and such Bonds shall not be deemed to be outstanding under the provisions of this Indenture and the registered owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. If the amount of funds so deposited with the Trustee, or otherwise available, is insufficient to pay the redemption price and interest on all Bonds so called for redemption on such date, the Trustee shall redeem and pay on such date an amount of such Bonds for which such funds are sufficient, selecting the Bonds to be redeemed by lot from among all such Bonds called for redemption on such date, and interest on any Bonds not paid shall continue to accrue, as provided in this Indenture.

This Bond shall be issued initially pursuant to a book-entry-only system administered by The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the Bonds, with no physical distribution of Bonds to be made. Any provisions of this Indenture or this Bond requiring physical delivery of Bonds shall, under the book-entry-only system, be deemed to be satisfied by a notation on the records maintained by DTC of ownership interests of its participants ("DTC Participants") and other institutions that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly ("Indirect Participants"). DTC Participants and Indirect Participants will be responsible for maintaining records with respect to the beneficial ownership interests of individual purchasers of the Bonds ("Beneficial Owners").

This Bond shall initially be issued in the name of Cede & Co. as nominee for DTC, and so long as this Bond is held in book-entry-only form Cede & Co. shall be considered the registered owner for all purposes hereof, including the payment of the principal of and interest on this Bond. Payment to DTC Participants shall be the responsibility of DTC. Payments by DTC Participants to Indirect Participants, and by DTC Participants and Indirect Participants individual Beneficial Owners shall be the responsibility of DTC Participants and Indirect Participants and not of DTC, the Issuer or the Trustee.

The Issuer shall keep books for the registration of the Bonds at the designated corporate trust office of the Registrar in Jackson, Mississippi. Except when registration of the Bonds is being maintained pursuant to a book-entry-only system, the Bonds may be transferred or exchanged by the registered owner thereof in person or by his attorney duly authorized in writing only upon the books of the Issuer kept by the Registrar and only upon surrender thereof together with a written instrument of transfer satisfactory to the Registrar duly executed by the registered owner or his duly authorized attorney. In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Issuer shall execute and the Trustee or such other authenticating agent as may be appointed by the Trustee under this Indenture shall authenticate and deliver a new Bond or Bonds in authorized form and in like aggregate principal amount in accordance with the provisions of this Indenture. There shall be no charge for any such exchange or transfer of Bonds, but the Issuer may require payment of a sum sufficient to pay any tax, fee or other governmental charge imposed. Neither the Issuer nor the Registrar shall be required (a) to transfer or exchange Bonds for a period of 15 days next preceding any selection of Bonds to be redeemed or thereafter until after the mailing of any notice of redemption; or (b) to transfer or exchange any Bond called for redemption in whole or in part.

The Issuer, the Trustee, the Paying Agent and the Registrar may deem and treat the person in whose name any Bond shall be registered upon the books kept by the Registrar as the absolute owner thereof (whether or not such Bond shall be overdue and notwithstanding any notation of ownership or other writing thereon made by anyone other than the Issuer, the Trustee, the Paying Agent or the Registrar) for the purpose of receiving payment of or on account of the principal of, premium, if any, and interest on such Bond as the same becomes due, and for all other purposes. All such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Issuer, the Trustee, the Paying Agent, nor the Registrar shall be affected by any notice to the contrary.

It is hereby certified and recited that all acts, conditions and things required to exist, to happen, and to be performed, precedent to and in the issuance of this Bond exist, have happened and have been performed in regular and due form and time as required by the laws and Constitution of the State of Mississippi applicable thereto, including particularly the Act, and that the issuance of this Bond, and of the issue of the Bonds of which this Bond is one, is in full compliance with all constitutional and statutory limitations or provisions.

THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER PAYABLE SOLELY OUT OF THE PLEDGED REVENUES PLEDGED THEREFOR UNDER THIS INDENTURE AND NEITHER THE

PROPERTY, THE FULL FAITH AND CREDIT, NOR THE TAXING POWER OF THE ISSUER, THE COUNTY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS, EXCEPT THAT THE ISSUER IS OBLIGATED UNDER THIS INDENTURE TO LEVY AND TO EVIDENCE AND CERTIFY, OR CAUSE TO BE CERTIFIED, FOR COLLECTION, SPECIAL ASSESSMENTS (AS DEFINED IN THIS INDENTURE) TO SECURE AND PAY THE BONDS. THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE ISSUER, THE COUNTY, THE STATE OF MISSISSIPPI, OR ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under this Indenture until it shall have been authenticated by execution of the Trustee, or such other authenticating agent as may be appointed by the Trustee under this Indenture, of the certificate of authentication endorsed hereon.

IN WITNESS WHEREOF, Pinelands Public Improvement District, Rankin County, Mississippi has caused this Bond to be signed by the manual or facsimile signature of the Chairman of its Board of Directors and a manual or facsimile of its seal to be imprinted hereon, and attested by the facsimile signature of the Secretary of its Board of Directors, all as of the date hereof.

PINELANDS PUBLIC IMPROVEMENT DISTRICT, COUNTY
OF RANKIN, STATE OF MISSISSIPPI

By: _____
Chairman, Board of Directors

(SEAL)

Attest:

By: _____
Secretary, Board of Directors

CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds delivered pursuant to the within mentioned Indenture.

Date of Authentication: _____

HANCOCK BANK,
as Trustee

By: _____
Authorized Officer

STATEMENT OF VALIDATION

This Bond was validated by judgment of the Chancery Court of Rankin County, Mississippi, rendered on the 8th day of February, 2006.

Chairman

Secretary

ASSIGNMENT AND TRANSFER

FOR VALUE RECEIVED the undersigned sells, assigns and transfers unto

(please print or typewrite name and address of assignee)

the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints

Attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Signature Guarantee:

| | |
|--|---|
| NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company | NOTICE: The signature to this assignment must correspond with the name of the registered owner as it appears upon the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever. |
| _____ Please insert social security or other identifying number of Assignee. | |

EXHIBIT C
FORM OF REQUISITION

PINELANDS PUBLIC IMPROVEMENT DISTRICT

COUNTY OF RANKIN, STATE OF MISSISSIPPI
SPECIAL ASSESSMENT BONDS, SERIES 2006

The undersigned, a Responsible Officer of Pinelands Public Improvement District, County of Rankin, State of Mississippi (the "District"), hereby submits the following requisition for disbursement under and pursuant to the terms of the Trust Indenture from the District to Hancock Bank as trustee (the "Trustee"), dated as of February 1, 2006 (the "Indenture"), (all capitalized terms used herein shall have the meaning ascribed to such term in this Indenture):

- (A) Requisition Number:
- (B) Name and Address of Payee:
- (C) Amount Payable:
- (D) Purpose for which paid or incurred (refer also to specific contract if amount is due and payable pursuant to a contract involving progress payments, or, state Costs of Issuance, if applicable):
- (E) Fund or Account from which disbursement to be made:

The undersigned hereby certifies that:

- 1. obligations in the stated amount set forth above have been incurred by the District,
or
this requisition is for Costs of Issuance payable from the Acquisition and Construction Fund that have not previously been paid;
- 2. each disbursement set forth above is a proper charge against the Acquisition and Construction Fund;
- 3. each disbursement set forth above was incurred in connection with the acquisition and/or construction of the Project;
- 4. each disbursement represents a Cost of the Project which has not previously been paid.

The undersigned hereby further certifies that there has not been filed with or served upon the District notice of any lien, right to lien, or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to the Payee set forth above, which has not been released or will not be released simultaneously with the payment hereof.

The undersigned hereby further certifies that such requisition contains no item representing payment on account of any retained percentage which the District is at the date of such certificate entitled to retain.

Attached hereto are originals of the invoice(s) from the vendor of the property acquired or the services rendered, with respect to which disbursement is hereby requested.

PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI

By: _____
Responsible Officer

CONSULTING ENGINEER'S APPROVAL FOR
NON-COST OF ISSUANCE REQUESTS ONLY

If this requisition is for a disbursement from other than Costs of Issuance, the undersigned Consulting Engineer hereby certifies that this disbursement is for a Cost of the Project and is consistent with: (i) the applicable acquisition or construction contract; (ii) the plans and specifications for the portion of the Project with respect to, which such disbursement is being made; and (iii) the report of the Consulting Engineer, as such report shall have been amended or modified on the date hereof.

Consulting Engineer

Jackson 1164500v.3

[THIS PAGE INTENTIONALLY LEFT BLANK]

APPENDIX D – FORM OF BOND COUNSEL OPINION

[THIS PAGE INTENTIONALLY LEFT BLANK]

FORM OF BOND COUNSEL OPINION

February 15, 2006

Board of Directors
Pinelands Public Improvement District
Rankin County, Mississippi

Re: \$7,125,000 Pinelands Public Improvement District
Special Assessment Bonds, Series 2006

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Pinelands Public Improvement District (the "Issuer") of its \$7,125,000 aggregate principal amount of Special Assessment Bonds, Series 2006, issued and delivered on this date (the "Series 2006 Bonds") pursuant to the constitution and laws of the State of Mississippi, particularly, Sections 19-31-1 et seq., of the Mississippi Code of 1972, as amended, and other applicable provisions of law (collectively, the "Act") and resolutions duly adopted by the Board of Directors of the Issuer on December 5, 2005, January 3, 2006, January 18, 2006, and February 10, 2006 (collectively, the "Bond Resolution"). The Series 2006 Bonds are being further issued and secured by a Trust Indenture dated as of February 1, 2006 (the "Indenture"), by and between the Issuer and Hancock Bank (the "Trustee"). Capitalized terms used herein without definitions have the meanings ascribed thereto in the Indenture.

The Series 2006 Bonds are being issued for the purposes of providing funds for (i) the payment of the costs of the Construction Project (as defined in the Indenture), (ii) the payment of interest on the Series 2006 Bonds through and including January 31, 2008, (iii) the funding of the Debt Service Reserve Fund (as defined in the Indenture), and (iv) the payment of the costs of issuance of the Series 2006 Bonds. The Series 2006 Bonds are issuable initially as fully registered Bonds in minimum denominations of \$25,000 and \$5,000 integral multiples thereof. The Series 2006 Bonds are dated the date of issuance and delivery thereof, and mature on February 1 in the years and, bear interest at the rates as described therein, payable as to interest on February 1 and August 1 of each year, commencing August 1, 2006. The Series 2006 Bonds are redeemable upon the terms and conditions and in the manner stated in the Indenture.

In order to secure the payment of the Series 2006 Bonds, and subject to the terms of the Indenture, the Issuer has pledged to the holders of the Series 2006 Bonds, and granted a lien to the holders of the Series 2006 Bonds on the Pledged Revenues.

We have examined the Act, the Bond Resolution, the Indenture and such certified copies of the proceedings of the Issuer and such other documents and opinions as we have deemed necessary to render this opinion. As to the questions of fact material to our opinion, we have relied upon representations of the Issuer furnished to us, without undertaking to verify such representations by independent investigation.

Based on the foregoing, we are of the opinion that:

1. The Issuer is duly created and validly existing as a local unit of special purpose government of the State of Mississippi created in accordance with the Act, with the power to execute the Indenture, to perform its obligations thereunder and to issue the Series 2006 Bonds.
2. The Indenture has been duly executed by the Issuer. The Indenture creates a valid pledge of the Pledged Revenues and constitutes a valid and binding obligation of the Issuer enforceable against the Issuer in accordance with its terms.
3. The issuance and sale of the Series 2006 Bonds have been duly authorized by the Issuer and, assuming the due execution and authentication thereof, the Series 2006 Bonds constitute valid and binding limited obligations of the Issuer, payable in accordance with, and as limited by, the terms of the Indenture.

4. The Internal Revenue Code of 1986, as amended (the "Code"), includes requirements which the Issuer must continue to meet after the issuance of the Series 2006 Bonds in order that interest on the Series 2006 Bonds not be included in gross income of the registered owners thereof for federal income tax purposes. The failure of the Issuer to meet these requirements may cause interest on the Series 2006 Bonds to be included in gross income of the registered owners thereof for federal income tax purposes retroactive to their date of issuance. The Issuer has covenanted in the Indenture to take the actions required by the Code in order to maintain the exclusion from gross income of the registered owners thereof for federal income tax purposes of interest on the Series 2006 Bonds. The Issuer has full legal power and authority to comply with such covenants.

Under existing statutes, regulations, rulings and court decisions, subject to the assumption stated in the following paragraph, interest on the Series 2006 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Series 2006 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, interest on the Series 2006 Bonds is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We express no opinion regarding other federal tax consequences resulting from the ownership, receipt or accrual of interest on, or disposition of, the Series 2006 Bonds.

In rendering the opinion expressed above, we have assumed continuing compliance with the tax covenants referred to above that must be met after the issuance of the Series 2006 Bonds in order that interest on the Series 2006 Bonds not be included in gross income for federal income tax purposes.

5. The Series 2006 Bonds and the interest thereon are exempt from income taxation under the laws of the State of Mississippi.

In rendering the foregoing opinions we have assumed the accuracy and truthfulness of all public records and of all certifications, documents and other proceedings examined by us that have been executed or certified by public officials acting within the scope of their official capacities and have not verified the accuracy or truthfulness thereof. We have also assumed the genuineness of the signatures appearing upon such public records, certifications, documents and proceedings.

The opinions set forth in numbered paragraphs 2 and 3 above are subject to state and federal laws relating to bankruptcy, insolvency, reorganization, moratorium and similar laws, and to equitable principles, affecting the enforcement of creditors' rights generally, and to the exercise of judicial discretion in appropriate cases.

In particular, Section 265(b)(1) of the Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their otherwise allowable interest expense allocable to tax exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code). The Issuer has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(C) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

We call to your attention that the Series 2006 Bonds are limited obligations of the Issuer payable solely out of the Pledged Revenues as provided in the Indenture, and neither the full faith and credit nor the taxing power of the Issuer, Rankin County, Mississippi, City of Flowood, Mississippi, the State of Mississippi or any political subdivision thereof is pledged as security for the payment of the Series 2006 Bonds. The Series 2006 Bonds do not constitute an indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation except as provided in the Indenture in connection with Pledged Revenues.

Respectfully submitted,

BUTLER, SNOW, O'MARA, STEVENS
& CANNADA, PLLC

APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT

[THIS PAGE INTENTIONALLY LEFT BLANK]

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this "Disclosure Agreement") is executed and delivered by Pinelands Public Improvement District, Rankin County, Mississippi (the "Issuer" or the "District"), Square Knot, LLC, Pinelands, LLC, Madison/Lakeland Diversified Investment Properties, LLC, Pine Knot Plantation, LLC and Lighter Knot, LLC (the "Developers") and Hancock Bank, Jackson, Mississippi, as Dissemination Agent (the "Dissemination Agent") in connection with the issuance of \$7,125,000 of Pinelands Public Improvement District, Rankin County, Mississippi Special Assessment Bonds, Series 2006 (the "Series 2006 Bonds"). The Series 2006 Bonds will be issued pursuant to a Trust Indenture dated as of February 1, 2006 (the "Indenture"), by and between the Issuer and Hancock Bank, Jackson, Mississippi, as Trustee (the "Trustee"). The Issuer, the Developers, and the Dissemination Agent covenant and agree as follows:

SECTION 1. PURPOSE OF THIS DISCLOSURE AGREEMENT. This Disclosure Agreement is being executed and delivered by the Issuer and the Developers for the benefit of the Bondholders and Beneficial Owners of the Series 2006 Bonds and the Trustee. The obligations of the Dissemination Agent under this Disclosure Agreement shall be limited to the Series 2006 Bonds.

SECTION 2. DEFINITIONS. In addition to the definitions set forth in the Indenture and the Official Statement dated February 10, 2006 which apply to any capitalized term used in this Disclosure Agreement, unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" shall mean any Annual Report provided by the Issuer or other Obligated Persons pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Applicable Bondholders" shall mean Bondholders of at least 25% aggregate principal amount of Series 2006 Bonds Outstanding, as determined annually by the Trustee.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any Series 2006 Bonds (including persons holding Series 2006 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2006 Bonds for federal income tax purposes.

"Bondholders" shall mean either the registered owners of the Series 2006 Bonds, or if the Series 2006 Bonds are registered in the name of The Depository Trust Company or other recognized securities depository, any applicable participant in its depository system.

"Dissemination Agent" shall mean Hancock Bank, Jackson, Mississippi or any successor Dissemination Agent designated in writing by the Issuer, and which has filed with the Issuer and the Trustee a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"Obligated Person(s)" shall mean, with respect to the Series 2006 Bonds, (a) any person who generally or through an enterprise fund or account of such person is committed by contract or other arrangement to support payment of all or a part of the obligations of the Series 2006 Bonds, (b) the Issuer and (c) the Developers, but only so long as they own individually or collectively 20% or more of the lands within the territorial boundaries of the Issuer which are benefited by the Project based upon Special Assessments relating thereto or are the contract builders for 20% or more of said lands.

"Outstanding" shall mean as of the time in question, all Series 2006 Bonds authenticated and delivered under the Indenture, except for those Series 2006 Bonds expressly excluded from such definition under the provisions of the Indenture.

"State" shall mean the State of Mississippi.

SECTION 3. PROVISION OF ANNUAL REPORTS. The Issuer and the Developers, as long as each is an Obligated Person, shall, not later than June 1 of each year, commencing with calendar year 2007, provide to the Trustee and each Applicable Bondholder an Annual Report or information to be included in the Annual Report, that is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of said Obligated Persons may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report only if they are not available by that date so long as they are provided when they become available.

SECTION 4. CONTENT OF ANNUAL REPORTS.

(a) The Issuer's Annual Report shall contain the information set forth in 4(a)(i) and 4(a)(ii) as well as 4(a)(iii) hereof, so long as the Developers provide said documentation to the Issuer. The Developers are independently obligated to provide said documentation to the Trustee and any Applicable Bondholders:

(i) the audited financial statements of the Issuer for the immediately preceding Fiscal Year, prepared in accordance with generally accepted governmental accounting principles applicable to operations of the Issuer, as same may be modified from time to time by State statutory requirements and the governmental accounting standards promulgated by the Government Accounting Standards Board;

(ii) an update, as of the end of the immediately preceding Fiscal Year for which an audit is available or, to the extent applicable, as reflected in the Issuer's then current budget, of the following financial information and operating data:

(A) the balances in the Accounts and Funds of the Trust Estate;

(B) the assessed value of lands upon which the Special Assessments securing the Series 2006 Bonds are levied; provided, however that the Issuer may rely upon the records of the Tax Assessor of Rankin County, Mississippi (the "County") for such information;

(C) the amount of Special Assessments certified by the Issuer to the Tax Assessor of the County for the immediately preceding calendar year;

(D) the amount of Special Assessments collected for the prior year;

(E) the amount of delinquent Special Assessments (*i.e.*, number of single-family units and/or commercial units and dollar amount);

(F) the debt service schedule for the remaining term of the Series 2006 Bonds; and

(iii) the information provided by the Developers, as described in Section 4(b) below.

(b) subject to the provisions of Section 6 hereof, the Developers shall provide to the Issuer and the Trustee the following information by May 15 of each year for inclusion in the Annual Report described in Section 3(a) hereof so that said information may be provided to Applicable Bondholders:

updates of the following information:

- (A) status of development and platting of subdivisions within the District;
- (B) Special Assessments applicable to lots owned by the Developers within the District; and
- (C) monthly lot sales and the status of platting lots for such year by the Developers within the District. The Developers shall provide updated information regarding monthly lot sales and the status of platting lots by the Developers within the District to the Issuer and the Trustee no later than each January 15, April 15, July 15 and October 15 for distribution to any Applicable Bondholders.

SECTION 5. REPORTING OF SIGNIFICANT EVENTS.

(a) Pursuant to the provisions of this Section 5, the Issuer and the Developers shall give, or cause to be given, to the Trustee and Applicable Bondholders notice of the occurrence of any of the following events with respect to the Series 2006 Bonds, if material:

- (i) principal and interest payment delinquencies;
- (ii) non-payment related defaults;
- (iii) modifications to rights of the holders of the Series 2006 Bonds;
- (iv) optional contingent or unscheduled bond calls;
- (v) defeasances;
- (vi) rating changes, if applicable;
- (vii) adverse tax opinions to or events affecting the tax-exempt status of the Series 2006 Bonds;
- (viii) release, substitution, or sale of property securing repayment of the Series 2006 Bonds, if applicable;

(b) The Developers shall provide to the Issuer and the Trustee, on a timely basis, notice of any release, substitution, or sale of all or substantially all of land in the District not in the ordinary course of business (provided that the parties acknowledge and agree that Developers are in the business of selling the lands within the District, and, accordingly, sales of less than 5 acres of land in the aggregate to the same person within any calendar year will be presumed to be in the ordinary course of business).

SECTION 6. TERMINATION OF REPORTING OBLIGATION; IDENTITY OF OBLIGATED PERSONS.

(a) The obligations of the parties under this Disclosure Agreement (other than the Developers) shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2006 Bonds, or in the case of the Developers, when said party is no longer an Obligated Person. If such termination occurs prior to the final maturity of the Series 2006 Bonds, the Dissemination Agent shall give notice of such termination in the same manner as for a Listed Event pursuant to Section 5 of this Disclosure Agreement.

(b) The Issuer represents and warrants that no person (other than the Issuer, and the Developers) whether generally or through an enterprise fund, or account of such person, is committed by contract or other arrangement to support payment of all, or part, of the obligations on the Series 2006 Bonds.

SECTION 7. DISSEMINATION AGENT.

(a) The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer or the Developers pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be Hancock Bank, Jackson, Mississippi.

(b) The Issuer shall pay the Dissemination Agent reasonable compensation for its services hereunder, together with all of its reasonable expenses and disbursements.

(c) The Dissemination Agent may resign and be discharged from its obligations under the Disclosure Agreement by written resignation filed with the Secretary of the Issuer not less than sixty (60) days prior to the date on which such resignation is set to take effect.

SECTION 8. AMENDMENT; WAIVER. Notwithstanding any other provision of this Disclosure Agreement, the Issuer or the Developers may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an Obligated Person with respect to the Series 2006 Bonds, or the type of business conducted; and

(b) The amendment or waiver either (i) is approved by the Bondholders or Beneficial Owners of the Series 2006 Bonds in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bondholders or Beneficial Owners of the Series 2006 Bonds, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners of the Series 2006 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. ADDITIONAL INFORMATION. Nothing in this Disclosure Agreement shall be deemed to prevent the Issuer or the Developers from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Issuer or the Developers choose to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Issuer or the Developers shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. DEFAULT. In the event of a failure of the Issuer or the Developers to comply with any provision of this Disclosure Agreement, any Bondholder or Beneficial Owner of the Series 2006 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or

specific performance by court order, to cause the Issuer or the Developers to comply with its obligations under this Disclosure Agreement; provided, however, the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer or the Developers to comply with the provisions of this Disclosure Agreement shall be an action to compel performance. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture.

SECTION 11. DUTIES, IMMUNITIES AND LIABILITIES OF DISSEMINATION AGENT. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and, to the extent permitted by law, the Issuer or the Developers agree to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer or the Developers under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2006 Bonds.

SECTION 12. BENEFICIARIES. This Disclosure Agreement shall inure solely to the benefit of the Issuer or the Developers and the Bondholders or Beneficial Owners from time to time of the Series 2006 Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, the Issuer, the Developers and the Dissemination Agent have caused this Disclosure Agreement to be executed and delivered by their respective duly authorized officers on the 15th day of February, 2006.

**PINELANDS PUBLIC IMPROVEMENT DISTRICT,
RANKIN COUNTY, MISSISSIPPI**

By _____

Title _____

ATTEST:

By _____

Title _____

SQUARE KNOT, LLC

By _____

Title _____

PINELANDS, LLC

By _____

Title _____

**MADISON/LAKELAND DIVERSIFIED
INVESTMENT PROPERTIES, LLC**

By _____

Title _____

PINE KNOT PLANTATION, LLC

By _____

Title _____

LIGHTER KNOT, LLC

By _____

Title _____

HANCOCK BANK, JACKSON, MISSISSIPPI

By _____

Title _____

APPENDIX F – DEMOGRAPHIC INFORMATION CONCERNING THE COUNTY AND THE CITY

[THIS PAGE INTENTIONALLY LEFT BLANK]

ECONOMIC AND DEMOGRAPHIC INFORMATION

THE COUNTY

General Description

Rankin County named for Christopher Rankin, former representative in Congress, is located in the piney woods soil area of the south central section of the State of Mississippi (the "State") and has a land area of 782 square miles. Twenty-three of the existing eighty-two counties in the State were in existence before the County was formally organized on February 4, 1828, just ten years after the State of Mississippi was admitted to the Union. The County seat, the City of Brandon, is located 12 miles east of Jackson, the capital of the State, 200 miles north of New Orleans, Louisiana, and 222 miles south of Memphis, Tennessee.

The County is bordered on the west by Hinds County and Madison County, on the east by Scott County and Smith County and on the south by Simpson County. The Pearl River, which was dammed to form the 33,000 acre Ross Barnett Reservoir, forms the northwestern boundary of the County. The 75 mile long shoreline has become one of the major residential developments in the Jackson metropolitan area.

Population

The population of the County has been recorded as follows:

| | 1970 | 1980 | 1990 | 2000 |
|--------|-----------|-----------|-----------|-----------|
| County | 43,933 | 69,426 | 87,161 | 115,327 |
| State | 2,216,994 | 2,520,770 | 2,573,216 | 2,858,029 |

Sources: United States Department of Commerce, Bureau of the Census, June 2000.

Government

The governing body of the County is the Board of Supervisors (the "Board") consisting of five supervisors, each of whom is elected from a separate district or "beat". The members of the Board are elected for concurrent four year terms. The current members of the Board are as follows:

| Name | Occupation | Position Held Since |
|----------------|--------------------------------|---------------------|
| O.E. Perry | Full-Time Supervisor | 2004 |
| Ken Martin | Timber Contractor | 1996 |
| Walter Johnson | Dispatcher – Hercules Concrete | 2006 |
| Larry Swales | Full-Time Supervisor | 1988 |
| Jay Bishop | Computer Business | 2002 |

Transportation

The County is served by Interstate Highways 20 and 55, United States Highways 49 and 80 and State Highways 18, 25, 468 and 471. A number of County highways provide access to many outlying areas in the County.

The Mid-South Railroad provides freight rail service to the County. Intercity bus service is provided by Greyhound Trailways Bus Lines. Numerous motor freight carriers are authorized to serve the County. Commercial air transportation is available at Jackson-Evers International Airport in the City of

Jackson, which is served by eight airlines providing daily non-stop air service to eleven cities daily, and which is designated as a foreign trade zone. The County is served by the Port of Vicksburg, which has a channel depth of nine feet and is located 55 miles to the west of the County on the banks of the Mississippi River in Warren County.

Educational Facilities

Educational facilities serving the County and the City are as follows:

Higher Education Belhaven College, Jackson State University and Millsaps College, all coeducational liberal arts schools, are within three miles of the County. Hinds Community College and Holmes Community College operate two branches and one branch, respectively, within a nine mile radius of the County and offer vocational-technical training as well as associate degree programs. Additionally, the University of Mississippi Medical School is located in Jackson and provides degrees in most health related professions, and Mississippi College maintains its law school in Jackson

Public Schools The Rankin County School District (the "District"), accredited by the Mississippi Commission of School Accreditation, is the third largest district in the State, serving grades K-12. The School Board has established attendance zones consisting of Brandon, Florence, McLaurin, Northwest Rankin, Pelahatchie, Pisgah, Puckett and Richland. The District consists of twenty-three schools in its eight attendance zones. Total enrollment figures for the District for grades K-12 and special education have been as follows:

| Year | Enrollment |
|-------------|-------------------|
| 2001-2002 | 15,292 |
| 2002-2003 | 15,528 |
| 2003-2004 | 16,014 |
| 2004-2005 | 16,395 |
| 2005-2006 | 17,268 |

SOURCE: Mississippi Department of Education, January 2006.

Per Capita Income

The following represents per capita income annually from 1998 to 2002 for the County, the State and the United States of America:

| Year | County | Mississippi | United States | County as Percent of United States |
|-------------|---------------|--------------------|----------------------|---|
| 1999 | \$ 25,303 | \$ 20,053 | \$ 27,939 | 91% |
| 2000 | 26,512 | 21,005 | 29,845 | 89 |
| 2001 | 27,000 | 21,950 | 30,575 | 88 |
| 2002 | 27,031 | 22,511 | 30,804 | 88 |
| 2003 | 27,729 | 23,466 | 31,472 | 88 |

SOURCE: State and Local Personal Income, Local Area Annual Estimates, Per Capita Personal Income, United States, Mississippi and Counties, (1998-2002), Bureau of Economic Analysis, Regional Economic Accounts, January 2006.

County Retail Sales and Sales Tax Collected

| State and Fiscal Year Ended June 30 | Amount | Sales Tax Collected |
|--|------------------|------------------------|
| 2001 | \$ 1,734,847,213 | \$ 104,241,943 |
| 2002 | 1,855,157,709 | 111,988,403 |
| 2003 | 1983678184 | 119,686,421 |
| 2004 | 2,222,104,363 | 133,458,551 |
| 2005 | 2,407,037,570 | 143,883,804 |

SOURCE: Mississippi State Tax Commission, *Service Bulletins*, 2001 through 2005.

Major Sources of County Personal Income ¹

| Category | Percent of Total ² |
|---------------------------------------|-------------------------------|
| Services | 12% |
| Retail and Wholesale Trade | 13 |
| Government and Government Enterprises | 10 |
| Manufacturing | 10 |
| Construction | 5 |
| Finance and Insurance | 4 |
| Transportation and Public Utilities | 7 |
| Other (Sources Published) | 2 |

¹ For 2000.

² Published sources do not account for 100% of the County personal income.

SOURCE: *Personal Income by Major Sources*, (2000), Bureau of Economic Analysis, Regional Economic Accounts, January 2006

Major County Employers

The following is a partial listing of the County's major employers, their products or services and their approximate number of employees:

| Employers | Product or Service | Employees |
|---------------------------------------|-----------------------|-----------|
| Rankin County School District | Education | 2,519 |
| Mississippi State Hospital | Mental Hospital | 2,409 |
| River Oaks Health System | Health Services | 1,200 |
| Blue Cross Blue Shield of Mississippi | Insurance | 1,100 |
| Hudspeth Retardation | Vocational Rehab | 860 |
| Central MS Correctional Facility | Correctional Facility | 640 |
| Wal-Mart #365 (Pearl) | Retail Sales | 500 |
| Pearl Public School District | Education | 470 |
| Rankin Medical Center | Health Services | 465 |
| Wal-Mart #2755 (Lakeland Drive) | Retail Sales | 448 |
| Sanderson Farms Food Division | Poultry | 441 |
| Yellow Freight Lines | Transportation | 400 |
| Rankin County Government | County Government | 400 |

SOURCE: Rankin First Economic Development Authority, January 2006.

County Unemployment Statistics

| | 2001 | 2002 | 2003 | 2004 | 2005 |
|----------------|------|------|------|------|------|
| January | 3.2 | 5.1 | 4.7 | 3.9 | 5.1 |
| February | 3.1 | 4.4 | 4.2 | 3.4 | 4.4 |
| March | 3.4 | 4.6 | 4.2 | 3.4 | 4.7 |
| April | 2.8 | 4.1 | 4.2 | 3.3 | 4.4 |
| May | 3.4 | 4.3 | 4.8 | 3.9 | 5.0 |
| June | 3.4 | 4.5 | 5.3 | 4.3 | 5.4 |
| July | 3.3 | 4.0 | 4.4 | 4.0 | 4.3 |
| August | 3.7 | 4.0 | 3.9 | 4.0 | 4.8 |
| September | 3.5 | 3.9 | 3.5 | 4.1 | 4.3 |
| October | 4.1 | 4.4 | 4.1 | 4.7 | 4.2 |
| November | 4.0 | 3.9 | 3.2 | 4.2 | 4.4 |
| December | 4.4 | 4.2 | 3.1 | 4.1 | — |
| Annual Average | 3.5 | 4.3 | 4.1 | 4.0 | — |

SOURCE: Unemployment Rates - Counties and State, (2001-2005 Labor Market Information Department, Mississippi Employment Security Commission, January 2006.

County Employment Statistics

| | 2000 | 2001 | 2002 | 2003 | 2004 |
|---------------------------------------|--------|--------|--------|--------|--------|
| <i>Residence Based Employment</i> | | | | | |
| Civilian Labor Force | 63,370 | 63,940 | 64,700 | 67,290 | 69,700 |
| Unemployed | 1,560 | 2,250 | 2,770 | 2,790 | 2,740 |
| Percentage of Civilian Labor Force | 2.5 | 3.5 | 4.3 | 4.1 | 4.0 |
| Employed | 61,810 | 61,690 | 61,930 | 64,500 | 66,300 |
| <i>Establishment Based Employment</i> | | | | | |
| Manufacturing | 6,740 | 5,770 | 5,380 | 4,850 | 4,530 |
| Nonmanufacturing | 44,230 | 44,270 | 46,180 | 47,290 | 49,690 |
| Natural Resources and Mining | N/A | 360 | 150 | 150 | 180 |
| Construction | 3,920 | 3,520 | 3,720 | 3,660 | 3,980 |
| Trade, Transportation & Utilities | 5,440 | 14,740 | 14,740 | 14,780 | 15,350 |
| Information | N/A | 430 | 490 | 450 | 420 |
| Finance Activities | 2,660 | 3,170 | 3,410 | 3,520 | 3,520 |
| Professional and Business Services | 10,370 | 3,760 | 4,050 | 4,230 | 4,440 |
| Education and Health Services | N/A | 4,670 | 5,050 | 5,420 | 5,890 |
| Leisure and Hospitality | N/A | 3,430 | 3,790 | 4,130 | 4,610 |
| Other Services | N/A | 1,220 | 1,450 | 1,500 | 1,630 |
| Government | 9,380 | 8,970 | 9,330 | 9,450 | 9,670 |
| Public Education | 5,250 | 3,150 | 3,060 | 3,180 | 3,330 |

SOURCE: Annual Averages, Labor Force and Establishment Based Employment, (2000-2004), Labor Market Information Department, Mississippi Employment Security Commission, January 2006.

Banking Institutions

| Institution | Total Assets As of 9/30/05 | Home Based |
|--|---------------------------------------|------------------------------|
| Wachovia Bank, National Association | \$ 477,944,000,000 | Charlotte, North Carolina |
| Regions Bank | 81,276,525,000 | Birmingham, Alabama |
| AmSouth Bank | 51,046,105,000 | Birmingham, Alabama |
| BancorpSouth Bank | 11,056,009,000 | Tupelo, Mississippi |
| Trustmark National Bank | 8,175,333,000 | Jackson, Mississippi |
| BankPlus | 1,569,405,000 | Belzoni, Mississippi |
| Merchants and Farmers Bank | 1,243,560,000 | Kosciusko, Mississippi |
| The Citizens National Bank of Meridian | 902,808,000 | Meridian, Mississippi |
| State Bank & Trust Company | 764,477,000 | Greenwood, Mississippi |
| Community Bank of Mississippi | 591,168,000 | Forest, Mississippi |
| PriorityOne Bank | 357,860,000 | Magee, Mississippi |
| Crescent Bank & Trust | 320,806,000 | New Orleans, Louisiana |
| Bank of Yazoo City | 199,305,000 | Yazoo City, Mississippi |
| Heritage Banking Group | 179,819,000 | Carthage, Mississippi |
| Peoples Bank | 143,794,000 | Mendenhall, Mississippi |
| The Bank of Forest | 128,001,000 | Forest, Mississippi |
| Copiah Bank, National Association | 104,399,000 | Hazlehurst, Mississippi |
| Consumer National Bank | 48,114,000 | Jackson, Mississippi |
| Bank of the South | 42,817,000 | Crystal Springs, Mississippi |

SOURCE: FDIC, January 2006.

County Building Permits

| Year | Residential | Value of Improvements | Non-Residential | Value of Improvements |
|-------------|--------------------------|----------------------------------|--------------------------|----------------------------------|
| | Number Issued | | Number Issued | |
| 2001 | 555 | \$ 46,232,989 | 114 | \$ 5,865,328 |
| 2002 | 656 | 60,385,337 | 152 | 10,488,847 |
| 2003 | 766 | 64,803,165 | 156 | 26,889,205 |
| 2004 | 842 | 89,342,704 | 164 | 18,066,364 |
| 2005 | 1086 | 131,017,657 | 191 | 11,829,950 |

SOURCE: Office of the Rankin County Building Department, January 2006.

County Assessed Valuation

| Class | 2000 | 2001 | 2002 |
|--|------------------------------|------------------------------|------------------------------|
| Real Property | \$ 398,320,396 | \$ 433,216,496 | \$ 520,090,956 |
| Personal Property (includes mobile homes) | 112,107,643 | 115,549,239 | 118,600,445 |
| Automobiles | 191,068,454 | 198,821,355 | 211,326,693 |
| Public Utilities | <u>41,295,541</u> | <u>42,467,111</u> | <u>42,603,058</u> |
| TOTAL | \$ <u>742,792,034</u> | \$ <u>790,054,201</u> | \$ <u>892,621,152</u> |

| Class | 2003 | 2004 |
|--|------------------------------|------------------------------|
| Real Property | \$ 543,107,302 | \$ 582,544,357 |
| Personal Property (includes mobile homes) | 115,507,788 | 117,395,136 |
| Automobiles | 220,881,538 | 240,673,454 |
| Public Utilities | <u>44,706,686</u> | <u>47,325,476</u> |
| TOTAL | \$ <u>924,203,314</u> | \$ <u>987,938,423</u> |

SOURCE: Office of the Rankin County Tax Assessor, January 2006.

The assessed valuation figures above do not include property exempt from County ad valorem taxes for a period of up to ten years, primarily for new or expanded manufacturing facilities. In addition, certain other industrial and manufacturing facilities are exempt from ad valorem taxation pursuant to Section 57-3-33, Mississippi Code of 1972, as amended.

County Tax Levy Per \$1,000 Valuation

| | (Fiscal Year in which Taxes Levied) | | | | |
|---------------------------------------|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
| General Purposes | | | | | |
| General Fund | 20.62 | 20.62 | 19.62 | 19.37 | 19.37 |
| Reappraisal | 1.00 | 1.00 | 1.00 | 1.00 | 1.00 |
| Economic Development | .50 | .50 | .50 | .50 | .50 |
| Road and Bridge | 7.97 | 7.97 | 7.97 | 7.97 | 7.97 |
| Bridge and Culverts | 4.32 | 4.32 | 4.32 | 4.32 | 4.32 |
| School Bonds | 1.94 | 0.00 | 0.00 | 0.00 | 0.00 |
| School Bonds | 4.94 | 5.34 | 13.89 | 12.66 | 11.59 |
| School Note | .12 | .61 | .41 | .27 | 1.96 |
| TOTAL GENERAL PURPOSES | <u>41.41</u> | <u>40.36</u> | <u>47.71</u> | <u>46.09</u> | <u>46.71</u> |
| School Purposes | | | | | |
| Minimum Education | 1.52 | 1.47 | 0.00 | 0.00 | 0.00 |
| County School | 29.56 | 33.01 | 35.40 | 38.73 | 38.11 |
| Hinds Community College | 1.50 | 1.50 | 1.50 | 1.50 | 1.50 |
| Hinds Community College (Enlargement) | .68 | .68 | .68 | .68 | .68 |
| Hinds County College (Vo-tech) | <u>2.15</u> | <u>2.15</u> | <u>2.15</u> | <u>2.15</u> | <u>2.15</u> |
| TOTAL SCHOOL PURPOSES | <u>35.41</u> | <u>38.81</u> | <u>39.73</u> | <u>43.06</u> | <u>42.44</u> |
| TOTAL ALL PURPOSES | <u>76.82</u> | <u>79.17</u> | <u>87.44</u> | <u>89.15</u> | <u>89.15</u> |

SOURCES: Office of the Rankin County Tax Assessor, January 2006.

County Ad Valorem Tax Collections

| Fiscal Year Ended September 30 | Taxes Due | Taxes Collected | Difference Over (Under) |
|--------------------------------------|---------------|--------------------|----------------------------|
| 2001 | \$ 24,698,436 | \$ 25,581,032 | \$ 882,596 |
| 2002 | 25,272,172 | 26,868,332 | 1,596,160 |
| 2003 | 27,533,725 | 28,105,236 | 571,511 |
| 2004 | 28,536,763 | 29,040,897 | 504,134 |
| 2005 | 28,825,135 | 30,727,085 | 1,901,950 |

SOURCE: Office of the Rankin County Tax Assessor, January 2006.

Ten Largest County Taxpayers

| Taxpayer | Assessed Value | Taxes Paid |
|----------------------------|----------------|-----------------|
| Entergy | \$ 16,222,867 | \$ 1,353,244.09 |
| Bell South | 13,419,901 | 1,008,732.70 |
| River Oaks Hospital | 8,416,651 | 918,677.47 |
| Walmart | 7,853,816 | 886,289.31 |
| Blue Cross/Blue Shield | 6,577,825 | 717,969.59 |
| Nucor Steel | 6,980,138 | 639,730.97 |
| Alltel | 4,437,259 | 510,939.77 |
| Susquehanna Communications | 3,724,363 | 416,788.90 |
| Siemens Power | 3,579,113 | 395,041.76 |
| Reckitt Benckiser | 4,047,556 | 376,321.39 |

SOURCE: Office of the Rankin County Tax, January 2006.

THE CITY

General Description

The Town of Flowood was incorporated in 1953 and was named for the first industry to become established in the area. It received city status in 1991. The City is located in the west central portion of Rankin County, Mississippi (the "County") in central Mississippi. It is immediately to the east of Jackson, Mississippi, the State's capital, and is one of the State's fastest growing cities. The City encompasses approximately 16-1/2 square miles and, because of its access to major thoroughfares and airports, is a major medical, commercial and industrial center for the State. The City houses three hospitals and many diverse companies, including various steel, glass, paper, plastic and appliance manufacturers and numerous distributors and transporters, which provide approximately 7,100 jobs to the residents of the City and the surrounding areas.

Population

City, County and State population figures have been recorded as follows:

| | 1970 | 1980 | 1990 | 2000 |
|------|------|------|--------|-------|
| City | 352 | 943 | 2,860, | 4,750 |

Sources: United States Department of Commerce, Bureau of the Census, June 2000.

Government

Upon incorporating in 1953, the City established a Mayor and Board of Aldermen form of government. The Mayor, who is full time, and the five part time Aldermen (the Mayor and the Board of Aldermen collectively referred to as the "Governing Body") are all elected to four year terms. The Mayor votes only in case of a tie vote. The current Mayor and members of the Board of Aldermen are:

| Name | Occupation | Position Held Since |
|-----------------|-------------------------------|----------------------------|
| Gary L. Rhoads | Mayor, Full-Time | 1989 |
| Deron Harmon | Student | 1997 |
| Donald Flynt | Self-Employed | 2001 |
| Robert Shearer | CDE Integrated Systems, Inc. | 2001 |
| Kirk McDaniel | Farm Bureau Insurance Company | 2001 |
| Loyd Smith, Jr. | Retired | 1993 |

Transportation

Airports Six major air lines, Delta Airlines, American Eagle, Northwest Airlines, US Airways Express, Southwest Airlines and Continental Express, serve the City and central Mississippi through the Jackson International Airport located at Allen C. Thompson Field, which adjoins the City. The Jackson International Airport has a modern terminal and 8,500 feet of runways and complete FAA equipment for Category I and Category II operation. A Foreign Trade Zone and United States Customs Office are also located there.

Highways The City is served by State Highways 25 and 468 and by United States Highways 80 and 49. Interstate 55, running north and south, connects the City with Memphis, Tennessee to the north and New Orleans, Louisiana to the south. Interstate 20, running east and west, provides the City with easy access to Birmingham, Alabama to the east and Monroe, Louisiana to the west.

Railroads The Canadian National/Illinois Central Railroad operates within the corporate limits of the City and serve the City's industries.

Truck Lines Eighteen motor freight carriers offer the City interstate and intrastate service.

Ports The Port of Vicksburg, located approximately 50 miles west of the City on the Mississippi River, provides barge, warehouse and harbor facilities and is a United States Customs Port of Entry and a Foreign Trade Zone.

City Retail Sales and Sales Tax Collected

| State and Fiscal Year Ended June 30 | Amount | Sales Tax Collected |
|--|----------------|----------------------------|
| 2001 | \$ 359,840,725 | \$ 23,389,927 |
| 2002 | 377,943,095 | 24,293,000 |
| 2003 | 433,823,434 | 28,423,409 |
| 2005 | 488,718,890 | 31,977,249 |
| 2005 | 552,496,427 | 36,346,321 |

SOURCE: Mississippi State Tax Commission, *Service Bulletins*, 2001 through 2005.

City Building Permits

| Year | RESIDENTIAL | | NON-RESIDENTIAL | |
|------|---------------|-----------------------|-----------------|-----------------------|
| | Number Issued | Value of Improvements | Number Issued | Value of Improvements |
| 2001 | 68 | \$ 12,738,500 | 89 | \$ 25,477,613 |
| 2002 | 38 | 6,239,100 | 103 | 47,305,406 |
| 2003 | 62 | 14,121,620 | 90 | 22,363,941 |
| 2004 | 86 | 30,423,584 | 131 | 59,375,437 |
| 2005 | 75 | 28,224,756 | 132 | 57,570,267 |

SOURCE: Office of the City Clerk, January 2006.

City Assessed Valuation

| Class | 2000-01 | 2001-02 | 2002-03 |
|--|------------------|------------------|------------------|
| Real Property | \$ 49,725,580 | \$ 55,720,455 | \$ 65,663,732 |
| Personal Property (includes mobile homes) | 42,005,628 | 43,281,682 | 46,365,333 |
| Public Utilities | <u>3,765,465</u> | <u>3,765,580</u> | <u>3,978,454</u> |
| TOTAL | \$ 95,496,673 | \$ 102,767,717 | \$ 116,007,519 |

| Class | 2003-04 | 2004-05 |
|--|------------------|------------------|
| Real Property | \$ 71,000,863 | \$ 80,875,176 |
| Personal Property (includes mobile homes) | 46,083,072 | 47,227,803 |
| Public Utilities | <u>4,182,090</u> | <u>4,468,012</u> |
| TOTAL | \$ 121,266,025 | \$ 132,570,931 |

SOURCE: Office of the City Clerk, January 2006.

The assessed valuation figures above do not include property exempt from City ad valorem taxes, except school taxes, for a period of up to ten years, primarily for new or expanded manufacturing facilities. This real and personal property will become subject to City ad valorem taxation at different points in time during the next 10 years. In addition, certain other industrial and manufacturing facilities are exempt from ad valorem taxation pursuant to Section 57-3-33, Mississippi Code of 1972, as amended.

City Tax Levy Per \$1,000 Valuation

(Fiscal Year in which Taxes Levied)

| | 2000-01 | 2001-02 | 2002-03 | 2003-04 | 2004-05 |
|---------------------------------|--------------|--------------|--------------|--------------|--------------|
| General Purposes | | | | | |
| General Fund | 12.90 | 12.90 | 12.30 | 12.30 | 11.70 |
| Garbage Disposal Fee | 1.60 | 1.60 | 1.45 | 1.45 | 1.45 |
| Public Improvement Bonds – 1979 | 0.00 | .25 | .25 | .25 | 0.00 |
| Public Improvement Bonds - 1988 | 1.00 | 1.00 | .75 | .75 | .75 |
| Road Improvement Bonds - 1992 | 1.00 | .75 | 0.00 | 0.00 | 0.00 |
| Refunding Bonds – 1994 | 1.75 | 1.50 | 0.00 | 0.00 | 0.00 |
| Park Improvement Bonds – 1998 | 1.25 | 1.25 | 0.00 | 0.00 | 0.00 |
| Road Improvement Bonds – 1999 | 2.25 | 2.50 | 2.50 | 2.50 | 2.25 |
| Refunding Bonds – 2002 | 0.00 | 0.00 | 3.35 | 3.35 | 3.50 |
| MS Development Bank Loans | 0.00 | 0.00 | 0.00 | 0.00 | .35 |
| TOTAL GENERAL PURPOSES | 21.75 | 21.75 | 20.60 | 20.60 | 20.00 |

SOURCES: Office of the City Clerk, January 2006.

City Ad Valorem Tax Collections

| Fiscal Year Ended September 30 | Taxes Due | Taxes Collected | Difference Over (Under) |
|--------------------------------------|--------------|--------------------|----------------------------|
| 2001 | \$ 2,079,770 | \$ 2,065,517 | \$ (14,253) |
| 2002 | 2,235,196 | 2,229,977 | (5,279) |
| 2003 | 2,404,600 | 2,405,693 | 1,093 |
| 2004 | 2,527,140 | 2,508,750 | (18,390) |
| 2005 | 2,651,419 | 2,645,600 | (5,819) |

SOURCE: Office of the City Clerk, January 2006.

Ten Largest City Taxpayers

| Taxpayer | Assessed Value | Taxes Paid |
|---------------------------|----------------|---------------|
| River Oaks Hospital | \$ 5,229,303 | \$ 104,586.06 |
| Blue Cross Blue Shield | 4,453,131 | 89,062.62 |
| Nucor Steel | 3,734,400 | 74,688.00 |
| Dogwood Festival Market | 3,629,059 | 72,581.18 |
| Sanderson Farms | 1,972,094 | 39,441.88 |
| Ashford Place, LLC | 1,616,243 | 32,324.86 |
| Reflection Pointe | 1,351,506 | 27,030.12 |
| Woods of Lakeland | 1,132,460 | 22,649.20 |
| Wal-Mart | 1,112,136 | 51,045.58 |
| Cypress Pointe Apartments | 1,062,608 | 21,252.16 |

SOURCE: Office of the City Clerk, January 2006.

APPENDIX G – PETITION TO ESTABLISH THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

BEFORE THE BOARD OF SUPERVISORS OF RANKIN COUNTY, MISSISSIPPI
IN RE: THE MATTER OF CREATING THE PINELANDS PUBLIC IMPROVEMENT
DISTRICT AND PURPOSES RELATED THERETO

PETITION FOR THE CREATION OF PINELANDS PUBLIC IMPROVEMENT DISTRICT

THIS PETITION FOR THE CREATION OF PINELANDS PUBLIC IMPROVEMENT DISTRICT (this "Petition") is respectfully submitted and entered into on this the 3rd day of May, 2004, for the purposes hereinafter set forth by the following parties:

SPANN LAND, LLC, a Mississippi limited liability company;

LIGHTER KNOT, LLC, a Mississippi limited liability company;

PINE KNOT PLANTATION, LLC, a Mississippi limited liability company;

MADISON/LAKELAND DIVERSIFIED INVESTMENT PROPERTIES, LLC, a Mississippi limited liability company;

THE PINELANDS, LLC, a Mississippi limited liability company; and

T & F DEVELOPMENT, INC., a Mississippi corporation

(collectively, each of the parties to this Petition as enumerated above are referred to herein as the "Petitioners").

WHEREAS, pursuant to the Public Improvement District Act, codified at Sections 19-31-1, *et seq.*, of the Mississippi Code Annotated (1972, as amended) (the "Act"), the Petitioners desire to establish the Pinelands Public Improvement District (the "Pinelands PID"); and

WHEREAS, Pinelands PID shall be established for the purposes of constructing, acquiring and/or financing certain infrastructure projects situated within Pinelands PID as authorized by the Act (the "Projects"); and

WHEREAS, the Petitioners desire to establish its directors, the boundaries of Pinelands PID and limited assessment methodology which may be used to levy special assessments upon the land within Pinelands PID, as authorized within the Act; and

WHEREAS, the Petitioners request, and they hereby do petition, the Board of Supervisors to hold a public hearing as required by law, to publish notice of such hearing in a paper of general circulation within Rankin County, Mississippi, and, following the conclusion of such hearing and upon an affirmative determination of the merits of the assessments memorialized in this Petition and the actions prayed for herein, adopt such ordinances as may be necessary or advisable for the creation and establishment of Pinelands PID, and for the accomplishment of purposes related thereto.

NOW THEREFORE, in order to effect the desire and intent of the Petitioners, to advance the construction of the Projects necessary for the furtherance of the purposes for which Pinelands PID is to be created, to memorialize certain assessment methodology and agreements and understandings which the Petitioners have made related or pertaining to any and all of same, the undersigned persons and business entities, as all of the owners of lands within the boundaries of Pinelands PID as they hereby petition to be established, do hereby agree and consent in writing to the creation of Pinelands PID, and for the accomplishment of purposes related thereto all as follows, to-wit:

A. District Boards of Directors.

1. The Board of Directors of Pinelands PID (the "Board of Directors") shall be responsible for securing the funds necessary to pay the costs of financing, funding, planning, establishing, constructing or reconstructing, acquiring, enlarging or extending, equipping, and operating to pay the costs of constructing and/or acquiring such projects and improvements as the directors may authorize, for entering into, complying with and enforcing agreements and contractual arrangements which the Board of Directors deem necessary or advisable for the furtherance of the Pinelands PID purposes, for ensuring the conduct of the Pinelands PID operations in accordance with law, for ensuring the completion of the Project, for allocating among the benefited properties within its area the costs thereof according to the formulae and in the manner as the Board of Directors determine is reasonable, equitable and lawful, for authorizing, marketing and selling bonds or other evidence of indebtedness in accordance with law, for levying assessments on benefited properties, and for using the proceeds from such assessments to provide for the Pinelands PID operations, as authorized by law.

2. The Board of Directors, shall

(a) as provided in Section 19-31-11 of the Act, designate a Manager whose duties shall be those prescribed by applicable law and the Board of Directors and shall establish the compensation for services rendered by such person;

(b) engage an attorney whose duties and services shall be those prescribed by the Board of Directors and shall establish the compensation for the services rendered by such person and/or members of his firm; and

(c) hire, retain and/or engage by contract those engineers, accountants, auditors, consultants and other persons whose duties and services shall be those prescribed by the Board of Directors and shall establish the basis of compensation for the services rendered by such persons and/or members and employees of their firms.

3. It shall be incumbent upon the Board of Directors to ensure the accurate tabulation and segregation of its costs and accounting thereof necessary or advisable to effect the purpose of the Pinelands PID. Pursuant to Section 19-31-13 of the Act, it shall be incumbent upon the Board of Directors to ensure that budgets are prepared in accordance with applicable law, that an audit of the Pinelands PID financial operations is conducted at least annually by a certified public accountant and that copies of such

budget and audit are made available to the County Administrator of Rankin County, and upon request to the owner of any land within Pinelands PID boundaries or any other person entitled to same by law.

4. It shall be incumbent upon the Board of Directors to conduct its meetings and make available its records in accordance with law.

5. The Petitioners do hereby designate the following five (5) individuals to each be a member of, and collectively they shall constitute, the Board of Directors of Pinelands PID, each of whom shall serve in such capacity until replaced as provided within the duly adopted by-laws of Pinelands PID, or, in the absence thereof, as provided in the Act:

- a. Bill Brandon, who is a resident of the area immediately adjacent to Pinelands PID as required by the Act.
- b. Gary Miller
- c. George Bobo
- d. Richard Wilson
- e. Tom Traxler

B. Pinelands PID Names and Boundaries.

1. The legal name of the proposed public improvement district shall be "Pinelands Public Improvement District" The boundaries of the proposed Pinelands PID shall be those described in Exhibit "A-1" hereto, and are intended to encompass approximately 694.27 acres in the West ½ of Section 7, the West ½ of Section 18, the SE ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, Township 6 North, Range 3 East, Rankin County, Mississippi, which are those lands belonging to the following Petitioners: Spann Land, LLC, a Mississippi limited liability company, Lighter Knot, LLC, a Mississippi limited liability company, Pine Knot Plantation, LLC, a Mississippi limited liability company, Madison/Lakeland Diversified Investment Properties, LLC, a Mississippi limited liability company, The Pinelands, LLC, a Mississippi limited liability company, and T & F Development, Inc. a Mississippi corporation. Each of the herein named Petitioners and/or the authorized officers or members of same do hereby affirm that to the best of his information, knowledge and belief there are no other persons, partnerships or corporate entities that own land within the boundaries described in said Exhibit "A-1." A map of the boundaries of Pinelands PID is attached hereto as Exhibit "A-2." A portion of the lands within the boundaries of Pinelands PID as described and shown in said Exhibits is within the territorial jurisdiction of the City of Flowood, said lands containing 185.76 acres, more or less, and more particularly described in Exhibit "A-3". As provided in Section 19-31-7(5) of the Act, the approval of the City of Flowood for the creation of Pinelands PID inclusive of lands within the City's territorial jurisdiction is required and prior to the creation of Pinelands PID will be provided and attached hereto as Exhibit "A-4".

C. Pinelands PID Purpose.

The purpose of Pinelands PID shall include all purposes and powers as provided in the Act, provided that such purposes shall also specifically include, without limitation, the following:

1. The construction and/or acquisition of any other public infrastructure improvements within the boundaries of Hughward Boulevard Right of Way, Avalon Connector Road, and Farmington Station Connector Road as the Board of Directors deem necessary, including, without limitation, connector roads, water supply and distribution facilities, wastewater collection and pumping facilities, storm water drainage, detention, pollution prevention and management facilities and other public infrastructure improvements of use and useful to the development, improvement and use of any or all or any part of the lands within the boundaries of Hughward Boulevard Right of Way, Avalon Connector Road, and Farmington Station Connector Road.

D. Timetable and Costs of Construction.

1. The construction of the Project for the Pinelands PID as contemplated herein shall be completed approximately two (2) years from the date of commencement of construction thereof.
2. The construction and/or acquisition of the Project for the Pinelands PID as contemplated herein is estimated to cost Pinelands PID approximately Seven Million Nine Hundred Thousand and No/100 Dollars (\$7,900,000.00).

E. Allocation and/or Pro-ration of Costs for the Project. The Board of Directors shall allocate and/or prorate, as they may determine with the concurrence of the benefited land owners, the costs incurred for the construction and/or acquisition of the Project (and for such other similar projects and improvements the Board of Directors deem appropriate for the furtherance of the Pinelands PID purposes, the costs and/or purchase price of which are to be allocated, levied and assessed in the same manner as those for the Project). The construction costs of the Project shall be generally allocated as provided in Exhibit "B", attached hereto.

F. Future Public Infrastructure. No provisions of this Petition shall be interpreted as precluding Pinelands PID from undertaking in any lawful manner the financing, funding, planning, establishing, constructing or reconstructing, acquiring, enlarging or extending, equipping, and operating of any other public infrastructure project permitted by applicable law, including those which may benefit only one or less than all lands within the boundaries of Hughward Boulevard Right of Way, Avalon Connector Road, and Farmington Station Connector Road.

G. Future Contribution Agreements. As provided in the Act, no provisions of this Petition shall be interpreted as precluding Pinelands PID from entering into a contribution agreement with any local unit of government, from seeking grants from any federal, state or county agency, from entering into any contract to purchase land and/or public infrastructure improvements and facilities thereon or from entering into any contract for any purpose permitted by applicable law with any local unit of government and/or with any owner of lands within the boundaries of the Pinelands PID without regard to whether such lands are subject to ad valorem taxation.

H. Execution in Counterparts. This Agreement may be executed and delivered in separate counterparts (including by facsimile or scanned transmission), each of which will be deemed an original.

IN WITNESS WHEREOF, the undersigned Petitioners have executed this Petition as of the date first set forth above.

-PETITIONERS-

SPANN LAND, LLC

By: 

Title: PARTNER / MR. H. WARD

LIGHTER KNOT, LLC

By: 

D. Richard Partridge

Its: Managing Partner

PINE KNOT PLANTATION, LLC

By: 

D. Richard Partridge

Its: Managing Partner

MADISON/LAKELAND
DIVERSIFIED INVESTMENT PROPERTIES,
LLC

By: 

D. Richard Partridge

Its: Managing Partner

THE PINELANDS, LLC

By: 

D. Richard Partridge

Its: Managing Partner

T & F DEVELOPMENT, INC.

By: 

Frank Pucylowski

Its: President

EXHIBIT A-1

(Proposed Pinelands PID boundaries)

LEGAL DESCRIPTION FOR PROPOSED PINELANDS PID LOCATED IN CITY OF FLOWOOD AND RANKIN COUNTY

A parcel of land being located in the West ½ of Section 7, the West ½ of Section 18, the SE ¼ of Section 18, the SW ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, all in Township 6 North, Range 3 East, Rankin County, Mississippi, and being more particularly described as follows:

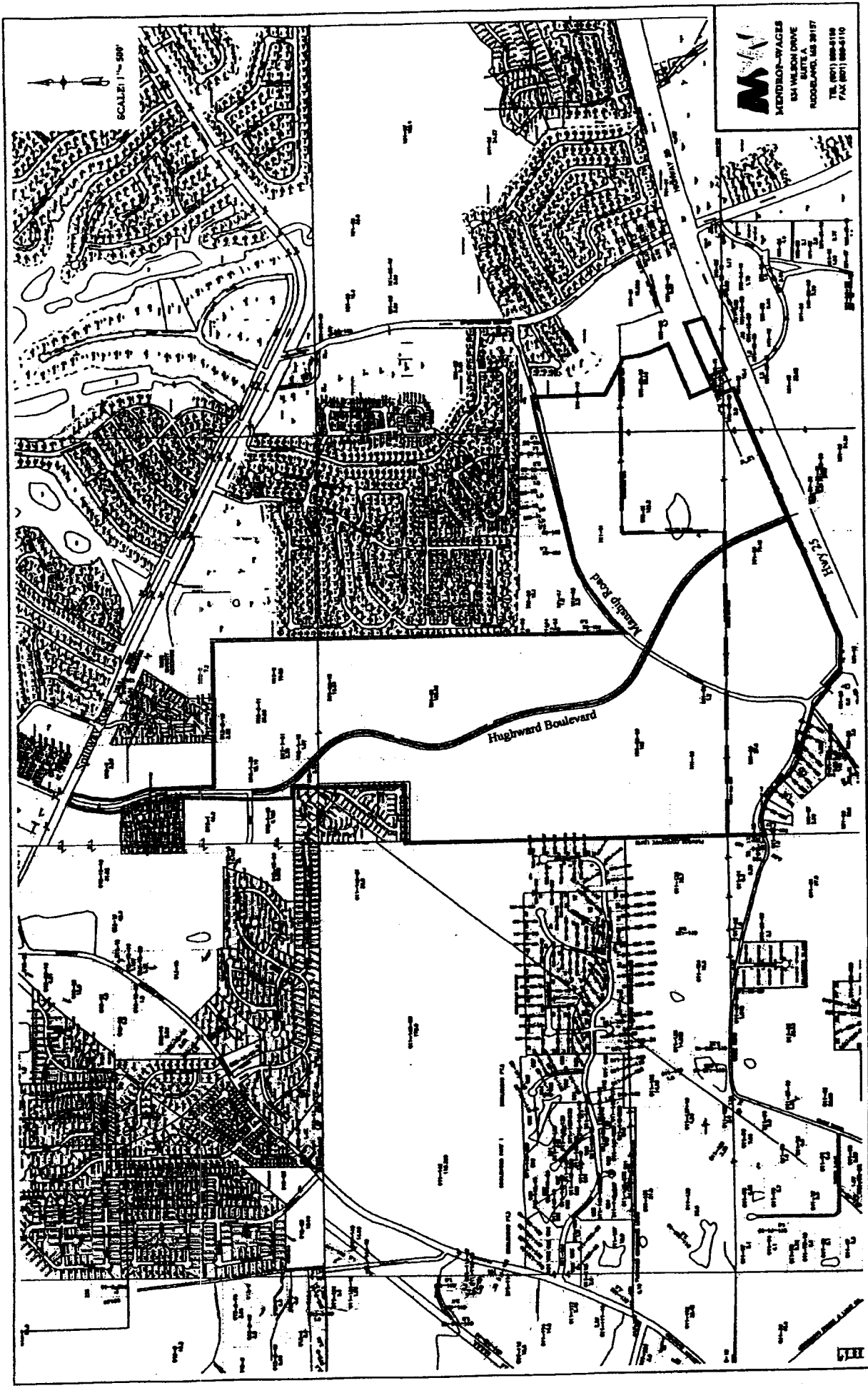
Commence at a found 2x2 iron pin at the Southwest corner of Section 18, said point being the POINT OF BEGINNING, and run along the apparent west line of Section 18 N00°09'25"W for 4161.07 feet to the southwest corner of Avalon Subdivision, Part Four (C); thence run along the south line of said Subdivision N89°50'35"E for 750.00 feet to the southeast corner of said subdivision; thence run along the east line of said subdivision N00°09'25"W for 1478.17 feet to the NE corner of said subdivision; thence run along the north line of said Subdivision S89°28'20"W for 127.93 feet to the SE corner of Avalon Subdivision, Part Four (B); thence run along the east line of said subdivision N00°49'00"W for 594.13 feet to a point on the north right-of-way of Avalon Way; thence run along the north right-of-way of Avalon Way for the following six (6) calls: run West for 105.54 feet; thence run S89°46'41"W for 431.95 feet; thence run N89°09'26"W for 58.82 feet; thence run N87°16'17"W for 34.08 feet; thence run N82°56'40"W for 38.64 feet; thence run N78°13'34"W for 44.07 feet; thence leaving the north right-of-way of Avalon Way run N00°20'10"W for 744.77 feet to the SW corner of the Villas at the Reservoir; thence run along the south line of the Villas of the Reservoir N89°42'59"E for 754.07 feet to a point on the west right-of-way of Hugh Ward Drive, as now laid out and constructed; thence run along the west right-of-way of Hugh Ward Drive for the following four (4) calls: run N00°49'00"W for 133.89 feet; thence run along a curve to the left, said curve having a radius of 1470.00 feet, an arc length of 473.22 feet, a chord length of 471.18, and a chord bearing of N10°02'35"W; thence run N19°15'00"W for 91.42 feet; thence run along a curve to the right to the NE corner of the Villas at the Reservoir, said curve having a radius of 1055.00 feet, an arc length of 108.01 feet, a chord length of 107.96 feet, and a chord bearing of N16°19'01"W; thence leaving the west right-of-way of Hugh Ward Drive, run along the north line of the Villas at the Reservoir S89°42'59"W for 614.15 feet to a point on the west line of Spann Land, LLC, property on file in deed book 858, page 215, in the Rankin County Chancery Clerk's Office; thence run along the west line of said Spann Land property N00°20'10"W for 1086.94 feet to a point on the south right-of-way of Spillway Road; thence run along the south right-of-way of Spillway Road S64°41'27"E for 1095.23 feet to the northeast corner of said Spann Land property; thence run along the east line of said Spann Land, LLC, property S25°29'45"W for 367.19 feet; thence continue along the east line of said Spann Land, LLC property along a curve to the left, said curve having a radius of 308.10 feet, an arc length of 141.08 feet, a chord length of 139.85 feet, and a chord bearing of S12°14'32"W; thence continue along the east line of said Spann Land, LLC property S00°13'46"E for 85.90 feet; thence continue along the line of said Spann Land, LLC property N89°43'00"E for 507.01 feet to a point on the east line of the West ½ of the West ½ of said Section 7, said line also being the west line of Bridgetowne I Subdivision; thence run along the east line of the West ½ of the West ½ of

said Section 7 and along the west line of Bridgetowne I Subdivision S00°07'48"E for 1123.40 feet to the SW corner of the NE ¼ of the SW ¼ of said Section 7, said point being located on the north line of T & F Development, Inc., property described in deed book 954, page 632, thence run along the north line of said T & F Development property S89°30'13"E for 1380.86 feet to the NE corner thereof; thence run along the east line of said T & F Development property and along the east line of Pine Knot Plantation, LLC, property described in deed book 919, page 75 S00°06'57"E for 5375.27 feet to the south right-of-way of Manship Road, also being the north line of The Pinelands, LLC property as described in deed book 970, page 387; thence run along the north line of The Pinelands, LLC property and along the south right-of-way of Manship Road for the following seven (7) calls: run N42°55'04"E for 147.21 feet; thence run N53°35'04"E for 801.35 feet; thence run N65°42'04"E for 121.45 feet; thence run N75°45'04"E for 1304.45 feet; thence run N75°27'04"E for 536.85 feet; thence run N76°55'04"E for 249.35 feet; thence run N79°10'04"E for 190.80 feet; thence leaving the north line of said Pinelands property and the south right-of-way of Manship Road, run along the east line of said Pinelands, LLC property for the following nine (9) calls: run S00°48'22"E for 952.64 feet; thence run S62°45'56"E for 518.03 feet; thence run S06°57'56"E for 240.20 feet; thence run S17°53'56"E for 100.93 feet; thence run S22°00'56"E for 264.29 feet; thence run S67°31'20"W for 733.83 feet; thence run S22°28'40"E for 300.00 feet; thence run N67°31'20"E for 890.34 feet; thence run S15°16'16"E for 251.99 feet to a point on the north right-of-way of Highway 25 as now laid out and constructed; thence run along said right-of-way S67°31'20"W for 710.71 feet to the SE corner of Comprehensive Family Dentistry, P.A. property described in deed book 1041, page 401 on file in the Rankin County Chancery Clerk's Office; thence run along the east line of said Family Dentistry office N22°28'40"E for 220.00 feet; thence run along and beyond the north line of said Family Dentistry Office and along the north line of W.H. Capital, L.L.C. property, as described in deed book 997, page 7, S67°31'20"E for 268.51 feet; thence run along the west line of said W.H. Capital property S22°28'40"E for 220.00 feet to a point on the north right-of-way of Highway 25; thence run along the north right-of-way of Highway 25 for the following six (6) calls: run S67°31'20"W for 3386.35 feet; thence run S67°28'41"W for 121.58 feet; thence run N88°15'56"W for 396.15 feet; thence run N48°09'56"W for 226.96 feet; thence run N45°59'56"W for 68.98 feet; thence run S42°23'04"W for 56.00 feet; thence leaving the north right-of-way of Highway 25, run N51°39'56"W for 268.00 feet to the centerline of Manship Road; thence run N25°46'09"W for 31.20 feet to a point on the north right-of-way of Wertz Road; thence run along the north right-of-way line of Wertz Road for the following twelve (12) calls: run N73°54'19"W for 250.74 feet; thence run N71°40'25"W for 160.04 feet; thence run N75°26'56"W for 303.90 feet; thence run N69°23'12"W for 46.01 feet; thence run along a curve to the right, said curve having a radius of 498.51 feet, an arc length of 182.16 feet, and included angle of 20°56'10", a chord length of 181.15 feet, and a chord bearing of N55°44'12"W; thence run N46°02'22"W for 76.17 feet; thence run N44°53'55"W for 113.21 feet; thence run along a curve to the left, said curve having a radius of 778.00 feet, an arc length of 385.66 feet, and included angle of 28°24'06", a chord length of 381.72 feet, and a chord bearing of N57°39'22"W; thence run N77°22'00"W for 76.03 feet; thence run along a curve to the left, said curve having a radius of 489.48 feet, an arc length of 177.01 feet, and included angle of 20°43'12", a chord length of 176.05 feet, and a chord bearing of S84°46'49"W; thence run S75°48'10"W for 25.15 feet; thence run S75°07'06"W for 55.21 feet to a point on the west line of said Section 19; thence run along the west line of Section 19 N00°04'43"W for 478.54 feet back to the POINT OF BEGINNING. Said parcel contains 694.27 acres, more or less.

EXHIBIT A-2

Map of the Boundaries of Pinelands PID

(See attached)



M
MENDLETON-WAY AGES
634 WILSON DRIVE
SUITE A
ROCKLAND, MA 01977
TEL (978) 886-6199
FAX (978) 886-6110

EXHIBIT A-3

(Pinelands PID Located in the City of Flowood)

A parcel of land being located in the SE ¼ of Section 18, the SW ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, all in Township 6 North, Range 3 East, Rankin County, Mississippi, and being more particularly described as follows:

Commence at a found 2x2 iron pin at the Southwest corner of Section 18, said point being the POINT OF BEGINNING, and run along the apparent south line of Section 18, also being the apparent north line of the city limits of Flowood N89°57'43"E for 3960.00 feet; thence continue along the apparent north line of the city limits of Flowood N00°02'17"W for 1320.00 feet; thence continue along the north line of the city limits of Flowood N89°57'43"E for 2159.42 feet to the east line of The Pinelands, LLC property as described in deed book 970, page 387; thence run along the east line of The Pinelands, LLC property for the following eight (8) calls: run S62°45'56"E for 94.34 feet; thence run S06°57'56"E for 240.20 feet; thence run S17°53'56"E for 100.93 feet; thence run S22°00'56"E for 264.29 feet; thence run S67°31'20"W for 733.83 feet; thence run S22°28'40"E for 300.00 feet; thence run N67°31'20"E for 890.34 feet; thence run S15°16'16"E for 251.99 feet to a point on the north right-of-way of Highway 25 as now laid out and constructed; thence run along said right-of-way S67°31'20"W for 710.71 feet to the SE corner of Comprehensive Family Dentistry, P.A. property described in deed book 1041, page 401 on file in the Rankin County Chancery Clerk's Office; thence run along the east line of said Family Dentistry office N22°28'40"E for 220.00 feet; thence run along and beyond the north line of said Family Dentistry Office and along the north line of W.H. Capital, L.L.C. property, as described in deed book 997, page 7, S67°31'20"E for 268.51 feet; thence run along the west line of said W.H. Capital property S22°28'40"E for 220.00 feet to a point on the north right-of-way of Highway 25; thence run along the north right-of-way of Highway 25 for the following six (6) calls: run S67°31'20"W for 3386.35 feet; thence run S67°28'41"W for 121.58 feet; thence run N88°15'56"W for 396.15 feet; thence run N48°09'56"W for 226.96 feet; thence run N45°59'56"W for 68.98 feet; thence run S42°23'04"W for 56.00 feet; thence leaving the north right-of-way of Highway 25, run N51°39'56"W for 268.00 feet to the centerline of Manship Road; thence run N25°46'09"W for 31.20 feet to a point on the north right-of-way of Wertz Road; thence run along the north right-of-way line of Wertz Road for the following twelve (12) calls: run N73°54'19"W for 250.74 feet; thence run N71°40'25"W for 160.04 feet; thence run N75°26'56"W for 303.90 feet; thence run N69°23'12"W for 46.01 feet; thence run along a curve to the right, said curve having a radius of 498.51 feet, an arc length of 182.16 feet, and included angle of 20°56'10", a chord length of 181.15 feet, and a chord bearing of N55°44'12"W; thence run N46°02'22"W for 76.17 feet; thence run N44°53'55"W for 113.21 feet; thence run along a curve to the left, said curve having a radius of 778.00 feet, an arc length of 385.66 feet, and included angle of 28°24'06", a chord length of 381.72 feet, and a chord bearing of N57°39'22"W; thence run N77°22'00"W for 76.03 feet; thence run along a curve to the left, said curve having a radius of 489.48 feet, an arc length of 177.01 feet, and included angle of 20°43'12", a chord length of 176.05 feet, and a chord bearing of S84°46'49"W; thence run S75°48'10"W for 25.15 feet; thence run S75°07'06"W for 55.21 feet to a point on the west line of said Section 19; thence run along the west line of Section 19 N00°04'43"W for 478.54 feet back to the POINT OF BEGINNING. Said parcel contains 185.76 acres, more or less.

EXHIBIT A-4

Approval of the City of Flowood

(To be provided)

GARY L. PHOADS
Mayor

LEN ADAMS, III
Attorney

JULIA WILLIAMS
City Clerk



2101 AIRPORT ROAD
P.O. BOX 38848
FLOWOOD, MISSISSIPPI 39232-8848
PHONE: (601) 538-4243
FAX: (601) 488-3334

ALDERMEN
DONALD H. FLYNT
DEVON R. HARRISON
KIRK B. McMANIS
ROBERT A. SHEARER
LOYD SMITH, JR.

CERTIFICATE

I, Julia Williams, the duly appointed, qualified, and acting City Clerk and lawful Custodian of the records of the Mayor and Board of Aldermen and seal of said City Of Flowood, Mississippi, certify that the foregoing is a true and exact copy of a **RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF FLOWOOD, MISSISSIPPI, APPROVING THE ESTABLISHMENT OF THE PINELANDS PUBLIC IMPROVEMENT DISTRICT.**

Said resolution was adopted at a Board Meeting on June 1, 2004 and is recorded in minute book number 108.

WITNESS my signature and official seal of Office, this the 21st day of June, 2004

Julia Williams
Julia Williams
City Clerk



There came on for consideration certain matters in connection with the establishment of the Pinelands Public Improvement District, and, after a discussion of the subject matter, Alderman Donald Flynt offered and moved the adoption of the following resolution:

RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF FLOWOOD, MISSISSIPPI, APPROVING THE ESTABLISHMENT OF THE PINELANDS PUBLIC IMPROVEMENT DISTRICT PURSUANT TO THE PUBLIC IMPROVEMENT DISTRICT ACT, CODIFIED AS SECTIONS 19-31-1 ET SEQ., MISSISSIPPI CODE OF 1972, AS AMENDED; AND FOR RELATED PURPOSES.

WHEREAS, Sections 19-31-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act") authorizes the creation of public improvement districts within the State of Mississippi and establishes the procedures necessary to create such public improvement districts; and

WHEREAS, pursuant to the Act, on May 14, 2004, a petition for creation of the Pinelands Public Improvement District (the "Petition"), a copy of which is attached hereto as Exhibit A, was submitted and received by the Board of Supervisors (the "Board") of Rankin County, Mississippi (the "County") and, accordingly, a public hearing (the "Public Hearing") regarding the Petition and the establishment of the Pinelands Public Improvement District was set before the Board on June 21, 2004; and

WHEREAS, according to the Petition, a portion of the District will be located within the land area of the City of Flowood, Mississippi (the "City"); and

WHEREAS, pursuant to Section 19-31-7(5) of the Act, the approval of the City is necessary for the County to establish the District.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND BOARD OF ALDERMEN OF THE CITY, ACTING FOR AND ON BEHALF OF THE CITY, AS FOLLOWS:

SECTION 1. The recitals contained in this resolution are incorporated herein as findings.

SECTION 2. This resolution is adopted pursuant to the Act.

SECTION 3. Pursuant to Section 19-31-7(5) of the Act, and in accordance with the Petition and any ordinance or resolution to be adopted by the Board following the Public Hearing, the City hereby approves the establishment of the District.

SECTION 4. For cause, this resolution shall become effective immediately upon the adoption thereof.

SECTION 5. If any one or more of the provisions of this resolution shall for any reason be held to be illegal or invalid, such illegality or invalidity shall not affect any of the other

provisions of this resolution, but this resolution shall be construed and enforced as if such illegal or invalid provision or provisions had not been contained herein.

Alderman Robert Shearer seconded the motion to adopt the foregoing resolution and the question being put to a roll call vote, the result was as follows:

| | |
|--------------------------------|-----|
| Alderman Donald Plynt voted: | Yes |
| Alderman Daron Harmon voted: | Yes |
| Alderman Loyd Smith voted: | Yes |
| Alderman Robert Shearer voted: | Yes |
| Alderman Kirk McDaniel voted: | Yes |

The motion having received the affirmative vote of a majority of the members of the Board of Aldermen present, being a quorum of said Board of Aldermen, the Mayor declared the motion carried and the resolution adopted this 1st day of June, 2004.

136143.1

APPENDIX H – ORDINANCE OF THE COUNTY ESTABLISHING THE DISTRICT

[THIS PAGE INTENTIONALLY LEFT BLANK]

**IN THE MATTER OF AN ORDINANCE ESTABLISHING PINELANDS PUBLIC
IMPROVEMENT DISTRICT PURSUANT TO THE PUBLIC IMPROVEMENT
DISTRICT ACT, CODIFIED AT SECTIONS 19-31-1, ET SEQ., OF THE MISSISSIPPI
CODE ANNOTATED (1972, as amended)("ACT"); AND OTHER RELATED MATTERS**

WHEREAS, various landowners have filed a petition (the "Petition") with the Board of Supervisors of Rankin County, Mississippi (the "Governing Body" of the "County") requesting that the Governing Body adopt an ordinance establishing Pinelands Public Improvement District (the "District") pursuant to the Act and designating the real property described in EXHIBIT A, attached hereto, as the area of land for which the District is authorized to manage; and

WHEREAS, the District will constitute an efficient, effective and economical method of delivering public improvements and facilities in the area described in EXHIBIT A; and

WHEREAS, the District will help with the County's planning, management and financing needs for the delivery of public improvements and facilities to and within the District without overburdening the County and its taxpayers; and

WHEREAS, on June 21, 2004, the Governing Body of the County held a public hearing on the Petition in accordance with the requirements and procedures of the Act and did adopt a resolution entitled:

**RESOLUTION OF THE BOARD OF SUPERVISORS OF
RANKIN COUNTY ACKNOWLEDGING THAT A PUBLIC
HEARING REGARDING THE PETITION TO ESTABLISH
PINELANDS PUBLIC IMPROVEMENT DISTRICT WAS
HELD AND FURTHER ACTION BY THE BOARD OF
SUPERVISORS WAS TAKEN UNDER ADVISEMENT.**

WHEREAS, the Governing Body of the County has considered the record of the public hearing and other relevant factors pursuant to the Act.

**NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE
COUNTY, AS FOLLOWS:**

SECTION 1. That there is hereby established a public improvement district within the County and such district shall be designated as "Pinelands Public Improvement District."

SECTION 2. That Pinelands Public Improvement District shall include that particular real property described in EXHIBIT A, attached hereto and made a part hereof, and the District shall exercise the powers described and authorized in the Act.

SECTION 3. The five (5) persons designated to serve as the initial members of the Board of Directors of the District are Bill Brandon, Gary Miller, George Bobo, Richard Wilson, and Tom Troxler.

SECTION 4. This ordinance shall become effective immediately and all ordinances and orders, or parts thereof, in conflict herewith are, to the extent of such conflict, repealed.

SO ORDAINED BY THE BOARD OF SUPERVISORS OF RANKIN COUNTY,
MISSISSIPPI ON THIS 6th DAY OF JULY, 2004.

Said ordinance having been reduced to writing and after discussion on the matter,
Supervisor Swales moved for the adoption of the above and foregoing ordinance.
Supervisor Bishop seconded the motion to adopt said ordinance (a copy of which is
found in the miscellaneous file to these minutes), and the question being put to a roll call vote,
the result was as follows:

| | |
|---------------------------|----------------------|
| Supervisor O.E. Perry | voted: <u>Absent</u> |
| Supervisor Larry Swayles | voted: <u>yes</u> |
| Supervisor Ken Martin | voted: <u>yes</u> |
| Supervisor Carlo Martella | voted: <u>yes</u> |
| Supervisor Jay Bishop | voted: <u>yes</u> |

The motion having received the affirmative vote of a majority of the members present,
the President declared the motion carried and the resolution adopted, on this the 6th day of July,
2004.

Carlo Martella
PRESIDENT

ATTEST:

Murphy Redding
CHANCERY CLERK
by C. Duke, D.C.



EXHIBIT A**LEGAL DESCRIPTION FOR PINELANDS PID**

A parcel of land being located in the West ½ of Section 7, the West ½ of Section 18, the SE ¼ of Section 18, the SW ¼ of Section 17, the North ½ of Section 19, and the NW ¼ of the NW ¼ of Section 20, all in Township 6 North, Range 3 East, Rankin County, Mississippi, and being more particularly described as follows:

Commence at a found 2x2 iron pin at the Southwest corner of Section 18, said point being the POINT OF BEGINNING, and run along the apparent west line of Section 18 N00°09'25"W for 4161.07 feet to the southwest corner of Avalon Subdivision, Part Four (C); thence run along the south line of said Subdivision N89°50'35"E for 750.00 feet to the southeast corner of said subdivision; thence run along the east line of said subdivision N00°09'25"W for 1478.17 feet to the NE corner of said subdivision; thence run along the north line of said Subdivision S89°28'20"W for 127.93 feet to the SE corner of Avalon Subdivision, Part Four (B); thence run along the east line of said subdivision N00°49'00"W for 594.13 feet to a point on the north right-of-way of Avalon Way; thence run along the north right-of-way of Avalon Way for the following six (6) calls: run West for 105.54 feet; thence run S89°46'41"W for 431.95 feet; thence run N89°09'26"W for 58.82 feet; thence run N87°16'17"W for 34.08 feet; thence run N82°56'40"W for 38.64 feet; thence run N78°13'34"W for 44.07 feet; thence leaving the north right-of-way of Avalon Way run N00°20'10"W for 744.77 feet to the SW corner of the Villas at the Reservoir; thence run along the south line of the Villas of the Reservoir N89°42'59"E for 754.07 feet to a point on the west right-of-way of Hugh Ward Drive, as now laid out and constructed; thence run along the west right-of-way of Hugh Ward Drive for the following four (4) calls: run N00°49'00"W for 133.89 feet; thence run along a curve to the left, said curve having a radius of 1470.00 feet, an arc length of 473.22 feet, a chord length of 471.18, and a chord bearing of N10°02'35"W; thence run N19°15'00"W for 91.42 feet; thence run along a curve to the right to the NE corner of the Villas at the Reservoir, said curve having a radius of 1055.00 feet, an arc length of 108.01 feet, a chord length of 107.96 feet, and a chord bearing of N16°19'01"W; thence leaving the west right-of-way of Hugh Ward Drive, run along the north line of the Villas at the Reservoir S89°42'59"W for 614.15 feet to a point on the west line of Spann Land, LLC, property on file in deed book 858, page 215, in the Rankin County Chancery Clerk's Office; thence run along the west line of said Spann Land property N00°20'10"W for 1086.94 feet to a point on the south right-of-way of Spillway Road; thence run along the south right-of-way of Spillway Road S64°41'27"E for 1095.23 feet to the northeast corner of said Spann Land property; thence run along the east line of said Spann Land, LLC, property S25°29'45"W for 367.19 feet; thence continue along the east line of said Spann Land, LLC property along a curve to the left, said curve having a radius of 308.10 feet, an arc length of 141.08 feet, a chord length of 139.85 feet, and a chord bearing of S12°14'32"W; thence continue along the east line of said Spann Land, LLC property S00°13'46"E for 85.90 feet; thence continue along the line of said Spann Land, LLC property N89°43'00"E for 507.01 feet to a point on the east line of the West ½ of the West ½ of said Section 7, said line also being the west line of Bridgetowne I Subdivision; thence run along the east line of the West ½ of the West ½ of said Section 7 and along the west line of Bridgetowne I Subdivision S00°07'48"E for 1123.40 feet to the SW corner of the NE ¼ of the SW ¼ of said Section 7, said point being located on the

north line of T & F Development, Inc., property described in deed book 954, page 632, thence run along the north line of said T & F Development property S89°30'13"E for 1380.86 feet to the NE corner thereof; thence run along the east line of said T & F Development property and along the east line of Pine Knot Plantation, LLC, property described in deed book 919, page 75 S00°06'57"E for 5375.27 feet to the south right-of-way of Manship Road, also being the north line of The Pinelands, LLC property as described in deed book 970, page 387; thence run along the north line of The Pinelands, LLC property and along the south right-of-way of Manship Road for the following seven (7) calls: run N42°55'04"E for 147.21 feet; thence run N53°35'04"E for 801.35 feet; thence run N65°42'04"E for 121.45 feet; thence run N75°45'04"E for 1304.45 feet; thence run N75°27'04"E for 536.85 feet; thence run N76°55'04"E for 249.35 feet; thence run N79°10'04"E for 190.80 feet; thence leaving the north line of said Pinelands property and the south right-of-way of Manship Road, run along the east line of said Pinelands, LLC property for the following nine (9) calls: run S00°48'22"E for 952.64 feet; thence run S62°45'56"E for 518.03 feet; thence run S06°57'56"E for 240.20 feet; thence run S17°53'56"E for 100.93 feet; thence run S22°00'56"E for 264.29 feet; thence run S67°31'20"W for 733.83 feet; thence run S22°28'40"E for 300.00 feet; thence run N67°31'20"E for 890.34 feet; thence run S15°16'16"E for 251.99 feet to a point on the north right-of-way of Highway 25 as now laid out and constructed; thence run along said right-of-way S67°31'20"W for 710.71 feet to the SE corner of Comprehensive Family Dentistry, P.A. property described in deed book 1041, page 401 on file in the Rankin County Chancery Clerk's Office; thence run along the east line of said Family Dentistry office N22°28'40"E for 220.00 feet; thence run along and beyond the north line of said Family Dentistry Office and along the north line of W.H. Capital, L.L.C. property, as described in deed book 997, page 7, S67°31'20"E for 268.51 feet; thence run along the west line of said W.H. Capital property S22°28'40"E for 220.00 feet to a point on the north right-of-way of Highway 25; thence run along the north right-of-way of Highway 25 for the following six (6) calls: run S67°31'20"W for 3386.35 feet; thence run S67°28'41"W for 121.58 feet; thence run N88°15'56"W for 396.15 feet; thence run N48°09'56"W for 226.96 feet; thence run N45°59'56"W for 68.98 feet; thence run S42°23'04"W for 56.00 feet; thence leaving the north right-of-way of Highway 25, run N51°39'56"W for 268.00 feet to the centerline of Manship Road; thence run N25°46'09"W for 31.20 feet to a point on the north right-of-way of Wertz Road; thence run along the north right-of-way line of Wertz Road for the following twelve (12) calls: run N73°54'19"W for 250.74 feet; thence run N71°40'25"W for 160.04 feet; thence run N75°26'56"W for 303.90 feet; thence run N69°23'12"W for 46.01 feet; thence run along a curve to the right, said curve having a radius of 498.51 feet, an arc length of 182.16 feet, and included angle of 20°56'10", a chord length of 181.15 feet, and a chord bearing of N55°44'12"W; thence run N46°02'22"W for 76.17 feet; thence run N44°53'55"W for 113.21 feet; thence run along a curve to the left, said curve having a radius of 778.00 feet, an arc length of 385.66 feet, and included angle of 28°24'06", a chord length of 381.72 feet, and a chord bearing of N57°39'22"W; thence run N77°22'00"W for 76.03 feet; thence run along a curve to the left, said curve having a radius of 489.48 feet, an arc length of 177.01 feet, and included angle of 20°43'12", a chord length of 176.05 feet, and a chord bearing of S84°46'49"W; thence run S75°48'10"W for 25.15 feet; thence run S73°07'06"W for 55.21 feet to a point on the west line of said Section 19; thence run along the west line of Section 19 N00°04'43"W for 478.54 feet back to the POINT OF BEGINNING. Said parcel contains 694.27 acres, more or less.

