

## LIMITED OFFERING MEMORANDUM

### NEW ISSUE - BOOK-ENTRY ONLY

### NOT RATED

In the opinion of Bond Counsel, assuming compliance with existing statutes, regulations, rulings and court decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. However, see "TAX MATTERS" herein for a description of the federal alternative minimum tax on corporations and certain other federal tax consequences of ownership of the Bonds. Bond Counsel is further of the opinion that the Series 2008 Bonds and the interest thereon are exempt from taxation under the laws of the State of Mississippi. See "TAX MATTERS" HEREIN.

**\$18,605,000**

### **LOST RABBIT PUBLIC IMPROVEMENT DISTRICT Special Assessment Bonds, Series 2008**

Dated: Date of Issuance

Due: May 1, as shown below

Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008 (the "2008 Bonds" or the "Bonds") are being issued by the Lost Rabbit Public Improvement District (the "District") only in fully registered form, without coupons, in denominations of \$5,000 and integral multiples in excess thereof; provided, however, that the Bonds will be deliverable to the initial purchasers only in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000. The Bonds will bear interest at the fixed rates set forth below, calculated on the basis of a 360-day year comprised of twelve (12) thirty (30)-day months, payable semi-annually on each May 1 and November 1, commencing November 1, 2008. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. Purchases of beneficial interests in the Bonds will be made in book-entry form. Accordingly, principal of and interest on the Bonds will be paid by U.S. Bank National Association, as trustee (the "Trustee"), directly to DTC as the registered owner thereof. Disbursements of such payments to the DTC Participants is the responsibility of DTC and disbursements of such payments to the beneficial owners is the responsibility of DTC Participants and the Indirect Participants, as more fully described herein. Any purchaser as a beneficial owner of a Bond must maintain an account with a broker or dealer who is, or acts through, a DTC Participant to receive payment of the principal of and interest on such Bond. See "DESCRIPTION OF THE BONDS - Book-Entry System" herein.

The Bonds are being issued by the District, a local unit of special-purpose government organized and existing under the laws of the State of Mississippi, created in accordance with Sections 19-31-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act") and pursuant to an ordinance of the Board of Supervisors of Madison County, Mississippi (the "County"). The Bonds are being issued pursuant to the Act and a Trust Indenture, dated as of July 1, 2008 (the "Indenture"), by and between the District and the Trustee. The Bonds are equally and ratably secured under the Indenture by a lien upon and pledge of the revenues derived from "benefit special assessments," as such term is defined in the Act (the "Assessments" or "Pledged Revenues") upon land within the District specially benefited by the infrastructure improvements to be acquired, constructed and/or equipped by the District from the proceeds of the Bonds (as more particularly described under "THE PROJECT" herein and Appendix "A" hereto). The Bonds are additionally secured by amounts on deposit in the funds and accounts, other than the Rebate Fund and the Cost of Issuance Fund, created for the benefit of the Bonds pursuant to the Indenture (the "Pledged Funds").

Pursuant to the Indenture, the Bonds are subject to optional, mandatory and extraordinary mandatory redemption at the times, in the amounts and at the redemption prices as more fully described herein under the caption "DESCRIPTION OF THE BONDS - Redemption Provisions".

NEITHER THE BONDS NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF MISSISSIPPI. THE BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE INDENTURE. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT, OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY, TO PAY DEBT SERVICE OR THE RIGHT TO COMPEL ANY PUBLIC AUTHORITY OTHER THAN THE DISTRICT TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES AND THE PLEDGED FUNDS, ALL AS PROVIDED IN THE BONDS AND IN THE INDENTURE.

NO APPLICATION HAS BEEN MADE FOR A RATING WITH RESPECT TO THE BONDS. THE UNDERWRITER IS REQUIRED TO LIMIT THIS OFFERING TO ACCREDITED INVESTORS. SEE "BOND OWNERS' RISKS", "RATING" AND "SUITABILITY FOR INVESTMENT" HEREIN.

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

#### **MATURITY SCHEDULE Series 2008 Bonds**

| <u>PRINCIPAL AMOUNT</u> | <u>INTEREST RATE</u> | <u>MATURITY</u>    | <u>PRICE</u> | <u>CUSIP</u>      |
|-------------------------|----------------------|--------------------|--------------|-------------------|
| <b>\$18,605,000</b>     | <b>7.875%</b>        | <b>May 1, 2038</b> | <b>100%</b>  | <b>54566P AA5</b> |

The Bonds are offered for delivery when, as and if issued by the District and accepted by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice and the receipt of the opinion of legality by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, as to the validity of the Bonds and the excludability of interest thereon from gross income for federal income tax purposes. Certain legal matters will be passed upon for the Underwriter by its counsel Harris Jernigan & Geno, PLLC, Ridgeland, Mississippi; and for the District by its counsel, Baker, Donelson, Bearman Caldwell & Berkowitz, PC, Jackson, Mississippi. It is expected that the Bonds will be delivered in book-entry form through the facilities of DTC on or about July 17, 2008.

**Gardnry Michael Capital, Inc.**

Dated: July 17, 2008

No broker, dealer, salesperson or other person has been authorized by the District or the Underwriter (as defined herein) to give any information or to make any representations, other than those contained in this Limited Offering Memorandum, and if given or made, such other information or representations must not be relied upon as having been authorized by either of the foregoing. This Limited Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds and there shall be no offer, solicitation, or sale of the 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 by the Underwriter from public documents, records and other sources, including the Developer (as defined herein) which are believed by the Underwriter to be reliable. While the Underwriter does not guarantee the accuracy or completeness of the information contained herein, nothing has come to the attention of the Underwriter that would lead it to believe that this Limited Offering Memorandum, as of its date, contains any untrue statement of a material fact or omits to state a material fact which should be included herein for the purposes for which this Limited Offering Memorandum is to be used, or which is 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 contained are subject to change without notice and neither the delivery of this Limited Offering Memorandum, nor any sale made hereunder, shall, under any circumstances, create any implication that there has been no change in the affairs of the District, the Developer, the Development (as defined herein) or the Project (as defined herein) since the date hereof.

The Bonds have not been registered under the Securities Act of 1933, nor has the Indenture been qualified under the Trust Indenture Act of 1939. The registration or qualification of the Bonds under the securities laws of any jurisdictions in which they may have been registered or qualified, if any, shall not be regarded as a recommendation thereof. Neither the State of Mississippi, Madison County, Mississippi, the District nor any of their agencies have passed upon the merits of the Bonds. Neither the State of Mississippi, nor Madison County, Mississippi, nor any of their agencies have passed upon the accuracy or completeness of this Limited Offering Memorandum.

In connection with this offering, the Underwriter may over-allot or effect transactions which stabilize or maintain the market price of the Bonds offered hereby at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

**\$18,605,000**  
**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**  
**Special Assessment Bonds, Series 2008**

**ISSUER**

Lost Rabbit Public Improvement District

**UNDERWRITER**

Gardnyr Michael Capital, Inc.

**TRUSTEE**

U.S. Bank, National Association

**DEVELOPER**

Lost Rabbit Development, LLC

**DISTRICT FINANCIAL ADVISOR**

Government Consultants, Inc.

**CONSULTING ENGINEER**

Pickering Firm, Inc.

**ASSESSMENT METHODOLOGY CONSULTANT**

Wrathell, Hart, Hunt & Associates, LLC

**BOND COUNSEL**

Butler, Snow, O'Mara, Stevens & Canada, PLLC

**DISTRICT COUNSEL**

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC

**UNDERWRITER'S COUNSEL**

Harris Jernigan & Geno, PLLC

**DEVELOPER COUNSEL**

Watkins & Eager, PLLC

**TRUSTEE COUNSEL**

Greenberg Traurig, P.A.

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APPENDIX “E”: BUDGET OF THE DISTRICT FOR THE FISCAL YEAR  
ENDING SEPTEMBER 30, 2008

APPENDIX “F”: MASTER SPECIAL ASSESSMENT METHODOLOGY REPORT  
And  
SUPPLEMENTAL SPECIAL ASSESSMENT  
METHODOLOGY REPORT

**\$18,605,000**  
**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**  
**SPECIAL ASSESSMENT BONDS, SERIES 2008**

**INTRODUCTION**

The purpose of this Limited Offering Memorandum, including the cover page and appendices hereto, is to set forth certain information in connection with the offering and issuing by the Lost Rabbit Public Improvement District (the "District") of its \$18,605,000 Special Assessment Bonds, Series 2008 (the "2008 Bonds" or the "Bonds"). The District was created pursuant to Sections 19-31-1 *et seq.*, Mississippi Code of 1972, as amended (the "Act") and an ordinance of the Board of Supervisors of Madison County, Mississippi (the "County"), dated December 3, 2007, as amended April 21, 2008. The Bonds are being issued pursuant to the Act, a Trust Indenture dated as of July 1, 2008, as (the "Indenture") by and between the District and U.S. Bank National Association, as trustee (the "Trustee"), and resolutions adopted by the Board of Directors of the District authorizing the issuance of the Bonds dated June 10, 2008 and July 8, 2008. All capitalized terms used in this Limited Offering Memorandum that are defined in the Indenture and not defined herein shall have the respective meanings set forth in the Indenture (see "FORM OF THE INDENTURE," Appendix "B" hereto).

The Bonds are equally and ratably secured under the Indenture by a lien upon and pledge of the revenues derived from "benefit special assessments" as such term is defined in the Act (the "Assessments" or "Pledged Revenues") levied upon land within the District specially benefited by the infrastructure improvements to be, acquired, constructed and/or equipped by the District from the proceeds of the Bonds (as more particularly described under "THE PROJECT" herein). The term Assessments as used herein refers just to the Assessments pledged to the Bonds. The Bonds are additionally secured by amounts on deposit in the Funds and Accounts, other than the Rebate Fund and Cost of Issuance Fund, created for the benefit of the Bonds pursuant to the Indenture (the "Pledged Funds"). The Pledged Revenues and the Pledged Funds are collectively referred to as the "Trust Estate."

The Bonds are not a suitable investment for all investors (see "SUITABILITY FOR INVESTMENT" and "BOND OWNERS' RISKS" herein). Prospective investors in the 2008 Bonds are invited to visit the District, ask questions of representatives of the Developer (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 utilize the information appearing in this Limited Offering Memorandum within the context of and in conjunction with availability of such additional information and the sources thereof. Prospective investors may request additional information and arrange to visit the District as described under the caption "SUITABILITY FOR INVESTMENT" herein.

The District was established on December 3, 2007 by ordinance of the Board of Supervisors of Madison County, Mississippi (the "County"), as amended on April 21, 2008, for the purposes of financing and managing the acquisition, construction, maintenance and/or operation of the infrastructure necessary for community development within its jurisdiction. The Act authorizes the District to issue Bonds for the purpose, among others, of financing, funding, planning, establishing, acquiring, constructing or reconstructing, enlarging or extending, equipping, operating and maintaining water management, water supply, sewer and waste water

management, bridges or culverts, district roads, landscaping, street lights and other basic infrastructure projects within or without the boundaries of the District as provided in the Act.

In addition to funding the Project, proceeds of the Bonds will also be used to capitalize a portion of the interest accruing on the Bonds, to fund the Reserve Fund (as hereafter defined), and to pay costs of issuing and delivering the Bonds. See “ESTIMATED SOURCES AND USES OF BOND PROCEEDS” and “THE PROJECT” herein.

In the Indenture, the District covenants and agrees that the District will not issue or incur any obligations payable from the proceeds of Assessments securing the Bonds nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon the Assessments other than the liens created by the Indenture except for fees, commissions, costs, and other charges payable to the Tax Assessor or to the Tax Collector of the County pursuant to Mississippi law or the Tax Collector/Assessor Agreement (as defined in the Indenture). See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS,” herein. Additionally, the District and/or other public entities may impose taxes or other assessments on the same properties encumbered by the Assessments without the consent of the owners of the Bonds. Also the District may impose “maintenance special assessments,” as such term is defined in the Act, payable on a parity with the Assessments to fund the maintenance and operation of the District and for purposes in accordance with the Act. See “BOND OWNERS’ RISKS” herein.

The District has covenanted in the Indenture to comply with the continuing disclosure requirements contained in Securities and Exchange Commission Rule 15c2-12. See “CONTINUING DISCLOSURE” herein and Appendix “D” hereto.

There follows in this Limited Offering Memorandum a brief description of the District, the Project, the Developer, and the Development, together with summaries of the terms of the 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 document and statute and all references to the Bonds are qualified by reference to the definitive forms thereof and the information with respect thereto contained in the Indenture. The form of the Indenture appears as Appendix “B” hereto. The information herein under the captions “THE DEVELOPMENT” and “THE DEVELOPER” has been furnished by the Developer.

This Limited Offering Memorandum speaks only as of its date and the information contained herein is subject to change.

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## **DESCRIPTION OF THE BONDS**

### **General Description**

The Bonds are issuable as fully registered Bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof; provided, however, that the Bonds will be deliverable to the initial purchasers only in denominations of \$100,000 or integral multiples of \$5,000 in excess of \$100,000.

The Bonds shall be dated the date of delivery thereof. The Bonds also shall bear the date of authentication. Each Bond shall bear interest from the Interest Payment Date to which interest has been paid next preceding the date of its authentication, unless the date of its authentication: (1) is an Interest Payment Date to which interest on such Bond has been paid, in which event such Bond shall bear interest from its date of authentication; or (2) is prior to the first Interest Payment Date for the Bond, in which event such Bond shall bear interest from its date of authentication. If the District shall default in the payment of interest due on any Interest Payment Date, then such Bond shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for.

Interest on the Bonds will be computed on the basis of a 360-day year consisting of twelve (12) thirty (30) day months.

The Bonds will mature, subject to the redemption provisions set forth below, on the date and in the amount set forth on the cover page hereof, subject to mandatory sinking fund redemption.

The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Mississippi, and each successive owner, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Mississippi.

Upon initial issuance, the ownership of the Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), the initial bond depository. Except as provided below, all of the Outstanding Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as nominee of DTC (see "DESCRIPTION OF THE BONDS - Book-Entry System").

The Indenture provides that with respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, the District, the Bond Registrar and the Paying Agent will have no responsibility or obligation to any Bond Participant (hereinafter defined) or to any Indirect Participant (hereinafter defined). Without limiting the immediately preceding sentence, the District, the Bond Registrar and the Paying Agent will have no responsibility or obligation with respect to: (i) the accuracy of the records of DTC, Cede & Co. or any Bond Participant with respect to any ownership interest in the Bonds; (ii) the delivery to any Bond Participant or any person other than an Owner, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption; or (iii) the payment to any Bond Participant or any person, other than an Owner, as shown in the registration books kept by the Bond Registrar, of any amount with

respect to principal of, premium, if any, or interest on the Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such Bond for the purpose of payment of principal of, premium, if any, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent will pay all principal of and premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided in the Indenture, and all such payments will be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Bond Registrar, shall receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the provisions of the Indenture. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new Nominee in place of Cede & Co., the District shall promptly deliver a copy of the same to the Trustee, the Bond Registrar and the Paying Agent. Upon receipt by the Trustee or the District of written notice from DTC: (i) confirming that DTC has received written notice from the District to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, is not in the best interest of the Beneficial Owners (as defined below) of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute Bond Depository willing to undertake the functions of DTC under the Indenture can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the Bonds shall designate, in accordance with the provisions of the Indenture.

U. S. Bank National Association is the Trustee, Bond Registrar and Paying Agent for the Bonds.

## **Redemption Provisions**

### ***Optional Redemption***

The 2008 Bonds may, at the option of the District, be called for early redemption as a whole, at any time, or in part on any Interest Payment Date, on or after May 1, 2020 (less than all of such Bonds to be selected by lot), at the Redemption Prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest from the most recent Interest Payment Date to the redemption date:

| <b>Redemption Periods<br/>(Dates Inclusive)</b> | <b>Redemption<br/>Prices</b> |
|---|------------------------------|
| May 1, 2020                                     | 102%                         |
| May 1, 2021                                     | 101%                         |
| May 1, 2022                                     | 100%                         |

### ***Mandatory Redemption***

The Bonds maturing May 1, 2038, are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the Sinking Fund Account established under the Indenture in satisfaction of applicable Amortization Installments (as defined in the Indenture) at the Redemption Price of the principal amount thereof, without premium, together with accrued interest to the date of redemption on May 1 of the years and in the principal amounts set forth below:

| <b>Year<br/>(May 1)</b> | <b>Principal<br/>Amount</b> | <b>Year<br/>(May 1)</b> | <b>Principal<br/>Amount</b> |
|-------------------------|-----------------------------|-------------------------|-----------------------------|
| 2012                    | 215,000                     | 2026                    | 630,000                     |
| 2013                    | 235,000                     | 2027                    | 680,000                     |
| 2014                    | 255,000                     | 2028                    | 730,000                     |
| 2015                    | 275,000                     | 2029                    | 790,000                     |
| 2016                    | 295,000                     | 2030                    | 850,000                     |
| 2017                    | 315,000                     | 2031                    | 915,000                     |
| 2018                    | 340,000                     | 2032                    | 990,000                     |
| 2019                    | 370,000                     | 2033                    | 1,070,000                   |
| 2020                    | 400,000                     | 2034                    | 1,150,000                   |
| 2021                    | 430,000                     | 2035                    | 1,240,000                   |
| 2022                    | 465,000                     | 2036                    | 1,340,000                   |
| 2023                    | 500,000                     | 2037                    | 1,445,000                   |
| 2024                    | 540,000                     | 2038*                   | 1,560,000                   |
| 2025                    | 580,000                     |                         |                             |

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\*Final Maturity

Amortization Installments are also subject to recalculation, as provided in the Indenture, as the result of the redemption of Bonds so as to re-amortize the remaining Outstanding principal of the Bonds in substantially level installments of principal and interest over the remaining term thereof.

### ***Extraordinary Mandatory Redemption***

The Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part by lot in the manner determined by the Bond Registrar at the Redemption Price of 100% of the principal amount thereof, without premium, together with accrued interest to the date of redemption, if and to the extent that any one or more of the following shall have occurred:

- (a) on or after the Date of Completion of the Project (as such terms are defined in the Indenture), by application of moneys transferred from the Acquisition and Construction Fund established under the Indenture to the Prepayment Subaccount of the Redemption Account in accordance with the terms of the Indenture; or
- (b) from Prepayments (as defined in the Indenture) deposited into the Prepayment Subaccount of the Redemption Account; or

(c) from amounts on deposit in the Reserve Fund, on the date on which the amount on deposit therein together with other moneys available therefor are sufficient to pay and redeem all of the Bonds then outstanding.

If less than all of the Bonds shall be called for redemption, the particular Bonds or portions of the Bonds to be redeemed shall be selected by lot by the Registrar as provided in the Indenture,

### **Notice of Redemption**

The District shall establish each Redemption Date, other than in the case of a mandatory redemption, in which case the Trustee shall establish the Redemption Date, and the District or the Trustee, as the case may be, shall notify the Bond Registrar in writing of such Redemption Date on or before the forty-fifth (45th) day next preceding the date fixed for redemption, which notice shall set forth the terms of the redemption and the aggregate principal amount of the Bonds so to be redeemed. Except as provided below, notice of redemption shall be given by the Bond Registrar not less than thirty (30) nor more than forty-five (45) days prior to the Redemption Date by first-class mail, postage prepaid, to any Paying Agent for the Bonds to be redeemed and to the Owner of each Bond to be redeemed, at the address of such Owner on the registration books maintained by the Bond Registrar (and, for any Owner of \$1,000,000 or more in original principal amount of Bonds, to one additional address if written request therefor is provided to the Bond Registrar); and a second notice of redemption shall be sent by registered or certified mail at such address to any Owner who has not submitted his Bonds to the Paying Agent for payment on or before the date sixty (60) days following the date fixed for redemption of such Bonds, in each case stating: (i) the numbers of the Bonds to be redeemed, by giving the individual certificate number of each Bond to be redeemed (or stating that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or stating that all of the Bonds of one or more maturities have been called for redemption); (ii) the CUSIP numbers of all Bonds being redeemed; (iii) in the case of a partial redemption of Bonds, the principal amount of each Bond being redeemed, (iv) the date of issue of each Bond as originally issued and the complete official name of the Bond; (v) the rate or rates of interest borne by each Bond being redeemed; (vi) the maturity date of each Bond being redeemed; (vii) the place or places where amounts due upon such redemption will be payable; (viii) the notice date, Redemption Date, and Redemption Price; and (ix) the name, address, telephone number and contact person at the office of the Paying Agent with respect to such redemption. The notice shall require that such Bond be surrendered at the designated trust office of the Paying Agent for redemption at the Redemption Price and shall state that further interest on such Bond will not accrue from and after the Redemption Date. CUSIP number identification with appropriate dollar amounts for each CUSIP number also shall accompany all redemption payments.

Any required notice of redemption also shall be sent by registered mail, overnight delivery service, telecopy or other secure means, postage or other delivery charges prepaid, to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds to be redeemed, to certain municipal registered Securities Depositories which are known to the Bond Registrar to be holding Bonds thirty-two (32) days prior to the redemption date and to at least two of the national information services that disseminate securities redemption notices, when possible, at least thirty (30) days, prior to the redemption date; provided, however, that neither failure to send or receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bond.

Failure to give notice by mailing to the Owner of any Bond designated for redemption, or any defect in such notice, or to any depository or information service, shall not affect the validity of the proceedings for the redemption of any other Bond.

### **No Purchase of Bonds by the District**

The District may not purchase Bonds then Outstanding at any time, whether or not such Bonds shall then be subject to redemption. For additional information concerning purchase of Bonds see Appendix “B” hereto.

### **Acceleration**

The Indenture permits the acceleration of the principal of the Bonds upon the occurrence of certain Events of Default under the Indenture.

### **Book-Entry System**

The Bonds will be initially available in book-entry form, in the principal amount of \$5,000 or any integral multiple thereof, provided that the Bonds will be available to the initial purchasers only in the principal amounts of \$100,000 or integral multiples of \$5,000 in excess thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds purchased. The Underwriter is to confirm original issuance purchases with statements containing certain terms of the Bonds that are purchased.

The following information in this section concerning DTC and DTC’s book-entry system has been obtained from DTC and neither the District nor the Underwriter takes any responsibility for the accuracy thereof.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). For purposes of this Limited Offering Memorandum, so long as the Bonds are immobilized in the custody of DTC, references to the Owners of the Bonds mean DTC or its nominee.

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 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation Government Securities Clearing Corporation, MBS 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](http://www.dtcc.com).

Purchase of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of the Bonds (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfer of ownership interests in the Bonds is to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, any Bond deposited by Direct Participants with DTC is 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 a Bond with DTC and its registration in the name of Cede & Co. or such other nominee does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such 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. Beneficial Owners of the Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the Bond Registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds is being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds and redemption proceeds on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or its nominee, the 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 Issuer or Agent, 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 securities depository with respect to the Bonds at any time by giving reasonable notice to the District or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, OR THE INDIRECT PARTICIPANTS, OR BENEFICIAL OWNERS.

BENEFICIAL OWNERS OF THE BONDS OR THOSE POSSESSING INTERESTS IN THE BONDS WILL NOT RECEIVE OR HAVE THE RIGHT TO RECEIVE PHYSICAL DELIVERY OF CERTIFICATES EVIDENCING THEIR OWNERSHIP INTEREST IN SUCH BONDS, AND WILL NOT BE OR CONSIDERED TO BE OWNERS THEREOF UNDER THE INDENTURE. SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS THEREOF.

For additional information concerning the Bonds, see Appendix "B" hereto.

## **SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS**

### **General**

The principal of, redemption premium, if any, and interest on the Bonds is secured equally and ratably by a first lien upon and pledge of the Pledged Revenues which include the revenues derived by the District from the Assessments. The Assessments shall mean all benefit special assessments levied by the District pursuant to the Assessment Proceedings and collected by or on behalf of the District pursuant to Section 19-31-33(1) of the Act, and any applicable penalties collected by or on behalf of the District, together with any and all amounts received by the District from any foreclosure proceeding for the enforcement of collection of such Assessments or from the proceeds from tax sales with respect to such assessments, less (to the extent applicable) the fees and costs of collection thereof payable to the Tax Collector and less certain administrative costs of the Tax Assessor pursuant to the Tax Collector/Assessor Agreement. Assessments shall not include “maintenance special assessments”, if any, levied and collected by the District. The Assessments will constitute a lien against the land as to which the Assessments are imposed. See “ENFORCEMENT OF ASSESSMENT COLLECTIONS” herein.

Pursuant to the Act, payment of the Assessments is secured by a lien upon the property against which the Assessments are made, coequal with the lien of all state, county, school district 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.

A summary of the Assessment Methodology is set forth under “ASSESSMENT METHODOLOGY” herein.

The Bonds are additionally secured by other amounts on deposit in the Pledged Funds created pursuant to the Indenture.

NEITHER THE BONDS NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF MISSISSIPPI. THE BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE INDENTURE. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY TO PAY DEBT SERVICE OR THE RIGHT TO COMPEL ANY PUBLIC AUTHORITY OTHER THAN THE DISTRICT TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES AND THE PLEDGED FUNDS, ALL AS PROVIDED IN THE BONDS AND THE INDENTURE.

## **No Parity Bonds**

In the Indenture, the District covenants and agrees that so long as any Bond remains Outstanding, the District shall not issue additional bonds or superior, parity or subordinate debt without the prior written consent of the Majority Owner. See “BOND OWNERS’ RISKS” herein.

## **Reserve Fund**

The Indenture establishes a Reserve Fund. The Reserve Fund will, at the time of delivery of the Bonds, be funded from the proceeds of the Bonds in an amount equal to the Reserve Fund Requirement which is \$1,684,850 which was calculated as the lesser of: (A) Maximum Annual Debt Service Requirement for all Outstanding Bond, (B) 125% of the average annual Debt Service for all Outstanding Bonds, or (C) 10% of the proceeds of the Bonds calculated as of the date of original issuance and delivery thereof.

Amounts on deposit in the Reserve Fund shall be used only for the purpose of making payments into the Interest Account of the Debt Service Fund and the Sinking Fund Account to pay Debt Service on the Bonds, when due, to the extent the moneys on deposit in such Accounts and available therefor are insufficient, and for no other purpose. Such Accounts shall consist only of cash and Investment Obligations.

At the time of any withdrawal from the Reserve Fund that results in a deficiency therein, the Trustee shall promptly notify the District of the amount of any such deficiency and the Trustee shall withdraw the amount of such deficiency from the Revenue Fund, and, if amounts on deposit therein are insufficient therefor, the District shall pay the amount of such deficiency to the Trustee from any other legally available monies of the District, for deposit in the accounts in the Reserve Fund, from the first legally available sources of the District.

The Trustee, as of the close of business on the last Business Day in each Bond Year, after taking into account all payments and transfers made as of such date, shall compute, in the manner provided in the Indenture, the value of the Reserve Fund and shall promptly notify the District of the amount of any deficiency or surplus as of such date therein. The District shall immediately pay the amount of any deficiency to the Trustee, for deposit in the Reserve Fund, from any legally available sources of the District. The Trustee shall transfer into the Revenue Fund any surplus in the Reserve Fund resulting from the calculation set forth above.

## **Deposit and Application of the Pledged Revenues**

The District shall deposit Assessment Revenues with the Trustee immediately upon receipt, (and in any event no later than five (5) Business Days following such receipt) together with a written accounting setting forth the amounts of such Assessment Revenues, in the following categories, which shall be deposited by the Trustee into the Funds and Accounts as follows:

- (i) Assessment Principal of Assessments, which shall be deposited into the Sinking Fund Account;
- (ii) Prepayment Principal, which shall be deposited into the Prepayment Subaccount in the Redemption Account;

(iii) Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the Reserve Fund to pay the principal of Bonds, and the balance, if any, shall be deposited into the Revenue Fund; and

(iv) All other Assessment Revenues, which shall be deposited into the Revenue Fund.

Moneys other than Assessment Revenues shall, at the written direction of the District, be deposited into the Optional Redemption Subaccount of the Redemption Account and used to pay the principal of and premium, if any, on Bonds called or to be called for optional redemption at the written direction of the District in accordance with the provisions for optional redemption of Bonds. See "THE BONDS - Redemption Provisions - Optional Redemption" herein.

On each March 15 and September 15 (or if such March 15 or September 15 is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the Prepayment Subaccount of the Redemption Account, and if the balance therein is greater than zero, shall transfer from the Revenue Fund for deposit into such Prepayment Subaccount an amount sufficient to increase the amount on deposit therein to an integral multiple of \$5,000 and shall thereupon give notice and cause the extraordinary mandatory redemption of the Bonds on the next succeeding Interest Payment Date in the maximum aggregate principal amount for which moneys are then on deposit in such Prepayment Subaccount in accordance with the provisions for extraordinary mandatory redemption of Bonds. See "THE BONDS - Redemption Provisions - Extraordinary Mandatory Redemption" herein.

On each May 1 and November 1 (or if such May 1 or November 1 is not a Business Day, on the Business Day preceding such date), the Trustee shall transfer from amounts on deposit in the Revenue Fund to the Funds and Accounts designated below, the following amounts in the following order of priority:

FIRST, to the Interest Account of the Debt Service Fund, an amount equal to the amount of interest payable on all Bonds then Outstanding on such May 1 or November 1, less any amount already on deposit in the Interest Account not previously credited;

SECOND, on each May 1, to the Sinking Fund Account, an amount equal to the Amortization Installments of all Bonds subject to mandatory sinking fund redemption on such May 1, less any amount already on deposit in the Sinking Fund Account not previously credited;

THIRD, to the Reserve Fund, the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Fund Requirement; and

FOURTH, the balance shall be retained in the Revenue Fund.

On any date required by the Tax Regulatory Covenants, the District shall give the Trustee written direction and the Trustee shall transfer from the Revenue Fund to the Rebate Fund the amount due and owing to the United States, which amount shall be paid to the United States when due, in accordance with such Tax Regulatory Covenants.

The balance remaining on deposit in the Revenue Fund on each May 1, after making all of the deposits and payments required by the Indenture and paying or providing, at the written

direction of the District, for the fees and expenses of the Trustee, Bond Registrar and Paying Agent “” when due is hereinafter referred to as an “Annual Surplus”. Provided that no Event of Default of which the Trustee has actual knowledge shall have occurred and be continuing and provided, further, that no event has occurred of which the Trustee has actual knowledge, which, but for the passage of time or the giving of notice, or both, would constitute such an Event of Default, and, provided that the Bonds are then subject to redemption at the option of the District, the District may, at the written direction of an Authorized Officer transfer all or a portion of the Annual Surplus into the Optional Redemption Subaccount of the Redemption Account in the Debt Service Fund for the optional redemption of the Bonds. See “THE BONDS - Redemption Provisions - Optional Redemption” herein.

## **Investments**

Moneys held on deposit in the Funds, Accounts and subaccounts (other than the Reserve Fund) shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer, which Investment Obligations shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, no later than the respective dates, as estimated by an Authorized Officer, when moneys held on deposit in each such Fund or Account will be required for the purposes intended; provided, however, that the maturity of all investments shall be less than three (3) years.

Moneys held for the credit of the Reserve Fund shall be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer. Earnings on investments in the Reserve Fund shall be disposed of as follows:

- (i) if there was no deficiency in the Reserve Fund as of the most recent date on which amounts on deposit in the Reserve Fund were valued by the Trustee, and if no withdrawals have been made from the Reserve Fund since such date, then earnings on investments in the Reserve Fund shall be deposited in the Revenue Fund; and
- (ii) if as of the last date on which amounts on deposit in the Reserve Fund were valued by the Trustee there was a deficiency in the Reserve Fund or if after such date withdrawals have been made from the Reserve Fund and have created such a deficiency, then earnings on investments in the Reserve Fund shall be deposited to the credit of the Reserve Fund until the amount on deposit therein equals the applicable Reserve Fund Requirement and thereafter shall be deposited to the Interest Account.

In computing the value of the assets of any Fund or Account, investments and earnings thereon shall be deemed a part thereof. Such investments, other than in the Reserve Fund, shall be valued at the par value or the current market value thereof, whichever is lower, or at the redemption price thereof, if then redeemable at the option of the holder. In computing the value of the amount on deposit in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par or at amortized value if purchased at other than par. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation on the date of purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium and adding the amount thus calculated for each Interest

Payment Date after such purchase to the purchase price in the case of an obligation purchased at a discount.

### **Enforcement of Payment of Assessments**

The District has covenanted in the Indenture to assess, levy, collect or cause to be collected and enforce the payment of Assessments in the manner prescribed by the Indenture and the Act, and in the manner which most benefits the Owners of the Bonds, and all resolutions, ordinances or laws thereunto appertaining at the times and in the amounts as shall be necessary to pay, when due, the Debt Service on the Bonds and to maintain the Reserve Fund at its required level and to make all other payments required by the Indenture. See “ENFORCEMENT OF ASSESSMENT COLLECTIONS” herein.

### **Prepayment of Assessments**

At any time from the date of levy of the Assessments on a parcel of District lands any owner of property subject to the Assessments may, at its option, require the District to release and extinguish the lien upon its property by virtue of the levy of the Assessments that relate to the Bonds by paying to the District the entire amount of such Assessment on such property plus accrued interest to the next succeeding Interest Payment Date (or second succeeding Interest Payment Date if such prepayment is made within forty-five (45) calendar days before an Interest Payment Date), attributable to the property subject to Assessments owned by such owner.

The Bonds are subject to extraordinary mandatory redemption from Prepayments as indicated under “DESCRIPTION OF THE BONDS - Redemption Provisions - Extraordinary Mandatory Redemption”.

### **Negative Pledge and Collateral Assignment of Lease and Invitation**

The Developer and the Trustee have executed a Negative Pledge and Collateral Assignment of Lease and Invitation (the “Negative Pledge Agreement”) pursuant to which the Developer has agreed that until such time as the real property which supports 70% of the principal amount of the Assessments which secure the Bonds is sold to third party users that are in no way affiliated with the Developer, the Developer will not sell, transfer or otherwise encumber or dispose of its rights under the Master Lease (defined hereinafter) or the Invitation (as defined in the Negative Pledge Agreement), including the lease of Phase 1 of the Development and the option to lease the additional approximately 159 acres. The Trustee shall reserve \$5,000,000 in the Acquisition and Construction Fund until the Majority Owner deems the terms of the Negative Pledge Agreement satisfied. See “DEVELOPMENT – Lease of Property from the Pearl River Valley Water Supply District”. Further, the Developer has covenanted that it will cause the Bank (as defined in the Negative Pledge Agreement) to release its lien on the Master Lease by October 10, 2008, and after such date, transfer the Developer’s rights under the Master Lease to the Trustee for the benefit of the Bondholders.

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## **ENFORCEMENT OF ASSESSMENT COLLECTIONS**

### **Collection Procedures**

The primary sources of payment for the Bonds are the Assessments imposed on each parcel of land within the Development benefited by the Project, pursuant to the Assessment Proceedings. Pursuant to the Assessment Proceedings, the District will impose the Assessments in an amount sufficient to pay Debt Service required for the outstanding principal amount of the Bonds. The Assessments are a species of non-ad valorem assessments which are imposed against the land subject thereto upon the basis of a special benefit to such land determined to result from the implementation of the Project. Such Assessments are a lien against such land as provided in Section 19-31-33 of the Act. To the extent that landowners fail to pay such 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 Bonds. The Act provides for methods of collection of Delinquent Assessments by reference to other provisions of the Mississippi Code.

The following is a description of certain statutory provisions of assessment payment and collection procedures appearing in the Mississippi statutes, but is qualified in its entirety by reference to such statutes.

The determination, order, levy and collection of the Assessments must be done in compliance with procedural requirements and guidelines provided by Mississippi law. Failure by the District or the Tax Collector of Madison County to comply with such requirements could result in delays in the collection of, or the complete inability to collect, annual installments of Assessments during any year. All taxes and 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 Assessments pursuant to the Mississippi law could have a material adverse effect on the ability of the District to make full or punctual payment of debt service on the Bonds. See “BOND OWNERS’ RISKS” herein.

Assessments are a lien on the land against which they are assessed by August 31st of each year. The lien of the 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 Assessments. Upon receipt by the Tax Collector of the Assessments and delivery of such Assessments to the Trustee pursuant to the Tax Collector/Assessor Agreement, moneys therefrom will be deposited as provided in the Indenture.

All County, school and special district taxes, Assessments and voter-approved ad valorem taxes levied to pay principal of and interest on Bonds, including the 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 Assessments or not, would cause the 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 Bonds.

State law provides that, subject to certain conditions, assessments such as the 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 (1%) 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 (15<sup>th</sup>) day of February or the fifth (5<sup>th</sup>) 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 (1<sup>st</sup>) 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.

The Assessments 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 Assessments. The owner of land sold at a tax sale has two (2) 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 challenging the tax sale 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, including the 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 Debt Service on the Bonds.

### **Covenant of District Regarding Delinquent Assessments**

Pursuant to the Indenture, the District has covenanted that if any property shall be offered for sale for the nonpayment of any Assessment and no person or persons shall purchase such property for an amount equal at least to the full amount due on the Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any), the property may then be purchased by the District for an amount equal to the balance due on the Assessment (principal, interest, penalties and costs, plus attorneys' fees, if any). The District shall receive in its corporate name the title to the property for the benefit of the Registered Owners. The District, either through its own actions, or actions caused to be taken 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 into the Revenue Fund. Not less than ten (10) days prior to the filing of any foreclosure action or any sale of tax deed as provided in the Indenture, the District shall cause written notice thereof to be mailed to the Registered Owners of the Bonds secured by such Delinquent Assessments. Not less than thirty (30) days prior to the proposed sale of any lot or tract of land acquired by foreclosure by the District, it shall give written notice thereof to such Registered Owners. The District, either through its own actions, or actions caused to be taken

through the Trustee, has agreed that it shall be required to take the measures provided by law for sale of property acquired by it as trustee for the Owners of the Bonds within thirty (30) days after the receipt of the request therefor signed by the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Outstanding Bonds payable from Assessments assessed on such property. If any tax deeds relating to Delinquent Assessments which are re-pledged to the Bonds are sold by the Tax Collector pursuant to Sections 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, and related statutes, or if any such tax deeds are not sold but are later redeemed, the proceeds of such sale or redemption (to the extent that such proceeds relate to the Assessments), less any commission or other charges retained by the Tax Collector, shall if paid by the Tax Collector to the District, be paid by the District to the Trustee not later than one (1) Business Day following receipt of such proceeds by the District and, the Trustee shall deposit such proceeds, together with any proceeds received directly by the Trustee from the Tax Collector as required by the Indenture.

## **BOND OWNERS' RISKS**

### **Risk Factors**

There are certain risks inherent in an investment in bonds secured by assessments, like the Assessments, issued by a public authority or governmental body in the State. Certain of these risks are described in the preceding section entitled "ENFORCEMENT OF ASSESSMENT COLLECTIONS"; however, certain additional risks are associated with the Bonds offered hereby. This section does not purport to summarize all risks that may be associated with purchasing or owning the Bonds and prospective purchasers are advised to read this Limited Offering Memorandum including all appendices hereto in its entirety to identify investment considerations relating to the Bonds.

1. Until further development takes place on the benefited land within the District and lots are sold to builders or homeowners, payment of the Assessments is primarily dependent upon their timely payment by the Developer. See "THE DEVELOPMENT - The Developer" herein. In the event of the institution of bankruptcy or similar proceedings with respect to the Developer or any other subsequent significant owner of property within the Development, delays could occur in the payment of Debt Service on the Bonds as such bankruptcy could negatively impact the ability of: (i) the Developer and any other land owner being able to pay the Assessments; (ii) the County to sell tax deeds in relation to such property; and (iii) the District to foreclose the lien on the Assessments. In addition, the remedies available to the Owners of the 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 Bonds, including, without limitation, enforcement of the obligation to pay Assessments and the ability of the District to foreclose the lien of the Assessments, may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the 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 Bonds could have a material adverse impact on the interest of the Owners hereof.

2. The principal security for the payment of the principal and interest on the Bonds is the timely collection of the Assessments. 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 will be able to pay the Assessments or that they will pay such Assessments even though financially able to do so. Beyond legal delays that could result from bankruptcy, the ability of the County to sell the property in regard to those Assessments collected pursuant to a tax sale for failure to pay the Assessments will be dependent upon various factors, including the value of the land which is the subject of such preliminary sale and which may be subject to permanent sale if not redeemed within two years. The assessment of the benefits to be received by the land within the District as a result of implementation and development 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 to pay Debt Service on the Bonds may be adversely affected. Such adverse effect could render the District unable to collect Delinquent 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 Bonds.

3. The Development may be affected by changes in general economic conditions, fluctuations in the real estate market and other factors beyond the control of the Developer. 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 improvements, both public and private, and construction of the Project in accordance with applicable zoning, land use and environmental regulations. Although no delays are anticipated, failure to obtain any such approvals in a timely manner could delay or adversely affect the Development, which may negatively impact the Developer's desire or ability to continue development of the Development as contemplated. No assurance can be given that unknown hazardous materials, protected animals, etc., do not currently exist or may develop in the future whether originating within the Development or from surrounding property, and what effect such may have on the Development and the Project.

4. The Developer's obligation to pay the Assessments is limited solely to the obligation of any landowner to pay its Assessment. The Developer is not a guarantor of payment of any Assessment and the recourse for Developer's failure to pay the Assessments is limited to their ownership interest in the assessed land.

5. The willingness and/or ability of an owner of land within the Development to pay the Assessments could be affected by the existence of other taxes and assessments imposed upon the property by the District, the County or any other governmental entity. County, school, special district taxes and assessments, and voter-approved ad valorem taxes levied to pay principal of and interest on bonds, including the Assessments collected pursuant to a tax sale for failure to pay the Assessments, are payable at one time. If a taxpayer does not make complete payment, he cannot designate specific line items on his tax bill as deemed paid in full. In such case, the Tax Collector does not accept such partial payment. Therefore, any failure to pay any one line item, whether or not it be the Assessments, would cause the Assessments not to be collected to that extent, which could have a significant adverse impact on the District's ability to make full or punctual payment of Debt Service on the Bonds. Public entities whose boundaries overlap those

of the District, such as the County could, without the consent of the owners of the land within the Development, impose additional taxes on the property within the Development.

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

7. In addition to legal delays that could result from bankruptcy, the ability of the District to enforce collection of Delinquent Assessments will be dependent upon various factors, including the delay inherent in any judicial proceeding to enforce the lien of the Assessments and the value of the land which is the subject of such proceedings and which may be subject to sale. See “SECURITY FOR AND SOURCE OF PAYMENT OF THE BONDS” herein. If the District has difficulty in collecting the Assessments, the Reserve Fund could be drastically depleted and the ability of the District to pay Debt Service could be materially adversely affected.

8. The cost of certain improvements within the Development will be paid for by the Developer’s operating funds. There is no assurance that the Developer will be able to pay, or arrange to pay, for the cost of these improvements.

9. The Developer’s ability to develop the land within the District is significantly affected by the cyclical nature of the homebuilding industry. This industry is sensitive to fluctuations in economic activity and interest rates. Sales of new homes are also affected by market conditions for rental properties and by the condition of the resale market for used homes, including foreclosed homes. For example, an oversupply of resale units depresses prices and reduces the margins available on sales of new homes. The sale of new homes and profitability from sales are heavily influenced by the level and expected direction of interest rates. Increases in interest rates tend to have a depressing effect on the market for new homes in view of increased monthly mortgage costs to potential homebuyers.

10. The Developer does not own the property upon which the Development and the Project is to be constructed. Instead, the Pearl River Valley Water Supply District (the “PRV”) owns fee simple title to the property, and the Developer has leased a portion of the property from the PRV pursuant to the Master Lease and has an option to lease the balance of the property on or before February 16, 2009. See “DEVELOPMENT – Lease of the Property from the Pearl River Valley Water Supply District”. There is no guarantee that the Developer will exercise its option to lease the additional property, and if the option is not exercised, there is no guarantee that the Developer can subsequently gain control of the property. In the event that the option is not exercised, for whatever reason, the Development could be significantly and materially affected.

This section does not purport to summarize all risks that may be associated with purchasing or owning the Bonds and prospective purchasers are advised to read this Limited Offering Memorandum in its entirety for a more complete description of investment considerations relating to the Bonds.

## ESTIMATED SOURCES AND USES OF BOND PROCEEDS

### Sources of Funds

|                           |                         |
|---------------------------|-------------------------|
| Principal Amount of Bonds | <u>\$ 18,605,000.00</u> |
| Total Sources             | \$ 18,605,000.00        |

### Uses of Funds

|   |                         |
|---|-------------------------|
| Total Underwriter's Discount                        | \$ 372,100.00           |
| Deposit to Acquisition and Construction Fund        | \$ 11,901,926.85        |
| Costs of Issuance                                   | \$ 560,000.00           |
| Deposit to Capitalized Interest Fund <sup>(1)</sup> | \$ 4,086,123.15         |
| Deposit to Debt Service Reserve Fund                | <u>\$ 1,684,850.00</u>  |
| <b>Total Uses</b>                                   | <b>\$ 18,605,000.00</b> |

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<sup>(1)</sup>Represents capitalized interest inclusive of interest earnings, on the Bonds through May 1, 2011.

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## DEBT SERVICE REQUIREMENTS

The following table sets forth the scheduled Debt Service on the Bonds at 7.875%.

| <b>Year Ending<br/>May 1</b> | <b>Amortization Installment</b> | <b>Interest</b> | <b>Total Debt<br/>Service</b> |
|------------------------------|---------------------------------|-----------------|-------------------------------|
| 2009                         | 0.00                            | \$1,155,835.63  | \$1,155,835.63                |
| 2010                         | 0.00                            | 1,465,143.76    | 1,465,143.76                  |
| 2011                         | 0.00                            | 1,465,143.76    | 1,465,143.76                  |
| 2012                         | 215,000.00                      | 1,465,143.76    | 1,680,143.76                  |
| 2013                         | 235,000.00                      | 1,448,212.50    | 1,683,212.50                  |
| 2014                         | 255,000.00                      | 1,429,706.26    | 1,684,706.26                  |
| 2015                         | 275,000.00                      | 1,409,625.00    | 1,684,625.00                  |
| 2016                         | 295,000.00                      | 1,387,968.76    | 1,682,968.76                  |
| 2017                         | 315,000.00                      | 1,364,737.50    | 1,679,737.50                  |
| 2018                         | 340,000.00                      | 1,339,931.26    | 1,679,931.26                  |
| 2019                         | 370,000.00                      | 1,313,156.26    | 1,683,156.26                  |
| 2020                         | 400,000.00                      | 1,284,018.76    | 1,684,018.76                  |
| 2021                         | 430,000.00                      | 1,252,518.76    | 1,682,518.76                  |
| 2022                         | 465,000.00                      | 1,218,656.26    | 1,683,656.26                  |
| 2023                         | 500,000.00                      | 1,182,037.50    | 1,682,037.50                  |
| 2024                         | 540,000.00                      | 1,142,662.50    | 1,682,662.50                  |
| 2025                         | 580,000.00                      | 1,100,137.50    | 1,680,137.50                  |
| 2026                         | 630,000.00                      | 1,054,462.50    | 1,684,462.50                  |
| 2027                         | 680,000.00                      | 1,004,850.00    | 1,684,850.00                  |
| 2028                         | 730,000.00                      | 951,300.00      | 1,681,300.00                  |
| 2029                         | 790,000.00                      | 893,812.50      | 1,683,812.50                  |
| 2030                         | 850,000.00                      | 831,600.00      | 1,681,600.00                  |
| 2031                         | 915,000.00                      | 764,662.50      | 1,679,662.50                  |
| 2032                         | 990,000.00                      | 692,606.26      | 1,682,606.26                  |
| 2033                         | 1,070,000.00                    | 614,643.76      | 1,684,643.76                  |
| 2034                         | 1,150,000.00                    | 530,381.26      | 1,680,381.26                  |
| 2035                         | 1,240,000.00                    | 439,818.76      | 1,679,818.76                  |
| 2036                         | 1,340,000.00                    | 342,168.76      | 1,682,168.76                  |
| 2037                         | 1,445,000.00                    | 236,643.76      | 1,681,643.76                  |
| 2038                         | 1,560,000.00                    | 122,850.00      | 1,682,850.00                  |
| Total                        | \$18,605,000.00                 | \$30,904,435.79 | \$49,509,435.79               |

The District expects that all or most of the principal of the Bonds will be paid prior to the May 1, 2038 maturity date. See “DESCRIPTION OF THE BONDS - Redemption Provision - *Extraordinary Mandatory Redemption*” herein.

## **THE DISTRICT**

### **General**

The District is a local unit of special-purpose government organized and existing under the laws of the State and was established by Ordinance adopted by the Board of Supervisors of the County on December 3, 2007, as amended on April 21, 2008. The District encompasses approximately 260 acres, which includes all of the Development (defined below) less and except the residential lots owned as of December 10, 2007, and is located approximately 12 miles northeast of downtown Jackson, Mississippi, and just outside the town limits of Madison, Mississippi, in the County, at the end of Hoy Road Extension (now named “West Florida Boulevard”) between the Natchez Trace Parkway and the Ross Barnett Reservoir. All of the approximately 260 acres that is included in the Development is owned by the Pearl River Valley Water Supply District (“PRV”) and is leased by the Developer from the PRV. See “DEVELOPMENT -- Lease of Property from the Pearl River Valley Water Supply District.”

### **Legal Powers and Authority**

The District is an independent unit of local government created in accordance with the Act. The Act was enacted in 2002 to provide a uniform method for the establishment of independent districts to manage and finance basic community development services, including capital infrastructure required for community developments throughout the State. The Act provides legal authority for public improvement districts (such as the District) to finance the acquisition, construction, operations and/or maintenance of the major infrastructure for community development. Among other provisions, the Act gives the District’s Board of Directors the authority to (a) plan, establish, acquire, construct or reconstruct, enlarge or extend, equip, operate and maintain: (i) water management and control for lands within the District and to connect any of such facilities with roads and bridges and (ii) water supply, sewer and wastewater management systems or any combination thereof and to construct and operate connecting intercept or outlet sewers and sewer mains and pipes and water mains, conduits, or pipelines in, along, and under any street, alley, highway, or other public place or ways, and to dispose of any effluent, residue, or other byproducts of such system or sewer system; (b) borrow money and issue bonds of the District; (c) impose and foreclose special assessment liens as provided in the Act; and (d) exercise all other powers, necessary, convenient, incidental or proper in connection with any of the powers or duties of the District stated in 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 acting through its Board of Supervisors and its departments of government.

### **Board of Directors**

The governing body of the District is its Board of Directors (the “Board”), which is composed of five (5) Directors (the “Directors”). The initial Directors are appointed by the Board of Supervisors of the County, as provided in Section 19-31-7 of the Act, and each will serve a term of four (4) years. Each Director must be a resident of the State, and one (1) of the initial Directors shall be a resident of the area immediately adjacent to the District. Commencing four (4) 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 voter of the District, who shall be duly elected by a majority of the qualified voters of the District. A qualified voter is defined as any landowner, or an authorized representative thereof. A landowner means the owner of land within the District, as it appears in the official records of the County, including a trustee, a private corporation or other entity, and an owner of a condominium unit.

The current members of the Board and the term of each member are set forth below:

| <b>Name</b>          | <b>Title</b>        | <b>Member of the Board Since</b> | <b>Term Expires</b> |
|----------------------|---------------------|----------------------------------|---------------------|
| Robert Wilbur        | Chairman            | December 3, 2007                 | December 3, 2011    |
| Walter Wofford       | Vice Chairman       | December 3, 2007                 | December 3, 2011    |
| Harris Bell Williams | Secretary/Treasurer | December 3, 2007                 | December 3, 2011    |
| Laura Wofford        | Assistant Secretary | December 3, 2007                 | December 3, 2011    |
| Bennett Chotard      | Assistant Secretary | December 3, 2007                 | December 3, 2011    |

A majority of the members of the Board constitutes a quorum for the purposes of conducting its business and exercising its powers and for all other purposes. Action taken by the District shall be upon a vote of a majority of the members present unless general law or a rule of the District requires a greater number. All meetings of the Board are open to the public under Mississippi's open meeting or "Sunshine" law.

#### **The District Manager and Other Consultants**

The chief administrative official of the District is the district manager. The Act provides that the district manager has charge and supervision of the works of the District and is responsible for preserving and maintaining any improvement or facility constructed or erected pursuant to the provisions of the Act, for maintaining and operating the equipment owned by the District, and for performing such other duties as may be prescribed by the Board. The Board has hired Wrathell, Hart, Hunt & Associates, LLC (the "District Manager") to act as the District's agent to manage the business and affairs of the District. Wrathell, Hart, Hunt & Associates, LLC was created to provide management and consulting services to local governments and special districts throughout the southeastern United States. The District Manager was established as a Florida limited liability company in 2005 and qualified to do business in the State of Mississippi in 2007. It currently manages 65 improvement districts, community development districts and special act districts throughout the southeastern United States. The District Manager's partners and senior associates have served in their professional experiences over 100 improvement districts, community development districts and special act districts throughout the southeastern United States and have developed financing programs and administered in excess of \$2 billion in bonds. The District will be the first Mississippi public improvement district that it has managed. The District Manager's closest regional office to the District is located at 500 Boulevard Park East, Mobile, Alabama 36609. The District Manager's corporate offices are located at 6131 Lyons Road, Suite 100, Coconut Creek, Florida 33073, and its telephone number there is (954) 426-2105. The Board has also employed the services of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, as Bond Counsel; Pickering Firm, Inc., Pearl, Mississippi, as District Engineer (the "Consulting Engineer"); Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi, as District Counsel; and Government Consultants, Inc., Jackson, Mississippi, as financial advisor.

## **THE PROJECT**

Proceeds of the Bonds deposited in the Acquisition and Construction Fund (see “ESTIMATED SOURCES AND USE OF BOND PROCEEDS” herein) will be used to acquire infrastructure to serve the Development, as more particularly described in the District Engineer’s Report, included herein as APPENDIX “A”. The most current development plan for Phase 1 of the Development includes the construction of 278 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina. THE PLANNED LAND USE, AS WELL AS UNIT NUMBERS, DESCRIBED IN THE PRECEDING PARAGRAPH MAY CHANGE THROUGHOUT THE DEVELOPMENT PERIOD. The infrastructure project funded by the District for Phase 1 of the Development includes roads, street lighting, landscaping, irrigation, public parking, recreation, water, sanitary sewer, storm water management, waste water management and off-site improvements (the “Project”). All of the land uses within the District will benefit from the Project, as the improvements provide basic infrastructure to all lands within the District and benefit all lands within the District as an integrated system of improvements.

The Engineer’s preliminary cost estimate for the above described improvements that constitute the Project is approximately \$15,000,000, of which \$11,901,926.85 will be funded from Bond proceeds.

The Project is expected to be completed by March 2009. The Consulting Engineer has informed the District that it is reasonable to expect to receive all necessary permits for the Project as required. Reference is hereby made to the Report of the District Engineer, the full text of which appears as Appendix A hereto, for additional information concerning the Project.

## **ASSESSMENT METHODOLOGY**

The information regarding the assessment methodology set forth below has been provided by Wrathell, Hart, Hunt & Associates, LLC, serving as methodology consultant (the “Methodology Consultant”). The assessment methodology was developed using construction cost estimates and land use areas provided by the Consulting Engineer and a bond par amount and Debt Service schedule provided by the Underwriter. Wrathell, Hart, Hunt & Associates makes no representation or warranty as to the accuracy of such provided information.

The allocation of benefits and costs to the parcels within the District benefited by the Project and the ascertainment and determination of the special benefit peculiar to the property and the fair and reasonable apportionment of the duty to pay, are presented in the Master Special Assessment Methodology Report and Supplemental Special Assessment Methodology Report included herein as APPENDIX F.

The Bonds are being issued to fund the public infrastructure improvements for the District. The Bonds will be secured by the Assessments levied on the lands benefitted by the Project. The Assessments are allocated based upon the benefits received by each lot and land use type, specifically single family and multifamily lands, according to the Assessment Methodology. Multifamily lands are assessed at a lower rate than single family because of their

lower per unit benefit. These assessments will be paid by the landowner in equal installments through the final maturity of the Bonds on May 1, 2038, subject to the landowner's right to pre-pay the Assessment.

## **THE DEVELOPMENT**

The following information appearing below under the captions "THE DEVELOPMENT" has been furnished by the Developer for inclusion in this Limited Offering Memorandum and, although believed to be reliable, such information has not been independently verified by the District or its counsel, or the Underwriter or its counsel, and no person other than the Developer makes any representation or warranty as to the accuracy or completeness of such information supplied by them.

Lost Rabbit Public Improvement District, also known as The Town of Lost Rabbit, (hereinafter referred to as "Lost Rabbit") is an approximately 260-acre traditional neighborhood development located in the County. The property upon which Lost Rabbit will be constructed is owned by the PRV and leased to the Developer. The Developer's managing member is Neopolis Development, LLC and Lost Rabbit's town planner is Duany Plater-Zyberk & Company (DPZ), the town planners for hundreds of award-winning mixed use developments in the United States and abroad, including Seaside, Florida and Rosemary Beach, Florida. Both Andres Duany and his partner, Elizabeth Plater-Zyberk, are co-founders of the Congress for New Urbanism (CNU), recognized by the *New York Times* as "the most important collective architectural movement in the United States in the past fifty years."

Lost Rabbit will be constructed in several phases. Phase I contains approximately 128 single family and multi-family residential dwelling units. Phase II contains approximately 75 single family residential dwelling units. Phase III will contain approximately 23 single family residential dwelling units and the 60-unit assisted living facility. Phase IV will contain approximately 68 single family residential dwelling units. The Town Center Phase will contain approximately 61 single family and multi-family residential dwelling units, along with commercial, retail, and civic space. The Marina consists of the earthwork, dredging and seawall required for the harbor and marina area, along with the manufactured slips to be installed for individual vessels. Future Phases V, VI, and VII are single family residential areas to include a total of approximately 200 lots and construction of a small lake system with nature trails. Lost Rabbit has been designed as a walkable neighborhood that connects residents with modern offices, shops, restaurants, churches, parks and recreational opportunities. The result of this kind of planning is a living, breathing community unlike any other new development in the State. Bordered by the Natchez Trace on one side and the 33,000 acres Ross Barnett Reservoir on the other, Lost Rabbit is a virtual island.

With a variety of traditional architecture, managed by a strict architectural code and an architectural review board, residents can be assured that their property values will be protected.

Unlike standard suburban developments, Lost Rabbit has been designed to accommodate a broad spectrum of house types. The architectural code allows for the following unit types: carriage houses, cottages, houses, sideyards, large houses, mansions, townhouses, condos and live-work units.

During its first year of home construction in 2006, Lost Rabbit had 25 home starts. This number increased during 2007, representing almost \$20,000,000 in home construction alone for the Development. Sale prices for homes at Lost Rabbit have been very strong for the Jackson Metro Area, ranging from \$185/square foot to as high as \$312/square foot. Currently, there are 25 occupied single family homes at Lost Rabbit, with an additional 35 dwellings under construction, of which 11 are custom.

As of the end of June 2008, Lost Rabbit had sold 144 lots, with total sales of \$11,262,765. Of these lots, 70 were sold to the public for construction of their personal homes and 74 were sold to builders. An additional \$145,000 in lot sales is scheduled to close during July 2008. In addition to these residential lot sales, three (3) lots have been sold in the town center for a total of \$1,605,000. These three (3) lots will constitute thirteen (13) live/work units, three (3) condominiums, office space and retail. The District will include all of the land other than 142 lots that were sold prior to creation of the District. These 142 lots will not be subject to the Assessment.

Lost Rabbit's town center and marina development is currently under construction. The town center will consist of retail and office space, condos, live-work units and a 124-slip upscale marina. To date, the Developer has expended \$1,940,737 in land costs, \$12,415,678 in hard construction costs and \$7,035,462 in soft costs.

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The projected inventory mix for Phase 1 of the Development is listed below:

| <b>LAND USE</b>                         | <b>NUMBER<br/>OF UNITS</b> |
|---|----------------------------|
| <b>(Units/Sq. Ft./Acres/Boat Slips)</b> |                            |
| <b>Residential Units</b>                |                            |
| Carriage House                          | 47                         |
| Cottage                                 | 12                         |
| House                                   | 37                         |
| Side Yard                               | 6                          |
| Large House                             | 9                          |
| Mansion                                 | 3                          |
| Town House                              | 27                         |
| Live Works 1BR                          | 26                         |
| Live Works 2BR                          | 30                         |
| Condo 1BR                               | 8                          |
| Condo 2BR                               | 68                         |
| Condo 3BR                               | 5                          |
| Assisted Living                         | <u>60</u>                  |
| <b>TOTAL</b>                            | <b>338</b>                 |

|                              |               |
|------------------------------|---------------|
| <b>Non-Residential Units</b> |               |
| Restaurant                   | 15,322 Sq.Ft. |
| Retail                       | 78,551 Sq.Ft. |
| Office                       | 89,900 Sq.Ft. |
| Hotel                        | 12,728 Sq.Ft. |
| Government                   | 16,220 Sq.Ft. |
| Religious                    | 1.262 acres   |
| Private Educational          | 1.806 acres   |
| Marina                       | 124 slips     |

The final master plan for the Development includes three neighborhoods, each of which follows a distinct planning tradition. The Garden District, located in the central portion of the property, was inspired by Jackson's Belhaven neighborhood and Mississippi's gracious historic towns. The neighborhood includes a broad variety of building types including mansions, houses, cottages, townhouses and carriage houses, along with a community center and pool. The main entrance to Lost Rabbit extends into Newhaven, branching into two greenway boulevards at a civic green, which has space reserved for a future school. One boulevard turns southwest, toward a large greenway and lake system, while the main artery leads directly to the reservoir, which is lined with a waterfront park.

Southwest of the Garden District, across the greenway and lake system, is the Lakes District. Inspired by the Olmstead tradition of the Fondren and Eastover neighborhoods in Jackson, the Lakes District's home sites are generous in size and include mostly large homes and mansions. Picturesque roads meander throughout the neighborhood with vistas that constantly deflect and terminate. A community club with a pool is located at the center and opens onto the neighborhood's main parks and lakes. Several additional small parks and greens are scattered throughout the neighborhood, and many homes front on open space or waterfront. Three waterfront greens with community docks extend into the reservoir for the use of the Lakes District residents.

The Town Center, located on the northeastern portion of the site, was inspired by Tuscan hilltowns. It is the densest and most mixed-use of the three neighborhoods and includes the town center. Its urban building types include sideyard houses, cottages, carriage houses, townhouses, live-works, apartment buildings and flex buildings. A variety of squares, plazas and greens are provided for gathering and recreation. The town center features a main square that opens onto a marina, offering a view of the reservoir. This area, similar in scale to the American harbor town of Annapolis and the Italian port town of Portofino, offers mixed-use building, shops, restaurants and offices surrounding the square and the waterfront. The Town Center will be a vibrant focal point for the community.

All phases of the Development are expected to be completed by January 2013.

### **Lease of Property from The Pearl River Valley Water Supply District**

The "PRV" is an agency of the State and body corporate and politic organized and existing pursuant to Sections 51-9-101 *et seq.*, Mississippi Code of 1972, as amended (the "PRV Act"). PRV owns the property surrounding the Ross Barnett Reservoir, including the property upon which the Project and Lost Rabbit will be constructed. The Developer has leased 122 acres and has an option to lease approximately 138 additional acres from the PRV pursuant to the PRV Act for a period of sixty (60) years at rental rates that escalate throughout the term of the lease (the "Master Lease"). The Master Lease allows for the lease to be assigned or the leased premises sublet an unlimited number of times without restriction to commercial and residential interests with the consent of the PRVWSD.

Section 51-9-122 of the PRV Act allows any residential leaseholder who has been assigned the Master Lease to renew the lease for an additional sixty (60) years every fifteen (15) years and provides a mechanism for determining the rent payment. Section 51-9-122.1 of the PRV Act provides that any commercial leaseholder who has been assigned the master lease has the exclusive right to renew its lease at fair market value at any time prior to expiration of the lease.

The above is a description of the Master Lease and certain statutory provisions appearing in the Mississippi Statutes, but is qualified in its entirety by reference to such lease and statutes.

### **Planned Residential Development**

The Development is currently approved for 625 single-family detached residential units. It is also approved for multi-family housing units and commercial units, but there is no limit on the number of either of these types of units.

### **Recreational Facilities**

Approximately thirty percent (30%) of the property in Lost Rabbit will consist of public parks and playgrounds. Additionally, Lost Rabbit will include a 124-slip marina and four (4) tennis courts.

### **Competition**

The Developer classifies the Development as a master-planned community. The District is unique in that it is one of only three Traditional Neighborhood Developments, or TND, under development in the State. The Developer, having partnered with the pioneers of this new “traditional town design”, DPZ, are bringing a new vision to this approximately 260 acres of land situated between the Natchez Trace Parkway and a 33,000 acre lake that is unparalleled in the State and establishing among the highest per square foot property values in the State, ranking one or two in the Jackson market for residential values.

### **Phase I Environmental Assessment**

Neopolis (defined hereafter) requested Pickering Incorporated to perform a Phase I environmental site assessment of the Development property. Said assessment was conducted, and the report, entitled “Phase I Environmental Site Assessment, Lost Rabbit Development, Madison County, Mississippi” is dated September 2003 (the “Phase I”). According to the Phase I, no recognized environmental concerns were detected in connection with the property other than wetlands areas regulated by the U.S. Army Corps of Engineers. Additionally, a cultural resources assessment on the property was performed by Dr. Robert M. Thorne. Although the findings of this cultural resources report conclude that no “National Register” properties were discovered, four (4) cisterns were located on the property that could yield information regarding the presence of, and time at which, associated dwellings were established.

### **The Developer**

Neopolis Development Group, LLC (“Neopolis”), the managing member of the Developer, is a Mississippi limited liability company dedicated to traditional neighborhood development, also known as new urbanism. Neopolis is owned and managed by Richard Ridgway, Mark Frascogna and David Lane, who collectively represent more than 85 years of real estate experience (residential, commercial and infrastructure development), as well as brokerage and leasing experience.

**Richard Ridgway:** Mr. Ridgway continues his family’s 100-year experience in residential construction and subdivision development, having constructed homes in the Jackson

area from the mid-1970's through the early 1980's including the development of two subdivisions; in professional office construction from the mid-1980's through the early 1990's having developed, renovated, leased, purchased, managed and sold various office buildings in the Jackson area, including numerous historic properties and tenant representation of the largest privately owned cellular company in America in the development of their new, 225,000 sq. ft. corporate facility; in retail development beginning in the early 1990's to date having renovated, leased, purchased, managed and sold various retail buildings in and around the State, including the sale of an 860,000 sq. ft. mall with a use conversion to medical, followed by consulting for the renovation and management of the property, as well as assisting in the development of Albertson's groceries anchoring shopping centers across the State. In 2006, Lakeland Commons was completed as a joint venture development with Trademark Properties, Inc. ("Trademark") and includes a Kohl's and Lowe's anchoring 425,000 sq. ft. center. Currently, the Market Street of Flowood is under construction in a joint venture development with Trademark for a 500,000 sq. ft. J. C. Penney's anchoring an open air, mixed use center with Bed, Bath & Beyond, Dick's Sporting Goods, DSW Shoes and Circuit City.

Another landmark development for Mr. Ridgway was in 1987 of Jackson's first bed and breakfast inn, the Millsaps Buie House, which was a 1908 Victorian home adjacent to Jackson's central business district. Responsibilities included design, establishment of the development and operational proforma, construction management, writing of policies and procedures and hiring of the staff. The inn was successfully operated until its acquisition by the University of Mississippi Foundation in 2007.

**Mark Frascogna:** Mr. Frascogna is an experienced infrastructure developer having worked for more than twenty years in this field. His experience includes the project generation and development of gas and power infrastructure in three foreign countries. Three years ago, Mr. Frascogna joined Mr. Ridgway to develop the Town of Lost Rabbit and has served as a member manager of Neopolis since inception.

**David Lane:** Mr. Lanier's professional background includes negotiating and administering leases for a large regional bank and administration of the largest real estate property management company in Mississippi. In addition to being an accountant, David has served in regional and national leadership capacities in the Institute of Real Estate Management (IREM). Mr. Lanier has been in partnership with Mr. Ridgway for the past eight years in Ridgway Lane & Associates, a third party, commercial brokerage and leasing company in the Jackson area, with expertise in residential community management.

## **TAX MATTERS**

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi ("Bond Counsel"), under existing law, interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on corporations. The opinions set forth in the preceding sentence are subject to the condition that the District comply with certain arbitrage rebate and other tax requirements contained in the Code to the extent necessary to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes. The District has covenanted in the Indenture to comply with such requirements. If the District fails to comply

with such covenants, interest on the Bonds could become includable in the gross income of the Owners thereof for federal income tax purposes, retroactive to the date of issuance. These requirements include, but are not limited to, provisions which prescribe yield and other limits within which the proceeds of the Bonds and other amounts are to be invested and require that certain investment earnings on the foregoing must be rebated on a periodic basis to the Treasury Department of the United States. The proposed form of opinion of Bond Counsel is appended to this Limited Offering Memorandum as Appendix “C”.

In addition, in the opinion of Bond Counsel, under existing law the Bonds, together with interest thereon, income therefrom and gain upon the sale thereof, are exempt from taxation under the laws of the State of Mississippi.

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 Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry Bonds or, in the case of a financial institution, that portion of the Owner’s interest expense allocable to interest on a Bond, (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15 percent of certain items, including interest on the Bonds, (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch office profits tax, (iv) the inclusion of interest on Bonds in passive 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 Bonds by recipients of certain Social Security and Railroad Retirement benefits.

During recent years, legislative proposals have been introduced in the Congress of the United States, and in some cases enacted, that altered certain federal tax consequences resulting from the ownership of obligations similar to the Bonds. In some cases, these proposals have contained provisions that altered these consequences on a retroactive basis. Such alteration of federal tax consequences may affect the market value of the Bonds. From time to time, legislative proposals are pending which could have an effect on both the federal tax consequences resulting from ownership of the Bonds and their market value. No assurance can be given that additional legislative proposals will not be introduced or enacted that would or might apply to, or have an adverse effect upon, the Bonds.

## **LEGALITY FOR INVESTMENT**

The Act provides that the State and all public officers, any county, municipality or other subdivision or instrumentality of the State, any political subdivision, any bank, trust company, savings bank and institution, building and loan association, savings and loan association, investment company or any person carrying on a banking or investment business, any insurance company or business, insurance association and any person carrying on an insurance business, any executor, administrator, curator, trustee and other fiduciary, and any retirement system fund may legally invest any sinking funds, monies or other funds belonging to them or within their control in the Bonds, and the Bonds are authorized security for all public deposits.

## **SUITABILITY FOR INVESTMENT**

Investment in the Bonds poses certain economic risks. No dealer, broker, salesman or other person has been authorized by the District or the Underwriter to give any information or make any representations, other than those contained in this Limited Offering Memorandum. Additional information will be made available to each prospective investor, including the benefit of a site visit to the District, and the opportunity to ask questions of the Developer and the District, as such prospective investor deems necessary in order to make an informed decision with respect to the purchase of the Bonds. Prospective investors are encouraged to request such additional information, visit the District and ask such questions. Such requests should be directed to the Underwriter at: 500 Boulevard Park East, Mobile, AL 36609, Telephone: (251) 342-6384, Attn: Pfilip Hunt.

## **LITIGATION**

There is no litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof, the validity of the Assessments, the pledge or application of any moneys or security provided for the payment of the Bonds, or the existence or powers of the District.

## **RATING**

No application for a rating has been or is expected to be made to any rating agency for a rating on the Bonds.

## **EXPERTS**

The Report of the District Engineer included in APPENDIX "A" to this Limited Offering Memorandum has been prepared by Pickering, Inc., the District Engineer. APPENDIX "A" should be read in its entirety for complete information with respect to the subjects discussed therein. Wrathell, Hart, Hunt & Associates, LLC, has prepared the Special Assessment Methodology Report, a copy of which is attached hereto as APPENDIX "F" and should be read in its entirety for complete information, notwithstanding the fact that a summary of the document is set forth under the caption "ASSESSMENT METHODOLOGY" herein.

## **CONTINUING DISCLOSURE**

Attached hereto as Appendix D is the Continuing Disclosure Agreement between the District and the Developer, and joined in by the Disclosure Representative (as defined therein) and the Trustee.

The District has never before been required to provide continuing disclosure information with respect to Rule 15c2-12 under the Securities and Exchange Act of 1934, as amended. 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, 10 Cane Brake Boulevard, Suite 110, Flowood, Mississippi 39232, Phone: 601-420-8080, 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.

## **UNDERWRITING**

Gardnry Michael Capital, Inc. (the "Underwriter") has agreed pursuant to a contract with the District, subject to certain conditions, to purchase the Bonds from the District at a purchase price of \$18,232,900 (par amount of the Bonds less an Underwriter's discount of \$372,100). The Underwriter's obligations are subject to certain conditions precedent and the Underwriter will be obligated to purchase all the Bonds if any are purchased. The Bonds may be offered and sold to certain dealers, banks and others at prices lower than the initial offering prices, and such initial offering prices may be changed from time to time by the Underwriter.

## **VALIDATION**

The Bonds were validated by final judgment of the Chancery Court in and for Madison County, Mississippi, rendered on July 7, 2008.

## **LEGAL MATTERS**

All legal matters related to the authorization, issuance, sale and delivery of the Bonds is subject to the approval of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Harris Jernigan & Geno, PLLC, Ridgeland, Mississippi. Certain legal matters will be passed upon for the District by its counsel, Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Jackson, Mississippi.

## **FINANCIAL STATEMENTS/BUDGETS**

The District's general purpose budget for its fiscal year ending September 30, 2008, appears as APPENDIX "E" hereto.

## **MISCELLANEOUS**

Any statements made in this Limited Offering Memorandum involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representations are made that any of the estimates will be realized.

The references herein to the Bonds and other documents referred to herein are brief summaries of certain provisions thereof. Such summaries do not purport to be complete and

reference is made to such documents for full and complete statements of such provisions. Contemporaneously with the issuance of the Bonds, Bond Counsel will deliver its opinion to the effect that the summaries of the Indenture, Bonds, and the provisions of the Internal Revenue Code are fair and accurate summaries of such provisions and the Chairman of the Board of Directors or other authorized officer of the District will furnish a certificate to the effect that nothing has come to his attention that would lead him to believe that this Limited Offering Memorandum (other than the information under the captions “DESCRIPTION OF THE BONDS – Book-Entry System” and “TAX MATTERS” as to which he will express no opinion), as of its date and as of the date of delivery of the Bonds, contains an untrue statement of a material fact or omits to state a material fact which should be included herein for the purposes for which the Limited Offering Memorandum is to be used, or which is necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading.

This Limited Offering Memorandum has been prepared in connection with the sale of the Bonds and may not be reproduced or used, as a whole or in part, for any other purpose. This Limited Offering Memorandum is not to be construed as a contract with the Holders or Beneficial Owners of any of the Bonds.

This Limited Offering Memorandum has been duly authorized, executed and delivered by the District.

**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**

**By: /s/ Robert Wilbur, Chairman, Board of Directors**

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## APPENDIX “A”

### REPORT OF DISTRICT ENGINEER

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**LOST RABBIT PUBLIC  
IMPROVEMENT DISTRICT  
MADISON COUNTY, MS**

Lost Rabbit Development, LLC  
218 North Natchez Drive  
Madison, MS 39110

**FINAL ENGINEER'S REPORT**

July 10, 2008

PICKERING FIRM, INC.  
180 COUNTRY PLACE PARKWAY  
PEARL, MS 39208  
601-932-7878

[www.pickeringinc.com](http://www.pickeringinc.com)

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# 1. INTRODUCTION

**1.1 Overview.** Lost Rabbit Development Public Improvement District (the “District”) consists of approximately 259.37 acres located on lease property of the Pearl River Valley Water Supply District (the “PRVWSD”) in Madison County, Mississippi (the “County”). A description of the property is included in Section 1.3 of this Engineer’s Report (the “Report”). The current plan of development for the lands within the District provides master infrastructure for an estimated 555 single family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina. In order to serve the Development, the District is developing a Capital Improvement Plan (the “Plan”) to allow for financing, acquisition and construction of certain public infrastructure improvements within the boundaries of the District (the “Improvement(s)”). The Improvements are required by or are consistent with the requirements of the PRVWSD and the County and other applicable regulatory and jurisdictional entities.

The plan contained herein represents the intentions of the District as of the date of this Report. The Development contains several phases, construction of some of which has already been completed. Work in other phases is underway, and may be revised during the course of the project. These revisions will not adversely affect the benefits to be received by the land. The District retains the right to make reasonable adjustments in the

Plan to meet the requirements of a governmental agency having jurisdiction over the Development and at the same time provide the same or greater benefits to the land. Regulations change over time and revisions to the Plan may become necessary. The District's Board of Directors will have final approval over any revisions required and implementation thereof.

Estimated construction costs contained in this Report reflect actual construction costs where available, and using unit costs provided by the sitework contractors currently working on the Development. Quantities are based on plan measurements by the Engineer. Estimated costs could vary based on final plans and quantities.

A summary of the Improvements to be funded by the District and cost estimates is included in Table A.

**1.2 Purpose.** The purpose of this Report is to describe the Improvements and their probable construction cost by the District. A brief description for each Improvement is included in the body of this report. The District's financial consultant will develop an overall financing plan and assessment methodology. The District, Lost Rabbit Development LLC, or one of its affiliated companies (the "Developer"), will construct and acquire the Improvements. Only those Improvements set forth herein that are determined by the District's Bond Counsel to be eligible for tax-exempt bond financing will be funded by bonds of the District. The Developer will finance and

construct certain of the Improvements not financed by the District and construct the other infrastructure needed for the Development.

**1.3 Description of the Development** The Development is located at the end of Hoy Road Extension (now named “West Florida Boulevard”) between the Natchez Trace Parkway and the Ross Barnett Reservoir in Madison County, MS. All of the land designated as the Development is owned by the PRVWSD, an agency of the State of Mississippi. The land is located in Sections 11, 12, 13 and 14, Township 7 North, Range 2 East, Madison County, Mississippi. The location of the Development is shown in Exhibit 1. The District will encompass all of the land described above, less and except the residential lots owned as of December 10, 2007, as shown in Exhibit 2. The legal description of the 259.37-acre parent tract is provided in Exhibit 3.

In addition to the Improvements described in Part 1.1 of this Report, the Development within the District is planned to include a clubhouse with swimming pool and tennis courts, approximately 5000 linear feet of walking/recreational/nature trails throughout, natural and manufactured stormwater treatment and management systems, wetland preserves, full utility infrastructure including fiber optic communication systems, landscaped and lighted roadways and parking areas, public parks and ball fields, and access roads. A land use summary for Phase IB North, IB Middle, Town Center, and the Marina is provided in Table B.

Public improvements necessary to support the entire development will be constructed and/or acquired by the District. District facilities and services are shown in summary in Table C. Table D details the cost of the Improvements that will be funded by the District. Table E shows the anticipated construction schedule for the Improvements.

As previously mentioned, the Development is planned in several phases, described as follows: Phase I (Phase IA) contains approximately 128 single family and multi-family residential dwelling units. Phase II (Phase IB South) contains approximately 75 single family residential dwelling units. Phase III (Phase IB Middle) contains approximately 23 single family residential dwelling units and the 60-unit assisted living facility. Phase IV (Phase IB North) contains approximately 68 single family residential dwelling units. The Town Center Phase contains approximately 61 single family and multi-family residential dwelling units, along with commercial, retail, and civic space. The Marina consists of the earthwork, dredging and seawall required for the harbor and marina area, along with the manufactured slips to be installed for individual vessels. Future Phases V, VI, and VII are single family residential areas to include a total of approximately 200 lots and construction of a small lake system with nature trails.

## **2. DISTRICT BOUNDARY AND PROPERTY SERVED**

**2.1 District Boundary.** Exhibit 1 shows the boundary of the District. The District is bounded by the Natchez Trace Parkway right-of-way on the north and west and by the Ross Barnett Reservoir on the south and east.

**2.2 Property Served.** Prior to the development of this project, the property within the District boundary was primarily heavily wooded, undeveloped terrain. Hoy Road

Extension existed as a gravel road leading to an abandoned wooden boat launch. Elevations ranged from 465 feet maximum to an elevation at the Ross Barnett Reservoir shoreline of approximately 298 feet NAD 83.

**2.3 Existing Infrastructure.** Prior to the start of construction for the Development, the previously mentioned gravel road into the site, along with a 10-inch diameter water main along the Natchez Trace Parkway boundary line and limited overhead electric service to the Development completed the existing infrastructure for the property. Hoy Road serves the property and also connects to Rice Road near the site entrance. Sanitary sewer treatment occurs at the nearby Twin Harbors lagoon, operated by the PRVWSD. The PRVWSD also operates a water well on the Development. Initial construction phases brought natural gas, electric power, fiber optic communication, water supply, and sanitary sewer service onto and throughout the site. A sanitary sewer pump station, with back-up emergency electrical generation facilities, along with a sewer force main, was installed in the first phase of work to serve the entire Development.

**2.3 Permitting.** The following permits have been obtained for construction of the Development:

- U.S. Army Corps of Engineers Section 404 Individual Wetlands Permit
- Mississippi Department of Environmental Quality (MDEQ) 401 Water Quality Certification
- MDEQ Construction Stormwater permit (per phase)
- MDEQ Sanitary Sewer approval (per phase)
- Mississippi Department of Health potable water approval (per phase)

- Madison County approvals for improvements to existing Hoy Road Extension (now West Florida Boulevard)
- Natchez Trace Parkway approvals for improvements to existing Hoy Road Extension (now West Florida Boulevard)
- PRVWSD approvals for subdivision construction (per phase)
- Madison County approvals for subdivision construction (per phase)

Construction is complete on the first two phases of the Development, and is underway on the Marina, Town Center, and Phases IB Middle and IB North of the subdivision. Rough grading is complete on these phases, with construction of a box culvert ongoing. The Marina dredging and seawall have been completed. Utility infrastructure, including water mains, sanitary sewer, and drainage systems is underway.

It is the opinion of the Engineer that there are no technical reasons that presently exist which would prohibit the implementation of the District's plans for completion of the project, subject to continued compliance with all conditions of the approved plans and permit issuances. The portion of the Improvements to be financed by the District is expected to be substantially complete by June of 2009.

The District Engineer hereby certifies that all permits necessary to complete the Improvements either have been obtained or in my expert opinion, will be obtained as needed for the entire development.

Agreements for water and sewer service are in place with services to be provided by the PRVWSD.

### **3. DISTRICT INFRASTRUCTURE**

**3.1 Summary of District Facilities and Services.** The District generally plans to provide the Improvements and lease the interests in the land shown on Exhibit 2. This report does not address private infrastructure to be funded by the Developer.

Construction of the Improvements needed to serve all phases of the Development began in the spring of 2004 and consisted of: clearing and grubbing, grading, public roads, private lanes, water and sanitary sewer mains and services, sanitary sewer pump station and force main, emergency generator for sewer pump station, storm water treatment facilities, site lighting, landscaping and irrigation, walking/recreational trails, electrical power, natural gas, and fiber optic infrastructure, ball fields, and parks. Construction of the seawall, harbor, and marina began in the summer of 2007. Table D contains the approximate total cost of the Improvements, while Table E shows a general timeline for construction of the Improvements.

**3.2 Roadways.** Public roadways within the District that will be funded by the District include the entire street network to be dedicated to the County, along with designated private streets in the Town Center that will not be dedicated to the County. The portion of West Florida Boulevard that connects the District to Hoy Road in the City of Madison, and will also be included in the public roadway system funded by the District. These roads consist of approximately 52,000 linear feet of roadway. In addition to parking along most streets, public parking areas shall also be constructed to provide adequate parking. Public parking areas, not including street parking, totals approximately 6.5 acres, which will also include drive aisles and service areas to the commercial, retail, and civic spaces in the District. All roadways will be constructed to County standards for

base, subbase, pavement, striping, curbing, sidewalks, signage, landscaping, lighting, and irrigation.

Landscaping is extensive throughout the District, including major landscaping of all trails and walkways, the marina and Town Center public square, the main entrance, and parks. Consisting of sod, trees, ornamental plantings, shrubs, flowers, ground cover, and street trees, these features will be regularly maintained and benefit from a permanent irrigation system. Many pedestrian and vehicle pathways will be constructed of pavers and feature decorative hardscaping and amenities such as pedestrian lighting, fountains, seating areas, and monuments.

### **3.3 Utility Facilities.**

Water and Sanitary Sewer facilities will be constructed within the District and dedicated to the PRVWSD. Operation and maintenance of both systems will be performed by the PRVWSD. Electric power will be constructed, operated and maintained by Entergy Mississippi and its affiliates. Atmos Energy will construct, operate and maintain the natural gas supply and distribution system. Fiber optic communication service will be constructed, operated and maintained by Zoomy Co at Lost Rabbit, LLC.

**3.4 Storm Water Management** Treatment of storm water runoff occurs in several areas of the District, including several grassed swales along the shoreline area of the Ross Barnett Reservoir and the Water Street corridor. Manufactured storm water quality units will also be installed in several areas of the Town Center. Two significant detention/retention ponds have been built in Phase II and Phase III for storm water treatment. All storm water systems involved in the treatment train will be maintained by the District.

### **3.5 Land Acquisition**

The District has acquired a leasehold interest in approximately 109 of the available 259.37 acres of the Lost Rabbit site. Table B represents the acreage breakdown of streets, greenspaces, and lots for the Town Center, Marina, Phase IB Middle and Phase IB North of the District. The remainder of the District will be residential lots. The District will include the entire 259.37 acre site, less and except the lots already sold as of the date of the establishment of the District. All property is leased by the District from the PRVWSD.

### **3.6 Off-Site Improvements**

Off-site improvements that have been or which may be constructed within and funded by the District include the electric power, natural gas, and fiber optic communications infrastructure, and the improvements to Hoy Road Extension as the main access road into the Development. An additional access road may be constructed in the future near the southern end of the Development that will result in offsite improvements to North Old Canton Road, a public street.

## **4. OPINION OF PROBABLE CONSTRUCTION COSTS**

A summary of the probable construction costs for the District's Improvements is provided in Table D. Not including future phases, the estimated cost for the Phase I Improvements is approximately \$15 million. Engineering and permitting costs as well as contingency are included in the total cost. Costs do not include legal, administrative, financing, operation or maintenance costs.

## **5. SUMMARY AND CONCLUSION**

The Improvements, as outlined above, are necessary for the functional development of the land within the District as required by the applicable governing agencies having jurisdiction over the Development. The planning and engineering design of the

Improvements is consistent with prudent engineering practice and in accordance with applicable governing regulations and requirements. Inasmuch as they are constructed in substantial compliance with the permits, plans and specifications developed for same, the Improvements will provide their intended purpose and function.

Items of construction in this report are based on actual costs for completed items and on current plan quantities for the ongoing or future infrastructure construction as shown on the approved, or in progress, construction drawings and specifications, latest revision.

It is our professional opinion that the infrastructure costs provided herein for the Improvements are reasonable to complete the work described and that these Improvements and the acquisition of interest in land described herein will benefit and add value to the District and are public improvements or community facilities as set forth in Mississippi Code 19-31-1 and following.

The estimate of infrastructure construction costs is only an estimate and not a guaranteed maximum price. Estimated costs are based on unit process currently being experienced for ongoing and similar items of work in the area and region of work. Quantities are as represented on our plans. The labor market, future costs of equipment and materials, and the actual construction process are all beyond control. Due to this inherent opportunity for variances in costs, the total final cost may be more or less than this estimate.



**TABLE A**  
**COST SUMMARY TABLE**

| <b><u>ITEM</u></b>   | <b><u>ESTIMATED COST</u></b> |
|--|------------------------------|
| <b><u>Phase I</u></b>  |                              |
| Marina/Harbor<br>(Earthwork, Dredging, Seawall,<br>Lighthouse, Tower)          | \$4.0 million                |
| Phase IB Middle and North<br>(Streets and Lanes, Water/Sewer/Storm)            | \$2.4 million                |
| Town Center<br>(Streets and Lanes, Water/Sewer/Storm,<br>Parking Areas)        | \$5.9 million                |
| Parks/Plaza/Amenities<br>(Landscape, Hardscape, Irrigation, Lighting, Signage) | \$1.4 million                |
| Soft Costs<br>(Arch, CM, Eng, Consultants)                                     | \$1.3 million                |
| <b><u>Future Phases</u></b>  | <b><u>\$15.8 million</u></b> |
| <b><i>Total Estimated Cost</i></b>   | <b><i>\$30.8 million</i></b> |

**TABLE B**  
**LAND USE TABLE**

| <b><u>DESIGNATION</u></b>                  | <b><u>ESTIMATED AMOUNT</u></b> |
|--|--------------------------------|
| Residential (Single Family + Multi-Family) | 555 units                      |
| Commercial/Retail/Restaurant               | 183,773 sq. ft.                |
| Religious                                  | 1.262 acres                    |
| Hotel                                      | 12,728 sq. ft.                 |
| Assisted Living                            | 60 units                       |
| Civic Space                                | 16,220 sq. ft.                 |
| Marina                                     | 124 slips                      |
| Private Educational                        | 1.806 acres                    |

**TABLE C**  
**FACILITIES AND SERVICES SUMMARY**

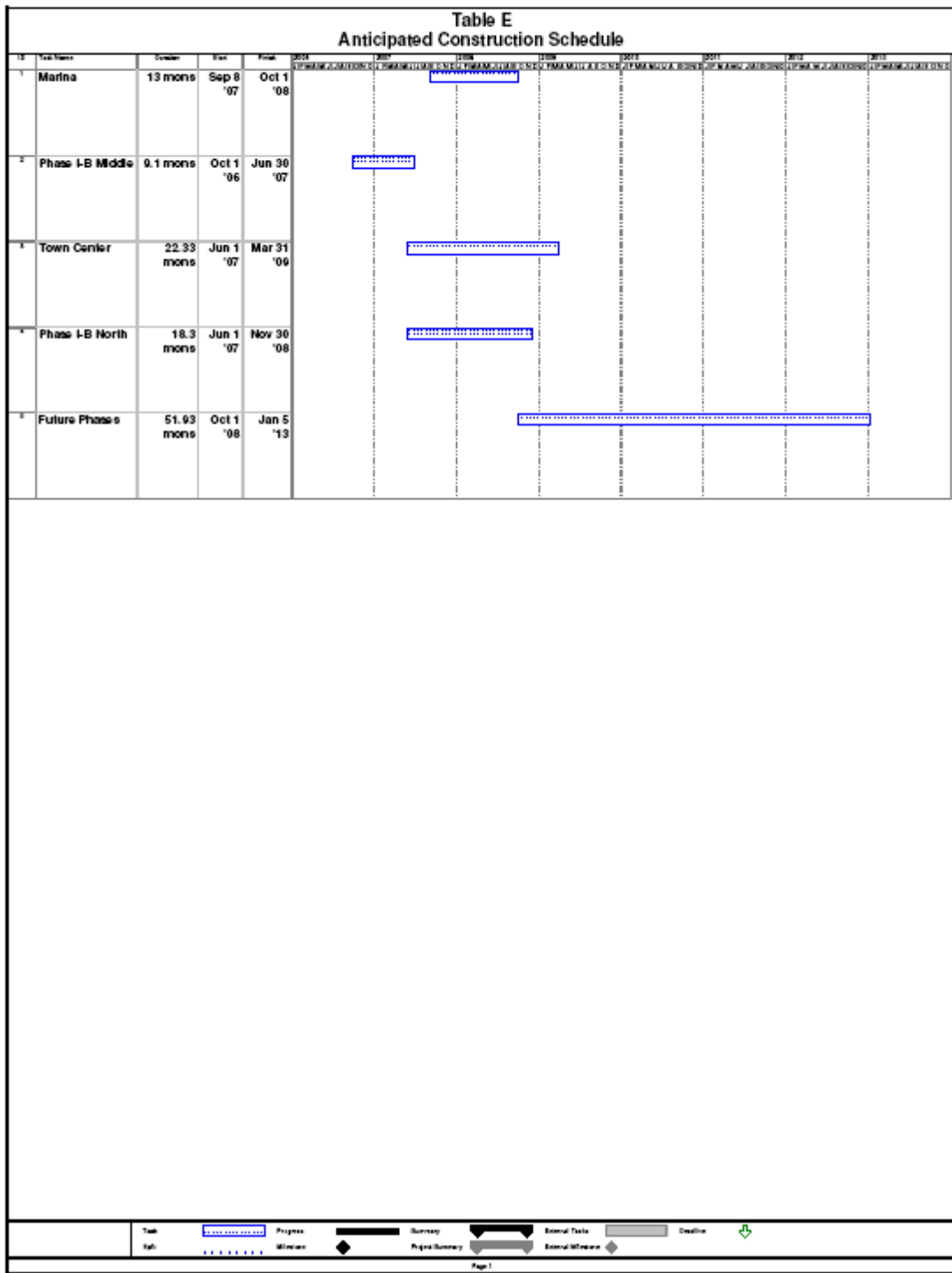
| <b><u>Facility/Service</u></b>                           | <b><u>Constructed by</u></b> | <b><u>Owned/Maintained by</u></b> |
|--|------------------------------|-----------------------------------|
| Marina/Harbor  | LRD, LLC                     | Lost Rabbit PID                   |
| Streets  | LRD, LLC                     | Madison County                    |
| Private Streets and Lanes                                | LRD, LLC                     | Lost Rabbit PID                   |
| Storm Drainage Systems                                   |                              |                                   |
| Streets  | LRD, LLC                     | Madison County                    |
| Private Streets and Lanes                                | LRD, LLC                     | Lost Rabbit PID                   |
| Commercial Parking Areas                                 | LRD, LLC                     | Lost Rabbit PID                   |
| Stormwater Quality Units                                 | LRD, LLC                     | Lost Rabbit PID                   |
| Stormwater Detention Ponds/Swales                        | LRD, LLC                     | Lost Rabbit PID                   |
| Parks/Walking Trails/Green Spaces                        | LRD, LLC                     | Lost Rabbit PID                   |
| Water and Sanitary Sewer Systems                         | LRD, LLC                     | PRVWSD                            |
| Electrical Distribution System                           | LRD, LLC                     | Entergy MS, LLC                   |
| Natural Gas Distribution System                          | LRD, LLC                     | Atmos Energy                      |
| Communciations System                                    | LRD, LLC                     | ZoomyCo at Lost Rabbit            |
| Churches   | LRD, LLC                     | to be determined                  |
| Elementary School  | LRD, LLC                     | to be determined                  |
| <i>LRD, LLC = Lost Rabbit Development, LLC</i>           |                              |                                   |
| <i>PRVWSD = Pearl River Valley Water Supply District</i> |                              |                                   |

**TABLE D**  
**PID IMPROVEMENTS COSTS**

|  | <b>Estimated Cost<br/>(in \$1,000's)</b> |
|--|--|
| <b><u>Phase I</u></b>  |  |
| <b>Marina/Harbor</b>   |  |
| Earthwork/Coffer Dam   | 980                                      |
| Dredging   | 540                                      |
| Seawall and Cap  | 888                                      |
| Breakwater, Rip Rap  | 490                                      |
| Lighthouse Complex   | 581                                      |
| Tower  | <u>475</u>                               |
| <b>Total Marina/Harbor</b>   | <b>3,954</b>                             |
| <br><b>Phase IB Middle and North</b>                               |  |
| Grading/Erosion Control  | 285                                      |
| Streets and Rear Lanes   | 1050                                     |
| Storm Drainage System  | 360                                      |
| Sanitary Sewer System  | 225                                      |
| Water Distribution System  | 280                                      |
| Utilities (Gas, Electric)  | <u>200</u>                               |
| <b>Total Phase IB Middle and North</b>                             | <b>2,400</b>                             |
| <br><b>Town Center</b>   |  |
| Grading/Erosion Control  | 330                                      |
| Streets and Rear Lanes   | 1217                                     |
| Storm Drainage System  | 2713                                     |
| Sanitary Sewer System  | 162                                      |
| Water Distribution System  | 189                                      |
| Utilities (Gas, Electric)  | 750                                      |
| Parking Areas  | <u>550</u>                               |
| <b>Total Town Center</b>   | <b>5,911</b>                             |
| <br><b>Parks/Plaza/Amenities</b>                                   | <b>1,400</b>                             |
| (Landscape, Hardscape, Irrigation,<br>Streetlights, Signage, etc.) |  |
| <b>Soft Costs</b>  | <b><u>1,300</u></b>                      |
| (Arch, CM, Eng, Cons.)   |  |
| <br><b>Total Phase I</b>   | <br><b>14,965</b>                        |

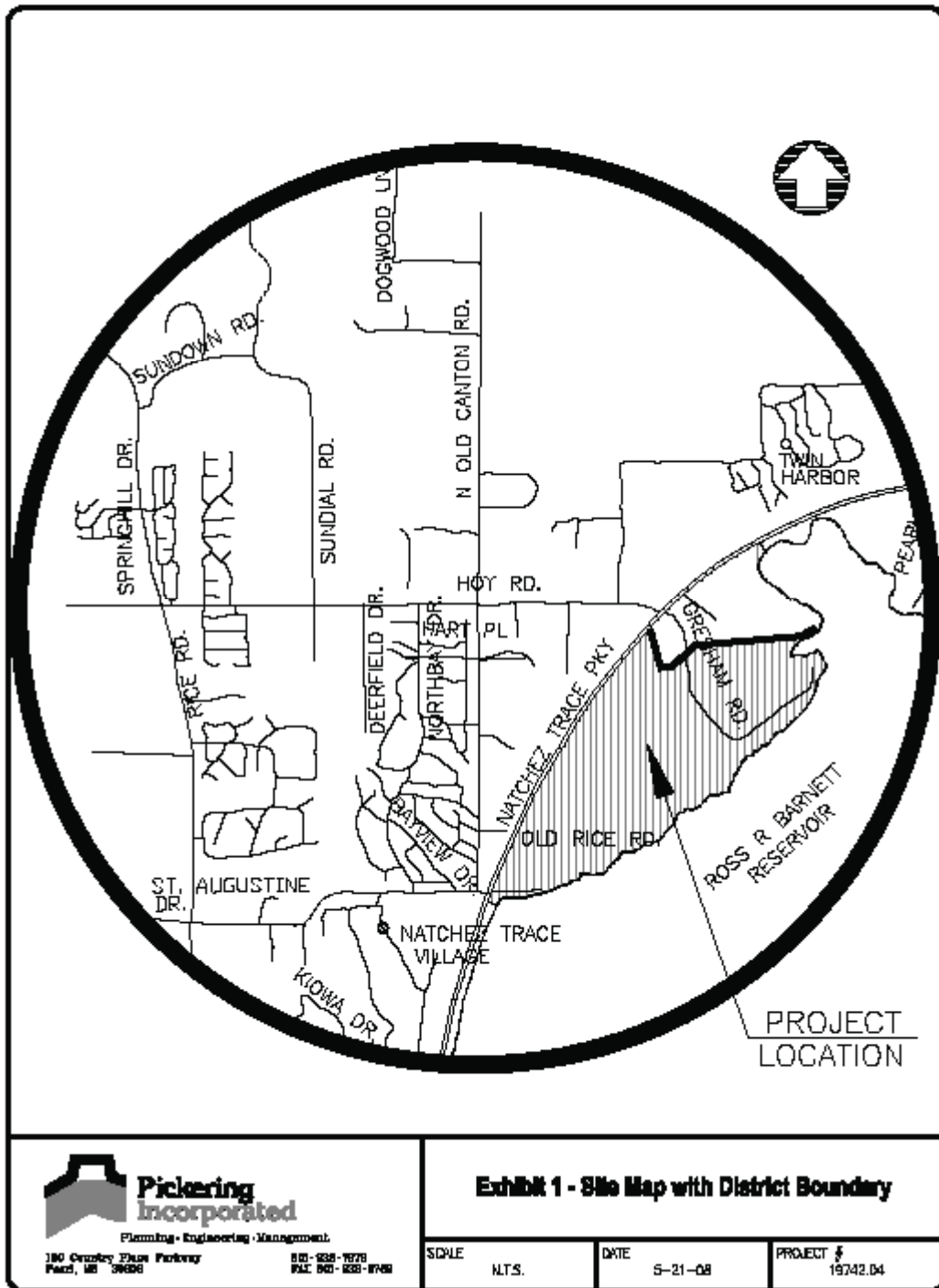
**Future Phases**

|  |                   |
|--|-------------------|
| Grading/Erosion Control                          | 3000              |
| Streets and Rear Lanes                           | 4000              |
| Storm Drainage System                            | 1600              |
| Sanitary Sewer System                            | 800               |
| Water Distribution System                        | 1000              |
| Utilities (Gas, Elec, Fiber)                     | 600               |
| South Access Road                                | 1200              |
| Lake System                                      | 1100              |
| Landscape, Hardscape, Irrigation, Lighting, etc. | 1500              |
| Soft Costs                                       | <u>1000</u>       |
| <b>Total Future Phases</b>                       | <b>15,800</b>     |
| <br><b>Total Improvements Cost</b>               | <br><b>30,765</b> |



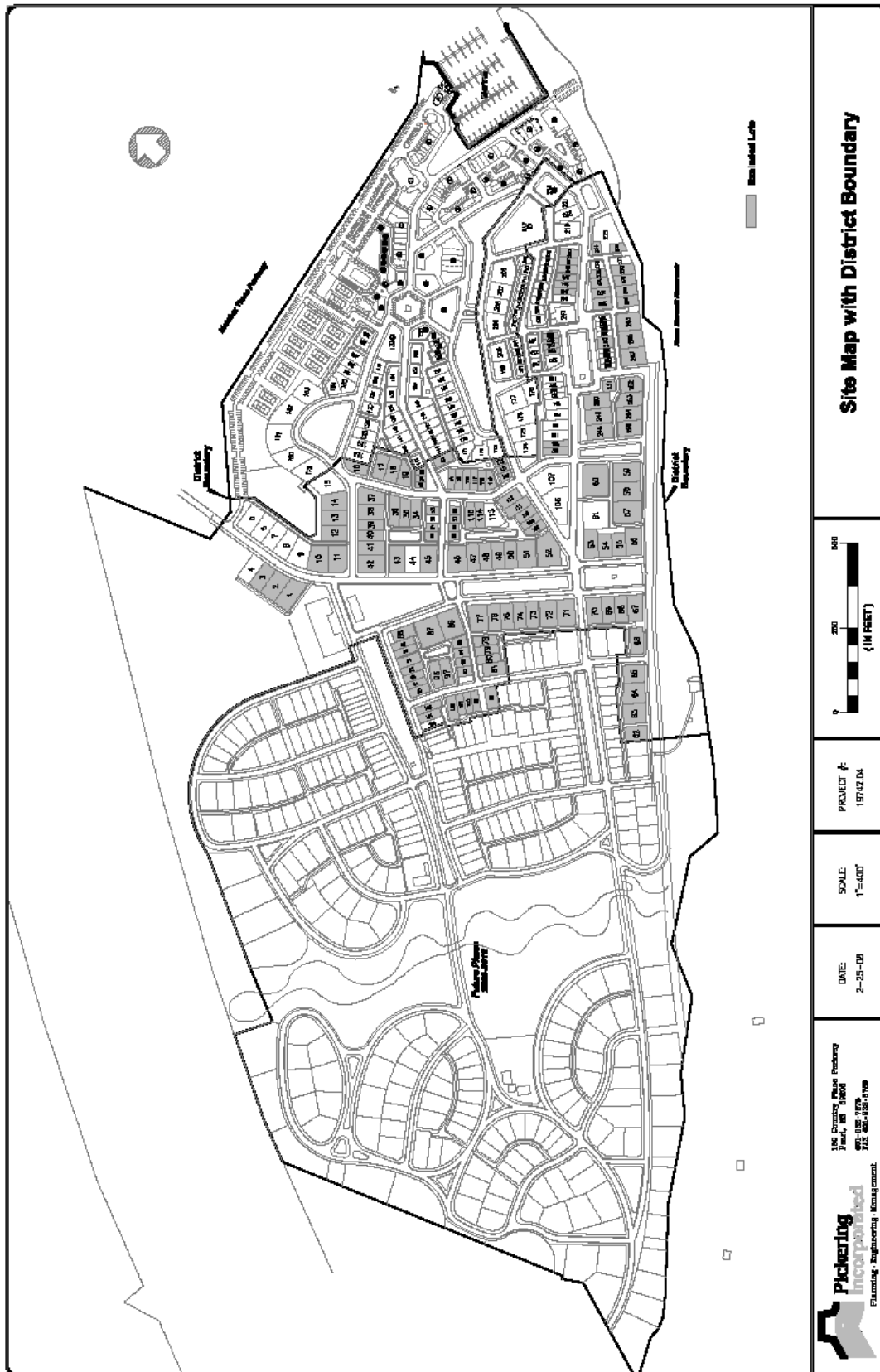
## **EXHIBIT 1**

### **SITE LOCATION MAP**



## **EXHIBIT 2**

### **DISTRICT BOUNDARY WITH LOTS EXCLUDED**



### EXHIBIT 3 - LEGAL DESCRIPTION

The following description is based on Mississippi State Plane Coordinate System, West Zone, NAD 83, Grid Values, using a combined factor of 0.999944106 and a convergence angle of 00° 08' 57.86170".

A parcel of land lying and being situated in Sections 11, 12, 13 and 14, Township 7 North, Range 2 East, Madison County, Mississippi and being more particularly described as follows to-wit:

Commencing at the section corner being common to aforesaid 11, 12, 13 and 14 run thence North 00° 22' 24" East for a distance of 1951.43 feet to a point lying on the Easterly Right-of-Way line of the Natchez Trace Parkway (N.T.P.) as it is now laid out and exists (October 2003); thence run South 85° 05' 24" West on and along aforesaid Easterly Right-of-Way line for a distance of 917.54 feet to N.T.P. Monument 118 and the Point of Beginning. From the Point of Beginning thence run North 85° 05' 24" East on and along the aforesaid Easterly Right-of-Way line for a distance of 1684.50 feet to N.T.P. Monument 117; thence run North 58° 47' 15" East on and along aforesaid Easterly Right-of-Way line for a distance of 250.72 feet to a 2-inch capped iron pipe Found; thence leaving the aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway run the following courses and distances on and along the shoreline of the Ross Barnett Reservoir:

- South 47° 11' 55" West – 65.24 feet to an iron pin set;
- South 20° 55' 06" West – 354.77 feet to an iron pin set;
- South 77° 48' 57" East – 240.23 feet to an iron pin set;
- South 85° 54' 35" East – 48.02 feet to an iron pin set;
- North 06° 14' 33" East – 59.99 feet to an iron pin set;
- South 60° 50' 27" East – 110.67 feet to an iron pin set;
- South 16° 33' 48" East – 116.46 feet to an iron pin set;
- South 19° 24' 34" West - 144.52 feet to an iron pin set;
- South 06° 49' 51" West – 129.71 feet to an iron pin set;

South 26° 36' 13" West – 186.23 feet to an iron pin set;  
 South 29° 31' 01" West – 327.73 feet to an iron pin set;  
 South 27° 37' 27" West – 204.76 feet to an iron pin set;  
 South 49° 58' 13" West – 252.05 feet to an iron pin set;  
 South 01° 38' 02" West – 102.66 feet to a 2-inch capped iron pipe found;  
 South 45° 19' 18" West – 237.22 feet to an iron pin set;  
 South 54° 26' 46" West – 462.20 feet to an iron pin set;  
 South 46° 37' 14" West – 595.30 feet to an iron pin set;  
 South 26° 31' 39" West – 256.46 feet to an iron pin set;  
 South 43° 48' 04" West – 533.96 feet to an iron pin set;  
 South 48° 10' 15" West – 316.61 feet to an iron pin set;  
 North 77° 50' 45" West – 171.70 feet to an iron pin set;  
 South 63° 51' 18" West – 427.20 feet to a 2-inch capped iron pipe found;  
 South 30° 11' 44" West – 259.14 feet to an iron pin set;  
 South 57° 57' 33" West – 44.33 feet to an iron pin set;  
 South 60° 11' 28" West – 331.63 feet to an iron pin set;  
 South 46° 42' 00" West – 203.53 feet to an iron pin set;  
 South 62° 48' 14" West – 412.80 feet to an iron pin set;  
 South 54° 03' 21" West – 447.12 feet to an iron pin set;  
 South 58° 15' 18" West – 92.76 feet to an iron pin set;  
 South 73° 16' 27" West – 59.84 feet to an iron pin set;  
 North 85° 56' 34" West – 54.45 feet to an iron pin set;  
 South 69° 12' 01" West – 214.90 feet to an iron pin set;

Thence leaving aforesaid shoreline run on and along the aforementioned Easterly Right-of-Way line of the Natchez Trace Parkway the following courses and distances:

North 23° 08' 38" East – 528.78 feet to N.T.P. Monument 128 Found;  
 North 27° 40' 34" West – 99.58 feet to N.T.P. Monument 127 Found;  
 North 57° 50' 12" East – 14.62 feet to N.T.P. Monument 126 Found;  
 North 15° 53' 33" West – 1425.54 feet to N.T.P. Monument 125 Found;  
 North 27° 43' 42" East – 216.96 feet to an iron pin set (represents N.T.P. Monument 124)

North 33° 03' 42" East – 737.51 feet to N.T.P. Monument 123 Found;  
North 35° 39' 32" East – 839.26 feet to N.T.P. Monument 122 Found;  
North 37° 50' 39" East – 1534.00 feet to N.T.P. Monument 121 Found;  
South 15° 48' 27" East – 644.08 feet to N.T.P. Monument 120 Found;  
North 89° 27' 38" East – 160.03 feet to N.T.P. Monument 119 Found;  
North 47° 30' 16" East – 518.42 feet back to the Point of Beginning and  
containing within said bounds 259.37 acres more or less.

## APPENDIX “B”

### FORM OF THE INDENTURE

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**TRUST INDENTURE**

**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**

**TO**

**U.S. BANK NATIONAL ASSOCIATION**

**Dated as of July 1, 2008**

**Relating to**

**\$18,605,000**  
**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**  
**SPECIAL ASSESSMENT BONDS,**  
**SERIES 2008**

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This Table of Contents is incorporated herein for ease of reference only and shall not be deemed a part of the Trust Indenture.

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## **TRUST INDENTURE**

This **TRUST INDENTURE**, is made and entered into as of July 1, 2008, by and between **LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**, a local unit of special-purpose government organized and existing under the laws of the State of Mississippi (the "District"), and **U.S. BANK NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America and having the authority to exercise corporate trust powers (the "Trustee"), with its designated office and post office address located at Two James Center, 1021 East Cary Street, 18<sup>th</sup> Floor, Richmond, Virginia 23219.

### **RECITALS:**

**WHEREAS**, the District is a public improvement district duly organized and existing under the provisions of Section 19-31-1 *et seq.*, Mississippi Code of 1972, as amended from time to time, and any successor statute thereto (the "Act"), for the purpose, among other things, of financing and managing the acquisition, construction, maintenance, and operation of the major infrastructure within the boundaries of the District; and

**WHEREAS**, the District has the power and authority under the Act to issue special assessment bonds and to use the proceeds thereof to finance the cost of acquiring and constructing assessable improvements (as defined in the Act) and, by virtue of the Act, to levy and collect benefit special assessments and to levy and collect maintenance special assessments as provided in Section 19-31-33(1) and Section 19-31-33(2) of the Act, respectively, as amended; and

**WHEREAS**, the District has found and determined, and does hereby find and determine, that acquisition and construction of the Project (hereinafter defined) is and will be necessary and desirable in serving the District's goal of properly managing the acquisition, construction, and operation of portions of the infrastructure within the boundaries of the District; and

**WHEREAS**, the Governing Body of the District duly adopted the Assessment Resolution (hereinafter more specifically described), providing for the acquisition and construction of the Project, providing estimated Costs of the Project, defining assessable property to be benefited by the Project, defining the portion of the cost of the Project with respect to which Assessments will be imposed and the manner in which such assessments shall be levied against such benefited property within the District (the "Assessments"), directing the preparation of an assessment roll, and stating the intent of the District to issue bonds of the District secured by such Assessments to finance the costs of the acquisition and construction of the Project (the "Preliminary Assessment Resolution") and the Governing Body of the District duly adopted Resolution 2008-19 on June 10, 2008, in accordance with the Act, to fix and establish the assessments and the benefited property (the "Assessment Resolution"); and

**WHEREAS**, pursuant to Resolution 2008-20 adopted by the Governing Body of the District on June 10, 2008 (the "Bond Resolution"), the District has authorized the issuance, sale and delivery of its \$18,605,000 Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008 (the "Bonds"), authorized the execution and delivery of this Indenture to secure the issuance of the Bonds and to set forth the terms of the Bonds; and

**WHEREAS**, the District will apply the proceeds of the Bonds to: (i) finance the Cost of acquisition, construction, installation and equipping of a portion of the Project as further described in Exhibit "A" hereto (the "Project"); (ii) pay certain costs associated with the issuance and sale of the Bonds; (iii) pay a portion of the capitalized interest to become due on the Bonds; and (iv) fund the Reserve Fund; and

**WHEREAS**, the execution and delivery of the Bonds and of this Indenture have been duly authorized by the Governing Body of the District and all things have been done which are necessary to make the Bonds, when executed by the District and authenticated and delivered by the Trustee hereunder, the valid and binding legal obligations of the District and to constitute this Indenture a valid trust indenture, a valid and binding lien on the Trust Estate (hereinafter defined) and a valid security agreement and contract for the security of the Bonds, in accordance with the terms of the Bonds and this Indenture.

**NOW, THEREFORE, THIS TRUST INDENTURE WITNESSETH:**

### **GRANTING CLAUSES**

**THAT THE DISTRICT**, in consideration of the premises and acceptance by the Trustee of the trusts hereby created and the purchase and acceptance of the Bonds (hereinafter defined) by the Owners (hereinafter defined), and for other good and valuable consideration, the receipt of which is hereby acknowledged, to secure the payment of the principal of, premium, if any, and interest on the Bonds and to secure the performance and observance by the District of all of the covenants expressed or implied herein and in the Bonds, does hereby grant, bargain, sell, alienate, remise, release, convey, transfer, pledge, mortgage, set over and assign a security interest in the following (herein called the "Trust Estate") to the Trustee and its successors in trust, and assigns forever, for the securing of the performance of the District: (i) the Pledged Revenues and Pledged Funds (hereinafter defined); and (ii) any and all property of every kind or description which may from time to time hereafter be sold, transferred, conveyed, assigned, hypothecated, endorsed, deposited, pledged, mortgaged, granted or delivered to, or deposited with, the Trustee as security for the Bonds, or which pursuant to any of the provisions hereof may come into the possession or control of the Trustee or of a lawfully appointed receiver, as such additional security, and the Trustee is hereby authorized to receive any and all such property as and for security for the payment of such Bonds and the interest and premium, if any, thereon, and to hold and apply all such property subject to the terms hereof, it being expressly understood and agreed that the Trust Estate established and held hereunder for Bonds shall be held separate and apart from all other funds and accounts of the District and of the Trustee and shall be held in trust solely for the benefit of the Owners of the Bonds.

The Trust Estate is further pledged to the payment of the fees and expenses of the Trustee and the Trust Estate shall immediately be subject to the lien of such pledge, which lien is hereby created, without any physical delivery thereof or further act; provided, however, that, except in the case of fees and expenses of the Trustee payable pursuant to Section 8.5 hereof, such pledge and lien shall be subordinate in all respects to the pledge of and lien on the Trust Estate for payment of principal of, and premium, if any, and interest on, the Bonds.

**TO HAVE AND TO HOLD** the Trust Estate, whether now owned or held or hereafter acquired, forever;

**IN TRUST NEVERTHELESS**, upon the terms and trusts herein set forth (a) for the equal and proportionate benefit and security of all present and future Owners of the Bonds without preference of any Bond over any other Bond, (b) for enforcement of the payment of the Bonds in accordance with their terms and the terms of this Indenture and all other sums payable hereunder, and (c) for the enforcement of and compliance with the obligations, covenants and conditions of this Indenture except as otherwise expressly provided herein, as if all the Bonds at any time Outstanding (hereafter defined) had been authenticated, executed and delivered simultaneously with the execution and delivery of this Indenture, all as herein set forth.

**IT IS HEREBY COVENANTED, DECLARED AND AGREED:** (a) that this Indenture creates a continuing lien equally and ratably to secure the payment in full of the principal of, premium, if any, and interest on all Bonds which may from time to time be Outstanding hereunder, except as otherwise expressly provided herein, (b) that the Trust Estate shall immediately be subject to the lien of this pledge and assignment without any physical delivery thereof or further act, (c) that the lien of this pledge and assignment shall be a first lien, prior and superior to all other liens now existing or hereafter created, and shall be valid and binding against all parties having any claims of any kind in tort, contract, or otherwise against the District, irrespective of whether such parties have notice thereof, and (d) that the Bonds are to be issued, authenticated and delivered, and that the Trust Estate is to be held, dealt with, and disposed of by the Trustee, upon and subject to the terms, covenants, conditions, uses, agreements and trusts set forth in this Indenture.

The Trust Estate is hereby irrevocably pledged for the payment of the Debt Service with respect to the Bonds issued hereunder, subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein. The foregoing pledge shall be valid and binding from and after the date of initial delivery of the Bonds and the proceeds of sale of the Bonds and all the moneys, securities and funds set forth herein (except moneys held by the Trustee in the Rebate Fund and in the Costs of Issuance Fund (as hereinafter defined)) shall immediately be subject to the lien of the foregoing pledge.

The District covenants and agrees with the Trustee, for the equal and proportionate benefit of the respective Owners from time to time, as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.1 Meaning of Words and Terms.** The following words and terms used in this Indenture shall have the following meanings:

"**Accountants**" shall mean the independent certified public accounting firm retained by the District to perform the duties of the Accountant under this Indenture.

"**Accountant's Certificate**" shall mean an opinion signed by an independent certified public accountant or firm of certified public accountants (which may be the Accountants) from time to time selected by the District.

"**Accounts**" shall mean all of the accounts created pursuant to Section 4.1 hereof.

"**Acquisition Agreement**" shall mean the Acquisition Agreement among the District and the Developer, pursuant to which the Developer agrees to provide, design, construct and sell to the District, and the District agrees to purchase from the Developer, certain improvements comprising the Project.

"**Acquisition and Construction Fund**" shall mean the fund so designated in, and created pursuant to, Section 4.1 hereof.

"**Act**" shall mean Sections 19-31-1 *et seq.*, Mississippi Code of 1972, as amended from time to time, and any successor statute thereto.

"**Amortization Installments**" shall mean the moneys required to be deposited in the Redemption Account within the Debt Service Fund for the purpose of redeeming and paying the principal of any Bonds at the times and in the amounts set forth in Section 3.2 hereof.

"**Assessments**" shall mean all benefit special assessments levied by the District pursuant to the Assessment Proceedings and collected by or on behalf of the District pursuant to Section 19-31-33(1) of the Act, and pursuant to the assessment plat and the assessment roll referred to therein, together with the interest specified by resolution adopted by the Governing Body the interest accumulated with respect to such benefit special assessments pursuant to all applicable provisions of the Act, if any such interest is collected by or on behalf of the Governing Body, and any applicable penalties collected by or on behalf of the District, together with any and all amounts received by the District 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, less (to the extent applicable) the fees and costs of collection thereof payable to the Tax Collector and less certain administrative costs of the Tax Assessor pursuant to the Tax Collector/Assessor Agreement. Assessments shall not include "maintenance special assessments", if any, levied and collected by the District.

"**Assessment Interest**" shall mean the interest on Assessments received by the District which is pledged to the Bonds.

**"Assessment Principal"** shall mean the principal amount of Assessments received by the District which are pledged to the Bonds, other than Delinquent Assessment Principal and Prepayment Principal.

**"Assessment Proceedings"** shall mean the proceedings of the District with respect to the establishment, levy and collection of the Assessments, including, but not limited to Resolution No. 2008-19, adopted by the Governing Body.

**"Assessment Revenues"** shall mean Assessments received by the District from the levy thereof on the benefited lands within the District and which are pledged to one or more Series of Bonds.

**"Authorized Denomination"** shall mean a denomination of \$5,000 or any integral multiple thereof; provided, however, that the Bonds shall be delivered to the initial purchaser thereof in aggregate principal amounts of \$100,000 and integral multiples of \$5,000 in excess thereof

**"Authorized Officer"** shall mean any person authorized by the District to perform the act or sign the document in question.

**"Bonds"** or **"Series 2008 Bonds"** shall mean the \$18,605,000 Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008, authorized, issued and delivered pursuant to the provisions of this Indenture.

**"Bond Counsel"** shall mean an attorney or firm of attorneys of nationally recognized standing in the field of law relating to municipal bonds selected by the District.

**"Bond Depository"** shall mean initially DTC or such other securities depository the District may appoint from time to time under Section 2.1 hereof.

**"Bond Participants"** shall mean those broker-dealers, banks and other financial institutions from time to time for which the Bond Depository holds Bonds as securities depository.

**"Bond Registrar"** or **"Registrar"** shall mean the Trustee and any successor Bond Registrar appointed hereunder.

**"Bond Year"** shall mean the period commencing on the first day of May in each year and ending on the last day of April of the following year except that the bond year in which the Bonds are delivered to their initial purchaser shall commence on the date of such delivery and shall end on the following April 30.

**"Business Day"** shall mean any day other than a Saturday, Sunday or other day on which banking institutions in the city the designated corporate trust office of the Paying Agent is located are authorized or obligated, by law or executive order to be closed for business and on which the Paying Agent is closed.

**"Capitalized Interest"** shall mean interest due or to be due on the Bonds prior to, during or for a period not exceeding one year after completion of the Project, which will be paid, or is expected to be paid, from the proceeds of the Bonds.

**"Capitalized Interest Fund"** shall mean the Fund established and so designated in, and created pursuant to, Section 4.1 hereof.

**"Chairman"** shall mean the Chairman of the Governing Body of the District or his or her designee or the person succeeding to his or her principal functions.

**"Code"** shall mean the Internal Revenue Code of 1986, as amended, or any successor provisions thereto and the regulations promulgated thereunder or under the Internal Revenue Code of 1954, as amended, if applicable, or any successor provisions thereto.

**"Completion Agreement"** means that certain Completion Agreement among the District and the Developer dated as of July \_\_, 2008.

**"Consulting Engineer"** shall mean Pickering Firm, Inc., a Mississippi corporation, or any other engineering firm or corporation employed by the District.

**"Continuing Disclosure Agreement"** shall mean the Continuing Disclosure Agreement, as amended from time to time in accordance with its terms.

**"Cost" or "Cost of the Project"** as applied to the Project, shall include without intending thereby to limit or to restrict any proper definition of such cost under the Act, other applicable provisions of Mississippi law, or this Indenture, the following:

(a) Expenses of Bond Issuance. All expenses and fees relating to the issuance of the Bonds, including, but not limited to, attorneys' fees, underwriting fees and discounts, the Trustee's acceptance fees, expenses and Trustee's counsel fees, rating agency fees, fees of financial advisors, engineer's fees, administrative expenses of the District, the costs of preparing audits and engineering reports, the costs of preparing reports, surveys, and studies, and the costs of printing the Bonds and preliminary and final disclosure documents.

(b) Accrued and Capitalized Interest. Any interest accruing on the Bonds from their date through the first Interest Payment Date received from the proceeds of the Bonds (to be deposited into the Interest Account) and Capitalized Interest (to be deposited into the Capitalized Interest Fund) as authorized hereby.

(c) Acquisition Expenses. The costs of acquiring, by purchase or condemnation, all of the land, structures, improvements, rights-of-way, franchises, easements, and other interests in property, whether real or personal, tangible or intangible, which themselves constitute the Project or which are necessary or convenient to acquire and construct the Project.

(d) Construction Expenses. All costs incurred for labor and materials, including equipment and fixtures, by contractors, builders, and materialmen in connection with the acquisition and construction of the Project.

(e) Other Professional Fees and Miscellaneous Expenses. All legal, architectural, engineering, and consulting fees, as well as all financing charges, taxes, insurance premiums, and miscellaneous expenses, not specifically referred to in this Indenture that are incurred in connection with the acquisition and construction of the Project.

**"Costs of Issuance Fund"** shall mean the Fund so designated in, and created pursuant to, Section 4.1 hereof.

**"County"** shall mean Madison County, Mississippi.

**"Date of Completion"** shall mean: (i) the date upon which the Project and all components thereof have been acquired or constructed and are capable of performing the functions for which they were intended, as evidenced by a certificate of the Consulting Engineer filed with the Trustee and the District; or (ii) the date on which the District determines, upon the recommendation of or in consultation with the Consulting Engineer, that it cannot complete the Project in a sound and economical manner within a reasonable period of time as evidenced by a certificate of the Consulting Engineer filed with the Trustee and the District. In each case such certificate of the Consulting Engineer shall set forth the amount of all costs of the Project which have been incurred, but which on the Date of Completion are or will be unpaid or unreimbursed.

**"Debt Service"** shall mean collectively the principal, interest, and redemption premium, if any, payable with respect to the Bonds.

**"Debt Service Fund"** shall mean the fund so designated in, and created pursuant to, Section 4.1 hereof.

**"Delinquent Assessment"** shall mean any installment of any Assessment which is not paid within thirty (30) days after the date on which such installment is due and payable.

**"Delinquent Assessment Interest"** shall mean Assessment Interest deposited by the District with the Trustee on or after May 1 or November 1 of the year in which such Assessment Interest has, or would have, become delinquent under State law applicable thereto.

**"Delinquent Assessment Principal"** shall mean Assessment Principal deposited by the District with the Trustee on or after May 1 of the year in which such Assessment Principal has, or would have, become delinquent under State law applicable thereto.

**"Depository"** shall mean any bank or trust company duly authorized by law to engage in the banking business and designated by the District as a depository of moneys subject to the provisions of this Indenture.

**"Developer"** shall mean Lost Rabbit Development, LLC, a Mississippi limited liability company, or any successor thereto.

**"District"** shall mean the Lost Rabbit Public Improvement District, a public improvement district created pursuant to the Act, or any successor thereto which succeeds to the obligations of the District hereunder.

"**DTC**" shall mean The Depository Trust Company, New York, New York, its successors and assigns.

"**Engineer's Certificate**" shall mean a certificate of the Consulting Engineer or of such other engineer or firm of engineers having a favorable repute for skill and experience in the engineering matters with respect to which such certification is required.

"**Event of Default**" shall mean any of those events described in Section 8.2 hereof.

"**Federal Securities**" means, to the extent permitted by law for investment as contemplated herein, (i) any Government Obligations (ii) any tax-exempt obligations which are fully secured as to principal and interest by an irrevocable pledge of moneys or Government Obligations, which moneys or obligations are segregated in trust and pledged for the benefit of the holders of the tax-exempt obligations, (iii) certificates of ownership of the principal or interest of Government Obligations, which obligations are held in trust and (iv) investment agreements at least 100% collateralized by obligations described in clauses (i), (ii) and (iii) above.

"**Fiscal Year**" shall mean the fiscal year of the District in effect from time to time.

"**Funds**" shall mean the funds, except the Rebate Fund, created pursuant to Section 4.1 hereof.

"**Governing Body**" shall mean the Board of Directors of the District or the board or body succeeding to its principal functions.

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

"**Indenture**" shall mean this Indenture, as the same may be amended, modified and supplemented in accordance with the terms hereof.

"**Interest Account**" shall mean the account established within the Debt Service Fund so designated in, and created pursuant to, Section 4.1 hereof.

"**Interest Payment Date**" shall mean May 1 and November 1 of each year, commencing November 1, 2008.

"**Investment Obligations**" shall mean any of the following securities:

- (a) Federal Securities; and
- (b) Money market funds invested solely in Federal Securities.

"**Majority Owner**" shall mean the then applicable owner of a majority in Outstanding principal amount of the Bonds.

**"Maturity Date"** shall mean the date on which such Bonds mature as provided in Section 2.2 hereof.

**"Maximum Annual Debt Service Requirement"** shall mean the greatest amount of principal and Amortization Installments of, and interest on, the Bonds coming due in any Bond Year, treating the principal of the maturity of any Bonds subject to Amortization Installments as coming due in accordance with such Amortization Installments rather than the nominal maturity date thereof.

**"Negative Pledge"** shall mean that certain Negative Pledge and Collateral Assignment of Lease and Invitation, dated as of July 17, 2008, by the Developer in favor of the Trustee.

**"Nominee"** shall mean the nominee of the Bond Depository, which may be the Bond Depository, as determined from time to time pursuant to this Indenture.

**"Optional Redemption Subaccount"** shall mean the subaccount established within the Redemption Account, so designated in, and created pursuant to, Section 4.1(d)(iii) hereof.

**"Outstanding,"** when used with reference to Bonds, shall mean, as of a particular date, all Bonds theretofore authenticated and delivered under this Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation;

(b) Bonds (or portions of Bonds) for the payment or redemption of which moneys, equal to the principal amount or redemption price thereof, as the case may be, with interest to the date of maturity or redemption date, shall be held in trust under this Indenture and set aside for such payment or redemption (whether at or prior to the maturity or redemption date); provided, however, that if such Bonds (or portions of Bonds) are to be redeemed, notice of such redemption shall have been given or provision satisfactory to the Trustee shall have been made for the giving of such notice as provided in Article III hereof;

(c) Bonds in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture unless proof satisfactory to the Trustee is presented that any such Bonds are held by a bona fide purchaser in due course; and

(d) Bonds paid or deemed to have been paid as provided in this Indenture.

**"Owner" or "Owners"** shall mean the registered owners from time to time of Bonds.

**"Paying Agent"** shall mean the bank or trust company designated as such as the place where principal of, or interest or premium, if any, on, the Bonds shall be payable pursuant to this Indenture or by resolution of the Governing Body and which bank or trust company accepts the duties of Paying Agent hereunder.

**"Pledged Funds"** shall mean all amounts on deposit from time to time in the Funds and Accounts as pledged to the payment of the Bonds; provided, however, such term shall not include any amounts on deposit in the Rebate Fund or in the Costs of Issuance Account.

**"Pledged Revenues"** shall mean the revenues designated hereby and which shall constitute the security for and source of payment of the Bonds and shall consist of the Assessments, including Delinquent Assessments, and, to the extent pledged to the Bonds, other revenues or combinations thereof derived or to be derived by the District in accordance with the Act.

**"Prepayments"** shall mean any Assessments, or portions thereof, which shall be paid to the District prior to the time such amounts become due. The term "Prepayments" shall not include any interest paid on such Assessments.

**"Prepayment Principal"** shall mean the excess amount of Assessment Principal received by the District over the Assessment Principal included within an Assessment appearing on any outstanding and unpaid tax bill, whether or not mandated to be prepaid in accordance with the Assessment Proceedings.

**"Prepayment Subaccount"** shall mean the subaccount established within the Redemption Account so designated in, and created pursuant to, Section 4.1(d)(iii) hereof.

**"Principal and Interest Requirement"** shall mean the amounts which are required in each Bond Year to provide:

- (a) for paying the interest on all Bonds then Outstanding which is payable in such Bond Year less any amount payable from the Capitalized Interest Account; and
- (b) the Amortization Installment, if any, payable in such Bond Year.

**"Project"** shall mean the acquisition, construction, equipping and/or improvement of the capital project described in Exhibit "A" attached hereto, as the same may be modified from time to time by resolution of the Governing Body.

**"Rebate Amount"** shall mean the amount, if any, required to be rebated to the United States pursuant to Section 148(f) of the Code.

**"Rebate Analyst"** shall mean the person or firm selected by the District to calculate the Rebate Amount, which person or firm shall be a firm of attorneys or independent certified public accountants with expertise in the calculation of the Rebate Amount.

**"Rebate Fund"** shall mean the fund so designated in, and created pursuant to, Section 4.1 hereof.

**"Record Date"** shall mean the fifteenth (15th) day of the calendar month next preceding any Interest Payment Date, or if either of the foregoing days is not a Business Day, then the Business Day immediately preceding such day.

**"Redemption Account"** shall mean the account established within the Debt Service Fund so designated in, and created pursuant to, Section 4.1 hereof.

**"Redemption Date"** shall mean any date fixed for redemption of the Bonds, in whole or in part as provided in Section 3.2 hereof and in the form of Bond attached hereto.

**"Redemption Price"** shall mean the principal of, premium, if any, and interest accrued to the date fixed for redemption of any Bond called for redemption pursuant to this Indenture.

**"Reserve Fund"** shall mean the fund so designated in, and created pursuant to, Section 4.1 hereof.

**"Reserve Fund Requirement"** shall mean \$1,684,850 which was calculated as the lesser of: (a) Maximum Annual Debt Service Requirement for all Outstanding Bonds, (b) 125% of the average annual debt service for all Outstanding Bonds, or (c) 10% of the proceeds of the Bonds as of the date of original issuance and delivery thereof. At closing the Reserve Fund Requirement shall be \$1,684,850.

**"Revenue Fund"** shall mean the fund so designated in, and created pursuant to, Section 4.1 hereof.

**"Secretary"** shall mean the Secretary to the Governing Body, or his or her designee or the person succeeding to his or her principal functions.

**"Sinking Fund Account"** shall mean the account established within the Debt Service Fund so designated in, and created pursuant to, Section 4.1(d)(ii) hereof.

**"State"** shall mean the State of Mississippi.

**"Supplemental Indenture"** shall mean an indenture supplemental hereto entered into for the purpose of amending or supplementing the terms and provisions hereof in accordance with Article X hereof.

**"Tax Assessor"** shall mean the Tax Assessor of Madison County, Mississippi, or the person succeeding to his or her principal functions.

**"Tax Collector"** shall mean the Tax Collector of Madison County, Mississippi, or the person succeeding to his or her principal functions.

**"Tax Collector/Assessor Agreement"** shall mean the Tax Collector/Assessor Agreement described in Section 7.11 hereof.

**"Tax Regulatory Covenants"** shall mean the covenants of the District, amended from time to time upon written instructions of Bond Counsel to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes.

**"True Up Agreement"** shall mean that certain Agreement by and between the District and the Developer Regarding the True Up and Payment of Special Assessments, dated as of July 17, 2008.

**"Trust Estate"** shall have the meaning given to such term in the granting clauses hereof.

"Trustee" shall mean U.S. Bank National Association, Richmond, Virginia, a national banking association, and any successor trustee appointed or serving pursuant to Article V hereof.

**Section 1.2 Rules of Construction.** Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words "Bond," "Owner," "person," "Paying Agent," and "Bond Registrar" shall include the plural as well as the singular number and the word "person" shall mean any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision thereof. The terms "hereby", "herein", "hereinafter", "hereunder", "hereto", "hereof" and any similar terms as used in this Indenture refer to this Indenture.

## ARTICLE II

### FORM, EXECUTION, DELIVERY AND DESIGNATION OF BONDS

**Section 2.1 Authorization and Issuance of Bonds; Book-Entry Only Form.** The Issuer is hereby authorized to issue \$18,605,000 aggregate principal amount of "Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008" to be designated "\$18,605,000 Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008" for the purposes of (i) paying all of the Costs of the Project; (ii) depositing the Reserve Fund Requirement into the Reserve Fund; (iii) funding Capitalized Interest; and (iv) paying the costs and expenses of issuing the Bonds. The Bonds shall be substantially in the form set forth as Exhibit "B" to this Indenture. Each Bond shall bear the designation "Series 2008" and shall be numbered consecutively from R-1 upwards.

Upon initial issuance, the ownership of each Bond shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, the initial Bond Depository. Except as provided in this Section 2.1, all of the Outstanding Bonds shall be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC.

With respect to Bonds registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, the District, the Bond Registrar and the Paying Agent shall have no responsibility or obligation to any Bond Participant or to any indirect Bond Participant. Without limiting the immediately preceding sentence, the District, the Bond Registrar and the Paying Agent shall have no responsibility or obligation with respect to (1) the accuracy of the records of DTC, Cede & Co. or any Bond Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Bond Participant or any person other than an Owner, as shown in the registration books kept by the Bond Registrar, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any Bond Participant or any person other than an Owner, as shown in the registration books kept by the Bond Registrar, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The District, the Trustee, the Bond Registrar and the Paying Agent may treat and consider the person in whose name each Bond is registered in the registration books kept by the Bond Registrar as the absolute owner of such Bond for the purpose of payment of principal,

premium and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the registration books kept by the Bond Registrar, or their respective attorneys duly authorized in writing, as provided herein and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the registration books kept by the Bond Registrar, shall receive a certificated Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to the provisions hereof. Upon delivery by DTC to the District of written notice to the effect that DTC has determined to substitute a new Nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the words "Cede & Co." in this Indenture shall refer to such new Nominee of DTC; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee, the Bond Registrar and the Paying Agent. Upon receipt by the Trustee or the District of written notice from DTC: (i) confirming that DTC has received written notice from the District to the effect that a continuation of the requirement that all of the Outstanding Bonds be registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, is not in the best interest of the beneficial owners of the Bonds or (ii) to the effect that DTC is unable or unwilling to discharge its responsibilities and no substitute Bond Depository willing to undertake the functions of DTC hereunder can be found which is willing and able to undertake such functions upon reasonable and customary terms, the Bonds shall no longer be restricted to being registered in the registration books kept by the Bond Registrar in the name of Cede & Co., as Nominee of DTC, but may be registered in whatever name or names Owners transferring or exchanging the Bonds shall designate, in accordance with the provisions hereof.

## **Section 2.2    Details of Bonds.**

(a) The Bonds shall be issued only as fully registered Bonds without coupons in book-entry only form and in Authorized Denominations. Interest on the Bonds shall be computed on a basis of a 360-day year of twelve 30-day months, and shall be due and payable on each Interest Payment Date, and, if such dates are not an Interest Payment Date, on the final Maturity Date set forth in this Section 2.2 or the Redemption Date set forth in Section 3.2 hereof for such Bonds.

(b) The Bonds shall consist of one term Bond, which shall bear interest at the fixed interest rate per annum and mature in the amounts and on the dates set forth below:

| <u>Series</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Maturity (Date)</u> |
|---------------|-------------------------|----------------------|------------------------|
| 2008          | \$18,605,000            | 7.875%               | May 1, 2038            |

(c) The Bond shall be dated the date of delivery thereof. The Bond also shall bear its date of authentication. The Bond shall bear interest from the Interest Payment Date to which

interest has been paid next preceding the date of its authentication, unless the date of its authentication: (1) is an Interest Payment Date to which interest on such Bond has been paid, in which event such Bond shall bear interest from its date of authentication; or (2) is prior to the first Interest Payment Date for the Bond, in which event, such Bond shall bear interest from its date of authentication. If the District shall default in the payment of interest due on any Interest Payment Date, then such Bond shall bear interest from the next preceding Interest Payment Date to which interest has been paid or duly provided for.

(d) Debt Service shall be payable in any coin or currency of the United States of America which, at the date of payment thereof, is legal tender for the payment of public and private debts. Interest shall be paid to those persons who are the Owners as of the close of business on the Record Date for such interest; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 8.2 hereof, the payment of interest and principal or Redemption Price shall be made by the Paying Agent to such person, who, on a special record date fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such payment, appears on the registration books of the Registrar as the Owner. Any payment of Redemption Price shall be made only upon presentation of the Bond at the designated corporate trust office of the Paying Agent. Payment of interest shall be made by check or draft (or by wire transfer to the Owner if such Owner requests such method of payment in writing on or prior to the Record Date for the respective interest payment to such account as shall be specified in such request, but only if the Owner owns not less than \$1,000,000 in aggregate principal amount of the Bonds and agrees to pay any wire transfer charges and other reasonable out-of-pocket expenses incurred by the Paying Agent or the Trustee in making such payment by wire transfer).

**Section 2.3 Execution and Form of Bonds.** The Bonds shall be signed by, or bear the facsimile signature of, the Chairman, shall be attested and countersigned by the Secretary, and the certificate of authentication appearing on the face of the Bonds shall be signed by, or bear the facsimile signature of, the Trustee; provided, however, that each Bond shall be manually signed by either the Chairman or the Secretary. A facsimile of the official seal of the District shall be imprinted on the Bond. In case any officer whose signature or a facsimile of whose signature appears on any Bond shall cease to be such officer before the delivery of such Bond, such signature or such facsimile shall nevertheless be valid for all purposes the same as if he or she had remained in office until such delivery. Any Bond may bear the facsimile signature of, or may be signed by, such persons as at the actual time of the execution of such Bond shall be proper officers to execute such Bond although at the date of such Bond such persons may not have been such officers.

**Section 2.4 Special Obligations.** The Bonds, and the interest and premium, if any; thereon shall be a special obligation of the District. NEITHER THE BONDS NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF MISSISSIPPI. THE BONDS AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THIS INDENTURE. NO OWNER OR ANY OTHER PERSON SHALL EVER

HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR GOVERNMENTAL BODY TO PAY DEBT SERVICE OR THE RIGHT TO COMPEL ANY PUBLIC AUTHORITY OTHER THAN THE DISTRICT TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THIS INDENTURE OR THE BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THIS INDENTURE OR THE BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES AND THE PLEDGED FUNDS, ALL AS PROVIDED IN THE BONDS AND HEREIN.

**Section 2.5 Conditions Precedent to Delivery of Bonds.** The Bonds, upon initial issuance thereof, shall be executed by the District for delivery to the Trustee for authentication, and the Trustee shall authenticate the Bonds and deliver the Bonds to the District or upon its order, but only upon the further receipt by the Trustee of the following:

- (a) An executed and attested original or certified copy of this Indenture;
- (b) A certified copy of the Assessment Proceedings;
- (c) An opinion of counsel for the District, which shall also be addressed to the Trustee and the Owners, to the effect that: (i) the District 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 agency or regulatory body; (ii) all proceedings undertaken by the District with respect to the Assessments have been taken in accordance with Mississippi law and that the District has taken all action necessary to levy and impose the Assessments; (iii) the Assessments are legal, valid, and binding liens upon the property against which the Assessments are made, coequal with the lien of all state, county, district 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; (iv) this Indenture has been duly and validly authorized, approved, and executed by the District; (v) the issuance of the Bonds has been duly authorized and approved by the Governing Body; (vi) all conditions precedent to the delivery of the Bonds have been fulfilled; and (vii) this Indenture (assuming due authorization, execution and delivery by the Trustee) constitutes a binding obligation of the District, enforceable against the District in accordance with its terms except as enforcement thereof may be affected by bankruptcy, reorganization, insolvency, moratorium and other similar laws relating to creditor's rights generally and subject to equitable principles, whether in a proceeding at law or in equity;
- (d) An opinion of Bond Counsel, which shall also be addressed to the Trustee and the Owners, stating that the signer is of the opinion that interest on the Bonds is excludable from gross income of the Owners under federal income tax law as in effect on the date the Bonds are delivered to their initial purchasers, subject to continued compliance by the District with the requirements of the Code for exclusion of the interest on the Bonds from gross income for federal income taxation;
- (e) An opinion of Bond Counsel, which shall also be addressed to the Trustee and the Owners, to the effect that: (1) the District has the right and power under the Act to authorize,

execute and deliver this Indenture, and this Indenture has been duly and lawfully authorized, executed and delivered by the District, and (assuming due authorization, execution and delivery by the Trustee) is in full force and effect and is valid and binding upon the District and enforceable in accordance with its terms, except as enforcement thereof may be affected by bankruptcy, reorganization, insolvency, moratorium and other similar laws relating to creditor's rights generally and subject to equitable principles, whether in a proceeding at law or in equity; (ii) this Indenture creates the valid pledge which it purports to create of the Trust Estate in the manner and to the extent provided herein; and (iii) the Bonds are valid, binding, special obligations of the District, enforceable in accordance with their terms and the terms of this Indenture subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting the rights of creditors generally and subject to equitable principles, whether in a proceeding at law or in equity, and entitled to the benefits of the Act, as amended to the date of such opinion, and herewith; the Bonds have been duly and validly authorized and issued in accordance with law and herewith;

(f) A certificate of an Authorized Officer to the effect that, upon the authentication and delivery of the Bonds, the District will not be in default in the performance of the terms and provisions hereof;

(g) An Engineer's Certificate or Engineer's Certificates which set forth the estimated Cost of the Project;

(h) A certificate of an Authorized Officer setting forth: (i) the total principal amount of Bonds then estimated to be Outstanding upon completion of the Project and the resulting amount of aggregate Debt Service for each year to and including the year of final retirement of all Bonds, and (ii) the estimated Assessments in each Fiscal Year and establishing that such Assessments will be equal to at least 100% of the maximum Principal and Interest Requirement for the current or any subsequent Bond Year;

(i) An executed copy of the Continuing Disclosure Agreement;

(j) An executed copy of the Tax Regulatory Covenants;

(k) Such other documents, instruments, certificates and opinions as shall, in the opinion of Bond Counsel be necessary in order for Bond Counsel to render its opinion required in paragraph (e) above, and the delivery of such opinion shall be conclusive evidence that the provisions of this paragraph have been satisfied;

(l) Mortgagee Acknowledgments from all mortgagees on land encumbered by the Assessments;

(m) Title insurance or such title evidence as is satisfactory to the Majority Owner;

(n) True Up Agreement; and

(o) Completion Agreement.

When the documents mentioned above shall have been received, and when the Bonds shall have been executed and authenticated as required by this Indenture, the Bonds shall be delivered at the written direction of the District to, or upon the order of, the initial purchasers of the Bonds but only upon payment to the Trustee of the purchase price of the Bonds, together with accrued interest, if any, thereon.

**Section 2.6 Definitive and Temporary 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. If a Nominee of DTC or another Bond Depository is not the registered Owner of all the Bonds, the Bonds shall be printed, engraved, or lithographed and, pending delivery of definitive Bonds, there may be executed, authenticated, and delivered to the Owners thereof, in lieu of definitive Bonds and subject to the same limitations and conditions except as to identifying numbers, temporary printed, engraved, lithographed or typewritten Bonds in Authorized Denominations, in substantially the form set forth in Exhibit "B" attached hereto. The District shall cause definitive Bonds to be prepared and to be executed, endorsed, registered, and delivered to the Trustee, and the Trustee, upon presentation to it of any temporary Bond, shall cancel the same or cause the same to be cancelled and cause to be authenticated and delivered, in exchange therefor, at the place designated by the Owner, without expense to the Owner, definitive Bonds in the same aggregate principal amount, maturing on the same date and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits of this Indenture as the definitive Bonds to be issued hereunder. All temporary Bonds surrendered in exchange for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

**Section 2.7 Negotiability, Registration and Transfer of Bonds.** The District shall cause books for the registration and for the transfer of the Bonds as provided in this Indenture to be kept by the Bond Registrar. All Bonds shall be registered as to both principal and interest. Any Bond may be transferred only upon an assignment duly executed by the registered owner or his or her attorney or legal representative in such form as shall be satisfactory to the Bond Registrar, such transfer to be made on such books and endorsed on the Bond by the Bond Registrar. No charge shall be made to any Owner for registration and transfer as hereinabove provided, but any Owner requesting any such registration or transfer shall pay any tax or other governmental charge required to be paid with respect thereto. The Bond Registrar shall not be required to transfer any Bond during the period between the Record Date and the Interest Payment Date next succeeding the Record Date of such Bond, during the period between the Record Date for the mailing of a notice of redemption and the date of such mailing, nor after such Bond has been selected for redemption. The Bonds shall be and have all the qualities and incidents of negotiable instruments under the laws of the State of Mississippi, and each successive Owner, in accepting any of the Bonds, shall be conclusively deemed to have agreed that such Bonds shall be and have all of the qualities and incidents of negotiable instruments under the laws of the State of Mississippi.

**Section 2.8 Ownership of Bonds.** The person in whose name any Bond shall be registered shall be deemed the absolute owner thereof for all purposes, and payment of Debt Service shall be made only to or upon the order of the registered owner thereof or his or her attorney or legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid. The Trustee, the

District, the Bond Registrar and the Paying Agent may deem and treat the registered owner of any Bond as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment thereof and for all other purposes whatsoever, and neither the Trustee, the District, the Bond Registrar nor the Paying Agent shall be affected by any notice to the contrary.

**Section 2.9 Mutilated, Destroyed or Lost Bonds.** If any Bond becomes mutilated or destroyed or lost, the District may cause to be executed and delivered, a new Bond in substitution therefor and upon the cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond destroyed or lost, upon payment by the Owner of the reasonable expenses and charges of the District and the Trustee in connection therewith and, in the case of a Bond destroyed or lost, upon the Owner filing with the Trustee evidence satisfactory to it that such Bond was destroyed or lost, and of his or her ownership thereof, and furnishing the District and the Trustee with indemnity satisfactory to them.

**Section 2.10 Destruction of Bonds.** Whenever any outstanding Bond shall be delivered to the Paying Agent for payment or redemption, the Paying Agent shall deliver such Bond to the Trustee for cancellation thereof. Whenever any outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount thereof, and interest and premium, if any, represented thereon, or for replacement pursuant to Section 2.6 or Section 2.9 hereof or registration of transfer or exchange pursuant to Section 2.7 hereof, such Bond shall be cancelled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the District.

**Section 2.11 Nonpresentment of Bonds.** If any Bond shall not be presented for payment when the principal thereof becomes due, either at the Maturity Date or otherwise or at the Redemption Date fixed therefor, if moneys sufficient to pay such Bond shall have been deposited with the Trustee, all liability of the District to the Owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys, without liability to the District, any Owner or any other person for interest thereon, for the benefit of the Owner of such Bond who shall thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his or her part under this Indenture or on, or with respect to, said Bond.

Any moneys so deposited with and held by the Trustee due to non-presentment of Bonds on any redemption date must be retained by the Trustee for a period of at least six (6) years from the Maturity Date or the Redemption Date of the Bonds; thereafter, such amounts shall be paid by the Trustee to the District, free from the trusts created by this Indenture. Thereafter, the Owner shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid by the Trustee. The District shall apply the sums paid to it pursuant to this Section 2.11 in accordance with applicable law, but shall not be liable for any interest on such sums paid to it pursuant to this Section 2.11 and shall not be regarded as a trustee of such money.

**Section 2.12 No Additional Bonds and No Additional Debt.** So long as any Bond remains Outstanding, the District shall not issue additional bonds or superior, parity or subordinate debt without the prior written consent of the Majority Owner.

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## ARTICLE III

### REDEMPTION OF BONDS

**Section 3.1 Redemption Generally.** The Bonds shall be subject to redemption, either in whole on any date or in part on any Interest Payment Date, and at such times, in the manner and at such prices, as provided in Section 3.2 hereof. The District shall provide written notice to the Trustee of any optional redemption on or before the forty-fifth (45th) day next preceding the date to be fixed for such optional redemption.

If less than all of the Bonds shall be called for redemption, the particular Bonds to be redeemed shall be selected by lot in such reasonable manner as the Bond Registrar in its discretion may determine. The portion of any Bonds to be redeemed shall be in units of Authorized Denomination and, in selecting the Bonds to be redeemed, the Bond Registrar shall treat each such Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the Authorized Denomination.

If it is determined that one or more, but not all, of the units of Authorized Denomination represented by any such Bond is to be called for redemption, then upon notice of intention to redeem such unit or units of Authorized Denomination as provided below, the registered Owner of such Bond, upon surrender of such Bond to the Paying Agent for payment to such registered Owner of the Redemption Price of the unit or units of Authorized Denomination called for redemption, shall be entitled to receive a new Bond or Bonds in the aggregate principal amount of the unredeemed balance of the principal amount of such Bond. New Bonds representing the unredeemed balance of the principal amount shall be issued to the Owner thereof without any charge therefor. If the Owner of any Bond of a denomination greater than the units of Authorized Denomination to be redeemed shall fail to present such Bond to the Paying Agent for payment in exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the date fixed for redemption to the extent of the unit or units of Authorized Denomination called for redemption.

**Section 3.2 Redemption of Bonds.** The Bonds shall be subject to redemption as set forth in the form of Bond attached hereto as Exhibit B.

**Section 3.3 Notice of Redemption.** The District shall establish each Redemption Date, other than in the case of a mandatory redemption, in which case the Trustee shall establish the Redemption Date, and the District or the Trustee, as the case may be, shall notify the Bond Registrar in writing of such Redemption Date on or before the forty-fifth (45th) day next preceding the date fixed for redemption, which notice shall set forth the terms of the redemption and the aggregate principal amount of Bonds so to be redeemed. Except as provided below, notice of redemption shall be given by the Bond Registrar not less than thirty (30) nor more than forty-five (45) days prior to the Redemption Date by first-class mail, postage prepaid, to any Paying Agent for the Bonds to be redeemed and to the Owner of each Bond to be redeemed, at the address of such Owner on the registration books maintained by the Bond Registrar (and, for any Owner of \$1,000,000 or more in original principal amount of Bonds, to one additional address if written request therefor is provided to the Bond Registrar); and a second notice of redemption shall be sent by registered or certified mail at such address to any Owner who has not

submitted his Bond to the Paying Agent for payment on or before the date sixty (60) days following the date fixed for redemption of such Bond, in each case stating: (i) the numbers of the Bonds to be redeemed, by giving the individual certificate number of each Bond to be redeemed (or stating that all Bonds between two stated certificate numbers, both inclusive, are to be redeemed or stating that all of the Bonds of one or more maturities have been called for redemption); (ii) the CUSIP numbers of all Bonds being redeemed; (iii) in the case of a partial redemption of Bonds, the principal amount of each Bond being redeemed, (iv) the date of issue of each Bond as originally issued and the complete official name of the Bonds; (v) the rate or rates of interest borne by each Bond being redeemed; (vi) the maturity date of each Bond being redeemed; (vii) the place or places where amounts due upon such redemption will be payable; (viii) the notice date, Redemption Date, and Redemption Price; and (ix) the name, address, telephone number and contact person at the office of the Paying Agent with respect to such redemption. The notice shall require that such Bonds be surrendered at the designated trust office of the Paying Agent for redemption at the Redemption Price and shall state that further interest on such Bonds will not accrue from and after the Redemption Date. CUSIP number identification with appropriate dollar amounts for each CUSIP number also shall accompany all redemption payments.

Any required notice of redemption also shall be sent by registered mail, overnight delivery service, telecopy or other secure means, postage or other delivery charges prepaid, to any Owner of \$1,000,000 or more in aggregate principal amount of Bonds to be redeemed, to certain municipal registered Securities Depositories which are known to the Bond Registrar to be holding Bonds thirty-two (32) days prior to the redemption date and to at least two of the national information services that disseminate securities redemption notices, when possible, at least thirty (30) days, prior to the redemption date; provided, however, that neither failure to send or receive any such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Failure to give notice by mailing to the Owner of any Bond designated for redemption, or any defect in such notice, or to any depository or information service, shall not affect the validity of the proceedings for the redemption of any other Bond.

**Section 3.4 Effect of Calling for Redemption.** On the date designated for redemption of any Bonds, notice having been filed and mailed in the manner provided above, the Bonds called for redemption shall be due and payable at the Redemption Price provided for the redemption of such Bonds on such date and, moneys for payment of the Redemption Price being held in a separate account by the Paying Agent in trust for the Owners of the Bonds to be redeemed, interest on the Bonds called for redemption shall cease to accrue, such Bonds shall cease to be entitled to any benefit under this Indenture, and the Owners of such Bonds shall have no rights in respect thereof, except to receive payment of the Redemption Price thereof and such Bonds shall no longer be deemed to be Outstanding.

**Section 3.5 Cancellation.** Bonds called for redemption shall be cancelled upon the surrender thereof as provided in Section 2.10 hereof.

## ARTICLE IV

### ESTABLISHMENT OF FUNDS AND ACCOUNTS AND OPERATION THEREOF; DEPOSIT OF BOND PROCEEDS AND APPLICATION THEREOF

**Section 4.1 Establishment of Funds and Accounts.** The following Funds and Accounts are hereby created and shall be held by the Trustee:

- (a) an "Acquisition and Construction Fund;"
- (b) a "Costs of Issuance Fund;"
- (c) a "Revenue Fund;"
- (d) a "Debt Service Fund," and within such Fund the following separate Accounts:
  - (i) an Interest Account;
  - (ii) a Sinking Fund Account;
  - (iii) a Redemption Account, and therein a Prepayment Subaccount and an Optional Redemption Subaccount;
- (e) a "Capitalized Interest Fund;"
- (f) a "Reserve Fund;" and
- (g) a "Rebate Fund."

**Section 4.2 Deposit of Bond Proceeds.** The net proceeds from sale of the Bonds (the gross proceeds less the underwriter's discount), \$18,232,900.00, shall as soon as practicable upon the delivery thereof to the Trustee by the District pursuant to Section 2.5 hereof, be applied as follows:

- (a) \$4,086,123.15, representing Capitalized Interest shall be deposited to the credit of the Capitalized Interest Fund;
- (b) \$1,684,850.00, representing the Reserve Fund Requirement shall be deposited to the credit of the Reserve Fund;
- (c) \$560,000, representing the costs of issuance shall be deposited to the credit of the Costs of Issuance Fund;
- (d) \$11,901,926.85, representing the balance of the proceeds of the Bonds remaining after the deposits above shall be deposited to the credit of the Acquisition and Construction Fund.

**Section 4.3 Acquisition and Construction Fund.**

(a) Deposits. In addition to the amount set forth in Section 4.2 hereof, the District shall pay to the Trustee, for deposit into the Acquisition and Construction Fund, as promptly as practicable, the following amounts received by it:

(i) Payments made to the District from the sale, lease or other disposition of the Project or any portion thereof;

(ii) The balance of insurance proceeds with respect to the loss or destruction of the related Project or any portion thereof; and

(iii) Such other amounts as may be provided in a Supplemental Indenture.

Amounts in the Acquisition and Construction Fund shall be applied to pay the Cost of the Project or the purchase price of the Project pursuant to the Acquisition Agreement. If any amounts remain in the Acquisition and Construction Fund after the Date of Completion, and if such amounts are not reserved for payment of any remaining part of the Cost of the Project, such amounts shall be applied in the manner set forth in Section 4.3(c) 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 herein. Before any such payment shall be made, the District shall file with the Trustee a requisition in the form of Exhibit "C" hereto, signed by an Authorized Officer and approved by the Governing Body. 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 4.3 shall be retained in the possession of the Trustee, subject at all reasonable times to the inspection of the District, 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, the balance in the Acquisition and Construction Fund not reserved by the District for the payment of any remaining part of the Cost of the Project shall be transferred by the Trustee to, and deposited in, the Prepayment Subaccount of the Redemption Account and used as provided in Section 3.2 hereof on the Redemption Date.

(d) Negative Pledge and Collateral Assignment of Lease and Invitation. The Trustee shall reserve \$5,000,000 in the Acquisition and Construction Fund until the Majority Owner deems the terms of the Negative Pledge satisfied. If the Bank (as defined in the Negative Pledge) does not release and transfer the Developer's rights under the Lease and Invitation (as defined in the Negative Pledge) to the Trustee for the benefit of the Owners by October 10, 2008, the Trustee shall use such moneys for the extraordinary mandatory redemption of Bonds pursuant to Section 3.2.

#### **Section 4.4    Revenue Fund; Application of Pledged Revenues.**

(a)     The Trustee shall, within five (5) Business Days of receipt thereof, deposit in the Revenue Fund any and all amounts required to be deposited therein by this or by any other provision of this Indenture, and any other amounts or payments specifically designated by the District pursuant to a written direction by the District. The Revenue 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.

(b)     The District shall deposit Assessment Revenues with the Trustee immediately upon receipt (and in any event no later than five (5) Business Days following such receipt) together with a written accounting setting forth the amounts of such Assessment Revenues in the following categories which shall be deposited by the Trustee into the Funds and Accounts established hereunder as follows:

(i)     Assessment Principal of Assessments, which shall be deposited into the Sinking Fund Account;

(ii)    Prepayment Principal, which shall be deposited into the Prepayment Subaccount in the Redemption Account;

(iii)   Delinquent Assessment Principal, which shall first be applied to restore the amount of any withdrawal from the Reserve Fund to pay the principal of the Bonds, and, the balance, if any, deposited into the Revenue Fund; all other Assessment Revenues, which shall be deposited into the Revenue Fund; and

(iv)    All other Assessment Revenues, which shall be deposited into the Revenue Fund.

Moneys other than Assessment Revenues, shall, at the written direction of the District be deposited into the Optional Redemption Subaccount of the Redemption Account and used to pay the principal of and premium, if any, on the Bonds called or to be called for optional redemption at the written direction of the District in accordance with the provisions for optional redemption of Bonds as set forth in the form of Bonds attached hereto.

(c)     On each March 15 and September 15 (or if such March 15 or September 15 is not a Business Day, on the Business Day next preceding such day), the Trustee shall determine the amount on deposit in the Prepayment Subaccount of the Redemption Account, and, if the balance therein is greater than zero, shall transfer from the Revenue Fund for deposit into each such Prepayment Subaccount, an amount sufficient to increase the amount on deposit therein to an integral multiple of \$5,000, and, shall thereupon give notice and cause the extraordinary mandatory redemption of the Bonds on the next succeeding Interest Payment Date in the maximum aggregate principal amount for which moneys are then on deposit in the Prepayment Subaccount in accordance with the provisions for extraordinary redemption of the Bonds set forth in the form of Bonds attached hereto and Article III hereof.

(d)     On each May 1 and November 1 (or if such May 1 or November 1 is not a Business Day, on the Business Day preceding such date), the Trustee shall transfer from amounts

on deposit in the Revenue Fund to the Funds and Accounts designated below, the following amounts in the following order of priority:

FIRST, to the Interest Account of the Debt Service Fund, an amount equal to the amount of interest payable on all Bonds then Outstanding on such May 1 or November 1, as the case may be, less any amount already on deposit in the Interest Account not previously credited;

SECOND, on each May 1, to the Sinking Fund Account, an amount equal to the Amortization Installments of all Bonds subject to mandatory sinking fund redemption on such May 1, less any amount already on deposit in the Sinking Fund Account not previously credited;

THIRD, to the Reserve Fund, the amount, if any, which is necessary to make the amount on deposit therein equal to the Reserve Fund Requirement; and

FOURTH, the balance shall be retained in the Revenue Fund.

(e) On any date required by the Tax Regulatory Covenants, the District shall give the Trustee written direction, and the Trustee shall transfer from the Revenue Fund to the Rebate Fund, in accordance with the Indenture, the amount due and owing to the United States, which amount shall be paid, to the United States, when due, in accordance with such Tax Regulatory Covenants.

(f) Amounts on deposit in the Revenue Fund shall be applied, from time to time, at the written direction of the District, to the payment of the fees and expenses of the Trustee, Paying Agent and Bond Registrar, when due. The balance remaining in the Revenue Fund shall be retained therein. The balance remaining on deposit in the Revenue Fund on each May 1, after making all of the deposits and payments set forth in paragraphs (a) through (e) above and paying or providing for the fees and expenses set forth in the preceding sentence is hereinafter referred to as an "Annual Surplus." Provided that no Event of Default of which the Trustee has actual knowledge shall have occurred and be continuing and provided, further, that no event has occurred of which the Trustee has actual knowledge, which, but for the passage of time or the giving of notice, or both, would constitute such an Event of Default, and, provided that the Bonds are then subject to redemption at the option of the District, the District may, at the written direction of an Authorized Officer transfer all or a portion of the Annual Surplus into the Optional Redemption Subaccount of the Redemption Account in the Debt Service Fund for the optional redemption of the Bonds.

**Section 4.5 Application of Capitalized Interest Fund; Reserve Fund; and Redemption Account.**

(a) Capitalized Interest Fund. So long as there are moneys on deposit in the Capitalized Interest Fund on the date required for any transfer into the Interest Account, the Trustee shall, prior to making any transfer into the Interest Account from the Revenue Fund, transfer to the Interest Account from the Capitalized Interest Fund, the lesser of the interest on the Bonds coming due on the next succeeding Interest Payment Date or the amount remaining on deposit in the Capitalized Interest Fund.

(b) Reserve Fund. Amounts on deposit in the Reserve Fund shall be used only for the purpose of making payments into the Interest Account of the Debt Service Fund and the Sinking Fund Account to pay Debt Service on the Bonds, when due, to the extent the moneys on deposit in such Accounts therein and available therefor are insufficient and for no other purpose. Such Accounts shall consist only of cash and Investment Obligations. Notwithstanding the foregoing, amounts in the Reserve Fund may be used as directed by the Majority Owner following an Event of Default hereunder.

(c) Redemption Account. Moneys in the Redemption Account of the Debt Service Fund (including all earnings on investments held in the Redemption Account) 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 District may direct in accordance with the Tax Regulatory Covenants, such moneys thereupon to be used solely for the purposes specified in said Tax Regulatory Covenants. Any moneys so transferred from the Redemption Account to the Rebate Fund shall thereupon be free from the lien and pledge of the Indenture;

SECOND, to be used to call for redemption pursuant to Section 3.2 hereof an amount of Bonds equal to the amount of money transferred to the Redemption 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 an Authorized Officer, to call for redemption on each Interest Payment Date on which Bonds are subject to optional redemption pursuant to Section 4.8 hereof such amount of as, with the redemption premium, may be practicable; provided, however, that not less than Five Thousand Dollars (\$5,000) principal amount of Bonds shall be called for redemption at one time.

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

**Section 4.6    [Reserved].**

**Section 4.7    Application of Costs of Issuance Fund and Rebate Fund.**

(a) Costs of Issuance Fund. The Trustee shall pay the costs of issuance relating to the Bonds from the Costs of Issuance Fund at the written direction of an Authorized Officer. At the written direction of an Authorized Officer, any amounts deposited in the Costs of Issuance Fund which are not needed to pay such costs shall be transferred over and deposited into the Acquisition and Construction Fund and used for the purposes permitted therefor.

(b) Rebate Fund. The Trustee shall, upon written request of the District, pay the Rebate Amount to the United States at the times, in the manner and as calculated by the Rebate Analyst. The Trustee shall have no responsibility for computation of the Rebate Amount and

instead the District shall cause the Rebate Amount to be calculated by the Rebate Analyst and shall cause the Rebate Analyst to deliver such computation to the Trustee before the date of any required payment of the Rebate Amount to the Internal Revenue Service. The fees of, and expenses incurred by, the Rebate Analyst in computing the Rebate Amount shall be paid by the District, which amount shall be treated as an administrative and operating expense of the District payable or reimbursable from the Revenue Fund. If the Trustee does not have on deposit in the Rebate Fund sufficient amounts to make the payments required by this Section 4.7(b), the District shall deposit, from any legally available source, the amount of any such deficiency in the Rebate Fund immediately upon the written request of the Trustee.

#### **Section 4.8    Optional Redemption or Purchase of Bonds.**

(a)    Excess Amounts in Redemption Account. The Trustee shall, but only at the written direction of an Authorized Officer (which shall designate the principal amounts and maturities of Bonds to be called) on or prior to the forty-fifth (45th) day preceding the date of redemption, call for redemption on each Interest Payment Date on which Bonds are subject to optional redemption, from moneys on deposit in the Optional Redemption Subaccount of the Redemption Account such amount of Bonds then subject to optional redemption as, with the redemption premium, if any, will exhaust such amount as nearly as may be practicable. Such redemption shall be made pursuant to the provisions of Article III. The District shall pay all expenses incurred by the Trustee and Paying Agent in connection with such redemption. The Trustee shall call Bonds for extraordinary mandatory redemption in accordance with the provisions of Article III hereof and of the Bonds.

(b)    No Purchase of Bonds. The District may not purchase Bonds then Outstanding at any time, whether or not such Bonds shall then be subject to redemption.

(c)    Recalculation of Amortization Installments of Bonds Following Redemption. Upon any redemption of Bonds (other than Bonds redeemed in accordance with scheduled Amortization Installments and other than Bonds redeemed at the direction of the District accompanied by a cash flow certificate), the District shall cause to be delivered to the Trustee revised Amortization Installments recalculated so as to amortize the balance of 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 Amortization Installments as so recalculated shall not result in an increase in aggregate Amortization Installments in any year.

**Section 4.9    Deficiencies and Surpluses in Reserve Fund.** For purposes of this Section 4.9: (i) a "deficiency" shall mean the amount on deposit in the Reserve Fund (including assets the value of which is determined in accordance with Section 4.10(d)) is less than the Reserve Fund Requirement, and (ii) a "surplus" shall mean that the amount on deposit in the Reserve Fund is in excess of the Reserve Fund Requirement.

At the time of any withdrawal from the Reserve Fund that results in a deficiency therein, the Trustee shall promptly notify the District of the amount of any such deficiency and the Trustee shall withdraw the amount of such deficiency from the Revenue Fund, and, if amounts on deposit therein are insufficient therefor, the District shall pay the amount of such deficiency to

the Trustee from any other legally available monies of the District, for deposit in the Reserve Fund, from the first legally available sources of the District.

The Trustee, as of the close of business on the last Business Day in each Bond Year, after taking into account all payments and transfers made as of such date, shall compute, in the manner set forth in Section 4.10(d), the value of the Reserve Fund and shall promptly notify the District of the amount of any deficiency or surplus as of such date therein. The District shall immediately pay the amount of any deficiency to the Trustee, for deposit in the Reserve Fund, from any legally available sources of the District. The Trustee shall transfer into the Revenue Fund any surplus resulting from the calculation set forth above.

**Section 4.10 Investment of Funds and Accounts.** Moneys held on deposit in the Funds and Accounts shall be invested as provided in this Section 4.10:

(a) Investment Directive. Moneys held on deposit in the Funds, Accounts and subaccounts (other than the Reserve Fund) shall, as nearly as may be practicable, be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer, which Investment Obligations shall mature, or shall be subject to redemption by the holder thereof at the option of such holder, no later than the respective dates, as estimated by an Authorized Officer, when moneys held on deposit in each such Fund or Account will be required for the purposes intended; provided, however, that the maturity of all investments shall be less than three (3) years. Earnings on investments in the Funds, Accounts and subaccounts (other than the Reserve Fund) shall be deposited, as realized, to the credit of such Fund, Account or subaccount and used for the purpose of such Fund, Account or subaccount.

(b) Reserve Fund. Moneys held for the credit of the Reserve Fund shall be continuously invested and reinvested by the Trustee in Investment Obligations as directed in writing by an Authorized Officer. Earnings on investments in the Reserve Fund shall be disposed of as follows:

(i) if there was no deficiency in the Reserve Fund as of the most recent date on which amounts on deposit in the Reserve Fund were valued by the Trustee, and if no withdrawals have been made from the Reserve Fund since such date, then earnings on investments in the Reserve Fund shall be deposited in the Revenue Fund; and

(ii) if as of the last date on which amounts on deposit in the Reserve Fund were valued by the Trustee there was a deficiency in the Reserve Fund, or if after such date withdrawals have been made from the Reserve Fund and have created such a deficiency, then earnings on investments in the Reserve Fund shall be deposited to the credit of the Reserve Fund until the amount on deposit therein equals the Reserve Fund Requirement and thereafter shall be deposited to the Interest Account.

(c) Investment Obligations as a Part of Funds And Accounts. Investment Obligations purchased as an investment of moneys in any Fund or Account shall be deemed at all times to be a part of such Fund or Account, and the interest or earnings accruing thereon and profit realized from such investment shall be credited as provided in this Section 4.10. Any loss realized from

such investment shall be charged to such Fund or Account. The foregoing notwithstanding, for purposes of investment and to the extent permitted by law, amounts on deposit in any Fund or Account may be commingled for purposes of investment, provided adequate care is taken to account for such amounts in accordance with the prior sentence. The Trustee may, upon the direction of an Authorized Officer, transfer investments within such Funds or Accounts without being required to sell such investments. The Trustee shall sell at the best price obtainable or present for redemption any obligations so purchased whenever it shall be necessary so to do in order to provide moneys to meet any payment or transfer from any such Fund or Account. The Trustee shall not be liable or responsible for any loss resulting from any such investment or for failure to make an investment (except failure to make an investment in accordance with the written direction of an Authorized Officer) or for failure to achieve the maximum possible earnings on investments, except to the extent such loss is attributable to the Trustee's gross negligence, willful misconduct or violation of any law, rule or regulation.

(d) Valuation. In computing the value of the assets of any Fund or Account, investments and earnings thereon shall be deemed a part thereof. Such investments, other than in the Reserve Fund, shall be valued at the par value or the current market value thereof, whichever is lower, or at the redemption price thereof, if then redeemable at the option of the holder. In computing the value of the amount on deposit in the Reserve Fund, obligations purchased as an investment of moneys therein shall be valued at par if purchased at par or at amortized value if purchased at other than par. Amortized value, when used with respect to an obligation purchased at a premium above or a discount below par, means the value as of any given time obtained by dividing the total premium or discount at which such obligation was purchased by the number of interest payments remaining on such obligation on the date of purchase and deducting the amount thus calculated for each interest payment date after such purchase from the purchase price in the case of an obligation purchased at a premium and adding the amount thus calculated for each Interest Payment Date after such purchase to the purchase price in the case of an obligation purchased at a discount.

(e) Remaining Funds. When no Bonds remain Outstanding, and after all expenses and charges herein required to be paid have been paid as certified to the Trustee in writing by an Authorized Officer, the Trustee shall pay any balance in the Funds and Accounts to the District upon the written direction of an Authorized Officer, free and clear of any lien and pledge created by this Indenture.

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## ARTICLE V

### CONCERNING THE TRUSTEE, PAYING AGENT AND BOND REGISTRAR

**Section 5.1 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. The Trustee shall have only those duties set forth herein and there shall be no duties implied against the Trustee.

**Section 5.2 No Responsibility for Recitals.** The recitals, statements and representations in this Indenture or in the Bonds, save only the Trustee's authentication certificate, if any, upon the Bonds, have been made by the District and not by the Trustee; and the Trustee shall be under no responsibility for the correctness thereof.

**Section 5.3 Trustee May Act Through Agents; Answerable Only for Willful Misconduct or Negligence or Violation of Law.** 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 of law hereunder. In performance of its duties hereunder, the Trustee may rely on the advice of counsel and shall not be held liable for actions taken in reliance on the advice of counsel with respect to questions of law within such counsel's professional expertise. 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 gross negligence or willful misconduct or violation of law, rule, or regulation.

**Section 5.4 Compensation and Indemnity.** The District shall pay the Trustee reasonable compensation for its services from moneys on deposit in the Revenue Fund, and also all its reasonable expenses and disbursements, including the reasonable fees and expenses of Trustee's counsel, and shall, to the extent allowed by law, indemnify the Trustee and hold the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder except with respect to its own negligence or willful misconduct or violation of law, rule or regulation. The Trustee shall have no duty in connection with its responsibilities hereunder to advance its own funds nor shall the Trustee have any duty to take any action hereunder without first having received indemnification satisfactory to it. If the District defaults in respect of the foregoing obligations, the Trustee may deduct the amount owing to it from any moneys received by the Trustee under this Indenture (other than amounts in the Rebate Fund or in the Costs of Issuance Account) and payable to the District. This provision shall survive termination of this Indenture, and as to any Trustee, its resignation or removal hereunder.

**Section 5.5 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 District to require or effect or renew insurance or to report or file claims of loss thereunder.

**Section 5.6 Notice of Default; Right to Investigate.** The Trustee shall give written notice, as soon as practicable, by first-class mail to registered Owners of all defaults of which the Trustee has actual knowledge, unless such defaults have been remedied (the term "defaults" for

purposes of this Section 5.6 and Section 5.7 being defined to mean the events specified as "Events of Default" in Section 8.2 hereof, but not including any notice or periods of grace provided for therein). The Trustee will be deemed to have actual knowledge of any payment default under this Indenture. The Trustee may, however, at any time require of the District full information as to the performance of any covenant hereunder; and if information reasonably satisfactory to it is not forthcoming, the Trustee may in good faith make or cause to be made, at the expense of the District, an investigation into the affairs of the District.

**Section 5.7 Obligation to Act on Defaults.** Before taking any action under this Indenture in respect of an Event of Default, the Trustee may require satisfactory indemnification be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability resulting from its own negligence or willful misconduct or violation of law, rule or regulation in connection with any such action.

**Section 5.8 Reliance by Trustee.** The Trustee may act on any requisition, resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, or other paper or document or telephone message which it in good faith believes to be genuine and to have been passed, signed or given by the proper persons or to have been prepared and furnished pursuant to any of the provisions of this Indenture; and 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 5.9 Trustee May Not Deal in Bonds.** The Trustee may not (i) buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owners may be entitled to take with like effect as if the Trustee were not a party to this Indenture, and (ii) engage in or be interested in any financial or other transaction with the District.

**Section 5.10 Construction of Ambiguous Provisions.** The Trustee may construe any ambiguous or inconsistent provisions of this Indenture and any construction by the Trustee shall be binding upon the Owners. The Trustee shall give prompt written notice to the District of any intention to make such construal.

**Section 5.11 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 District not less than sixty (60) days before the date when such resignation is to take effect; provided, however, that notice of such resignation shall be sent by first-class mail to each Owner as its name and address appears on the bond register and to any Paying Agent and Bond Registrar 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 and accepts the appointment, in which event the resignation shall take effect immediately on the acceptance of its appointment of such successor; provided, however, that notwithstanding the foregoing such resignation shall not take effect until a successor Trustee has been appointed and accepted its appointment. If a successor Trustee has not been appointed within sixty (60) 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 and accepted its appointment.

**Section 5.12 Removal of Trustee.** The Trustee may be removed at any time by an instrument or counterpart instruments appointing a successor to the Trustee so removed, executed by the Owners of a majority in aggregate principal amount of all Bonds then Outstanding and filed with the Trustee and the District.

Notwithstanding the foregoing, 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 hereunder, or, except during the occurrence and continuance of any Event of Default, for other cause at any time by an instrument approved pursuant to a resolution of the Governing Body filed with the Trustee and signed by an Authorized Officer and appointing a successor to the Trustee so removed.

**Section 5.13 Appointment of Successor Trustee.** If the Trustee or any successor Trustee resigns or is removed, dissolved or declared insolvent, or if a conservator, receiver or liquidator of the Trustee or its property and affairs shall be appointed or if its property or affairs 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 District, with the written consent of the Owners of more than fifty percent (50%) of the then Outstanding Bonds, shall appoint a successor and shall mail notice of such appointment by first-class mail to each Owner as its name and address appear on the Bond Register, and to the Paying Agent and Bond Registrar.

**Section 5.14 Qualification of Successor Trustee.** 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 \$50,000,000.

**Section 5.15 Instruments of Succession.** Any successor Trustee shall execute, acknowledge and deliver to the District 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 shall pay over to the successor Trustee all moneys held by it hereunder; the Trustee ceasing to act and the District shall execute and deliver an instrument or instruments transferring to the successor Trustee all the estates, properties, rights, powers and trusts hereunder of the Trustee ceasing to act, except for the rights set forth under Section 5.4 hereof.

**Section 5.16 Merger, Consolidation, Conversion or Sale of Trust Business of Trustee.** Any corporation into which the Trustee may be merged, sold or converted or with which it may be sold or consolidated, or any corporation resulting from any merger, consolidation, sale or conversion to which the Trustee 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 5.14 hereof, and, if such corporation does not meet the aforesaid requirements, a successor Trustee shall be appointed pursuant to this Article V.

**Section 5.17 Resignation of Paying Agent or Bond Registrar.** The Paying Agent or Bond 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 District and the Trustee not less than sixty (60) days before the date specified in such instrument when such resignation shall take effect, and by giving written notice of such resignation mailed not less than sixty (60) days prior to such resignation date to each Owner as its name and address appear on the registration books of the District maintained by the Bond Registrar. Such resignation shall take effect on the date specified in such notice, unless a successor Paying Agent or Bond Registrar is previously appointed in which event such resignation shall take effect immediately upon the appointment of such successor Paying Agent or Bond Registrar. If the successor Paying Agent or Bond Registrar shall not have been appointed within a period of sixty (60) days following the giving of notice, then the Trustee may appoint a successor Paying Agent or Bond Registrar as provided in Section 5.19 hereof.

**Section 5.18 Removal of Paying Agent or Bond Registrar.** The Paying Agent or Bond Registrar may be removed with or without cause at any time prior to any Event of Default by the District by filing with the Paying Agent or Bond Registrar to be removed, and with the Trustee, an instrument or instruments in writing executed by an Authorized Officer appointing a 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 Bond Registrar appointed hereunder with the written consent of the Owners of more than fifty percent (50%) of the then Outstanding Bonds shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder.

**Section 5.19 Appointment of Successor Paying Agent or Bond Registrar.** In case at any time the Paying Agent or Bond Registrar shall be removed, or be dissolved or declared insolvent, or if a conservator, receiver or liquidator of the Paying Agent or the Bond Registrar shall be appointed, or if the property or affairs of the Paying Agent or the Bond Registrar 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 Bond Registrar, as the case may be, and a successor shall be appointed by the District; and in case at any time the Paying Agent or Bond Registrar shall resign, then a successor shall be appointed by the District. Upon any such appointment, the District shall give written notice of such appointment to the predecessor Paying Agent or Bond Registrar, the successor Paying Agent or Bond Registrar, the Trustee and all Owners. Any new paying Agent or Bond Registrar so appointed shall immediately and without further act supersede the predecessor Paying Agent or Bond Registrar.

**Section 5.20 Qualifications of Successor Paying Agent or Bond Registrar.** Every successor Paying Agent or Bond Registrar (a) shall be a commercial bank or trust company (i) duly organized under the laws of the United States of America 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 \$50,000,000.

**Section 5.21 Acceptance of Duties by Successor Paying Agent or Bond Registrar.**

Any successor Paying Agent or Bond Registrar appointed hereunder shall execute, acknowledge and deliver to the District an instrument accepting such appointment hereunder, and thereupon such successor Paying Agent or Bond Registrar, without any further act, deed or conveyance, 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 Bond Registrar herein. Upon request of such Paying Agent or Bond Registrar, such predecessor Paying Agent or Bond Registrar and the District shall execute and deliver an instrument transferring to such successor Paying Agent or Bond Registrar all the estates, property, rights and powers hereunder of such predecessor Paying Agent or Bond Registrar and such predecessor Paying Agent or Bond Registrar shall pay over and deliver to the successor Paying Agent or Bond Registrar all moneys and other assets at the time held by it hereunder.

**Section 5.22 Merger, Consolidation or Conversion of Paying Agent or Bond Registrar.** Any corporation into which any Paying Agent or Bond Registrar hereunder may be merged, sold or converted or with which it may be consolidated or sold, or any corporation resulting from any merger, sale, consolidation or conversion to which any Paying Agent or Bond Registrar hereunder shall be a party, shall be the successor Paying Agent or Bond Registrar under this Indenture without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Indenture to the contrary notwithstanding; provided, however, that any such successor corporation continuing to act as Paying Agent or Bond Registrar hereunder shall meet the requirements of Section 5.20 hereof, and, if such corporation does not meet the aforesaid requirements, a successor Paying Agent or Bond Registrar shall be appointed pursuant to this Article V.

**Section 5.23 Adoption of Authentication.** If any Bonds shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated. If any Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in its name or in the name of the predecessor Trustee.

**Section 5.24 Intervention by Trustee.** In any judicial proceeding to which the District or any trustee other than the Trustee is a party and which in the opinion of the Trustee has a substantial bearing on the interest of Owners of the Bonds, the Trustee may seek to intervene on behalf of the Owners and shall do so if so requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the then Outstanding Bonds and provided that the Trustee has been indemnified as provided in Section 8.11 hereof.

**Section 5.25 Patriot Act Requirements of the Trustee.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, the Trustee will ask for documentation to verify such non-individual person's formation and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

## ARTICLE VI

### FUNDS CONSTITUTE TRUST FUNDS

**Section 6.1 Trust Funds.** All amounts on deposit in the Funds and Accounts (except for amounts on deposit in the Rebate Fund and Cost of Issuance Fund) shall:

(a) be used only for the purposes and in the manner herein provided and, pending such application, be held by the Trustee in trust for the benefit of the Owners of such Bonds;

(b) be irrevocably pledged to the payment of Debt Service of such Bonds, subject to the terms hereof;

(c) be held and accounted for separate and apart from all other funds and accounts of the Trustee and the District;

(d) until applied for the purposes provided herein, be subject to a first lien in favor of the Owners of such Bonds, which lien is hereby created, prior and superior to all other liens now existing or hereafter created, but nevertheless with priority of payments as specified in Section 8.5 hereof; and

(e) shall not be subject to lien or attachment by any creditor of the Trustee or any creditor of the District other than the Owners of such Bonds.

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## ARTICLE VII

### COVENANTS AND AGREEMENTS OF THE DISTRICT

**Section 7.1 Payment of Bonds.** The District shall duly and punctually pay or cause to be paid, but only from the Pledged Revenues and the Trust Estate pledged to the Bonds, Debt Service on the dates, at the places, and in the amounts stated herein and in the Bonds.

**Section 7.2 Extension of Payment of Bonds.** The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time for payment of interest thereon.

**Section 7.3 Further Assurance.** At any and all times the District shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming all and singular the rights, moneys, securities and funds hereby pledged or assigned, or intended so to be, or which the District may become bound to pledge or assign after the date of execution of this Indenture.

**Section 7.4 Power to Issue Bonds and Create a Lien.** The District hereby represents to the Trustee and to the Owners that it is and will be duly authorized under all applicable laws to issue the Bonds, to execute this Indenture, to adopt Supplemental Indentures pursuant to the provisions of Article X hereof, to acquire, construct, own, operate, and maintain the Project, and to pledge its moneys, securities and funds in the manner and to the extent provided herein. Except as provided herein, the District hereby represents that such moneys, securities and funds of the District, are and will be free and clear of any pledge, lien, charge or encumbrance thereon and all action on the part of the District to that end has been and will be duly and validly taken. The Bonds and this Indenture are and will be the valid and legally enforceable obligations of the District, enforceable in accordance with their terms except to the extent that enforcement thereof may be subject to bankruptcy, reorganization, insolvency, moratorium and other similar laws affecting creditors' rights generally. The District shall at all times, to the extent permitted by law, defend, preserve and protect the pledge and lien created by this Indenture and all the rights of the Owners hereunder against all claims and demands of all other persons whomsoever.

**Section 7.5 Power to Undertake Project and to Collect Pledged Revenues.** The District has or will have upon the date of issuance of the Bonds, and will have so long as any Bonds are Outstanding, good right and lawful power: (a) to undertake the Project, or it will take such action on its part required which it deems reasonable in order to obtain licenses, orders, permits or other authorizations, if any, from any agency or regulatory body having lawful jurisdiction which must be obtained in order to undertake such Project; and (b) to fix, levy and collect or cause to be collected the Assessments and any and all other Pledged Revenues.

**Section 7.6 Sale of Project.** The District covenants that, until such time as there are no Bonds Outstanding, it will not sell, lease or otherwise dispose of or encumber the Project or any part thereof other than as provided herein. The District may, however, from time to time, sell any machinery, fixtures, apparatus, tools, instruments, or other movable property acquired by

the District in connection with the Project, or any materials used in connection therewith, if the District shall determine that such articles are no longer needed or are no longer useful in connection with the acquisition, construction, operation or maintenance of the Project, and the proceeds thereof may be applied to the replacement of the properties so sold or disposed of and, if not so applied, shall be deposited to the credit of the Acquisition and Construction Account or, after the Date of Completion of the Project, shall be deposited to the credit of the Revenue Fund. The District may from time to time sell or lease such other property forming part of the Project which it may determine is not needed or serves no useful purpose in connection with the maintenance and operation of the Project, if the Consulting Engineer shall in writing approve such sale or lease; the proceeds of any such sale shall be disposed of as hereinabove provided for the proceeds of the sale or disposal of movable property. The proceeds of any lease as described above shall be deposited to the credit of the Revenue Fund.

Notwithstanding the foregoing, the District may: (i) dispose of all or any part of a Project, by gift or dedication thereof to the County, the State or any agency or instrumentality of either of the foregoing; and/or (ii) impose, declare or grant title to or interests in the Project or a portion or portions thereof in order to create ingress and egress rights and public and private utility easements as the District may deem necessary or desirable for the development, use and occupancy of the property within the District; and/or (iii) impose or declare covenants, conditions and restrictions pertaining to the use, occupancy and operation of the Project.

**Section 7.7 Completion and Maintenance of Project.** The District shall complete the acquisition and construction of the Project with all practical dispatch and in a sound and economical manner. So long as any part of the Project is owned by the District, the District shall maintain, preserve and keep the same or cause the same to be maintained, preserved and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation thereof may be properly and advantageously conducted.

**Section 7.8 Continuing Disclosure.** Contemporaneously with the execution and delivery hereof, the District has executed and delivered a Continuing Disclosure Agreement in order to comply with the requirements of Rule 15c2-12 promulgated under the Securities and Exchange Act of 1934. The District covenants and agrees to comply with the provisions of such Continuing Disclosure Agreement; however, as set forth therein, failure to so comply shall not constitute an Event of Default hereunder, but, instead shall be enforceable by mandamus, injunction or any other means of specific performance.

**Section 7.9 Arbitrage and Other Tax Covenants.** The District shall not take any action, and shall not fail to take any action, which action or failure would cause the Bonds to become "arbitrage bonds" as defined in Section 148 of the Code. The District shall take all such actions after delivery of the Bonds as may be required for interest on such Bonds to remain excludable from gross income (as defined in Section 61 of the Code) of the Owners. The District shall, to the extent not remitted by the Trustee, remit to the United States the Rebate Amount at the time and place required by law and comply with the Tax Regulatory Covenants set forth as Exhibit "D" to this Indenture.

**Section 7.10 Enforcement of Payment of Assessments.** The District will assess, levy, collect or cause to be collected and enforce the payment of Assessments, in the manner prescribed by this Indenture and the Act, and in the manner which most benefits the Owners of the Bonds, and all resolutions, ordinances or laws thereunto appertaining at the times and in the amounts as shall be necessary in order to pay, when due, the Debt Service on the Bonds to which such Pledged Revenues are pledged and to maintain the Reserve Fund at its required level and to make all other payments required hereby except that the District will not collect the Assessments from the owners of property against which the Assessments have been made if the Tax Collector remits the Assessments directly to the Trustee pursuant to Section 7.11 hereof, and the District must continue to assess on an annual basis regardless of amount available in the Reserve Fund and Debt Service Fund. The District shall transfer to the Trustee, within five (5) Business Days after the receipt thereof, all Assessments received by it (whether from the owners of affected property or from the Tax Collector) and all other Pledged Revenues received by it.

**Section 7.11 Method of Collection of Assessments.** Assessments shall be collected by the District in accordance with the provisions of the Act or any successor statutes thereto, as applicable, in accordance with the terms of this Section. The District shall use its best efforts to adopt the method for the levy, collection and enforcement of Assessments afforded by Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, or any successor statutes thereto, as soon as practicable. The District shall use its best efforts to enter into one or more written interlocal cooperation agreements with the Tax Assessor, the County and the Tax Collector, (the "Tax Collector/Assessor Agreement") in order to effectuate the provisions of this Section. The District shall use its best efforts to ensure that any such Tax Collector/Assessor Agreement remains in effect for at least as long as the final maturity of Bonds Outstanding under the Indenture. To the extent that the District is not able to collect Assessments pursuant to the method under Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, the District may elect to collect and enforce Assessments pursuant to any available method under the Act, or any successor statutes thereto. The election to collect and enforce Assessments in any year pursuant to any one method shall not, to the extent permitted by law, preclude the District from electing to collect and enforce Assessments pursuant to any other method permitted by law in any subsequent year.

**Section 7.12 Delinquent Assessments.** Subject to the provisions of Section 7.11 hereof, if the owner of any lot or parcel of land assessed for a particular Project shall be delinquent in the payment of any Assessment, then such Assessment shall be enforced pursuant to the provisions of Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, or any successor statute thereto, including, but not limited to, the foreclosure and sale of any lot or parcel of land as regards such delinquent Assessment. In the event the provisions of Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, and any provisions of the Act with respect to such sale are inapplicable by operation of law, then upon the delinquency of any Assessment the District shall, to the extent permitted by law, utilize any other method of enforcement as provided by the Act or Section 7.11 hereof or otherwise as provided by Mississippi law.

**Section 7.13 Removal of Assessment Liens.** The following procedures shall apply in connection with the removal of Assessment liens:

(a) At any time from the date of levy of Assessments on a parcel of District lands, any owner of property subject to the Assessments may, at its option, require the District to release and extinguish the lien upon its property by virtue of the levy of the Assessments that relate to the Bonds by paying to the District the entire amount of such Assessment on such property, plus accrued interest to the next succeeding Interest Payment Date (or the second succeeding Interest Payment Date if such prepayment is made within forty-five (45) calendar days before an Interest Payment Date), attributable to the property subject to Assessments owned by such owner.

(b) Upon receipt of a prepayment as described in (a) above, the District shall immediately pay the amount so received to the Trustee, and the District 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, to the effect that the Assessment has been paid and that such Assessment lien is thereby released and extinguished. Except as otherwise provided by a Supplemental Indenture, upon receipt of any such moneys from the District the Trustee shall immediately deposit the same into the Prepayment Subaccount of the Redemption Account and used as provided in Section 3.2 hereof on the Redemption Date.

**Section 7.14 Sale and Issuance of Tax Deeds; Foreclosure of Assessment.** If the Assessments levied and collected under the method described in Section 7.11 are delinquent, then the applicable procedures for issuance and sale of tax deeds for nonpayment shall be followed in accordance with Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, and related statutes. Alternatively, if such method of levy and collection is not utilized, and if any property shall be offered for sale for the nonpayment of any Assessment, and no person or persons shall purchase the same for an amount at least equal to the full amount due on the Assessment (principal, interest, penalties and costs, plus attorneys fees, if any), the property may then be purchased by the District for an amount equal to the balance due on the Assessment (principal, interest, penalties and costs, plus attorneys fees, if any), and the District shall thereupon receive in its corporate name the title to the property for the benefit of the Registered Owners. The District, 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 into 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 District shall cause written notice thereof to be mailed to the Registered Owners of the Bonds secured by such Delinquent Assessments. Not less than thirty (30) days prior to the proposed sale of any lot or tract of land acquired by foreclosure by the District, it shall give written notice thereof to such Registered Owners. The District, 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 the 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 payable from Assessments assessed on such property. If any tax deeds relating to Delinquent Assessments which are repledged to the Bonds are sold by the Tax Collector pursuant to Section 27-41-1 *et seq.*, Mississippi Code of 1972, as amended, and related statutes, or if any such tax deeds are not sold but are later redeemed, the proceeds of such sale or redemption (to the extent that such proceeds relate to the Assessments), less any commission or other charges retained by the Tax Collector, shall if paid by the Tax Collector to the District, be paid by the District to the Trustee not later than one (1) Business Day following receipt of such proceeds by the District and, the

Trustee shall deposit such proceeds, together with any proceeds received directly by the Trustee from the Tax Collector as required by Section 4.4 hereof.

**Section 7.15 Other Obligations Payable from Assessments.** The District will not issue any obligations payable from the proceeds of Assessments securing the Bonds nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge upon the Assessments other than the liens herein created except for fees, commissions, costs, and other charges payable to the Tax Assessor or to the Tax Collector pursuant to Mississippi law or the Tax Collector/Assessor Agreement. No other securities that have Assessments against the land burdened by the Assessments shall be issued by the District absent prior written consent of the Majority Owner.

**Section 7.16 Re-Assessments.** If any Assessments shall be either in whole or in part annulled, vacated or set aside by the judgment of any court, or the District shall be satisfied that any such Assessments is so irregular or defective that it cannot be enforced or collected, or if the District shall have omitted to make such Assessments when it might have done so, the District shall either: (i) cause a new Assessment to be made for the whole or any part of such improvement or against any property benefited by such improvement; or (ii) in its sole discretion, make up the amount of such Assessment from legally available moneys, which moneys shall be deposited into the Revenue Fund. In case any such subsequent Assessment shall also be annulled, the District shall obtain and make other Assessments until a valid Assessment shall be made.

**Section 7.17 General.** The District shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the District under law and this Indenture, in accordance with the terms of such provisions.

Upon the date of issuance of the Bonds, all conditions, acts and things required by law and this Indenture to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds shall exist, have happened and have been performed and the Bonds shall be within every debt and other limit prescribed by the laws of the State of Mississippi applicable to the District.

**Section 7.18 Accounts and Reports.**

(a) **Annual Report.** The District shall, within one hundred twenty (120) days after the close of each Fiscal Year so long as any Bonds are Outstanding, file with the Trustee, solely as a repository of such information, and otherwise as provided by law, a copy of an annual report for such year, accompanied by an Accountant's Certificate, including: (i) statements in reasonable detail of its financial condition as of the end of such Fiscal Year and income and expenses for such Fiscal Year; and (ii) statements of all receipts and disbursements of the Pledged Revenues (unless the Pledged Revenues are remitted directly to the Trustee). The Trustee shall, within ninety (90) days after the close of each Fiscal Year so long as any Bonds are Outstanding, file with the District a summary with respect to each Fund and Account of the deposits thereto and disbursements therefrom during such Fiscal Year and the amounts held therein at the end of such Fiscal Year, or at the option of the Trustee, such summary can be made on a monthly basis.

(b) No Default Certificate. The District shall file with the Trustee, so long as any Bonds are Outstanding, within ninety (90) days after the close of each Fiscal Year, a certificate of an Authorized Officer stating whether or not, to the knowledge of the signer, the District is in default with respect to any of the covenants, agreements or conditions on its part contained in this Indenture, if so, the nature of such default and actions taken or to be taken to remedy such default.

(c) Inspection. The reports, statements and other documents required to be furnished by the District to the Trustee and by the Trustee to the District pursuant to any provisions hereof shall be available for inspection by any Owner at the designated corporate trust office of the Trustee upon the giving of at least five (5) days advance written notice to the Trustee.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

#### Section 8.1 [Reserved].

**Section 8.2 Events of Default**. Each of the following events is hereby declared an "Event of Default" with respect to the Bonds.

- (a) Any payment of Debt Service on the Bonds is not made when due;
- (b) The District admits in writing its inability to pay its debts generally as they become due, or files a petition in bankruptcy or makes an assignment for the benefit of its creditors or consents to the appointment of a receiver or trustee for itself or for the whole or any part of a Project;
- (c) The District is adjudged insolvent by a court of competent jurisdiction, or is adjudged a bankrupt or a petition in bankruptcy is filed against the District, or an order, judgment or decree be entered by any court of competent jurisdiction appointing, without the consent of the District, a receiver or trustee of the District or of the whole or any part of its property and if the aforesaid adjudications, orders, judgments or decrees shall not be vacated or set aside or stayed within ninety (90) days from the date of entry thereof;
- (d) The District shall file a petition or answer seeking reorganization or any arrangement under the federal bankruptcy laws or any other applicable law or statute of the United States of America or any state thereof;
- (e) Under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the District's assets or any part thereof, and such custody or control shall not be terminated within ninety (90) days from the date of assumption of such custody or control;
- (f) The District shall default in the due and punctual performance of any of the covenants, conditions, agreements and provisions contained in the Bonds or in this Indenture on the part of the District to be performed (other than a default in the payment of Debt Service when due, which is an Event of Default under subsection (a) above) and such default shall continue for

sixty (60) days after written notice specifying such default and requiring same to be remedied shall have been given to the District by the Trustee upon direction of Owners of more than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding; provided that the District shall not be in default if the default could not reasonably be cured within the notice period so long as the District shall have undertaken to cure such default within the notice period and thereafter pursues the cure with reasonable diligence;

(g) The District shall have failed to cure noncompliance with the Continuing Disclosure Agreement within the cure period provided in the Continuing Disclosure Agreement; or

(h) Any landowner within the District responsible for 25% of the payment of the Assessments or who is the owner of 25% of the land within the District fails to pay its special assessments.

Upon the occurrence and continuance of an Event of Default relating to the Bonds, amounts on deposit in the Pledged Funds and Accounts established hereunder (except amounts on deposit in the Rebate Fund) shall be applied as provided in Section 8.5(b).

**Section 8.3 Acceleration of Maturities of Bonds.** Upon the happening and continuance of any Event of Default specified in Section 8.2 hereof, the Trustee upon direction of Owners of more than fifty-one percent (51%) of the aggregate principal amount of the Bonds then Outstanding may, by a notice in writing to the District, declare the aggregate principal amount of all of the Bonds then Outstanding (if not then due and payable) to be due and payable immediately and, upon such declaration, the same shall become and be immediately due and payable, anything contained in the Bonds or in this Indenture to the contrary notwithstanding; provided, however, that if at any time after the aggregate principal amount of the Bonds then Outstanding shall have been so declared to be due and payable, and before the entry of final judgment or decree in any suit, action or proceeding instituted on account of such default, or before the completion of the enforcement of any other remedy under this Indenture, moneys shall have accumulated in the Revenue Fund sufficient to pay the principal of all matured Bonds and all arrears of interest, if any, upon all Bonds then Outstanding (except the aggregate principal amount of any Bonds then Outstanding that is only due because of a declaration under this Section 8.3, and except for the interest accrued on the Bonds since the last Interest Payment Date), and all other amounts then payable by the District hereunder shall have been paid or a sum sufficient to pay the same shall have been deposited with the Paying Agent, and every other default (other than a default in the payment of the aggregate principal amount of the Bonds then Outstanding that is due only because of a declaration under this Section 8.3) shall have been remedied, then the Trustee or, if the Trustee is unable or unwilling to act, the Owners of more than fifty-one percent (51 %) of the aggregate principal amount of the Bonds then Outstanding not then due except by virtue of a declaration under this Section 8.3, may, by written notice to the District and the Trustee, rescind and annul such declaration and its consequences, but no such rescission or annulment shall extend to or affect any subsequent default or impair any right consequent thereon.

**Section 8.4 Enforcement of Remedies.** Upon the happening and continuance of any Event of Default specified in Section 8.2 hereof, the Trustee or, if the Trustee is unwilling or

unable to act, the Owners of more than fifty-one percent (51 %) in aggregate principal amount of the Bonds then Outstanding may protect and enforce the rights of the Owners of the Bonds under Mississippi law, and under this Indenture and the Bonds, by such proceedings in equity or at law, either for the specific performance of any covenant or agreement contained herein or in aid or execution of any power herein granted or for the enforcement of any proper legal or equitable remedy, as the Trustee or the Owners of Bonds, as the case may be, shall deem most effectual to protect and enforce such rights.

**Section 8.5 Pro Rata Application of Funds Among Owners of Bonds.** Anything in this Indenture to the contrary notwithstanding, if at any time the moneys in the Funds and Accounts shall not be sufficient to pay Debt Service on the Bonds when due, such moneys together with any moneys then available or thereafter becoming available for such purpose, whether through the exercise of the remedies provided for in this Article or otherwise, shall be applied as follows:

(a) Unless the aggregate principal amount of all the Bonds shall have become due and payable or shall have been declared due and payable pursuant to Section 8.3 hereof, all such moneys shall be applied:

First: to the payment of any then-due fees and expenses of the Trustee, including reasonable fees and expenses of legal counsel, accountants, and other agents retained by the Trustee to the extent not otherwise paid;

Second: to payment to the persons entitled thereto of all installments of interest then due and payable on the Bonds, in the order in which such installments became due and payable and, if the amount available shall not be sufficient to pay in full any particular installment, then to the payment ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except as to any difference in the rates of interest specified in the Bonds; and

Third: to the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due (other than Bonds called for redemption for the payment of which sufficient moneys are held pursuant to this Indenture), in the order of their due dates, with interest upon the Bonds at the rates specified therein from the dates upon which they become due to their payment date and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to the payment first of such interest, ratably according to the amount of such interest due on such date, and then to the payment of such principal, ratably according to the amount of such principal due on such date, to the Owners of the Bonds entitled thereto without any discrimination or preference except as to any difference in the foregoing rates of interest.

(b) If the aggregate principal amount of all the Bonds shall have been declared due and payable pursuant to Section 8.3 hereof, all Pledged Revenues and Funds shall be applied first to the payment of fees and expenses of the Trustee, including expenses of legal counsel, accountants, and other agents retained by the Trustee pursuant to the terms hereof to the extent not otherwise paid and then to the payment of the whole amount of principal and interest then

due and unpaid upon the Bonds, without preference or priority of principal or of interest or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest in the Bonds.

(c) If the principal of all the Bonds shall have been declared due and payable pursuant to Section 8.3 hereof, and if such declaration shall thereafter have been rescinded and annulled pursuant to Section 8.3 hereof, then, if the aggregate principal amount of all the Bonds shall later become due or be declared due and payable pursuant to Section 8.3 hereof, the Pledged Revenues and Funds shall be applied in accordance with subsection (b) above.

The provisions of this Section 8.5 are in all respects subject to Section 8.1 hereof.

Whenever moneys are to be applied pursuant to this Section 8.5, such moneys shall be applied by the Trustee at such times as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application. The deposit of such moneys with the Paying Agent shall constitute proper application by the Trustee, and the Trustee shall incur no liability whatsoever to any Owner or to any other person for any delay in applying any such funds, so long as the Trustee acts with reasonable diligence, having due regard to the circumstances, and ultimately applies such moneys in accordance with such provisions of this Indenture as may be applicable at the time of application. Whenever the Trustee shall exercise such discretion in applying such funds, it shall fix the date upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the fixing of any such date, and shall not be required to make payment to any Owner until such Bond shall be surrendered to the Trustee for appropriate endorsement.

**Section 8.6 Effect of Discontinuance of Proceedings.** If any proceeding taken by the Trustee or any Owner on account of any default shall have been discontinued or abandoned for any reason, then the District and the Owner shall be restored to their former positions and rights hereunder, respectively, and all rights and remedies of the Owners shall continue as though no such proceeding had been taken.

**Section 8.7 Restriction on Individual Owner Actions.** Except as provided in Section 8.10 hereof, no Owner of any of the Bonds shall have any right in any manner whatever to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder or thereunder except in the manner herein or therein provided, and all proceedings at law or in equity shall be instituted and maintained for the benefit of all Owners of the Bonds.

**Section 8.8 No Remedy Exclusive.** No remedy conferred upon the Trustee or the Owners hereunder or by law is intended to be exclusive of any other remedy so provided, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or by law.

**Section 8.9    Delay Not a Waiver.** No delay or omission of the Trustee or any Owner to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given to the Trustee and the Owners may be exercised from time to time and as often as may be deemed expedient.

**Section 8.10   Right to Enforce Payment of Bonds.** Nothing in this Article shall affect or impair the right of any Owner to enforce the payment of Debt Service on the Bond of which such person is the Owner, or the obligation of the District to pay Debt Service to the Owner at the time and place specified in such Bond.

**Section 8.11   Indemnification.** The Trustee shall be under no obligation to institute any suit or to take any remedial proceeding under this Indenture or to enter any appearance or in any way defend in any suit in which it may be made defendant, or to advance its own money, or to take any steps in the execution of the trusts hereby created or in the enforcement of any rights and powers hereunder, until it shall be indemnified to its reasonable satisfaction against any and all costs and expenses, outlays and counsel fees and other reasonable disbursements, and against all liability. Notwithstanding the foregoing indemnification provided by 8.11 shall not be applicable in cases of the Trustee's gross negligence or willful misconduct.

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## ARTICLE IX

### EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS

**Section 9.1    Execution of Instruments by Owners and Proof of Ownership of Bonds.** Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Owners may be in any number of concurrent instruments of similar tenor and may be signed or executed by Owners or their attorneys or legal representatives. Proof of the execution of any such instrument shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the District and the Trustee with regard to any action taken by it under such instrument if verified by any officer in any jurisdiction who, by the laws thereof, has power to take affidavits within such jurisdiction, to the effect that such instrument was subscribed and sworn to before him, or by an affidavit of a witness to such execution. Where such execution is on behalf of a person other than an individual such verification or affidavit shall also constitute sufficient proof of the authority of the signer thereof.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which it may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future owner of the same Bond in respect of anything done by the Trustee or the District in pursuance of such request or consent.

**Section 9.2    Deposit of Bonds.** Notwithstanding the foregoing, neither the District nor the Trustee shall be required to recognize any person as the Owner of any Bond or to take any action at his or her request unless such Bond shall be deposited with the Trustee.

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## ARTICLE X

### SUPPLEMENTAL INDENTURES

**Section 10.1 Supplemental Indentures With Owner Consent.** To cure any formal defect or omission or to correct any inconsistent provisions in this Indenture, the Owners of more than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding shall have the right, from time to time, to consent to and approve the adoption of such indentures supplemental hereto or amendatory hereof; provided, however, that nothing herein contained shall permit, or be construed as permitting, without the consent of all Owners of Bonds then Outstanding:

- (a) an extension of the maturity of, or an extension of the Interest Payment Date on, any Bond;
- (b) a reduction in the principal, premium, or interest on any Bond;
- (c) a preference or priority of any Bond over any other Bond; or
- (d) a reduction in the aggregate principal amount of the Bonds required for consent to such supplemental or amendatory indenture.

If at any time the District shall determine that it is desirable to approve any Supplemental Indenture pursuant to this Section 10.1, the District shall cause the Trustee to mail notice of the proposed approval to the Owners whose approval is required. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file with the Secretary for inspection by all affected Owners. The District shall not, however, be subject to any liability to any Owner by reason of its failure to cause the notice required by this Section 10.1 to be mailed and any such failure shall not affect the validity of such Supplemental Indenture when consented to and approved as provided in this Section 10.1.

Whenever, at any time within one (1) year after the date of the first mailing of such notice, there shall be delivered to the District an instrument or instruments in writing purporting to be executed by the Owners of the requisite principal amount of the Bonds Outstanding, which instrument or instruments shall refer to the proposed Supplemental Indenture described in such notice and shall specifically consent to and approve the execution thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the Governing Body and the Trustee may approve such supplemental indenture and cause it to be executed, in substantially such form, without liability or responsibility to any Owner.

**Section 10.2 Opinion of Bond Counsel With Respect to Supplemental Indenture.** In addition to the other requirements herein set forth with respect to Supplemental Indentures, no Supplemental Indenture shall be effective unless and until there shall have been delivered to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture is permitted pursuant to this Indenture and that such Supplemental Indenture is the valid, legal and binding obligation of the District enforceable in accordance with its terms, except as: the enforceability thereof may be limited by bankruptcy, insolvency or general equitable principles. In addition, such opinion shall also state that such Supplemental Indenture will not adversely affect the

exclusion from gross income for federal income tax purposes of interest previously paid and to be paid on the Bonds.

**Section 10.3 Supplemental Indenture Part of Indenture.** Any Supplemental Indenture executed in accordance with this Article shall thereafter form a part of this Indenture. All of the terms and conditions contained in any such Supplemental Indenture amendatory of this Indenture shall be part of the terms and conditions hereof.

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## ARTICLE XI

### DEFEASANCE

#### **Section 11.1 Defeasance and Discharge of the Lien of this Indenture.**

(a) If the District pays or causes to be paid, or there shall otherwise be paid, to the Owners of all Bonds the principal and premium, if any, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, then the lien of this Indenture on the Trust Estate, including the Pledged Revenues and the Pledged Funds, and all covenants, agreements and other obligations of the District to the Owners related thereto, shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall cause an accounting for such period or periods as shall be requested by the District to be prepared and filed with the District and, upon the request of the District shall execute and deliver to the District all such instruments as may be desirable to evidence such discharge and satisfaction, and the Trustee and the Paying Agent shall pay over or deliver, as directed by the District, all moneys or securities held by them pursuant to this Indenture which are not required for the payment of either principal or Redemption Price, if applicable, on Bonds not theretofore surrendered for such payment or redemption or amounts owed to the Trustee. If the District pays or causes to be paid, or there shall otherwise be paid, to the Owners of all Outstanding Bonds, of a particular maturity, the principal or Redemption Price, if applicable, and interest due or to become due thereon, at the times and in the manner stipulated therein and in this Indenture, such Bonds shall cease to be entitled to any lien, benefit or security under this Indenture, and all covenants, agreements and obligations of the District to the Owners of such Bonds shall thereupon cease, terminate and become void and be discharged and satisfied. Anything to the contrary in this Section 11.1 notwithstanding, this Indenture shall not be discharged nor shall any Bonds with respect to which moneys or Federal Securities have been deposited in accordance with the provisions of this Section 11.1 cease to be entitled to the lien, benefit or security under this Indenture, except to the extent that the lien, benefit and security of this Indenture and the obligations of the District hereunder shall be limited solely to and such Bonds shall be secured solely by and be payable solely from the moneys or Federal Securities so deposited.

(b) Bonds or interest installments for the payment or redemption of which moneys shall have been set aside and shall be held in trust by the Trustee (through deposit pursuant to this Indenture of funds for such payment or redemption or otherwise) at the maturity or Redemption Date thereof shall be deemed to have been paid within the meaning and with the effect expressed in this Section 11.1. All Outstanding Bonds of any particular maturity shall prior to the maturity or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 11.1 if: (i) in case any of such Bonds are to be redeemed on any date prior to their maturity, the District shall have given to the Trustee or the Bond Registrar irrevocable instructions accepted in writing by the Trustee or the Bond Registrar to mail as provided in Article III notice of redemption of such Bonds on such date; (ii) there shall have been deposited with the Trustee or an escrow agent or trustee either moneys in an amount which shall be sufficient, or Federal Securities, the principal of and the interest on which when due shall provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient, to pay when due the principal or

Redemption Price, if applicable, and interest due and to become due on said Bonds on or prior to the redemption date or maturity date thereof, as the case may be; and (iii) the District shall have given the Trustee or the Bond Registrar in form satisfactory to it irrevocable instructions to mail, postage prepaid, to each registered Owner of Bonds then Outstanding at the address, if any, appearing upon the registry books of the District, a notice to the registered Owners of such Bonds and to the Registrar that the deposit required by (ii) above has been made and that such Bonds are deemed to have been paid in accordance with this Section 11.1 and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or redemption price, if applicable, on such Bonds. Neither Federal Securities nor moneys deposited pursuant to this Section 11.1 nor principal or interest payments on any such Federal Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if applicable, and interest on such Bonds; provided, however, that any cash received from such principal or interest payments on such Federal Securities deposited with the Trustee or an escrow agent or trustee: (i) to the extent such cash shall not be required at any time for such purpose as evidenced by an Accountant's Certificate shall be paid over upon the direction of the District as received by the Trustee, free and clear of any trust, lien, pledge or assignment securing such Bonds or otherwise existing under this Indenture; and (ii) to the extent such cash shall be required for such purpose at a later date, shall, to the extent practicable, be reinvested in Federal Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if applicable, and interest to become due on such Bonds, on or prior to such Redemption Date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over as received by the Trustee to the District, free and clear of any lien, pledge or security interest securing such Bonds or otherwise existing under this Indenture. For the purposes of this subsection (b), Federal Securities means and includes only such Federal Securities which shall not be subject to redemption prior to their maturity other than at the option of the holder thereof.

(c) Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any of the Bonds which remain unclaimed for six (6) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or any Paying Agent at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such Bonds became due and payable, shall, at the written request of the District be repaid by the Trustee or Paying Agent to the District, as its absolute property and free from trust, and the Trustee or Paying Agent shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Trustee or Paying Agent shall, at the expense of the District, cause to be mailed, postage prepaid, to each registered Owner of Bonds then Outstanding at the address, if any, appearing upon the registration books of the District, a notice that such moneys remain unclaimed and that, after a date named in such notice, which date shall be not less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed shall be returned to the District.

**Section 11.2 Moneys Held in Trust.** All moneys and obligations held by the Trustee, Paying Agent or other person pursuant to this Article XI shall be held in trust and the principal and interest of said obligations when received, and said moneys, shall be applied to the payment,

when due, of the principal, interest and premium, if any, of the Bonds to be paid or to be called for redemption.

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## ARTICLE XII

### MISCELLANEOUS PROVISIONS

**Section 12.1 Effect of Covenants.** All covenants, stipulations, obligations and agreements of the District contained in this Indenture shall be deemed to be covenants, stipulations, obligations and agreements of the District and of the Governing Body of the District to the full extent authorized or permitted by law, and all such covenants, stipulations, obligations and agreements shall bind or inure to the benefit of the successor or successors thereof from time to time and any officer, board, body or commission to whom or to which any power or duty affecting such covenants, stipulations, obligations and agreements shall be transferred by or in accordance with law.

Except as otherwise provided herein, all rights, powers and privileges conferred, and duties and liabilities imposed, upon the District or upon the Governing Body by this Indenture shall be exercised or performed by the Governing Body, or by such other officers, board, body or commission as may be required by law to exercise such powers or to perform such duties.

No covenant, stipulation, obligation or agreement herein contained shall be deemed to be a covenant, stipulation, obligation or agreement of any member, agent or employee of the Governing Body in his or her individual capacity, and neither the members of the Governing Body nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

**Section 12.2 Manner of Giving Notice to the District and the Trustee.** Any notice, demand, direction, request or other instrument authorized or required by this Indenture to be given to or filed with the District or the Governing Body shall be deemed to have been sufficiently given or filed for all purposes of this Indenture if and when sent by registered or certified mail, return receipt requested:

To the District, addressed to:

Lost Rabbit Public Improvement District  
District Offices  
10 Canebrake, Suite 110  
Flowood, MS 39232

With a copy to:

Craig Wrathell  
District Manager  
Wrathell, Hart, Hunt and Associates, LLC  
6131 Lyons Road, Suite 100  
Coconut Creek, FL 33073

Stephen C. Edds, District Counsel  
P. O. Box 14167

4268 I-55 North  
Meadowbrook Office Park  
Jackson, MS 39236

To the Trustee, addressed to:

U.S. Bank National Association  
Two James Center  
1021 East Cary Street, 18<sup>th</sup> Floor  
Richmond, Virginia 23219  
Attention: Corporate Trust Department

or to such other address as shall be provided to the other party hereto in writing.

All documents received by the District and the Trustee under this Indenture shall be retained in their possession, subject at all reasonable times to the inspection of any Owner and the agents and representatives thereof.

**Section 12.3 Manner of Giving Notice to the Owners.** Any notice, demand, direction, request, or other instrument authorized or required by this Indenture to be mailed to the Owners shall be deemed to have been sufficiently mailed if mailed by first class mail, postage pre-paid, to the Owners at their addresses as they appear at the time of mailing on the registration books maintained by the Bond Registrar.

**Section 12.4 Successorship of District Officers.** If the offices of Chairman or Secretary shall be abolished or any two or more of such offices shall be merged or consolidated, or in the event of a vacancy in any such office by reason of death, resignation, removal from office or otherwise, or in the event any such officer shall become incapable of performing the duties of his office by reason of sickness, absence from the District or otherwise, all powers conferred and all obligations and duties imposed upon such officer shall be performed by the officer succeeding to the principal functions thereof or by the officer upon whom such powers, obligations and duties shall be imposed by law.

**Section 12.5 Inconsistent Provisions.** All provisions of any resolutions, and parts thereof, which are inconsistent with any of the provisions of this Indenture are hereby declared to be inapplicable to this Indenture.

**Section 12.6 Payments Due on Saturdays, Sundays and Holidays.** In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bond shall be a day other than a Business Day, then payment of principal, interest or premium (if any) may be made on the succeeding Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

**Section 12.7 Further Acts.** The officers and agents of the District are hereby authorized and directed to do all the acts and things required of them by the Bonds and this Indenture for the full, punctual and complete performance of all of the terms, covenants, provisions and agreements contained in the Bonds and this Indenture.

**Section 12.8 Headings Not Part of Indenture.** Any headings preceding the texts of the several Articles and Sections hereof and any table of contents shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

**Section 12.9 Effect of Partial Invalidity; Applicable Law.** In case any one or more of the provisions of this Indenture or of any Bonds shall for any reason be held to be unenforceable, illegal or invalid, such unenforceability, illegality or invalidity shall not affect any other provision of this Indenture or of the Bonds, but this Indenture and the Bonds shall be construed and enforced as if such unenforceable, illegal or invalid provision had not been contained therein. The Bonds are issued and this Indenture is adopted with the intent that the laws of the State of Mississippi shall govern their construction.

**Section 12.10 Counterparts.** This Indenture may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**Section 12.11 Attorneys' Fees.** Any reference herein to the term "attorneys' fees" or "legal fees" or words of like import shall include but not be limited to fees and costs of legal assistants and paralegals, expert witness fees and costs and fees and costs incurred in any and all legal proceedings, including any trial, appellate, bankruptcy, arbitration or other proceedings, and any sales, service, or similar excise tax thereon.

**Section 12.12 Effective Date.** This Indenture shall be effective as of the date first written above.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**IN WITNESS WHEREOF**, the District has caused this Indenture to be executed by its Chairman and attested by its Secretary, and the Trustee, to evidence its acceptance of the trusts hereunder created, has caused this Indenture to be executed and attested by its duly authorized officers and its corporate seal to be affixed hereto, all, as of the day and year first above-written.

(SEAL)

**LOST RABBIT PUBLIC IMPROVEMENT  
DISTRICT**

ATTEST:

By: \_\_\_\_\_  
Chairman

\_\_\_\_\_  
Designated Member

**U.S. BANK NATIONAL ASSOCIATION**  
as Trustee

By: \_\_\_\_\_  
Its: \_\_\_\_\_

**EXHIBIT A**

**REPORT OF CONSULTING ENGINEER  
INCLUDING DESCRIPTION OF PROJECT**

## EXHIBIT B

### FORM OF BOND

*Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee or its agent for registration of transfer, exchange, or payment, and any Bond is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), **ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL** inasmuch as the registered owner hereof, Cede & Co., has an interest herein.*

[FORM OF BONDS]  
(TEXT OF BOND FACE)

No. \_\_\_\_\_

\$ \_\_\_\_\_

**United States of America**  
**State of Mississippi**  
**LOST RABBIT PUBLIC IMPROVEMENT DISTRICT**  
**SPECIAL ASSESSMENT BOND, SERIES 2008**

| Interest<br>Rate | Maturity<br>Date | Dated<br>Date | CUSIP |
|------------------|------------------|---------------|-------|
|------------------|------------------|---------------|-------|

Registered Owner: CEDE & CO.

Principal Amount: \$18,605,000

LOST RABBIT PUBLIC IMPROVEMENT DISTRICT, a public improvement district duly created and existing pursuant to Sections 19-31-1 *et seq.* of the Mississippi Code of 1972, as amended (the "District"), for value received, hereby promises to pay (but only out of the sources hereinafter mentioned) to the registered Owner set forth above, or registered assigns, on the maturity date shown hereon, unless this Bond shall have been called for redemption in whole or in part and payment of the Redemption Price (as defined in the Indenture mentioned hereinafter) shall have been duly made or provided for, the principal amount shown above and to pay (but only out of the sources hereinafter mentioned) interest on the outstanding principal amount hereof from the most recent Interest Payment Date to which interest has been paid or provided for, or, if no interest has been paid, from the Dated Date shown above on May 1 and November 1 of each year (each, an "Interest Payment Date"), commencing on November 1, 2008, until

payment of said principal sum has been made or provided for, at the rate per annum set forth above. Notwithstanding the foregoing, if any Interest Payment Date is not a Business Day (as defined in the Indenture hereinafter mentioned), then all amounts due on such Interest Payment Date shall be payable on the first Business Day succeeding such Interest Payment Date, but shall be deemed paid on such Interest Payment Date. The interest so payable, and punctually paid or duly provided for, on any Interest Payment Date will, as provided in the Indenture (as hereinafter defined), be paid to the registered Owner hereof at the close of business on the regular record date for such interest, which shall be the fifteenth (15th) day of the calendar month next preceding such Interest Payment Date, or, if such day is not a Business Day on the Business Day immediately preceding such day; provided, however, that on or after the occurrence and continuance of an Event of Default under clause (a) of Section 8.2(a) of the Indenture (hereinafter defined), the payment of interest and principal or Redemption Price or Amortization Installments shall be made by the Paying Agent (hereinafter defined) to such person, who, on a special record date which is fixed by the Trustee, which shall be not more than fifteen (15) and not less than ten (10) days prior to the date of such proposed payment, appears on the registration books of the Bond Registrar as the registered Owner of this Bond. Any payment of principal or Redemption Price shall be made only upon presentation hereof at the designated corporate trust office of U.S. Bank National Association, located in Richmond, Virginia, or any alternate or successor paying agent (collectively, the "Paying Agent"). Payment of interest shall be made by check or draft (or by wire transfer to the registered Owner set forth above if such Owner requests such method of payment in writing on or prior to the regular record date for the respective interest payment to such account as shall be specified in such request, but only if the registered Owner set forth above owns not less than \$1,000,000 in aggregate principal amount of the Bonds, as defined below). Interest on this Bond will be computed on the basis of a 360-day year of twelve 30-day months.

This Bond is one of a duly authorized issue of bonds of the District designated "Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008" (the "Bonds"), under a Trust Indenture, dated as of July 1, 2008 (the "Indenture"), between the District and U.S. Bank National Association, located in Richmond, Virginia, as trustee (the "Trustee"). The Bonds are issued in an aggregate principal amount of [\$\_\_\_\_\_] to be designated "[\\$\_\_\_\_\_] Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008" for the purposes of (i) paying all of the Cost of acquiring, constructing and equipping assessable improvements (the "Project"); (ii) depositing the Reserve Fund Requirement for the Bonds into the Reserve Fund; (iii) funding Capitalized Interest on the Bonds; and (iv) paying the costs and expenses of issuing the Bonds.

NEITHER THIS BOND NOR THE INTEREST AND PREMIUM, IF ANY, PAYABLE HEREON SHALL CONSTITUTE A GENERAL OBLIGATION OR GENERAL INDEBTEDNESS OF THE DISTRICT WITHIN THE MEANING OF THE CONSTITUTION AND LAWS OF MISSISSIPPI. THIS BOND AND THE SERIES OF WHICH IT IS A PART AND THE INTEREST AND PREMIUM, IF ANY, PAYABLE HEREON AND THEREON DO NOT CONSTITUTE EITHER A PLEDGE OF THE FULL FAITH AND CREDIT OF THE DISTRICT OR A LIEN UPON ANY PROPERTY OF THE DISTRICT OTHER THAN AS PROVIDED IN THE INDENTURE. NO OWNER OR ANY OTHER PERSON SHALL EVER HAVE THE RIGHT TO COMPEL THE EXERCISE OF ANY AD VALOREM TAXING POWER OF THE DISTRICT OR ANY OTHER PUBLIC AUTHORITY OR

GOVERNMENTAL BODY TO PAY DEBT SERVICE OR THE RIGHT TO COMPEL ANY PUBLIC AUTHORITY OTHER THAN THE DISTRICT TO PAY ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS. RATHER, DEBT SERVICE AND ANY OTHER AMOUNTS REQUIRED TO BE PAID PURSUANT TO THE INDENTURE OR THE BONDS SHALL BE PAYABLE SOLELY FROM, AND SHALL BE SECURED SOLELY BY, THE PLEDGED REVENUES AND THE PLEDGED FUNDS, ALL AS PROVIDED HEREIN, AND IN THE INDENTURE.

All acts, conditions and things required by the Constitution and laws of the State of Mississippi and the ordinances and resolutions of the District to happen, exist and be performed precedent to and in the issuance of this Bond and the execution of the Indenture, have happened, exist and have been performed as so required. This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

THE TERMS AND PROVISIONS OF THIS BOND ARE CONTINUED ON THE REVERSE HEREOF AND SUCH CONTINUED TERMS AND PROVISIONS SHALL FOR ALL PURPOSES HAVE THE SAME EFFECT AS THOUGH FULLY SET FORTH AT THIS PLACE.

**IN WITNESS WHEREOF**, Lost Rabbit Public Improvement District has caused this Bond to bear the signature of the Chairman of its Board of Directors and the official seal of the District to be impressed or imprinted hereon and attested by the signature of the Secretary to the Board of Directors.

(SEAL)  
Attest:

LOST RABBIT PUBLIC IMPROVEMENT  
DISTRICT

\_\_\_\_\_  
Secretary

By: \_\_\_\_\_  
Chairman

[Official Seal]

[FORM OF CERTIFICATE OF AUTHENTICATION FOR BONDS]

This Bond is one of the Bonds of the Series designated herein, described in the within-mentioned Indenture.

U.S. Bank National Association, as Trustee

Date of Authentication:

By: \_\_\_\_\_

Authorized Signatory

[TEXT OF BOND]

This Bond is issued under and 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 (the "Act"), and other applicable provisions of law and pursuant to the Trust Indenture, dated July \_\_, 2008 (the "Indenture"), executed counterparts of which Indenture are on file at the corporate trust office of the Trustee. Reference is hereby made to the Indenture for the provisions, among others, with respect to the custody and application of the proceeds of Bonds issued under the Indenture, the collection and disposition of revenues and the funds charged with and pledged to the payment of the principal and Redemption Price of, and the interest on, the Bonds, the nature and extent of the security thereby created, the covenants of the District with respect to the levy and collection of Assessments (as defined in the Indenture), the terms and conditions under which the Bonds are or maybe issued, the rights, duties, obligations and immunities of the District and the Trustee under the Indenture and the rights of the registered Owners of the Bonds, and, by the acceptance of this Bond, the registered Owner hereof assents to all of the provisions of the Indenture. The Bonds are equally and ratably secured by the Trust Estate, without preference or priority of one Bond over another. The Indenture does not authorize the issuance of any additional Bonds ranking on a parity with the Bonds without written consent of the Majority Owner.

The Bonds are issuable only as registered bonds without coupons in current interest form in denominations of \$5,000 or any integral multiple thereof (an "Authorized Denomination"). This Bond is transferable by the registered Owner hereof or his duly authorized attorney at the designated corporate trust office of the Trustee in Richmond, Virginia, as Bond Registrar (the "Bond Registrar"), upon surrender of this Bond, accompanied by a duly executed instrument of transfer in form and with guaranty of signature reasonably satisfactory to the Bond Registrar, subject to such reasonable regulations as the District or the Bond Registrar may prescribe, and upon payment of any taxes or other governmental charges incident to such transfer. Upon any such transfer a new Bond or Bonds, in the same aggregate principal amount as the Bond or Bonds transferred, will be issued to the transferee. At the corporate trust office of the Bond Registrar in Richmond, Virginia, in the manner and subject to the limitations and conditions provided in the Indenture and without cost, except for any tax or other governmental charge, Bonds may be exchanged for an equal aggregate principal amount of Bonds of the same maturity, of Authorized Denominations and bearing interest at the same rate or rates.

The Bonds may, at the option of the District be called for redemption as a whole, at any time, or in part on any Interest Payment Date, on or after May 1, 2020 (less than all Bonds to be selected by lot), at the Redemption Prices (expressed as percentages of principal amount) set forth in the following table plus accrued interest from the most recent Interest Payment Date to the redemption date:

| <b>Redemption Periods<br/>(Dates Inclusive)</b> | <b>Redemption<br/>Prices</b> |
|---|------------------------------|
| May 1, 2020                                     | 102%                         |
| May 1, 2021                                     | 101%                         |
| May 1, 2022                                     | 100%                         |

The Bonds maturing May 1, 2038 are subject to mandatory redemption in part by the District by lot prior to their scheduled maturity from moneys in the Sinking Fund Account established under the Indenture in satisfaction of applicable Amortization Installments (as defined in the Indenture) at the Redemption Price of the principal amount thereof, without premium, together with accrued interest to the date of redemption on May 1 of the years and in the principal amounts set forth below:

| <b>Year<br/>(May 1)</b> | <b>Principal<br/>Amount</b> | <b>Year<br/>(May 1)</b> | <b>Principal<br/>Amount</b> |
|-------------------------|-----------------------------|-------------------------|-----------------------------|
| 2012                    | 215,000                     | 2026                    | 630,000                     |
| 2013                    | 235,000                     | 2027                    | 680,000                     |
| 2014                    | 255,000                     | 2028                    | 730,000                     |
| 2015                    | 275,000                     | 2029                    | 790,000                     |
| 2016                    | 295,000                     | 2030                    | 850,000                     |
| 2017                    | 315,000                     | 2031                    | 915,000                     |
| 2018                    | 340,000                     | 2032                    | 990,000                     |
| 2019                    | 370,000                     | 2033                    | 1,070,000                   |
| 2020                    | 400,000                     | 2034                    | 1,150,000                   |
| 2021                    | 430,000                     | 2035                    | 1,240,000                   |
| 2022                    | 465,000                     | 2036                    | 1,340,000                   |
| 2023                    | 500,000                     | 2037                    | 1,445,000                   |
| 2024                    | 540,000                     | 2038*                   | 1,560,000                   |
| 2025                    | 580,000                     |                         |                             |

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\*Final Maturity

Amortization Installments are also subject to recalculation, as provided in the Indenture, as the result of the redemption of Bonds so as to reamortize the remaining Outstanding principal balance of the Bonds in substantially level installments of principal and interest over the remaining term thereof:

The Bonds are subject to extraordinary mandatory redemption prior to maturity, in whole on any date or in part on any Interest Payment Date, and if in part by lot in the manner determined by the Bond Registrar at the Redemption Price of 100% of the principal amount thereof; without premium, together with accrued interest to the date of redemption, if and to the extent that any one or more of the following shall have occurred.

(a) on or after the Date of Completion of the Project (as such terms are defined in the Indenture), by application of moneys transferred from the Acquisition and Construction Fund established under the Indenture to the Prepayment Subaccount of the Redemption Account in accordance with the terms of the Indenture; or

(b) from Prepayments (as defined in the Indenture) deposited into the Prepayment Subaccount of the Redemption Account in accordance with the Indenture; or

(c) from amounts on deposit in the Reserve Fund, on the date on which the amount on deposit therein together with other moneys available therefor, are sufficient to pay and redeem all of the Bonds then Outstanding.

If less than all of the Bonds shall be called for redemption, the particular Bonds or portions of Bonds to be redeemed shall be selected by lot by the Registrar as provided in the Indenture.

Notice of each redemption of Bonds is required to be mailed by the Bond Registrar, postage prepaid, not less than thirty (30) nor more than forty-five (45) days prior to the redemption date to each registered Owner of Bonds to be redeemed at the address of such registered Owner recorded on the bond register maintained by the Bond Registrar. On the date designated for redemption, notice having been given and money for the payment of the Redemption Price being held by the Paying Agent, all as provided in the Indenture, the Bonds or such portions thereof so called for redemption shall become and be due and payable at the Redemption Price provided for the redemption of such Bonds or such portions thereof on such date, interest on such Bonds or such portions thereof so called for redemption shall cease to accrue, such Bonds or such portions thereof so called for redemption shall cease to be entitled to any benefit or security under the Indenture and the Owners thereof shall have no rights in respect of such Bonds or such portions thereof so called for redemption except to receive payments of the Redemption Price thereof so held by the Paying Agent. Further notice of redemption shall be given by the Bond Registrar to certain registered securities depositories and information services as set forth in the Indenture, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

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

In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Bonds then Outstanding under the Indenture may become and may be declared due and payable before the stated maturities thereof, with the interest accrued thereon.

Modifications or alterations of the Indenture or of any indenture supplemental thereto may be made only to the extent and in the circumstances permitted by the Indenture.

Any moneys held by the Trustee or any Paying Agent in trust for the payment and discharge of any Bond which remain unclaimed for six (6) years after the date when such Bond has become due and payable, either at its stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee or any Paying Agent at such date, or for six (6) years after the date of deposit of such moneys if deposited with the Trustee or Paying Agent after the date when such Bond became due and payable, shall be paid to the District, and thereupon and thereafter no claimant shall have any rights against the Paying Agent to or in respect of such moneys.

If the District deposits or causes to be deposited with the Trustee funds or Federal Securities (as defined in the Indenture) sufficient to pay the principal or redemption price of any Bonds becoming due at maturity or by call for redemption in the manner set forth in the Indenture, together with the interest accrued to the due date, the lien of the Bonds as to the Trust Estate shall be discharged, except for the rights of the Owners thereof with respect to the funds so deposited as provided in the Indenture.

This Bond shall have all the qualities and incidents, including negotiability, of investment securities within the meaning and for all the purposes of the Uniform Commercial Code of the State of Mississippi.

This Bond is issued with the intent that the laws of the State of Mississippi shall govern its construction.

### **CERTIFICATE OF VALIDATION**

This Bond is one of the Bonds which were validated by judgment of the Chancery Court for Madison County, rendered on July 7, 2008.

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Chairman

[FORM OF BOND COUNSEL OPINION]

[FORM OF ABBREVIATIONS FOR BONDS]

The following abbreviations, when used in the inscription on the face of the within Bond, shall construed as though they were written out in full according to applicable laws or regulations.

|         |  |
|---------|--|
| TEN COM | as tenants in common   |
| TEN ENT | as tenants by the entireties   |
| JT TEN  | as joint tenants with the right of survivorship and not as tenants in common |

UNIFORM GIFT MIN ACT - \_\_\_\_\_ Custodian \_\_\_\_\_ under Uniform Gifts to Minors Act  
(Cust) (Minor) (State)

Additional abbreviations may also be used  
though not in the above list.

[FORM OF ASSIGNMENT FOR BONDS]

So long as the District maintains the book-entry only system for the Bonds, unless this certificate is presented by an authorized representative of The Depository Trust Company to the District or its agent for registration of transfer, exchange or payment, and any certificate issued is registered in the name of Cede & Co. or such other name as requested by the authorized representative of The Depository Trust Company and any payment is made to Cede & Co., ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL since the registered owner hereof, Cede & Co., has an interest herein.

For value received, the undersigned hereby sells, assigns and transfers unto \_\_\_\_\_ the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints \_\_\_\_\_, attorney to transfer the said Bond on the books of the District, with full power of substitution in the premises.

Dated:

Social Security Number or Employer  
Identification Number of Transferee:

Signature guaranteed:

NOTICE: The assignor's signature to this Assignment must correspond with the name as it appears on the face of the within Bond in every particular without alteration or any change whatever.

NOTICE: Signature(s) must be guaranteed by an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

## **EXHIBIT C**

### **FORM OF REQUISITION**

#### **LOST RABBIT PUBLIC IMPROVEMENT DISTRICT SERIES 2008 BONDS**

The undersigned, an Authorized Officer of Lost Rabbit Public Improvement District (the "District") hereby submits the following requisition for disbursement under and pursuant to the terms of the Trust Indenture from the District to U.S. Bank National Association, as trustee (the "Trustee"), dated as of July 1, 2008 (the "Indenture") (all capitalized terms used herein shall have the meaning ascribed to such term in the Indenture):

(A) Requisition Number:

(B) Name 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;
2. (a) this requisition is for costs of issuance payable from the Costs of Issuance Fund that have not previously been paid; or  
(b) this requisition is for Costs of the Project payable from the Acquisition and Construction Fund that have not previously been paid;
3. each disbursement set forth above is a proper charge against the Acquisition and Construction Fund or Costs of Issuance Fund, as applicable; and
4. each disbursement set forth above was incurred in connection with the acquisition and/or construction of the Project and/or the issuance of the Bonds;

The undersigned hereby further certifies that (a) no Event of Default has occurred or is continuing and (b) such payment will not cause or result in the violation of any covenant contained in the Tax Regulatory Covenants of the District.

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.

LOST RABBIT PUBLIC IMPROVEMENT  
DISTRICT

By: \_\_\_\_\_  
Authorized Officer

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

If this requisition is for a disbursement for 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 attached as Exhibit A to the Indenture, as such report shall have been amended or modified on the date hereof.

[Name of Consulting Engineer]

By:  
Name:  
Title:

## **EXHIBIT D**

### **TAX REGULATORY COVENANTS**

These Tax Regulatory Covenants are intended to set forth certain duties and requirements necessary for compliance with Section 148(f) of the Internal Revenue Code of 1986, as amended (the "Code") to the extent necessary to preserve the exclusion from gross income for federal income tax purposes of interest on the Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008 (the "Bonds"). These Tax Regulatory Covenants are based upon Section 148(f) and Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2 (the "Regulations"). However, they are not intended to be exhaustive. Since the requirements of such Section 148(f) are subject to amplification and clarification, it may be necessary to supplement or modify these Tax Regulatory Covenants from time to time to reflect any additional or different requirements of such Section and the Regulations or to specify that action required hereunder is no longer required or that some further or different action is required to maintain or assure the exemption from federal income tax of interest with respect to the Bonds.

The Bonds will be issued pursuant to a Trust Indenture, dated as of July 1, 2008 (the "Indenture"), by and between Lost Rabbit Public Improvement District, a local unit of special-purpose government organized and existing under the laws of the State of Mississippi (the "District"), and U.S. Bank National Association, a national banking association organized and existing under the laws of the United States of America and having the authority to exercise corporate trust powers, as trustee (the "Trustee").

**SECTION 1. TAX COVENANTS.** Pursuant to the Indenture, the District has made certain covenants designed to assure that the interest with respect to the Bonds is and shall remain excludable from gross income for purposes of federal income taxation. The District shall not, directly or indirectly, use or permit the use of any proceeds of the Bonds or any other funds or take or omit to take any action that would cause the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code or that would cause interest on the Bonds to be included in gross income for federal income tax purposes under the provisions of the Code. The District shall comply with all other requirements as shall be determined by Bond Counsel to be necessary or appropriate to assure that interest on the Bonds will be excludable from gross income for purposes of federal income taxation. To that end, the District shall comply with all requirements of Section 148 of the Code to the extent applicable to the Bonds.

**SECTION 2. DEFINITIONS.** Capitalized terms used herein, not otherwise defined herein, shall have the same meanings set forth in the Indenture and in the District's Certificate as to Arbitrage and Certain Other Tax Matters relating to the Bonds.

"Bond Counsel" means Butler, Snow, O'Mara, Stevens & Cannada, PLLC Jackson, Mississippi or such other firm of nationally recognized bond counsel as may be selected by the District.

"Bond Year" means each one-year period during the term of the Bonds beginning on July 2 and ending on July 1 of the following year, except that the first Bond Year shall commence on the Date of Issue and end at the close of business on July 1, 2009 (unless a different period is required by the Regulations or selected by the Borrower pursuant to the Regulations).

"Code" means the Internal Revenue Code of 1986, as amended.

"Computation Date" means each date selected by the District as a computation date pursuant to Section 1.148-3(e) of the Regulations and the Final Computation Date.

"Fair Market Value" means, when applied to a Nonpurpose Investment, the Fair Market Value of such Investment as determined in accordance with Section 4 hereof.

"Final Computation Date" means the date the Bonds are discharged.

"Gross Proceeds" means, with respect to the Bonds:

- (1) amounts constituting Sale Proceeds of the Bonds.
- (2) amounts constituting Investment Proceeds of the Bonds.
- (3) amounts constituting Transferred Proceeds of the Bonds.
- (4) other amounts constituting Replacement Proceeds of the Bonds, including Pledged Moneys.

"Investment Proceeds" means any amounts actually or constructively received from investing proceeds of the Bonds.

"Investment-Type Property" means any security, obligation or other property held principally as a passive vehicle for the production of income, within the meaning of Section 1.148-1(b) of the Regulations.

"Issue Date" means the date of delivery of the Bonds.

"Net Proceeds" means Sale Proceeds, less the portion of such Proceeds invested in a reasonably required reserve or replacement fund under Section 148(d) of the Code and as part of a minor portion under Section 148(e) of the Code.

"Nonpurpose Investment" shall have the meaning ascribed to such term in Section 148(b)(2) of the Code and shall include any Investment-Type Property in which Gross Proceeds are invested which is not acquired to carry out the governmental purpose of the Bonds, e.g., obligations acquired with Gross Proceeds that are invested temporarily until needed for the governmental purpose of the Bonds, that are used to discharge a prior issue, or that are invested in a reasonably required reserve or replacement fund.

"Nonpurpose Payments" shall include the payments with respect to Nonpurpose Investments specified in Section 1.148-3(d)(1)(i)-(v) of the Regulations.

"Nonpurpose Receipts" shall include the receipts with respect to Nonpurpose Investments specified in Section 1.148-3(d)(2)(i)-(iii) of the Regulations.

"Pledged Moneys" means moneys that are reasonably expected to be used directly or indirectly to pay debt service on the Bonds or as to which there is a reasonable assurance that such moneys or the earnings thereon will be available directly or indirectly to pay debt service on the Bonds if the District encounters financial difficulties.

"Pre-Issuance Accrued Interest" means amounts representing interest that has accrued on the Bonds for a period of not greater than one year before the Issue Date but only if those amounts are paid within one year after the Issue Date.

"Proceeds" means any Sale Proceeds, Investment Proceeds and Transferred Proceeds of the Bonds.

"Qualified Administrative Costs" means reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage and selling commissions that are comparable to those charged nongovernmental entities in transactions not involving tax-exempt bond proceeds, but not legal and accounting fees, recordkeeping, custody or similar costs. In addition, with respect to a guaranteed investment contract or investments purchased for a yield restricted defeasance escrow, such costs will be considered reasonable if (1) the amount of the fee the District treats as a Qualified Administrative Cost does not exceed the lesser of (a) \$30,000, or (b) the greater of (x) .2% of the "computational base", or (y) \$3,000; and (2) the District does not treat as Qualified Administrative Costs more than \$85,000 in brokers' commissions or similar fees with respect to all guaranteed investment contracts and investments for yield restricted defeasance escrows purchased with Gross Proceeds of the issue. For purposes of this definition only, "computational base" shall mean, with respect to guaranteed investment contracts, the amount of Gross Proceeds the District reasonably expects, as of the date the contract is acquired, to be deposited in the guaranteed investment contract over the term of the contract and for investments other than guaranteed investment contracts, "computational base" shall mean the amount of Gross Proceeds initially invested in such investments. The above-described safe harbor dollar amounts shall be increased each calendar year after 2003 for cost-of-living adjustments pursuant to Section 1.148-5(e) of the Regulations.

"Rebatable Arbitrage" means, as of any Computation Date, the excess of the future value of all Nonpurpose Receipts over the future value of all Nonpurpose Payments.

"Rebate Fund" means the Rebate Fund established pursuant to the Indenture and described in Section 3 hereof.

"Regulations" means Treasury Regulations Sections 1.148-0 through 1.148-11, 1.149(b)-1 and (d)-1, and 1.150-0 through 1.150-2, as amended, and any regulations amendatory, supplementary or additional thereto.

"Replacement Proceeds" means amounts that have a sufficiently direct nexus to the Bonds or to the governmental purpose of the Bonds to conclude that the amounts would have been used for that governmental purpose if the Proceeds of the Bonds were not used or to be used for that governmental purpose. For this purpose, governmental purposes include the

expected use of amounts for the payment of debt service on a particular date. The mere availability or preliminary earmarking of amounts for a governmental purpose, however, does not in itself establish a sufficient nexus to cause those amounts to be Replacement Proceeds. Replacement Proceeds include, but are not limited to, amounts held in a sinking fund or a pledged fund. For these purposes, an amount is pledged to pay principal of or interest on the Bonds if there is reasonable assurance that the amount will be available for such purposes in the event that the District encounters financial difficulties.

"Sale Proceeds" means any amounts actually or constructively received by the District from the sale of the Bonds, including amounts used to pay underwriter's discount or compensation and interest other than Pre-Issuance Accrued Interest. Sale Proceeds shall also include, but are not limited to, amounts derived from the sale of a right that is associated with a Bond and that is described in Section 1.148-4(b)(4) of the Regulations.

"Tax-Exempt Investment" means (i) an obligation the interest on which is excluded from gross income pursuant to Section 103 of the Code, (ii) United States Treasury-State and Local Government Series, Demand Deposit Securities, and (iii) stock in a tax-exempt mutual fund as described in Section 1.150-1(b) of the Regulations. Tax-Exempt Investment shall not include a specified private activity bond as defined in Section 57(a)(5)(C) of the Code. For purposes of these Tax Regulatory Covenants, a tax-exempt mutual fund includes any regulated investment company within the meaning of Section 851(a) of the Code meeting the requirements of Section 852(a) of the Code for the applicable taxable year; having only one class of stock authorized and outstanding; investing all of its assets in tax exempt obligations to the extent practicable; and having at least 98% of (1) its gross income derived from interest on, or gain from the sale of or other disposition of, tax exempt obligations or (2) the weighted average value of its assets represented by investments in tax exempt obligations.

"Transferred Proceeds" shall have the meaning provided therefor in Section 1.148-9 of the Regulations.

"Universal Cap" means the value (within the meaning of Section 1.148-4(e) of the Regulations) of all then outstanding Bonds.

"Value" (of a Bond) means with respect to a Bond issued with not more than two percent original issue discount or original issue premium, the outstanding principal amount, plus accrued unpaid interest; for any other Bond, its present value.

"Value" (of an Investment) shall have the following meaning in the following circumstances:

(1) General Rules. Subject to the special rules in the following paragraph, an issuer may determine the value of an investment on a date using one of the following valuation methods consistently applied for all purposes relating to arbitrage and rebate with respect to that investment on that date:

(a) an investment with not more than two percent original issue discount or original issue premium may be valued at its outstanding stated principal amount, plus accrued unpaid interest on such date;

(b) a fixed rate investment may be valued at its present value on such date;  
and

(c) an investment may be valued at its Fair Market Value on such date.

(2) Special Rules. Yield restricted investments are to be valued at present value provided that (except for purposes of allocating Transferred Proceeds to an issue, for purposes of the Universal Cap and for investments in a commingled fund other than a bona fide debt service fund unless it is a certain commingled fund):

(a) an investment must be valued at its Fair Market Value when it is first allocated to an issue, when it is disposed of and when it is deemed acquired or deemed disposed of, and provided further that;

(b) in the case of Transferred Proceeds, the Value of a Nonpurpose Investment that is allocated to Transferred Proceeds of a refunding issue on a transfer date may not exceed the Value of that investment on the transfer date used for purposes of applying the arbitrage restrictions to the refunded issue.

"Yield on the Bonds" or "Bond Yield" means, for all Computation Dates, the Yield expected as of the date hereof on the Bonds over the term of such Bonds computed by:

(i) using as the purchase price of the Bonds, the amount at which such Bonds were sold to the public within the meaning of Sections 1273 and 1274 of the Code; and

(ii) assuming that all of the Bonds will be paid at their scheduled maturity dates or in accordance with any mandatory redemption requirements.

"Yield" means, generally, the discount rate which, when used in computing the present value of all the unconditionally payable payments of principal and interest on an obligation and all the payments for qualified guarantees paid and to be paid with respect to such obligation, produces an amount equal to the present value of the issue price of such obligation. Present value is computed as of the date of issue of the obligation. There are, however, many additional specific rules contained in the Regulations which apply to the calculation and recalculation of yield for particular obligations and such rules should be consulted prior to calculating the yield for the Bonds on any Computation Date. Yield shall be calculated on a 360-day year basis with interest compounded monthly. For this purpose the purchase price of a Nonpurpose Investment or a Tax-Exempt Investment is its Fair Market Value, as determined pursuant to Section 4 of these Tax Regulatory Covenants, as of the date that it becomes allocated to Gross Proceeds of the Bonds.

### **SECTION 3. REBATE REQUIREMENTS.**

(a) The District shall pay to the United States of America at the times and in the amounts determined hereunder, the Rebataable Arbitrage. For purposes of determining the Rebataable Arbitrage, the District shall make such calculations or cause the calculations to be made by competent tax counsel or other financial or accounting advisors or persons to ensure

correct application of the rules contained in the Code and the Regulations relating to arbitrage rebate.

(b) Pursuant to the Indenture, there has been established a fund separate from any other fund or account established and maintained under the Indenture designated the "Rebate Fund." The District or its designated agent shall administer the Rebate Fund and continuously invest all amounts held in the Rebate Fund in Governmental Obligations (as defined in the Indenture) or Tax-Exempt Investments.

(c) Within 30 days after any Computation Date, the District shall calculate or cause to be calculated the Rebatable Arbitrage or any penalty due pursuant to Section 3(f) hereof. Immediately following such calculations, but in no event later than 60 days following the Computation Date (90 days in the case of any penalty payment due pursuant to Section 3(f) hereof), the District shall remit an amount which when added to the future value of previous rebate payments shall not be less than 90% (100% with respect to the Final Computation Date) of the Rebatable Arbitrage or 100% of any penalty due pursuant to Section 3(f) hereof as of the applicable Computation Date.

Each payment shall be accompanied by Internal Revenue Service Form 8038-T.

(d) The obligation to pay Rebatable Arbitrage to the United States of America, as described herein, shall be treated as satisfied with respect to the Bonds if (i) Gross Proceeds are expended for the governmental purpose of the Bonds by no later than the date which is six months after the Issue Date and if it is not anticipated that any other Gross Proceeds will arise during the remainder of the term of the Bonds and (ii) the requirement to pay Rebatable Arbitrage, if any, to the United States with respect to the portion of the Reserve Fund allocable to the Bonds is met. For purposes of the preceding sentence, Gross Proceeds do not include (i) amounts deposited in a bona fide debt service fund, so long as the funds therein constitute bona fide debt service funds, or a reasonably required reserve or replacement fund (as defined in Section 1.148-1 of the Regulations and meeting the requirements of Section 1.148-2(f) of the Regulations), (ii) amounts that, as of the Issue Date, are not reasonably expected to be Gross Proceeds but that become Gross Proceeds after the date which is six months after the Issue Date, (iii) amounts representing Sale or Investment Proceeds derived from any Purpose Investment (as defined in Section 1.148-1 of the Regulations) and earnings on those payments, and (iv) amounts representing any repayments of grants (as defined in Section 1.148-6(d)(4) of the Regulations). If Gross Proceeds are in fact expended by such date, then Rebatable Arbitrage need not be calculated and no payment thereof to the United States of America need be made. Use of Gross Proceeds to redeem Bonds shall not be treated as an expenditure of such Gross Proceeds.

Notwithstanding the foregoing, if Gross Proceeds which were not reasonably expected to be Gross Proceeds on the Issue Date actually become available after the date which is six months after the Issue Date, then the requirements described herein relating to the calculation of Rebatable Arbitrage and the payment thereof to the United States must be satisfied, except that no such calculation or payment need be made with respect to the initial six month period. Any other amounts not described in this Section 3(d) which constitute proceeds of the Bonds, other than a bona fide debt service fund, will be subject to rebate.

(e) As an alternative to Section 3(d) above, the obligation of the District to pay Rebatable Arbitrage to the United States of America, as described herein, shall be treated as satisfied with respect to the Bonds if (i) the rebate requirement is met for all Proceeds of the Bonds other than Gross Proceeds (as defined in Section 3(d) hereof) and (ii) the Gross Proceeds are expended for the governmental purposes of the issue within the periods set forth below:

(i) at least 15% of such Gross Proceeds are spent within the six-month period beginning on the Issue Date;

(ii) at least 60% of such Gross Proceeds are spent within the 1-year period beginning on the Issue Date; and

(iii) at least 100% of such Gross Proceeds are spent within the 18-month period beginning on the Issue Date.

As set forth in Section 1.148-7(d)(2) of the Regulations, for purposes of the expenditure requirements set forth in this Section 3(e), 100% of the Gross Proceeds of the Bonds shall be treated as expended for the governmental purposes of the issue within the 18-month period beginning on the Issue Date if such requirement is met within the 30-month period beginning on the Issue Date and such requirement would have been met within such 18-month period but for a reasonable retainage (not exceeding 5% of the Net Proceeds of the Bonds). If Gross Proceeds are in fact expended by such dates, then Rebatable Arbitrage need not be calculated and no payment thereof to the United States of America need be made. Any failure to satisfy the final spending requirement shall be disregarded if the District exercises due diligence to complete the project financed by the Bonds and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Bonds or (ii) \$250,000. Use of Gross Proceeds to redeem the Bonds shall not be treated as an expenditure of such Gross Proceeds. For purposes of this Section 3(e), "Gross Proceeds" shall be modified as described in Section 3(d) above.

(f) As an alternative to Sections 3(d) and (e) above, the obligation to pay Rebatable Arbitrage to the United States of America, as described herein, shall be treated as satisfied with respect to the Bonds if the Available Construction Proceeds (as defined in Section 148(f)(4)(C)(vi) of the Code and described below) are expended for the governmental purposes of the issue within the periods set forth below:

(i) at least 10% of such Available Construction Proceeds are spent within the six-month period beginning on the Issue Date;

(ii) at least 45% of such Available Construction Proceeds are spent within the 1-year period beginning on the Issue Date;

(iii) at least 75% of such Available Construction Proceeds are spent within the eighteen-month period beginning on the Issue Date; and

(iv) at least 100% of such Available Construction Proceeds are spent within the 2-year period beginning on the Issue Date.

For purposes of this Section 3(f), the term Available Construction Proceeds means the Net Proceeds of the Bonds, increased by earnings on the Net Proceeds and earnings on all of the foregoing earnings, and reduced by the amount of the Net Proceeds used to pay issuance costs. Notwithstanding the foregoing, Available Construction Proceeds shall not include amounts earned on the Reserve Fund after the earlier of the close of the two-year period beginning on the Issue Date or the date construction is substantially completed. Any amounts which constitute proceeds of the Bonds other than Available Construction Proceeds and amounts on deposit in a bona fide debt service fund will be subject to rebate.

As set forth in Section 148(f)(4)(C)(iii) of the Code, for purposes of the expenditure requirements set forth in this Section 3(f), 100% of Available Construction Proceeds of the Bonds shall be treated as expended for the governmental purposes of the issue within the 2-year period beginning on the Issue Date if such requirement is met within the 3-year period beginning on the Issue Date and such requirement would have been met within such 2-year period but for a reasonable retainage (not exceeding 5% of the Net Proceeds of the Bonds). Use of Available Construction Proceeds to redeem the Bonds shall not be treated as an expenditure of such proceeds.

Any failure to satisfy the final spending requirement shall be disregarded if the District exercises due diligence to complete the project financed by the Bonds and the amount of the failure does not exceed the lesser of (i) 3% of the issue price of the Bonds or (ii) \$250,000.

For purposes of Section 148(f)(4)(C)(vii) of the Code, in the event the District fails to meet the expenditure requirements referred to above, the District may elect, on or before the Issue Date, to pay, in lieu of the Rebatable Arbitrage otherwise required to be paid with respect to such Gross Proceeds, a penalty with respect to the close of each 6-month period after the Issue Date equal to 1.5% of the amount of the Available Construction Proceeds of the Bonds which, as of the close of such period, are not spent as required by the expenditure provisions set forth above. The penalty referred to above shall cease to apply only after the Bonds (including any refunding bonds issued with respect thereto) are no longer outstanding. The District makes no election in regard to the above-described penalty.

In order to qualify for the exemption from the obligation to pay Rebatable Arbitrage to the United States of America pursuant to this Section 3(f), at least 75% of the Available Construction Proceeds must be used for construction expenditures (as defined in Section 1.148-7(g) of the Regulations) with respect to property which is owned by a governmental unit or an organization described in Section 501(c)(3) of the Code. The term "construction" includes reconstruction and rehabilitation of existing property and rules similar to the rules of Section 142(b)(1)(B) of the Code shall apply with respect to ownership of property. If only a portion of an issue is to be used for construction expenditures, such portion and the other portion of such issue may, at the election of the issuer, be treated as separate issues for purposes of this Section 3(f) (although the remaining portion may not be entitled to the benefits of Section 3(d) hereof). The District does not elect to treat any portion of the Bonds as a separate issue.

(g) The District shall keep proper books of records and accounts containing complete and correct entries of all transactions relating to the receipt, investment, disbursement, allocation and application of the moneys related to the Bonds, including moneys derived from, pledged to,

or to be used to make payments on the Bonds. Such records shall, at a minimum, be adequate to enable the District or its consultants to make the calculations for payment of Rebutable Arbitrage as required by these Tax Regulatory Covenants. The records required to be maintained under this Section 3(g) shall be retained by the District until six years after the retirement of the last obligation of the Bonds or for such other period as the United States Treasury may by regulations otherwise provide. Such records shall at least specify the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment security, (i) its purchase price (including the amount of accrued interest to be stated separately), (ii) identifying information, including par amount, coupon rate, and payment dates, (iii) the amount received at maturity or its sale price, as the case may be, including accrued interest, (iv) the amounts and dates of any payments made with respect thereto, (v) the dates of acquisition and disposition or maturity, (vi) the amount of original issue discount or premium (if any), (vii) the frequency of periodic payments (and actual dates and amounts of receipts), (viii) the period of compounding, (ix) the transaction costs (e.g., commissions) incurred in acquiring, carrying or disposing of the Nonpurpose Investments, and (x) market price data sufficient to establish that the purchase price (disposition price) was not greater than (less than) the arm's-length price (see Section 4 below) on the date of acquisition (disposition) or, if earlier, on the date of a binding contract to acquire (dispose of) such Nonpurpose Investment.

**SECTION 4. MARKET PRICE RULES.** Except as provided below, the District agrees to comply with the requirements relating to the "Fair Market Value" of acquired Nonpurpose Investments, as defined in Section 1.148-5(d) of the Regulations ("Fair Market Value"). All investments required to be made pursuant to these Tax Regulatory Covenants shall be made to the extent permitted by law. In this regard, the District agrees, among other things, that it will not acquire or cause to be acquired a Nonpurpose Investment (or any other investment acquired with Gross Proceeds or on deposit in the Rebate Fund) for a price in excess of its Fair Market Value or sell any such investment at a price (determined without any reduction for transaction costs) less than its Fair Market Value, except as provided below. For this purpose, the following rules shall apply:

(a) Established securities markets. Except as otherwise provided below, any market especially established to provide a security or obligation to an issuer of municipal obligations shall not be treated as an established market and shall be rebuttably presumed to be acquired or disposed of for a price that is not its Fair Market Value.

(b) Arm's-length price. Any transaction in which a Nonpurpose Investment is directly purchased with Gross Proceeds, or in which a Nonpurpose Investment allocable to Gross Proceeds is disposed of, shall be undertaken in an arm's-length manner, and no amount shall be paid to reduce the yield on the Nonpurpose Investment.

(c) Safe harbor for establishing Fair Market Value for guaranteed investment contracts and Nonpurpose Investments purchased for a yield restricted defeasance escrow. In the case of a guaranteed investment contract or Nonpurpose Investments purchased for a yield restricted defeasance escrow, the purchase price shall not be considered to be an arm's-length price unless all the following conditions are met:

(i) The District makes a bona fide solicitation ("Bona Fide Solicitation") for the purchase of the investment that satisfies all of the following requirements:

(1) The bid specifications are in writing and are timely forwarded to potential providers;

(2) The bid specifications include all terms of the bid that may directly or indirectly affect the yield or the cost of the investment;

(3) The bid specifications include a statement notifying potential providers that submission of a bid is a representation that the potential provider did not consult with any other potential provider about its bid, that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the District or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the District or any other person for purposes of satisfying these requirements;

(4) The terms of the bid specifications are such that there is a legitimate business purpose for each term other than to increase the purchase price or reduce the yield of the investment (e.g., for solicitations of Nonpurpose Investments for a yield restricted defeasance escrow, the hold firm period must be no longer than the District reasonably requires);

(5) For purchases of guaranteed investment contracts only, the terms of the solicitation take into account the District's reasonably expected deposit and draw down schedule for the amounts to be invested;

(6) All potential providers have an equal opportunity to bid (e.g., no potential provider is given the opportunity to review other bids before providing a bid); and

(7) At least three providers are solicited for bids that have an established industry reputation as a competitive provider of the type of investments being purchased.

(ii) The bids received by the District must meet all of the following requirements:

(1) The District receives at least three bids from providers that the District solicited under a Bona Fide Solicitation and that do not have a material financial interest in the issue. A lead underwriter in a negotiated underwriting transaction is deemed to have a material financial interest in the issue until 15 days after the issue date of the issue. In addition, any entity acting as a financial advisor with respect to the purchase of the investment at the time the bid specifications are forwarded to potential providers has a material financial interest in the issue. A provider that is a related party to a provider that has a material financial interest in the issue is deemed to have a material financial interest in the issue.

(2) At least one of the three bids described in paragraph (c) (ii)(1) above is from a provider that has an established industry reputation as a competitive provider of the type of investments being purchased; and

(3) If the District uses an agent to conduct the bidding process, the agent did not bid to provide the investment.

(iii) The winning bid must meet the following requirements:

(1) Guaranteed investment contracts. If the investment is a guaranteed investment contract, the winning bid is the highest yielding bona fide bid (determined net of any broker's fees).

(2) Other Nonpurpose Investments. If the investment is not a guaranteed investment contract, the following requirements are met:

(A) The winning bid is the lowest cost bona fide bid (including any broker's fees). The lowest bid is either the lowest cost bid for the portfolio or, if the District compares the bids on an investment-by-investment basis, the aggregate cost of a portfolio comprised of the lowest cost bid for each investment. Any payment received by the District from a provider at the time a guaranteed investment contract is purchased (e.g., an escrow float contract) for a yield restricted defeasance escrow under a bidding procedure meeting these requirements is taken into account in determining the lowest cost bid.

(B) The lowest cost bona fide bid (including any broker's fees) is not greater than the cost of the most efficient portfolio comprised exclusively of State and Local Government Series Securities from the United States Department of the Treasury, Bureau of Public Debt. The cost of the most efficient portfolio of State and Local Government Series Securities is to be determined at the time that bids are required to be submitted pursuant to the terms of the bid specifications. If such State and Local Government Series Securities are not available for purchase on the day that bids are required to be submitted because sales of those securities have been suspended, the cost comparison described in this paragraph is not required.

(iv) The provider of the investments or the obligor on the guaranteed investment contract certifies the administrative costs that it pays (or expects to pay) to third parties in connection with supplying the investment.

(d) The District shall retain certificates and records documenting compliance with the above requirements until three years after the last outstanding Bond is redeemed including, but not limited to, the following:

(i) For purchases of guaranteed investment contracts, a copy of the contract, and for purchases of Nonpurpose Investments other than guaranteed investment contracts, the purchase agreement or confirmation;

(ii) The receipt or other record of the amount actually paid by the District for the investments, including a record of any administrative costs paid by the District and the certification required in paragraph (c)(iv) above;

(iii) For each bid that is submitted, the name of the person and entity submitting the bid, the time and date of the bid, and the bid results;

(iv) The bid solicitation form and, if the terms of the purchase agreement or the guaranteed investment contract deviated from the bid solicitation form or a submitted bid is modified, a brief statement explaining the deviation and stating the purpose for the deviation; and

(v) For purchase of Nonpurpose Investments other than guaranteed investment contracts, the cost of the most efficient portfolio of State and Local Government Series Securities, determined at the time that the bids were required to be submitted.

**SECTION 5. MODIFICATION UPON RECEIPT OF BOND COUNSEL OPINION.** Notwithstanding any provision of these Tax Regulatory Covenants, if the District shall receive an opinion of Bond Counsel that any specified action required under these Tax Regulatory Covenants is no longer required or that some further or different action is required to maintain or assure the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds, the District may conclusively rely on such opinion in complying with the requirements of these Tax Regulatory Covenants and the covenants herein shall be deemed to be modified to that extent. These Tax Regulatory Covenants shall be amended or modified by the parties hereto in any manner which is necessary to comply with such regulations as may be promulgated by the United States Treasury Department from time to time.

**SECTION 6. ACCOUNTING FOR GROSS PROCEEDS.** In order to perform the calculations required by the Code and the Regulations, it is necessary to track the investment and expenditure of all Gross Proceeds. To that end, the District must adopt reasonable and consistently applied methods of accounting for all Gross Proceeds. Appendix I hereto sets forth a description of the required allocation and accounting rules with which the District agrees to comply.

**SECTION 7. ADMINISTRATIVE COSTS OF INVESTMENTS.** Except as otherwise provided in this Section 7, an allocation of Gross Proceeds to a payment or receipt on a Nonpurpose Investment is not adjusted to take into account any costs or expenses paid, directly or indirectly, to purchase, carry, sell or retire the Nonpurpose Investment (administrative costs). Thus, administrative costs generally do not increase the payments for, or reduce the receipts from, Nonpurpose Investments.

In determining payments and receipts on Nonpurpose Investments, Qualified Administrative Costs are taken into account by increasing payments for, or reducing the receipts from, the Nonpurpose Investments. Qualified Administrative Costs are reasonable, direct administrative costs, other than carrying costs, such as separately stated brokerage or selling commissions, but not legal and accounting fees, recordkeeping, custody and similar costs. General overhead costs and similar indirect costs of the District such as employee salaries and office expenses and costs associated with computing Rebutable Arbitrage are not Qualified Administrative Costs.

Allocation and accounting rules are provided in Appendix I attached hereto.

## **APPENDIX I**

### **ALLOCATION AND ACCOUNTING RULES**

(a) General Rule. Any issuer may use any reasonable, consistently applied accounting method to account for Gross Proceeds, investments and expenditures of an issue. An accounting method is "consistently applied" if it is applied uniformly within a Fiscal Period (as hereinafter defined) and between Fiscal Periods to account for Gross Proceeds of an issue and any amounts that are in a commingled fund.

(b) Allocation of Gross Proceeds to an Issue. Amounts are allocable to only one issue at a time as Gross Proceeds. Amounts cease to be allocated to an issue as Proceeds only when those amounts (i) are allocated to an expenditure for a governmental purpose; (ii) are allocated to Transferred Proceeds of another issue of obligations; or (iii) cease to be allocated to that issue at retirement of the issue or under the Universal Cap.

(c) Allocation of Gross Proceeds to Investments. Upon the purchase or sale of a Nonpurpose Investment, Gross Proceeds of an issue are not allocated to a payment for that Nonpurpose Investment in an amount greater than, or to a receipt from that Nonpurpose Investment in an amount less than, the Fair Market Value of the Nonpurpose Investment as of the purchase or sale date. The Fair Market Value of a Nonpurpose Investment is adjusted to take into account Qualified Administrative Costs allocable to the investment. Thus, Qualified Administrative Costs increase the payments for, or decrease the receipts from, a Nonpurpose Investment.

(d) Allocation of Gross Proceeds to Expenditures. Reasonable accounting methods for allocating funds from different sources to expenditures for the same governmental purpose include a "specific tracing" method, a "gross-proceeds-spent-first" method, a "first-in-first-out" method or a ratable allocation method, so long as the method used is consistently applied. An allocation of Gross Proceeds of an issue to an expenditure must involve a current outlay of cash for a governmental purpose of the issue. A current outlay of cash means an outlay reasonably expected to occur not later than five banking days after the date as of which the allocation of Gross Proceeds to the expenditure is made.

(e) Commingled Funds. Any fund or account that contains both Gross Proceeds of an issue and amounts in excess of \$25,000 that are not Gross Proceeds of that issue if the amounts in the fund or account are invested and accounted for collectively, without regard to the source of the funds deposited therein, constitutes a "commingled fund." All payments and receipts (including deemed payments and receipts) on investments held by a commingled fund must be allocated (but not necessarily distributed) among each different source of funds invested in the commingled fund in accordance with a consistently applied, reasonable ratable allocation method. Reasonable ratable allocation methods include, without limitation, methods that allocate payments and receipts in proportion to either (i) the average daily balances of the amounts in the commingled fund from each different source of funds during any consistent time period within its fiscal year, but at least quarterly (the "Fiscal Period"); or (ii) the average of the beginning and ending balances of the amounts in the commingled fund from each different source of funds for a Fiscal Period that does not exceed one month.

Funds invested in the commingled fund may be allocated directly to expenditures for governmental purposes pursuant to a reasonable consistently applied accounting method. If a ratable allocation method is used to allocate expenditures from the commingled fund, the same ratable allocation method must be used to allocate payments and receipts on investments in the commingled fund.

Generally a commingled fund must treat all its investments as if sold at Fair Market Value either on the last day of the fiscal year or on the last day of each Fiscal Period. The net gains or losses from these deemed sales of investments must be allocated to each different source of funds invested in the commingled fund during the period since the last allocation. This mark-to-market requirement does not apply if (i) the remaining weighted average maturity of all investments held by a commingled fund during a particular fiscal year does not exceed 18 months, and the investments held by the commingled fund during that fiscal year consist exclusively of obligations; or (ii) the commingled fund operated exclusively as a reserve fund, sinking fund or replacement fund for two or more issues of the same issuer. Subject to the Universal Cap limitation, and the principle that amounts are allocable to only one issue at a time as Gross Proceeds, investments held by a commingled fund must be allocated ratably among the issues served by the commingled fund in proportion to either (i) the relative Values of the bonds of those issues; (ii) the relative amounts of the remaining maximum annual debt service requirements on the outstanding principal amounts of those issues; or (iii) the relative original stated principal amounts of the outstanding issues.

(f) Universal Cap. Amounts that would otherwise be Gross Proceeds allocable to an issue are allocated (and remain allocated) to the issue only to the extent that the Value of the Nonpurpose Investments allocable to those Gross Proceeds does not exceed the Value of all outstanding bonds of the issue. Nonpurpose Investments allocated to Gross Proceeds in a bona fide debt service fund for an issue are not taken into account in determining the Value of the Nonpurpose Investments, and those Nonpurpose Investments remain allocated to the issue. To the extent that the Value of the Nonpurpose Investments allocable to the Gross Proceeds of an issue exceed the Value of all outstanding bonds of that issue, an issuer should seek the advice of Bond Counsel for the procedures necessary to comply with the Universal Cap.

(g) Expenditure for Working Capital Purposes. Subject to certain exceptions, the Proceeds of an issue may only be allocated to "working capital expenditures" as of any date to the extent that those expenditures exceed "available amounts" as of that date (i.e., "proceeds-spent-last").

For purposes of this section, "working capital expenditures" include all expenditures other than "capital expenditures." "Capital expenditures" are costs of a type properly chargeable (or chargeable upon proper election) to a capital account under general federal income tax principles. Such costs include, for example, costs incurred to acquire, construct or improve land, buildings and equipment having a reasonably expected useful life in excess of one year. Thus, working capital expenditures include, among other things, expenditures for current operating expenses and debt service.

For purposes of this section, "available amount" means any amount that is available to an issuer for working capital expenditure purposes of the type financed by the issue. Available

amount excludes Proceeds of the issue but includes cash, investments and other amounts held in accounts or otherwise by an issuer for working capital expenditures of the type being financed by the issue if such amounts may be used by the issuer without legislative or judicial action and without a legislative, judicial or contractual requirement that such amounts be reimbursed. Notwithstanding the preceding sentence, a "reasonable working capital reserve" is treated as unavailable. A working capital reserve is reasonable if it does not exceed five percent of the actual working capital expenditures of an issuer in the fiscal year before the year in which the determination of available amounts is made. For purpose of the preceding sentence only, in determining the working capital expenditures of an issuer for a prior fiscal year, any expenditures (whether capital or working capital expenditures) that are paid out of current revenues may be treated as working capital expenditures.

The proceeds-spent-last requirement does not apply to expenditures to pay (i) any Qualified Administrative Costs; (ii) fees for qualified guarantees of the issue or payments for a qualified hedge for the issue; (iii) interest on the issue for a period commencing on the issue date and ending on the date that is the later of three years from the issue date or one year after the date on which the financed project is placed in service; (iv) the United States for yield reduction payments (including rebate payments) or penalties for the failure to meet the spend down requirements associated with certain spending exceptions to the rebate requirement; (v) costs, other than those described in (i) through (iv) above, that do not exceed five percent of the Sale Proceeds of an issue and that are directly related to capital expenditures financed by the issue (e.g., initial operating expenses for a new capital project); (vi) principal or interest on an issue paid from unexpected excess Sales Proceeds or Investment Proceeds; (vii) principal or interest on an issue paid from investment earnings on a reserve or replacement fund that are deposited in a bona fide debt service fund; and (viii) principal, interest or redemption premium on a prior issue and, for a crossover refunding issue, interest on that issue. Notwithstanding the preceding paragraph, the exceptions described above do not apply if the allocation merely substitutes Gross Proceeds for other amounts that would have been used to make those expenditures in a manner that gives rise to Replacement Proceeds.

## APPENDIX “C”

### FORM OF APPROVING OPINION OF BOND COUNSEL

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## OPINION OF BOND COUNSEL

July 17, 2008

Gardnyr Michael Capital, Inc.  
Mobile, Alabama

Lost Rabbit Public Improvement District  
Madison County, Mississippi

Re: \$18,605,000 Lost Rabbit Public Improvement District  
Special Assessment Bonds, Series 2008

Ladies and Gentlemen:

We have acted as Bond Counsel in connection with the issuance by the Lost Rabbit Public Improvement District (the "Issuer") of its \$18,605,000 aggregate principal amount of Special Assessment Bonds, Series 2008, issued and delivered on this date (the "Series 2008 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 June 10, 2008 and July 8, 2008 (collectively, the "Bond Resolution"). The Series 2008 Bonds are being further issued and secured by a Trust Indenture dated as of July 1, 2008 (the "Indenture"), by and between the Issuer and U.S. Bank National Association (the "Trustee"). Capitalized terms used herein without definitions have the meanings ascribed thereto in the Indenture.

The Series 2008 Bonds are being issued for the purposes of providing funds for (i) the payment of the costs of the Project (as defined in the Indenture), (ii) the payment of interest on the Series 2008 Bonds through and including May 1, 2011, (iii) the funding of the Reserve Fund (as defined in the Indenture), and (iv) the payment of the costs of issuance of the Series 2008 Bonds. The Series 2008 Bonds are issuable initially as fully registered Bonds in minimum denominations of \$100,000 and \$5,000 integral multiples thereof. The Series 2008 Bonds are dated the date of issuance and delivery thereof, and mature on May 1, 2038 and, bear interest at the rate as described therein, payable as to interest on May 1 and November 1 of each year, commencing November 1, 2008. The Series 2008 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 2008 Bonds, and subject to the terms of the Indenture, the Issuer has pledged to the holders of the Series 2008 Bonds, and granted a lien to the holders of the Series 2008 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 and a public improvement district created in accordance with the Act, with the power to execute the Indenture, to perform its obligations thereunder and to issue the Series 2008 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 2008 Bonds have been duly authorized by the Issuer and, assuming the due execution and authentication thereof, the Series 2008 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 2008 Bonds in order that interest on the Series 2008 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 2008 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 2008 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 2008 Bonds is excludable from the gross income of the owners thereof for federal income tax purposes. Furthermore, interest on the Series 2008 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 2008 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 2008 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 2008 Bonds in order that interest on the Series 2008 Bonds not be included in gross income for federal income tax purposes.

5. The Series 2008 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.

We call to your attention that the Series 2008 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, Madison County, Mississippi, the State of Mississippi or any political subdivision thereof is pledged as security for the payment of the Series 2008 Bonds. The Series 2008 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

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APPENDIX “D”

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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## **CONTINUING DISCLOSURE AGREEMENT**

This **CONTINUING DISCLOSURE AGREEMENT** (the "Disclosure Agreement") dated as of July 17, 2008 is executed and delivered by **LOST RABBIT PUBLIC IMPROVEMENT DISTRICT** (the "District") and **LOST RABBIT DEVELOPMENT, LLC**, an Mississippi limited liability company (the "Developer"), and joined in by the Disclosure Representative and the Trustee (as such terms are herein defined), in connection with the issuance of the District's \$18,605,000 Special Assessment Bonds, Series 2008 (the "Bonds"). The Bonds are being issued pursuant to a Trust Indenture dated as of July 1, 2008 (the "Indenture"), between the District and U.S. Bank National Association, as trustee (the "Trustee"). In consideration of the mutual promises and other considerations contained herein, the District and the Developer covenant and agree as follows:

**1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is for the benefit of the Owners of the Bonds and to assist the Participating Underwriter of the Bonds in complying with the applicable provisions of Rule 15c2-12(b)(5) promulgated by the Securities and Exchange Commission ("SEC") pursuant to the Securities Exchange Act of 1934, as amended from time to time (the "Rule"). The execution and delivery of this Disclosure Agreement is intended to comply with the Rule. To the extent it is later determined by a court of competent jurisdiction, a governmental regulatory agency, or an attorney specializing in federal securities law, that the Rule requires the District or the Developer to provide additional information, the District and the Developer, as applicable, agree to promptly provide such additional information.

The provisions of this Disclosure Agreement are in addition to the provisions of the Indenture with respect to reports, filings and notifications provided for therein, and do not in any way relieve the District, the Trustee or any other person of any covenant, agreement or obligation under the Indenture (or remove any of the benefits thereof) nor shall anything herein prohibit the District, the Trustee or any other person from making any reports, filings or notifications required by the Indenture or any applicable law.

**2. Definitions.** In addition to the definitions set forth in the Indenture, 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 District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Assessments" shall mean the non-ad valorem special assessments pledged to the payment of the Bonds pursuant to the Indenture.

"Business Day" means any day other than a Saturday, Sunday or a day on which the District is required, or authorized or not prohibited by law (including executive orders), to close and is closed.

"Developer Report" shall mean any Developer Report provided by the Developer, its successors or assigns pursuant to, and as described in, Sections 5 and 6 of this Disclosure Agreement.

"Development" shall have meaning ascribed thereto in the Limited Offering Memorandum.

"Disclosure Representative" shall mean the person or entity serving as District Manager from time to time or such other officer or employee of the District as the District shall designate in writing to the Trustee and the Dissemination Agent from time to time.

"Dissemination Agent" shall mean the District, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and Trustee a written acceptance of such designation.

"District Manager" shall mean Wrathell, Hart, Hunt & Associates, LLC.

"Fiscal Year" shall mean the period commencing on October 1 and ending on September 30 of the next succeeding year, or such other period of time provided by applicable law.

"Limited Offering Memorandum" shall mean the final limited offering document relating to the Bonds.

"Listed Event" shall mean any of the events listed in Section 7(a) of this Disclosure Agreement.

"MSRB" means the Municipal Securities Rulemaking Board.

"National Repository" shall mean each nationally recognized municipal securities information repository designated from time to time by the SEC in accordance with the Rule. A list of the names and addresses of all designated National Repositories and State Repositories as of any date may currently be obtained by calling the SEC's Fax on Demand Service from a fax machine at (202) 942-8088 and requesting document numbers 0206 and 0207, respectively, or by visiting the SEC's web site at "<http://www.sec.gov/info/municipal/nrmsir.htm>."

"Obligated Person(s)" shall mean, with respect to the Bonds, those person(s) who either generally or through an enterprise fund or account of such persons are committed by contract or other arrangement to support payment of all or a part of the obligations on such Bonds, which person(s) shall include the District and, for the purposes of this Disclosure Agreement only, the Developer for so long as the Developer is the owner of (or is responsible for developing as the case may be) at least twenty percent (20%) of the lands which have been determined by the District to be lands benefited by the project financed with proceeds of the Bonds (the "Lands") or are responsible for payment of at least twenty percent (20%) of the Assessments.

"Owners" shall have the meaning ascribed thereto in the Indenture with respect to the Bonds and shall include beneficial owners of the Bonds, including those that have 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 are treated as the owner of any Bonds for federal income tax purposes.

"Participating Underwriter" shall mean Gardnry Michael Capital, Inc., in its capacity as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository, if any.

"State" shall mean the State of Mississippi.

"State Repository" shall mean the state information repository, if any, designated by the State and with which filings are required to be made by the District in accordance with the Rule.

### **3. Content of Annual Reports.**

The District's Annual Report shall contain the following, which includes an update of the financial and operating data of the District to the extent presented in the Limited Offering Memorandum. All information in the Annual Report shall be presented for the immediately preceding Fiscal Year and, to the extent available, the current Fiscal Year:

- (i) The amount of Assessments levied.
- (ii) The amount of Assessments collected from property owners.
- (iii) If available, the amount of delinquencies greater than 150 days, and, if delinquencies amount to more than ten percent (10%) of the amounts of Assessments due in any year, a list of delinquent property owners.
- (iv) The amount of tax sales, if any, and the balance, if any, in connection with the Lands.
- (v) All fund balances in all Funds and Accounts for the Bonds. The District shall provide any Owners and the Dissemination Agent with this information more frequently than annually within thirty (30) days of the written request of the Owners.
- (vi) The total amount of Bonds Outstanding.
- (vii) The amount of principal and interest due on the Bonds.
- (viii) The most recent audited financial statements of the District, which shall be prepared in accordance with governmental accounting standards promulgated by the Government Accounting Standards Board (provided, however, if the District has not

prepared audited financial statements for its Fiscal Year ending September 30, 2008, the first Annual Report submitted by the District in accordance herewith may include unaudited financial statements for such Fiscal Year).

#### **4. Provision of Annual Reports.**

(a) The District shall provide the Annual Report to the Dissemination Agent no later than 180 days after the close of the District's Fiscal Year, commencing with the Fiscal Year ended September 30, 2008 (the "Annual Filing Date"). The Annual Report may be submitted as a single document or as separate documents comprising a package; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and may be submitted in accordance with State law. The District shall cause the Dissemination Agent to provide to each Repository (i) the components of an Annual Report which satisfies the requirements of this subsection 4(a) and (ii) any information provided to Owners and the Dissemination Agent pursuant to Section 3(v) of this Disclosure Agreement. In furtherance thereof, the Dissemination Agent shall request the Annual Report (which request shall be in writing and may be made via e-mail to the Disclosure Representative) at least thirty (30) days prior to the Annual Filing Date. If the District's Fiscal Year changes, the District shall give notice of such change in the same manner as for a Listed Event under Section 7.

(b) If on the fifteenth (15th) day prior to each Annual Filing Date the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Disclosure Representative by telephone and in writing (which may be by e-mail) to remind the District of its undertaking to provide the Annual Report pursuant to this Section 4. Upon such reminder, the Disclosure Representative shall either (i) provide the Dissemination Agent with an electronic copy of the Annual Report in accordance with Section 4(a) above, or (ii) instruct the Dissemination Agent in writing that the District will not be able to file the Annual Report within the time required under this Disclosure Agreement, state the date by which the Annual Report for such year will be provided and instruct the Dissemination Agent that a Listed Event as described in Section 7(a)(xii) has occurred and to immediately send a notice to the National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent has not received an Annual Report by 12:00 noon on the first business day following the Annual Filing Date for the Annual Report, a Listed Event described in Section 7(a)(xii) shall have occurred and the District hereby directs the Dissemination Agent to promptly send a notice to each National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) promptly upon fulfilling its obligations under subsection (a) above, file a notice with the District stating that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date(s) it was provided.

## **5. Content of Developer Reports.**

(a) The Developer, so long as it is an Obligated Person for purposes of this Disclosure Agreement, shall prepare a Developer Report no later than thirty (30) days after the end of each calendar quarter commencing September 30, 2008. At such time as the Developer is no longer an Obligated Person, the Developer will no longer be obligated to prepare any quarterly Developer Report pursuant to this Disclosure Agreement.

(b) Each Developer Report shall contain an update of the financial and operating data of the Developer to the extent presented in the Limited Offering Memorandum:

(i) The information regarding expected product type, lot size and average home price under the caption "The Development".

(ii) The information regarding the current status of actual (rather than projected) sales and closings under the caption "The Development."

(iii) A description of the infrastructure improvements and recreational amenities needed for the Development that have been completed and that are currently under construction, including infrastructure financed by the Bonds.

(iv) The percentage of the infrastructure financed by the Bonds that has been completed.

(v) The number of single-family homes and multi-family homes, respectively, planned on property subject to the Assessments.

(vi) The number of units, type of units and square footage of commercial property or other non-residential uses planned on property subject to the Assessments.

(vii) Information about closed sales to builders, including the amount and type of property closed (lots, parcels, raw land, single-family lot, townhome lot, etc.), together with the name of each builder.

(viii) Information about closed sales to retail end users, including the amount and type of property closed (single-family home, townhome, etc.).

(ix) The number of single-family homes and townhomes, respectively, under contract with retail end users.

(x) The number of single-family lots and townhome lots, respectively, under contract with builders, together with the name of each builder.

(xi) The number of single-family homes and townhomes, respectively, constructed.

(xii) The number of single-family homes and townhomes, respectively, under construction.

(xiii) The estimated date of complete build-out of residential units.

(xiv) The number of acres and type of property (parcels, raw land, etc.) sold for non-residential development, if any.

(xv) The square footage of non-residential property constructed, if any.

(xvi) Whether the Developer has made any bulk sale of the land subject to the Assessments other than as contemplated by the Limited Offering Memorandum.

(xvii) The anchor (more than ten percent (10%) of the square footage) tenants of non-residential property, if any.

(xviii) The status of development approvals for the Development.

(xix) Materially adverse changes or determinations to permits/approvals for the Development which necessitate changes to the Developer's land-use or other plans for the Development.

(xx) Updated plan of finance (i.e., status of any credit enhancement, issuance of additional bonds to complete project, draw on credit line of Developer, additional mortgage debt, etc.).

(xxi) Any event that would have a material adverse impact on the implementation of the Development as described in the Limited Offering Memorandum or on the Developer's ability to undertake the Development as described in the Limited Offering Memorandum.

(c) If the Developer sells, assigns or otherwise transfers ownership of real property in the Development to a third party, which will in turn be an Obligated Person (a "Transfer"), the Developer hereby agrees to require such third party to comply with the disclosure obligations of the Developer hereunder for so long as such third party is an Obligated Person, to the same extent as if such third party were a party to this Disclosure Agreement. The Developer shall promptly notify the District and the Dissemination Agent in writing of any Transfer. For purposes of Sections 5 and 6 hereof, the term "Developer" shall be deemed to include the Developer and any third party that becomes an Obligated Person hereunder as a result of a Transfer. If the Developer remains an Obligated Person hereunder following any Transfer, nothing herein shall be construed to relieve the Developer from its obligations hereunder.

## **6. Provision of Developer Reports.**

(a) The Developer shall provide a Developer Report which contains the information in Sections 5(b) and (c) to the Dissemination Agent no later than the Quarterly Receipt Date for such Developer Report. Within thirty (30) days of the Quarterly Receipt Date, the Dissemination Agent shall file the Developer Report provided to it by the Developer with each Repository (the "Quarterly Filing Date").

(b) The failure of the Developer to provide a Developer Report which includes the information set forth in Sections 5(b) and 5(c) of this Disclosure Agreement shall constitute a Listed Event as described in 7(a)(xii) of this Disclosure Agreement.

(c) If on the seventh (7th) day prior to each Quarterly Receipt Date the Dissemination Agent has not received a copy of the Developer Report due on such Quarterly Receipt Date, the Dissemination Agent shall contact the Developer by telephone and in writing (which may be by e-mail) to remind the Developer of its undertaking to provide the Developer Report pursuant to Section 5. Upon such reminder, the Developer shall either (i) provide the Dissemination Agent with an electronic copy of the Developer Report in accordance with Section 6(a) above, or (ii) instruct the Dissemination Agent in writing that such Obligated Party will not be able to file the Developer Report within the time required under this Disclosure Agreement and state the date by which such Developer Report will be provided.

(d) If the Dissemination Agent has not received a Developer Report by 12:00 noon on the first business day following each Quarterly Receipt Date, a Listed Event described in Section 7(a)(xii) shall have occurred and the District and the Developer hereby direct the Dissemination Agent to send a notice to each National Repository or the MSRB and the State Repository (if any) in substantially the form attached as Exhibit A, with a copy to the District. The Dissemination Agent shall file such notice no later than thirty (30) days following the applicable Quarterly Receipt Date.

(e) The Dissemination Agent shall:

(i) determine prior to each Quarterly Filing Date the name and address of each National Repository and each State Repository, if any; and

(ii) promptly upon fulfilling its obligations under subsection (a) above, file a notice with the Developer stating that the Developer Report has been provided pursuant to this Disclosure Agreement and stating the date(s) it was provided.

## **7. Reporting of Significant Events.**

(a) This Section 7 shall govern the giving of notices of the occurrence of any Listed Event set forth below:

(i) Delinquency in payment when due of any principal or interest on the Bonds.

- (ii) Amendment to the Indenture or this Disclosure Agreement modifying the rights of the Owners of the Bonds.
- (iii) Giving a notice of optional or unscheduled redemption of any Bonds.
- (iv) Defeasance of the Bonds or any portion thereof.
- (v) Any change in any rating of the Bonds.
- (vi) (A) Receipt of an opinion of nationally recognized bond counsel to the effect that interest on the Bonds is not tax-exempt; or  
(B) Any event adversely affecting the tax-exempt status of the Bonds, including, but not limited to:
  - (1) Any audit, investigation or other challenge of the tax-exempt status of the Bonds by the Internal Revenue Service or in any administrative or judicial proceeding; or
  - (2) The issuance of any regulation, decision or other official pronouncement by the Internal Revenue Service or other official tax authority or by any court adversely affecting the tax-exempt status of the Bonds or bonds of the same type as the Bonds or financing structures of the same type as financed by the Bonds.
- (vii) Any unscheduled draw on the Debt Service Reserve Fund reflecting financial difficulties.
- (viii) Any unscheduled draw on credit enhancements reflecting financial difficulties.
- (ix) The release, substitution or sale of property securing repayment of the Bonds (including property leased, mortgaged or pledged as such security). The sale of real property in the District in the ordinary course of the Developer's respective business shall not be a Listed Event for purposes of the foregoing.
- (x) The substitution of credit or liquidity providers or their failure to perform.
- (xi) Occurrence of any Event of Default under the Indenture (other than as described in clause (i) above).
- (xii) Failure to provide the Annual Report as required under this Disclosure Agreement and/or a Developer Report that contains, in all material respects, the information required under Sections 5(b) and 5(c) of this Disclosure Agreement.

(b) The District shall, within five (5) Business Days of obtaining actual knowledge of any Listed Event determined by the District, notify the Dissemination Agent in writing of such Listed Event and the Dissemination Agent is hereby directed to file a notice of the occurrence of such Listed Event with each National Repository or the MSRB and the State Repository (if any).

(c) If the Dissemination Agent has been instructed in writing by the District to file notice of a Listed Event or is otherwise authorized by this Disclosure Agreement to file such notice, the Dissemination Agent shall promptly file notice of such Listed Event with each National Repository or the MSRB and the State Repository (if any). The notice shall be in the form of Exhibit A to this Disclosure Agreement.

**8. Termination of Disclosure Agreement.** This Disclosure Agreement shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds.

**9. Dissemination Agent.** The District 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. If at any time there is not any other designated Dissemination Agent, the District shall be the Dissemination Agent.

**10. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Agreement, this Disclosure Agreement, and any provision of this Disclosure Agreement may not be waived or amended without the prior written consent of a majority of the Owners.

Notwithstanding the above provisions of this Section 10, no amendment to the provisions of Sections 5 and 6 hereof may be made without the consent of the Developer as long as the Developer is an Obligated Person.

Upon any amendment or waiver of a provision of this Disclosure Agreement, the District 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 in accounting principles, on the presentation) of financial information or operating data being presented by the District. 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 7(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.

**11. Additional Information.** Nothing in this Disclosure Agreement shall be deemed to prevent the District or the Developer 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, Developer Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the District chooses 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, or if the Developer chooses to include any information in any Developer Report in addition to that which is specifically required by this Disclosure Agreement, neither the District nor the Developer, as applicable, shall have any obligation under this Disclosure Agreement to update such information or include it in any future Annual Report, any future Developer Report or notice of occurrence of a Listed Event. The Developer agrees to provide the District with a copy of any information in addition to the Developer Report provided by it to the Dissemination Agent or any Repository.

**12. Default.** In the event of a failure of the District, the Disclosure Representative, the Developer or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of the Owners of at least 25% aggregate principal amount of Outstanding Bonds and receipt of indemnity satisfactory to the Trustee, shall), take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District, the Disclosure Representative, the Developer or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement by the Developer shall not be deemed a default by the District hereunder and no default hereunder shall be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement for failure of the District, the Disclosure Representative, the Developer or the Dissemination Agent, to comply with this Disclosure Agreement shall be an action to compel performance.

**13. Duties of Dissemination Agent.** The Dissemination Agent shall have only such duties as are specifically set forth in the applicable written dissemination agent agreement between the District and such Dissemination Agent and in this Disclosure Agreement. The Dissemination Agent shall have an obligation to notify the Trustee but shall have no obligation to notify any other party hereto of an event that may constitute a Listed Event. The District, the Disclosure Representative and the Developer shall supply, in a timely fashion, any information reasonably requested by the Dissemination Agent that is necessary in order for the Dissemination Agent to carry out its duties under this Disclosure Agreement. The District, the Disclosure Representative and the Developer acknowledge and agree that the information to be collected and disseminated by the Dissemination Agent will be provided by the District, the Disclosure Representative, the Developer and others. The Dissemination Agent's duties do not include authorship or production of any materials, and the Dissemination Agent shall have no responsibility hereunder for the content of the information provided to it by the District, the Disclosure Representative, or the Developer as thereafter disseminated by the Dissemination Agent.

**14. Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the District, the Disclosure Representative, the Developer, the Dissemination Agent, the Trustee, the Participating Underwriter and Owners of the Bonds (the Dissemination Agent, Participating Underwriter and Owners of the Bonds being hereby deemed express third party beneficiaries of this Agreement), and shall create no rights in any other person or entity.

**15. Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

**16. District, Disclosure Representative and Trustee Cooperation.** The District, the Disclosure Representative and the Trustee agree that the Dissemination Agent, in such capacity hereunder, may receive, upon request, from the District, the Disclosure Representative and the Trustee, on a timely basis, any information or reports within their respective control the Dissemination Agent requests in furtherance of the Dissemination Agent's duties hereunder, including balances in the Funds and Accounts established under the Indenture and such other information as it deems necessary to review compliance by the other parties hereto with their respective obligations hereunder. In furtherance thereof, the District, through its Disclosure Representative, agrees to provide the Dissemination Agent with a certified copy of any (i) tax roll provided to the Madison County Tax Collector promptly after its delivery to the Madison County Tax Collector, and (ii) assessment roll used by the District Manager, in either case no later than September 30 of the current Fiscal Year, and the adopted budget for the upcoming Fiscal Year by September 30 of the current year. In addition, the District acknowledges and agrees that any modifications to assessment methodologies which affect the Assessments and any other payment source of the Bonds and any "true up" implementations regarding such Assessments shall be adopted by District resolution and that the District, through its Disclosure Representative, will provide the Dissemination Agent and the Trustee with notice of such resolution(s) within 30 days of adoption.

**17. Disclosure USA.** Any filing to be made with each National Repository or State Repository hereunder may be made by transmitting such filing to the Texas Municipal Advisory Council (the "MAC") as provided at <http://www.disclosureusa.org>, unless the SEC has withdrawn the interpretative advice in its letter to the MAC dated September 7, 2004 or a court of competent jurisdiction has enjoined the MAC from providing its services.

**18. Governing Law.** This Disclosure Agreement shall be governed by the laws of the State of Mississippi and Federal law and venue shall be in any state or federal court having jurisdiction in Madison County, Mississippi.

**19. Binding Effect.** This Disclosure Agreement shall be binding upon each party and upon each successor and assignee of each party and shall inure to the benefit of, and be enforceable by, each party and each successor and assignee of each party.

**20. Patriot Act Requirements of the Trustee.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity, the Trustee will ask for documentation to verify such non-individual person's formation and existence as a legal entity. The Trustee may also ask to see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

[SIGNATURE PAGES TO FOLLOW]

SIGNATURE PAGE FOR  
**CONTINUING DISCLOSURE AGREEMENT**  
(Lost Rabbit Public Improvement District)

**IN WITNESS WHEREOF**, the undersigned has executed this Disclosure Agreement as of the date and year set forth above.

**LOST RABBIT PUBLIC IMPROVEMENT  
DISTRICT**

By: \_\_\_\_\_  
Chairman, Board of Directors

**DEVELOPER:**

**LOST RABBIT DEVELOPMENT, LLC**

By: Neopolis Development, LLC  
Its: Manager

By: \_\_\_\_\_  
Its: \_\_\_\_\_  
Managing Member

**SIGNATURE PAGE FOR  
CONTINUING DISCLOSURE AGREEMENT  
(Lost Rabbit Public Improvement District)**

Joined by Wrathell, Hart, Hunt and Associates, LLC, as Disclosure Representative for purposes of Section 4, Section 12, Section 13, Section 14 and Section 16 only.

**DISCLOSURE REPRESENTATIVE:**

**WRATHELL, HART, HUNT AND  
ASSOCIATES, LLC**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**SIGNATURE PAGE FOR  
CONTINUING DISCLOSURE AGREEMENT  
(Lost Rabbit Public Improvement District)**

Joined by U.S. Bank National Association, as Trustee for purposes of Section 12, Section 14 and Section 16 only.

**TRUSTEE:**

**U.S. BANK NATIONAL ASSOCIATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**EXHIBIT A**

**NOTICE TO REPOSITORIES  
OF FAILURE TO FILE ANNUAL REPORT/DEVELOPER REPORT**

Name of District:      Lost Rabbit Public Improvement District

Name of Bond Issue: \$18,605,000 Special Assessment Bonds, Series 2008A

Date of Issuance:      July 17, 2008

NOTICE IS HEREBY GIVEN that [the District has not provided an Annual Report as required by Section 4(a)] [the Developer has not provided a Developer Report which contains the information required by Section 5(b)] of the Continuing Disclosure Agreement dated as of July 17, 2008, among the District and the Developer named therein, and joined in by the Disclosure Representative and Trustee named therein, executed and delivered in connection with the above-referenced Bonds. The [District][Developer] has advised the undersigned that it anticipates that the [Annual Report][Developer Report] will be filed by \_\_\_\_\_, 20 \_\_\_\_].

Dated: \_\_\_\_\_

**[DISSEMINATION AGENT]**

cc:      Lost Rabbit Public Improvement District  
         Lost Rabbit Development, LLC

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APPENDIX “E”

BUDGET OF THE DISTRICT  
FOR THE FISCAL YEAR ENDING SEPTEMBER 30, 2008

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**LOST RABBIT**  
**Public Improvement District**

**Fiscal Year 2008**  
**Budget**

**Proposed**

**LOST RABBIT**  
**Public Improvement District**  
**Table of Contents**

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| General Fund - Summary Explanation of Expenditures | 2-3                   |

**Lost Rabbit  
Public Improvement District  
General Fund  
Budget for Fiscal Year 2008**

|   | Fiscal Year 2007  |                   |                      | Total Revenue<br>and<br>Expenditures | Budget<br>FY 2008 |
|---|-------------------|-------------------|----------------------|--------------------------------------|-------------------|
|   | Adopted<br>Budget | Actual<br>through | Projected<br>through |                                      |                   |
| <b>REVENUES AND OTHER SOURCES</b>                 |                   |                   |                      |                                      |                   |
| Interest and Miscellaneous Income                 | \$ -              | \$ -              | \$ -                 | \$ -                                 | \$ -              |
| Assessment Revenue                                | -                 | -                 | -                    | -                                    | -                 |
| Developer Contribution                            | -                 | -                 | -                    | -                                    | 67,088            |
| <b>Total Revenues and Other Sources</b>           | -                 | -                 | -                    | -                                    | 67,088            |
| <b>EXPENDITURES AND OTHER USES</b>                |                   |                   |                      |                                      |                   |
| <b>Professional &amp; Administrative Services</b> |                   |                   |                      |                                      |                   |
| Supervisor's Fees                                 | -                 | -                 | -                    | -                                    | 1,938             |
| Management Advisory Services                      | -                 | -                 | -                    | -                                    | 20,000            |
| Financial Accounting Services                     |                   |                   |                      |                                      |                   |
| General Fund                                      | -                 | -                 | -                    | -                                    | 4,000             |
| *Debt Service Fund                                | -                 | -                 | -                    | -                                    | 1,250             |
| *Capital Projects Fund                            | -                 | -                 | -                    | -                                    | 750               |
| Legal Services                                    | -                 | -                 | -                    | -                                    | 15,000            |
| Engineering Services                              | -                 | -                 | -                    | -                                    | 7,500             |
| Audit Services                                    | -                 | -                 | -                    | -                                    | -                 |
| Assessment Roll Preparation                       | -                 | -                 | -                    | -                                    | -                 |
| Arbitrage Rebate Calculation                      | -                 | -                 | -                    | -                                    | -                 |
| Dissemination Agent Fees                          | -                 | -                 | -                    | -                                    | -                 |
| Trustee Fees                                      | -                 | -                 | -                    | -                                    | -                 |
| Telephone   | -                 | -                 | -                    | -                                    | 500               |
| Postage   | -                 | -                 | -                    | -                                    | 750               |
| Printing & Binding                                | -                 | -                 | -                    | -                                    | 500               |
| Legal Advertising                                 | -                 | -                 | -                    | -                                    | 3,000             |
| Office Supplies                                   | -                 | -                 | -                    | -                                    | 100               |
| Travel & Per Diem                                 | -                 | -                 | -                    | -                                    | 1,200             |
| Insurance   | -                 | -                 | -                    | -                                    | 10,000            |
| Contingencies                                     | -                 | -                 | -                    | -                                    | 600               |
| Capital Outlay                                    | -                 | -                 | -                    | -                                    | -                 |
| <b>Total Expenditures and Other Uses</b>          | -                 | -                 | -                    | -                                    | 67,088            |
| Net Increase/(Decrease) of Fund Balance           | -                 | -                 | -                    | -                                    | -                 |
| Fund Balance - Beginning (Unaudited)              | -                 | -                 | -                    | -                                    | -                 |
| Fund Balance- Ending (Projected)                  | <u>\$ -</u>       | <u>\$ -</u>       | <u>\$ -</u>          | <u>\$ -</u>                          | <u>\$ -</u>       |

\* Debt Service and Capital Projects Fund accounting fees are only charged subsequent to the issuance of bonds.

**Lost Rabbit  
Public Improvement District  
General Fund  
Budget for Fiscal Year 2008**

**EXPENDITURES AND OTHER USES**

**Professional & Administrative Services**

|                          |    |       |
|--------------------------|----|-------|
| <b>Supervisor's Fees</b> | \$ | 1,938 |
|--------------------------|----|-------|

SEC. 19-31-9, (7) Members of the board may receive per diem compensation for services in an amount as provided under Section 25-3-69, currently set at forty dollars per day (\$40.00) and shall be entitled to expenses necessarily incurred in the discharge of their duties in accordance with Section 25-3-41. Any payments for compensation and expenses shall be paid from funds of the district. These expenditures include FICA at 7.65%.

|                                     |  |        |
|-------------------------------------|--|--------|
| <b>Management Advisory Services</b> |  | 20,000 |
|-------------------------------------|--|--------|

**Wrathell, Hart, Hunt and Associates, LLC** specializes in managing Special Districts by combining the knowledge, skills and experience of a team of professionals to ensure compliance with all governmental requirements of the District, develops financing programs, administers the issuance of tax exempt bond financings and operates and maintains the assets of the Community. This fee is inclusive of District management and recording services.

|                                      |  |       |
|--------------------------------------|--|-------|
| <b>Financial Accounting Services</b> |  | 6,000 |
|--------------------------------------|--|-------|

Preparation of all of the District's financial items, including monthly financials and the annual budget, are provided by Wrathell, Hart, Hunt and Associates, LLC . The fee for these services is \$8,000 for the General Fund, \$7,500 per Capital Projects Fund and \$4,500 per Debt Service Fund.

|                       |  |        |
|-----------------------|--|--------|
| <b>Legal Services</b> |  | 15,000 |
|-----------------------|--|--------|

The District's general counsel provides legal representation on issues relating to public finance, public bidding, rulemaking, open meetings, public records, real property dedications, conveyances and contracts.

|                             |  |       |
|-----------------------------|--|-------|
| <b>Engineering Services</b> |  | 7,500 |
|-----------------------------|--|-------|

The District's engineer provides consulting and construction services to assist the District in crafting sustainable solutions for the long term interests of the Community while recognizing the needs of government, the environment and maintenance of the District's facilities.

|                       |  |   |
|-----------------------|--|---|
| <b>Audit Services</b> |  | - |
|-----------------------|--|---|

Per the Master Trust Indenture, the District is required to annually undertake an independent examination of its books, records and accounting procedures.

|                                    |  |   |
|------------------------------------|--|---|
| <b>Assessment Roll Preparation</b> |  | - |
|------------------------------------|--|---|

Includes preparing, maintaining and transmitting the annual lien roll with annual special assessment amounts for capital and operating and maintenance assessments. For Fiscal Year 2008 this service will not be required.

|                                     |  |   |
|-------------------------------------|--|---|
| <b>Arbitrage Rebate Calculation</b> |  | - |
|-------------------------------------|--|---|

Once the District adopts and implements a Capital Improvement Program - and subsequently issues Bonds to finance those improvements, under Federal Law, the District is required to comply with all Tax Regulations; to insure that the District earnings on its Bond Accounts are not in excess of the interest paid on the Bonds, therefore an annual computation is necessary to calculate the arbitrage rebate liability. (if any)

**Lost Rabbit  
Public Improvement District  
General Fund  
Budget for Fiscal Year 2008**

|   |                         |
|---|-------------------------|
| <b>Dissemination Agent Fees</b>   | -                       |
| requirements of Rule 15c2-12 under the Securities Exchange Act of 1934. This Rule essentially requires the District to insure that the information contained in any Official Statement issued by the District for its Bonds is updated on a periodic basis and reported to the Bondholders. The Dissemination Agent for the District will be provided by Wrathell, Hart, Hunt and Associates LLC. |                         |
| <b>Trustee Fees</b>   | -                       |
| Annual Fee paid for the service provided as Trustee, Paying Agent and Registrar for any Bonds issued by the District.   |                         |
| <b>Telephone</b>  | 500                     |
| Telephone and fax machine.  |                         |
| <b>Postage</b>  | 750                     |
| Mailing of Agenda packages, overnight deliveries, correspondence, etc.  |                         |
| <b>Printing &amp; Binding</b>   | 500                     |
| Stationary, envelopes, copies, checks, etc.   |                         |
| <b>Legal Advertising</b>  | 3,000                   |
| The District advertises for meeting of the Board of Supervisor's, public hearings, public bidding, etc.   |                         |
| <b>Office Supplies</b>  | 100                     |
| Accounting and administrative supplies  |                         |
| <b>Travel &amp; Per Diem</b>  | 1,200                   |
| Travel and related expenses for District staff and consultant's.  |                         |
| <b>Insurance</b>  | 10,000                  |
| The District carries Public Officials Liability and General Liability Insurance with the limit of liability set at \$1,000,000 (general aggregate \$2,000,000) and \$1,000,000 for Public Officials Liability.  |                         |
| <b>Contingencies</b>  | 600                     |
| Bank charges and other current or miscellaneous expenses that occur during the year.  |                         |
| <b>Capital Outlay</b>   | -                       |
| For purchases of miscellaneous equipment.   |                         |
| <b>Total Expenditures and Other Uses</b>  | <u><u>\$ 67,088</u></u> |

APPENDIX “F”

MASTER SPECIAL ASSESSMENT METHODOLOGY REPORT

and

SUPPLEMENTAL SPECIAL ASSESSMENT METHODOLOGY REPORT

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# LOST RABBIT PUBLIC IMPROVEMENT DISTRICT

## Final Master Special Assessment Methodology Report

July 14, 2008



***Wrathell, Hart, Hunt and Associates, LLC***

*Building client relationships one step at a time...*

Provided by

***Wrathell, Hart, Hunt and Associates, LLC***

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Coconut Creek, FL 33073

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Website: [www.whhassociates.com](http://www.whhassociates.com)



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## **1.0 Introduction**

### **1.1 Purpose**

This Report was developed to provide a final master financing plan and a final master special assessment methodology for the Lost Rabbit Public Improvement District (the "District"), located in Madison County, Mississippi, as relating to funding the costs of public infrastructure improvements contemplated to be provided by the District.

### **1.2 Scope of the Report**

This Report presents the final projections for financing the District's capital requirements (the "Capital Improvement Program") necessary to provide the public community infrastructure improvements described in the District Engineer's Report provided by Pickering Incorporated (the "District Engineer").

The Report also describes the method for the apportionment of benefits and special assessment debt resulting from the provision and funding of these improvements.

### **1.3 Special Benefits and General Benefits**

Improvements undertaken and funded by the District as part of the Capital Improvement Program create special and peculiar benefits, different in kind and degree than general benefits, for properties within its borders as well as general benefits to the public at large. However, as discussed within this report, these general benefits are incidental in nature and are readily distinguishable from the special and peculiar benefits which accrue to property within the District. The Capital Improvement Program of the District enables properties within the boundaries of the District to be developed. Without the Capital Improvement Program, there would be no infrastructure to support development of the land. Without these improvements, the development of property within the District would be impracticable.

There is no doubt that the general public, property owners, and property outside the District will benefit from the provision of the Capital Improvement Program. However, these benefits are only incidental since the Capital Improvement Program is designed solely to provide special



benefits peculiar to property within the District. Properties outside the District do not depend upon the Capital Improvement Program to obtain or to maintain their development entitlements. This fact alone clearly distinguishes the special benefits which District properties receive compared to those lying outside of the District's boundaries.

By pursuing the Capital Improvement Program and providing improvements which are all necessary in order to make the lands within the District developable and saleable, the value of the developable and saleable lands within the District increases by more than the sum of the financed cost of the individual components of the Capital Improvement Program. Even though the exact value of the benefits provided by the Capital Improvement Program is hard to estimate at this point, it is nevertheless greater than the costs associated with providing same.

#### **1.4 Organization of this Report**

*Section Two* describes the development program as proposed by the Developer.

*Section Three* provides a summary of the Capital Improvement Program as determined by the Engineer.

*Section Four* discusses the financing program for the District.

*Section Five* introduces the Assessment Methodology.

### **2.0 Development Program for Lost Rabbit**

#### **2.1 Overview**

The District will serve the Lost Rabbit development (the "Lost Rabbit"), a master planned, mixed-use development consisting of approximately 259.37 gross acres located in Madison County, Mississippi. The proposed land use for the property within the District is consistent with the Madison County Land Use and Comprehensive Plans, as amended.



## **2.2 The Development Program**

The development of Lost Rabbit will be conducted by Lost Rabbit Development, LLC (the "Developer"). The most current development plan envisions the construction of 555 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the planned land use as well as unit numbers may change throughout the development period.

## **3.0 The Capital Improvement Program for Lost Rabbit**

### **3.1 Public Capital Improvement Plan**

The infrastructure costs to be funded by District are determined by the District Engineer in his Engineer's Report. Only infrastructure that may qualify for bond financing by the District under Sec. 19-31-19, Mississippi Code of 1972, as amended (the "Act") was included in these estimates.

### **3.2 Capital Improvement Program**

The public infrastructure system needed to serve the planned development is projected to consist of roads, street lighting, landscaping, irrigation, public parking, recreation, water, sanitary sewer, storm water management, wastewater management, and off-site improvements. The total costs of the public infrastructure within the District are calculated by adding to the construction costs determined by the District Engineer the costs of design, engineering, surveying, permitting, environmental, architectural and contingencies. At the time of this writing, the total costs of the infrastructure according to the Engineer's Report are estimated at \$30,765,000.

## **4.0 Financing Program for Lost Rabbit**

### **4.1 Overview**

As noted above, the District is embarking on a program of capital improvements, which will facilitate the development of lands within the District. Generally, construction of Capital Improvement Program is either



funded by the Developer and then acquired by the District or funded directly by the District. The choice of the exact mechanism of public infrastructure provision has not yet been made at the time of this writing and the District may either acquire the public infrastructure from the Developer, or construct it, or even partly acquire it and partly construct it.

Even though the actual financing plan may change to include one or more Series of Long-Term and Short-Term Bonds, it is likely that in order to fully fund the costs of the Capital Improvement Program as described in *Section 3.2* in one financing transaction involving Long-Term financing, the District would have to issue approximately \$46,735,000 in Long-Term Series 2008A Bonds (the "Bonds").

**Please note that the purpose of this Report is to apportion the benefit of the Capital Improvement Program to the various land uses in the District and based on such benefit apportionment to preliminarily allocate the maximum debt necessary to fund the Capital Improvement Program. Consequently, the discussion of the structure and size of the indebtedness is preliminary and subject to change.**

#### **4.2 Types of Special Assessment Bonds Proposed**

The preliminary financing plan for the District provides for the issuance of the Bonds in the amount of \$46,735,000 to defray construction/acquisition expenses of \$30,765,000. The Bonds are projected to be issued on or about July 1, 2008, pay interest payments every May 1 and November 1, and have their interest capitalized until May 1, 2011. The Bonds are projected to pay principal payments every May 1 commencing May 1, 2012 and ending May 1, 2040.

In order to finance the \$30,765,000 in improvement costs, the District will need to borrow more funds and incur indebtedness in the total amount of \$46,735,000.

The difference is comprised of debt service reserve, capitalized interest, underwriter's discount and the costs of issuance. Preliminary sources and uses of funding and other financing assumptions are presented in Table 1 in the *Appendix*.

**Please note that the structure of the Bonds as presented in this Special Assessment Methodology Report is preliminary and may change due to changes in the development program, market conditions, timing of**



infrastructure installation as well as other reasons. The District maintains complete flexibility as to the structure of the Bonds.

## **5.0 Assessment Methodology**

### **5.1 Overview**

The issuance of the Bonds provides the District with funds necessary to construct/acquire the infrastructure improvements which are part of the Capital Improvement Program outlined in *Section 3.2* and described in more detail by the District Engineer in his report. These improvements lead to special and general benefits, with special benefits accruing generally to the properties within the boundaries of the District and general benefits accruing to areas outside the District and being only incidental in nature. The debt incurred in financing the infrastructure acquisition will be paid off by assessing properties that derive special and peculiar benefits from the proposed projects. All properties that receive special benefits from the Capital Improvement Program will be assessed for the debt incurred to fund the Capital Improvement Program.

### **5.2 Assigning Debt**

The current development plan for the District projects construction of infrastructure for 555 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the planned land use as well as unit numbers may change throughout the development period.

The infrastructure provided by the District will include roads, street lighting, landscaping, irrigation, public parking, recreation, water, sanitary sewer, storm water management, wastewater management, and off-site improvements. All of the land uses within the District will benefit from all infrastructure improvement categories, as the improvements provide basic infrastructure to all lands within the District and benefit all lands within the District as an integrated system of improvements.

As the provision of the above listed improvements by the District will make the lands in the District developable, the land will become more valuable to their owners. The increase in the value of the land provides the logical nexus



of benefit of improvements that accrues to the developable and saleable parcels within the District. The improvements, therefore, have a logical connection to the special and peculiar benefits received by lands within the District because without the improvements, the development of the properties within the District would not be possible. Furthermore, the improvements of the Capital Improvement Program are all necessary in order to make the lands within the District developable and saleable and as a result, the value of the developable and saleable lands within the District increases by more than the sum of the financed cost of the individual components of the Capital Improvement Program.

Based on that connection between the improvements and the special and peculiar benefit to lands within the District, the District can assign or apportion to lands receiving such special and peculiar benefits a portion of the District's debt or assessments. Even though these special and peculiar benefits are real and ascertainable, the precise amount of the benefit cannot be calculated yet with mathematical certainty. However, each is more valuable than the cost of, or the actual non-ad valorem assessment amount levied on that parcel.

The benefit associated with the Capital Improvement Program of the District is proposed to be allocated to the different product types within the District in proportion to the density and intensity of use of the District's infrastructure as measured by a standard unit called an Equivalent Residential Unit ("ERU"). Table 2 in the *Appendix* illustrates the development plan currently contemplated to be implemented in the District, the appropriate ERU factors that are proposed to be assigned to the land uses in the District, the total ERU counts for each land use category, and the share of the benefit received by each land use in total and on a per unit/1,000 sq. ft./acre/boat slip basis. The rationale behind these ERU weight is supported by the fact that smaller units are reasonably expected to use and benefit from the District's public infrastructure improvements less than larger units, as smaller units produce less storm water runoff, produce fewer vehicular trips and need less water and sewer capacity than larger units. Additionally, the larger units are likely to appreciate by more in dollar terms than the smaller units as a result of the implementation of the Capital Improvement Program. Similarly, non-residential units which are intensively used will produce more vehicular trips and need more water and sewer capacity than non-residential uses which are less intensively used, as well the more intensively used units are likely to appreciate more on a per unit basis, than the less intensively used units. As the exact amount of the benefit derived from the use of District services and facilities as well as the amount of the appreciation in value is not possible to be calculated at this time, the use of ERU measures serves as a



reasonable proxy for the relative amount of benefit received from District's improvements.

Even though it is beyond question that the civic government space located within Lost Rabbit development will benefit from the provision of the District's Capital Improvement Program, it is proposed in this Report that it is not assessed for any capital costs associated with the provision of the Capital Improvement Program. The rationale for this exemption is that civic government space is already exempt from regular taxation, and in most cases, is also exempted from non-ad valorem and other assessments on the grounds of public purpose. Additionally, the land use will provide services to the landowners and residents within the District and the cost of any capital assessments levied on it would ultimately be borne by the capital assessment-paying property owners within the District. Contently, such property is proposed to be exempted from paying District's assessments and is proposed to be given ERU factor of zero.

Table 3 in the *Appendix* presents the apportionment of the total debt to all land use categories, apportionment of debt on a per unit/1,000 sq. ft./acre/boat slip basis, and the amounts of maximum annual debt service assessments per unit/1,000 sq. ft./acre/boat slip.

**Please note that the District will additionally assess for the costs of operating and administering of the District and such assessments will be in addition to the debt service assessments listed in Table 3.**

As the land in the District is not yet platted and the precise location of all of the different products by lot or parcel is not determined, the debt resulting from issuance of the Bonds will be preliminarily levied on all of the land in the District on a pro-rata gross acre basis. District Engineer indicated that there are approximately 259.37 acres in the District, and consequently bonded debt in the amount of \$46,735,000 will be **preliminarily** levied on all land in the District at a rate of \$180,186.61 per gross acre. As the land is platted and the final use of each parcel becomes known, the debt will be transferred from unplatted land to platted parcels in accordance with the assessment methodology and the apportionment reflected in Table 3 in the *Appendix*.

### **5.3 Lienability Test: Special and Peculiar Benefit to the Property**

As first discussed in *Section 1.3*, Special Benefits and General Benefits, improvements undertaken by the District create special and peculiar benefits to certain properties within the District. The District's improvements benefit



properties within the District and accrue to all assessable properties on an ERU basis.

Improvements undertaken by the District can be shown to be creating special and peculiar benefits to the property within the District. The special and peculiar benefits resulting from each improvement are:

- a. added use of the property;
- b. added enjoyment of the property;
- c. decreased insurance premiums;
- d. increased marketability and value of the property.

The improvements which are part of the Capital Improvement Program make the lands in the District developable and saleable and when implemented jointly as parts of the Capital Improvement Program, provide special and peculiar benefits which are greater than the benefits of any single category of improvements. These special and peculiar benefits are real and ascertainable, but not yet capable of being calculated and assessed in terms of numerical value, however, each is more valuable than either the cost of, or the actual assessment levied for, the improvement or debt allocated to the parcel of land.

#### **5.4 Lienability Test: Reasonable and Fair Apportionment of the Duty to Pay**

A reasonable estimate of the proportion of special and peculiar benefits received from the improvements is delineated in Table 2 (expressed as ERU factors) in the *Appendix*.

The apportionment of the assessments is reasonable and fair because it was conducted on the basis of consistent application of the methodology described in *Section 5.2* across all assessable property within the District according to reasonable estimates of the special and peculiar benefits derived from the Capital Improvement Program by different land uses.

Accordingly, with the exception of the government land located within Lost Rabbit development, no acre or parcel of property within the boundaries of the District will be liened for the payment of any non-ad valorem special assessment more than the determined special benefit peculiar to that property. In accordance with the benefit apportionment in Table 2, debt per unit has been calculated in Table 3 in the *Appendix*. This amount represents the preliminary anticipated per unit debt apportionment assuming the land is



developed as projected and the entire proposed infrastructure program is developed or acquired and financed by the District.

## **5.5 True-Up Mechanism**

The Assessment Methodology is based on conceptual information obtained from the Developer prior to construction. As development occurs it is possible that the number of acre may change. The mechanism for maintaining the methodology over the changes is referred to as true-up.

This mechanism is to be utilized to assure that the principal assessment on a per ERU basis never exceeds the initially apportioned assessment as contemplated in the adopted assessment methodology. If such changes occur, the Methodology is applied to the land based on number of and type units of a particular land uses in the parcel as signified by the number of ERUs.

All changes in the number of units and unit mix within parcels will be permitted subject to the following true-up mechanism. As long as the per ERU assessment equals the initial level as established in the methodology no action will be taken under the true-up. Any development changes which increase the per ERU assessments above the initial level will require a principal reduction payment by the owner of the parcel whose changes caused such increase in the per ERU assessment. Conversely, any development changes that decrease the per ERU assessments below the initial level will result in an automatic decrease in the per ERU assessment for all assessable parcels within the District. The land use and numbers of ERUs within each parcel will be certified by the Developer and confirmed by District Engineer.

## **5.6 Preliminary Assessment Roll**

The Preliminary Assessment Roll for the District is based on the number of gross acres in the District, which is given by the District Engineer as 259.37 acres, and the total debt necessary to finance the Capital Improvement Program estimated at \$46,735,000. Consequently, each acre of land in the District, as described below in a metes and bounds legal description, would be **preliminarily** assessed at a rate of \$180,186.61.



**EXHIBIT A**

**LEGAL DESCRIPTION FOR LOST RABBIT PID  
LOCATED IN MADISON COUNTY, MISSISSIPPI**

**PART I:**

The following description is based on Mississippi State Plane Coordinate System, West Zone, NAD 83, Grid Values, using a combined factor of 0.999944106 and a convergence angle of  $00^{\circ} 08' 57.86170''$ .

A parcel of land lying and being situated in Sections 11, 12, 13 and 14, Township 7 North, Range 2 East, Madison County, Mississippi and being more particularly described as follows to-wit:

Commencing at the section corner being common to aforesaid 11, 12, 13 and 14 run thence North  $00^{\circ} 22' 24''$  East for a distance of 1951.43 feet to a point lying on the Easterly Right-of-Way line of the Natchez Trace Parkway (N.T.P.) as it is now laid out and exists (October 2003); thence run South  $85^{\circ} 05' 24''$  West on and along aforesaid Easterly Right-of-Way line for a distance of 917.54 feet to N.T.P. Monument 118 and the Point of Beginning. From the Point of Beginning thence run North  $85^{\circ} 05' 24''$  East on and along the aforesaid Easterly Right-of-Way line for a distance of 1684.50 feet to N.T.P. Monument 117; thence run North  $58^{\circ} 47' 15''$  East on and along aforesaid Easterly Right-of-Way line for a distance of 250.72 feet to a 2-inch capped iron pipe Found; thence leaving the aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway run the following courses and distances on and along the shoreline of the Ross Barnett Reservoir:

South  $47^{\circ} 11' 55''$  West – 65.24 feet to an iron pin set;  
South  $20^{\circ} 55' 06''$  West – 354.77 feet to an iron pin set;  
South  $77^{\circ} 48' 57''$  East – 240.23 feet to an iron pin set;  
South  $85^{\circ} 54' 35''$  East – 48.02 feet to an iron pin set;  
North  $06^{\circ} 14' 33''$  East – 59.99 feet to an iron pin set;  
South  $60^{\circ} 50' 27''$  East – 110.67 feet to an iron pin set;  
South  $16^{\circ} 33' 48''$  East – 116.46 feet to an iron pin set;  
South  $19^{\circ} 24' 34''$  West - 144.52 feet to an iron pin set;  
South  $06^{\circ} 49' 51''$  West – 129.71 feet to an iron pin set;  
South  $26^{\circ} 36' 13''$  West – 186.23 feet to an iron pin set;



**Exhibit "A" (Cont.)**

South 29° 31' 01" West – 327.73 feet to an iron pin set;  
South 27° 37' 27" West – 204.76 feet to an iron pin set;  
South 49° 58' 13" West – 252.05 feet to an iron pin set;  
South 01° 38' 02" West – 102.66 feet to a 2-inch capped iron pipe  
found;  
South 45° 19' 18" West – 237.22 feet to an iron pin set;  
South 54° 26' 46" West – 462.20 feet to an iron pin set;  
South 46° 37' 14" West – 595.30 feet to an iron pin set;  
South 26° 31' 39" West – 256.46 feet to an iron pin set;  
South 43° 48' 04" West – 533.96 feet to an iron pin set;  
South 48° 10' 15" West – 316.61 feet to an iron pin set;  
North 77° 50' 45" West – 171.70 feet to an iron pin set;  
South 63° 51' 18" West – 427.20 feet to a 2-inch capped iron pipe  
found;  
South 30° 11' 44" West – 259.14 feet to an iron pin set;  
South 57° 57' 33" West – 44.33 feet to an iron pin set;  
South 60° 11' 28" West – 331.63 feet to an iron pin set;  
South 46° 42' 00" West – 203.53 feet to an iron pin set;  
South 62° 48' 14" West – 412.80 feet to an iron pin set;  
South 54° 03' 21" West – 447.12 feet to an iron pin set;  
South 58° 15' 18" West – 92.76 feet to an iron pin set;  
South 73° 16' 27" West – 59.84 feet to an iron pin set;  
North 85° 56' 34" West – 54.45 feet to an iron pin set;  
South 69° 12' 01" West – 214.90 feet to an iron pin set;

Thence leaving aforesaid shoreline run on and along the aforementioned Easterly  
Right-of-Way line of the Natchez Trace Parkway the following courses and distances:

North 23° 08' 38" East – 528.78 feet to N.T.P. Monument 128 Found;  
North 27° 40' 34" West – 99.58 feet to N.T.P. Monument 127 Found;



**Exhibit "A" (Cont.)**

North 57° 50' 12" East – 14.62 feet to N.T.P. Monument 126 Found;  
North 15° 53' 33" West – 1425.54 feet to N.T.P. Monument 125 Found;  
North 27° 43' 42" East – 216.96 feet to an iron pin set (represents N.T.P.  
Monument 124)  
North 33° 03' 42" East – 737.51 feet to N.T.P. Monument 123 Found;  
North 35° 39' 32" East – 839.26 feet to N.T.P. Monument 122 Found;  
North 37° 50' 39" East – 1534.00 feet to N.T.P. Monument 121 Found;  
South 15° 48' 27" East – 644.08 feet to N.T.P. Monument 120 Found;  
North 89° 27' 38" East – 160.03 feet to N.T.P. Monument 119 Found;  
North 47° 30' 16" East – 518.42 feet back to the Point of Beginning and  
containing within said bounds 259.37 acres more or less.

**LESS AND EXCEPT:**

All of the Lots in The Town of Lost Rabbit, Phase I as recorded in Plat Cabinet D at Slide 188 in the office of the Chancery Clerk of Madison County, Mississippi.

**LESS AND EXCEPT:**

All of the Lots in The Town of Lost Rabbit, Phase II as recorded in Plat Cabinet E at Slides 42A and 42B in the office of the Chancery Clerk of Madison County, Mississippi.

**PART II:**

**TOGETHER WITH** the following lots:

Lots 4, 5, 6, 7, 8, 9, 15, 32, 44, 61, 105, 106, 107, 113 and 118 of The Town of Lost Rabbit, Phase I as recorded in Plat Cabinet D at Slide 188 in the office of the Chancery Clerk of Madison County, Mississippi.

**AND ALSO TOGETHER WITH:**

Lots 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 219, 220, 221, 222, 223, 224, 225, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 246, 247, 256, 257, 258, 259, 261, 262, 263, 264, 273, 275 and 277 of The Town of Lost Rabbit, Phase II as recorded in Plat Cabinet E at Slides 42A and 42B in the office of the Chancery Clerk of Madison County, Mississippi.



**Wratbell, Hart, Hunt and Associates, LLC**

*Building client relationships one step at a time...*

**Indexing Instructions:**

Sections 11, 12, 13 and 14, T7N, R2E,

Madison County, MS; and also

Lots 4, 5, 6, 7, 8, 9, 15, 32, 44, 61, 105, 106, 107, 113 and 118 of The Town of Lost Rabbit, Phase I, Plat Cabinet D, Slide 188 Madison County, Mississippi; and also

Lots 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 219, 220, 221, 222, 223, 224, 225, 230, 231, 232, 233, 234, 235, 236, 237, 238, 239, 246, 247, 256, 257, 258, 259, 261, 262, 263, 264, 273, 275 and 277 of The Town of Lost Rabbit, Phase II, Plat Cabinet E at Slides 42A and 42B Madison County, Mississippi.



**Wratbell, Hart, Hunt and Associates, LLC**  
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## 6.0 Appendix

Table 1

### **Lost Rabbit** **Public Improvement District** **Sources and Uses of Funds**

|   | <b>Series 2008</b>  |
|---|---------------------|
| <b><u>Sources Of Funds</u></b>              |                     |
| Par Amount of Bonds                         | <b>\$46,735,000</b> |
| <b>Total Sources</b>                        |                     |
| <b><u>Uses Of Funds</u></b>                 |                     |
| Total Underwriter's Discount                | \$1,168,375         |
| Costs of Issuance                           | \$600,000           |
| Deposit to Debt Service Reserve Fund (DSRF) | \$4,303,800         |
| Deposit to Capitalized Interest (CIF) Fund  | \$9,897,145         |
| Deposit to Project Construction Fund        | \$30,765,000        |
| Rounding Amount                             | \$680               |
| <b>Total Uses</b>                           | <b>\$46,735,000</b> |



Table 2

# **Lost Rabbit** **Public Improvement District** **Benefit Allocation**

| Land Use   | Number of<br>Units/Sq.<br>Ft./Acres/<br>Boat Slips | ERU per<br>Unit/1,000 Sq.<br>Ft./Acre/ Boat<br>Slip | Total ERU      | Percent ERU      | Percent ERU<br>per Unit/1,000<br>Sq. Ft./Acre/<br>Boat Slip |
|--|--|---|----------------|------------------|---|
| <b><u>Residential Units</u></b>                        |  |   |                |                  |   |
| Carriage House   | 47   | 1.00  | 47.000         | 0.0518365        | 0.001102904   |
| Cottage  | 84   | 1.00  | 84.000         | 0.0926439        | 0.001102904   |
| House  | 67   | 1.15  | 77.050         | 0.0849788        | 0.001268340   |
| Side Yard  | 6  | 1.10  | 6.600          | 0.0072792        | 0.001213194   |
| Large House  | 77   | 1.35  | 103.950        | 0.1146469        | 0.001488920   |
| Mansion  | 106  | 1.60  | 169.600        | 0.1870525        | 0.001764646   |
| Town House   | 31   | 0.95  | 29.450         | 0.0324805        | 0.001047759   |
| Live Works 1BR   | 26   | 0.70  | 18.200         | 0.0200729        | 0.000772033   |
| Live Works 2BR   | 30   | 0.75  | 22.500         | 0.0248153        | 0.000827178   |
| Condo 1BR  | 8  | 0.65  | 5.200          | 0.0057351        | 0.000716888   |
| Condo 2BR  | 68   | 0.75  | 51.000         | 0.0562481        | 0.000827178   |
| Condo 3BR  | 5  | 0.85  | 4.250          | 0.0046873        | 0.000937468   |
| Assisted Living  | 60   | 0.50  | 30.000         | 0.0330871        | 0.000551452   |
| <b>Total Residential</b>                               | <b>615</b>   |   | <b>648.800</b> | <b>0.7155641</b> |   |
| <b><u>Non-Residential Sq. Ft./Acres/Boat Slips</u></b> |  |   |                |                  |   |
| Restaurant (Sq. Ft.)                                   | 15,322   | 2.70  | 41.369         | 0.0456265        | 0.002977841   |
| Retail (Sq. Ft.)                                       | 78,551   | 1.35  | 106.044        | 0.1169562        | 0.001488920   |
| Office (Sq. Ft.)                                       | 89,900   | 0.55  | 49.445         | 0.0545331        | 0.000606597   |
| Hotel (Sq. Ft.)  | 12,728   | 0.85  | 10.819         | 0.0119321        | 0.000937468   |
| Government (Sq. Ft.)                                   | 16,220   | 0.00  | 0.000          | 0.0000000        | 0.000000000   |
| Religious (Acres)                                      | 1.262  | 3.60  | 4.543          | 0.0050107        | 0.003970454   |
| Private Educational (Acres)                            | 1.806  | 9.50  | 17.157         | 0.0189225        | 0.010477588   |
| Marina (Boat Slips)                                    | 124  | 0.23  | 28.520         | 0.0314548        | 0.000253668   |
| <b>Total Non-Residential</b>                           |  |   | <b>257.90</b>  | <b>0.2844359</b> |   |
| <b>Total</b>   |  |   | <b>906.697</b> | <b>1.0000000</b> |   |



Table 3

## Lost Rabbit

### Public Improvement District

#### Debt and Annual Assessment Apportionment

| Land Use   | Number of<br>Units/Sq.<br>Ft./Acres/<br>Boat Slips | Percent ERU      | Total Debt          | Total Debt per<br>Unit/1,000 Sq.<br>Ft./Acre | Annual Debt<br>Service per<br>Unit/1,000 Sq.<br>Ft./Acre* |
|--|--|------------------|---------------------|--|---|
| <b><u>Residential Units</u></b>                        |  |                  |                     |  |   |
| Carriage House   | 47   | 0.0518365        | \$2,422,578         | \$51,544                                     | \$4,715   |
| Cottage  | 84   | 0.0926439        | \$4,329,714         | \$51,544                                     | \$4,715   |
| House  | 67   | 0.0849788        | \$3,971,482         | \$59,276                                     | \$5,423   |
| Side Yard  | 6  | 0.0072792        | \$340,192           | \$56,699                                     | \$5,187   |
| Large House  | 77   | 0.1146469        | \$5,358,021         | \$69,585                                     | \$6,366   |
| Mansion  | 106  | 0.1870525        | \$8,741,899         | \$82,471                                     | \$7,545   |
| Town House   | 31   | 0.0324805        | \$1,517,977         | \$48,967                                     | \$4,480   |
| Live Works 1BR   | 26   | 0.0200729        | \$938,105           | \$36,081                                     | \$3,301   |
| Live Works 2BR   | 30   | 0.0248153        | \$1,159,745         | \$38,658                                     | \$3,537   |
| Condo 1BR  | 8  | 0.0057351        | \$268,030           | \$33,504                                     | \$3,065   |
| Condo 2BR  | 68   | 0.0562481        | \$2,628,755         | \$38,658                                     | \$3,537   |
| Condo 3BR  | 5  | 0.0046873        | \$219,063           | \$43,813                                     | \$4,008   |
| Assisted Living  | 60   | 0.0330871        | \$1,546,327         | \$25,772                                     | \$2,358   |
| <b>Total Residential</b>                               | <b>615</b>   | <b>0.7155641</b> | <b>\$33,441,888</b> |  |   |
| <b><u>Non-Residential Sq. Ft./Acres/Boat Slips</u></b> |  |                  |                     |  |   |
| Restaurant (Sq. Ft.)                                   | 15,322   | 0.0456265        | \$2,132,353         | \$139,169                                    | \$12,731  |
| Retail (Sq. Ft.)                                       | 78,551   | 0.1169562        | \$5,465,947         | \$69,585                                     | \$6,366   |
| Office (Sq. Ft.)                                       | 89,900   | 0.0545331        | \$2,548,604         | \$28,349                                     | \$2,593   |
| Hotel (Sq. Ft.)  | 12,728   | 0.0119321        | \$557,647           | \$43,813                                     | \$4,008   |
| Government (Sq. Ft.)                                   | 16,220   | 0.0000000        | \$0                 | \$0  | \$0   |
| Religious (Acres)                                      | 1.262  | 0.0050107        | \$234,176           | \$185,559                                    | \$16,975  |
| Private Educational (Acres)                            | 1.806  | 0.0189225        | \$884,344           | \$489,670                                    | \$44,796  |
| Marina (Boat Slips)                                    | 124  | 0.0314548        | \$1,470,041         | \$11,855                                     | \$1,085   |
| <b>Total Non-Residential</b>                           |  | <b>0.2844359</b> | <b>\$13,293,112</b> |  |   |
| <b>Total</b>   |  | <b>1.0000000</b> | <b>\$46,735,000</b> |  |   |

\* Includes a 6% allowance for costs of collection - **for illustrative purposes only; actual costs may vary depending on actual County costs**



**Wratbell, Hart, Hunt and Associates, LLC**  
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## Lost Rabbit

Public Improvement District  
Capital Improvement Revenue Bonds  
Series 2008

## Sources & Uses

Dated 07/01/2008 | Delivered 07/01/2008

### Sources Of Funds

|                      |                        |
|----------------------|------------------------|
| Par Amount of Bonds  | \$46,735,000.00        |
| <b>Total Sources</b> | <b>\$46,735,000.00</b> |

### Uses Of Funds

|   |                        |
|---|------------------------|
| Total Underwriter's Discount (2.500%)       | 1,168,375.00           |
| Costs of Issuance                           | 600,000.00             |
| Deposit to Debt Service Reserve Fund (DSRF) | 4,303,800.00           |
| Deposit to Capitalized Interest (CIF) Fund  | 9,897,145.46           |
| Deposit to Project Construction Fund        | 30,765,000.00          |
| Rounding Amount                             | 679.54                 |
| <b>Total Uses</b>                           | <b>\$46,735,000.00</b> |



## Lost Rabbit

Public Improvement District

Capital Improvement Revenue Bonds

Series 2008

## Net Debt Service Schedule

Part 1 of 2

| Date       | Principal    | Coupon | Interest     | Total P+I    | DSR         | CIF            | Net New D/S  |
|------------|--------------|--------|--------------|--------------|-------------|----------------|--------------|
| 11/01/2008 | -            | -      | 1,246,266.67 | 1,246,266.67 | -           | (1,246,266.67) | -            |
| 05/01/2009 | -            | -      | 1,869,400.00 | 1,869,400.00 | -           | (1,869,400.00) | -            |
| 11/01/2009 | -            | -      | 1,869,400.00 | 1,869,400.00 | -           | (1,869,400.00) | -            |
| 05/01/2010 | -            | -      | 1,869,400.00 | 1,869,400.00 | -           | (1,869,400.00) | -            |
| 11/01/2010 | -            | -      | 1,869,400.00 | 1,869,400.00 | -           | (1,869,400.00) | -            |
| 05/01/2011 | -            | -      | 1,869,400.00 | 1,869,400.00 | -           | (1,869,400.00) | -            |
| 11/01/2011 | -            | -      | 1,869,400.00 | 1,869,400.00 | (64,557.00) | -              | 1,804,843.00 |
| 05/01/2012 | 425,000.00   | 8.000% | 1,869,400.00 | 2,294,400.00 | (64,557.00) | -              | 2,229,843.00 |
| 11/01/2012 | -            | -      | 1,852,400.00 | 1,852,400.00 | (64,557.00) | -              | 1,787,843.00 |
| 05/01/2013 | 460,000.00   | 8.000% | 1,852,400.00 | 2,312,400.00 | (64,557.00) | -              | 2,247,843.00 |
| 11/01/2013 | -            | -      | 1,834,000.00 | 1,834,000.00 | (64,557.00) | -              | 1,769,443.00 |
| 05/01/2014 | 495,000.00   | 8.000% | 1,834,000.00 | 2,329,000.00 | (64,557.00) | -              | 2,264,443.00 |
| 11/01/2014 | -            | -      | 1,814,200.00 | 1,814,200.00 | (64,557.00) | -              | 1,749,643.00 |
| 05/01/2015 | 540,000.00   | 8.000% | 1,814,200.00 | 2,354,200.00 | (64,557.00) | -              | 2,289,643.00 |
| 11/01/2015 | -            | -      | 1,792,600.00 | 1,792,600.00 | (64,557.00) | -              | 1,728,043.00 |
| 05/01/2016 | 585,000.00   | 8.000% | 1,792,600.00 | 2,377,600.00 | (64,557.00) | -              | 2,313,043.00 |
| 11/01/2016 | -            | -      | 1,769,200.00 | 1,769,200.00 | (64,557.00) | -              | 1,704,643.00 |
| 05/01/2017 | 635,000.00   | 8.000% | 1,769,200.00 | 2,404,200.00 | (64,557.00) | -              | 2,339,643.00 |
| 11/01/2017 | -            | -      | 1,743,800.00 | 1,743,800.00 | (64,557.00) | -              | 1,679,243.00 |
| 05/01/2018 | 685,000.00   | 8.000% | 1,743,800.00 | 2,428,800.00 | (64,557.00) | -              | 2,364,243.00 |
| 11/01/2018 | -            | -      | 1,716,400.00 | 1,716,400.00 | (64,557.00) | -              | 1,651,843.00 |
| 05/01/2019 | 740,000.00   | 8.000% | 1,716,400.00 | 2,456,400.00 | (64,557.00) | -              | 2,391,843.00 |
| 11/01/2019 | -            | -      | 1,686,800.00 | 1,686,800.00 | (64,557.00) | -              | 1,622,243.00 |
| 05/01/2020 | 805,000.00   | 8.000% | 1,686,800.00 | 2,491,800.00 | (64,557.00) | -              | 2,427,243.00 |
| 11/01/2020 | -            | -      | 1,654,600.00 | 1,654,600.00 | (64,557.00) | -              | 1,590,043.00 |
| 05/01/2021 | 870,000.00   | 8.000% | 1,654,600.00 | 2,524,600.00 | (64,557.00) | -              | 2,460,043.00 |
| 11/01/2021 | -            | -      | 1,619,800.00 | 1,619,800.00 | (64,557.00) | -              | 1,555,243.00 |
| 05/01/2022 | 945,000.00   | 8.000% | 1,619,800.00 | 2,564,800.00 | (64,557.00) | -              | 2,500,243.00 |
| 11/01/2022 | -            | -      | 1,582,000.00 | 1,582,000.00 | (64,557.00) | -              | 1,517,443.00 |
| 05/01/2023 | 1,020,000.00 | 8.000% | 1,582,000.00 | 2,602,000.00 | (64,557.00) | -              | 2,537,443.00 |
| 11/01/2023 | -            | -      | 1,541,200.00 | 1,541,200.00 | (64,557.00) | -              | 1,476,643.00 |
| 05/01/2024 | 1,110,000.00 | 8.000% | 1,541,200.00 | 2,651,200.00 | (64,557.00) | -              | 2,586,643.00 |
| 11/01/2024 | -            | -      | 1,496,800.00 | 1,496,800.00 | (64,557.00) | -              | 1,432,243.00 |
| 05/01/2025 | 1,200,000.00 | 8.000% | 1,496,800.00 | 2,696,800.00 | (64,557.00) | -              | 2,632,243.00 |
| 11/01/2025 | -            | -      | 1,448,800.00 | 1,448,800.00 | (64,557.00) | -              | 1,384,243.00 |
| 05/01/2026 | 1,300,000.00 | 8.000% | 1,448,800.00 | 2,748,800.00 | (64,557.00) | -              | 2,684,243.00 |
| 11/01/2026 | -            | -      | 1,396,800.00 | 1,396,800.00 | (64,557.00) | -              | 1,332,243.00 |
| 05/01/2027 | 1,410,000.00 | 8.000% | 1,396,800.00 | 2,806,800.00 | (64,557.00) | -              | 2,742,243.00 |
| 11/01/2027 | -            | -      | 1,340,400.00 | 1,340,400.00 | (64,557.00) | -              | 1,275,843.00 |
| 05/01/2028 | 1,525,000.00 | 8.000% | 1,340,400.00 | 2,865,400.00 | (64,557.00) | -              | 2,800,843.00 |
| 11/01/2028 | -            | -      | 1,279,400.00 | 1,279,400.00 | (64,557.00) | -              | 1,214,843.00 |
| 05/01/2029 | 1,655,000.00 | 8.000% | 1,279,400.00 | 2,934,400.00 | (64,557.00) | -              | 2,869,843.00 |
| 11/01/2029 | -            | -      | 1,213,200.00 | 1,213,200.00 | (64,557.00) | -              | 1,148,643.00 |
| 05/01/2030 | 1,790,000.00 | 8.000% | 1,213,200.00 | 3,003,200.00 | (64,557.00) | -              | 2,938,643.00 |



## Lost Rabbit

Public Improvement District

Capital Improvement Revenue Bonds

Series 2008

## Net Debt Service Schedule

Part 2 of 2

| Date         | Principal              | Coupon   | Interest               | Total P+I               | DSR                   | CIF                    | Net New D/S             |
|--------------|------------------------|----------|------------------------|-------------------------|-----------------------|------------------------|-------------------------|
| 11/01/2030   | -                      | -        | 1,141,600.00           | 1,141,600.00            | (64,557.00)           | -                      | 1,077,043.00            |
| 05/01/2031   | 1,940,000.00           | 8.000%   | 1,141,600.00           | 3,081,600.00            | (64,557.00)           | -                      | 3,017,043.00            |
| 11/01/2031   | -                      | -        | 1,064,000.00           | 1,064,000.00            | (64,557.00)           | -                      | 999,443.00              |
| 05/01/2032   | 2,100,000.00           | 8.000%   | 1,064,000.00           | 3,164,000.00            | (64,557.00)           | -                      | 3,099,443.00            |
| 11/01/2032   | -                      | -        | 980,000.00             | 980,000.00              | (64,557.00)           | -                      | 915,443.00              |
| 05/01/2033   | 2,275,000.00           | 8.000%   | 980,000.00             | 3,255,000.00            | (64,557.00)           | -                      | 3,190,443.00            |
| 11/01/2033   | -                      | -        | 889,000.00             | 889,000.00              | (64,557.00)           | -                      | 824,443.00              |
| 05/01/2034   | 2,465,000.00           | 8.000%   | 889,000.00             | 3,354,000.00            | (64,557.00)           | -                      | 3,289,443.00            |
| 11/01/2034   | -                      | -        | 790,400.00             | 790,400.00              | (64,557.00)           | -                      | 725,843.00              |
| 05/01/2035   | 2,670,000.00           | 8.000%   | 790,400.00             | 3,460,400.00            | (64,557.00)           | -                      | 3,395,843.00            |
| 11/01/2035   | -                      | -        | 683,600.00             | 683,600.00              | (64,557.00)           | -                      | 619,043.00              |
| 05/01/2036   | 2,895,000.00           | 8.000%   | 683,600.00             | 3,578,600.00            | (64,557.00)           | -                      | 3,514,043.00            |
| 11/01/2036   | -                      | -        | 567,800.00             | 567,800.00              | (64,557.00)           | -                      | 503,243.00              |
| 05/01/2037   | 3,135,000.00           | 8.000%   | 567,800.00             | 3,702,800.00            | (64,557.00)           | -                      | 3,638,243.00            |
| 11/01/2037   | -                      | -        | 442,400.00             | 442,400.00              | (64,557.00)           | -                      | 377,843.00              |
| 05/01/2038   | 3,395,000.00           | 8.000%   | 442,400.00             | 3,837,400.00            | (64,557.00)           | -                      | 3,772,843.00            |
| 11/01/2038   | -                      | -        | 306,600.00             | 306,600.00              | (64,557.00)           | -                      | 242,043.00              |
| 05/01/2039   | 3,680,000.00           | 8.000%   | 306,600.00             | 3,986,600.00            | (64,557.00)           | -                      | 3,922,043.00            |
| 11/01/2039   | -                      | -        | 159,400.00             | 159,400.00              | (64,557.00)           | -                      | 94,843.00               |
| 05/01/2040   | 3,985,000.00           | 8.000%   | 159,400.00             | 4,144,400.00            | (4,368,357.00)        | -                      | (223,957.00)            |
| <b>Total</b> | <b>\$46,735,000.00</b> | <b>-</b> | <b>\$85,946,466.67</b> | <b>\$132,681,466.67</b> | <b>(8,048,106.00)</b> | <b>(10,593,266.67)</b> | <b>\$114,040,094.00</b> |

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# LOST RABBIT PUBLIC IMPROVEMENT DISTRICT

## Final Supplemental Special Assessment Methodology Report

July 14, 2008



***Wrathell, Hart, Hunt and Associates, LLC***

*Building client relationships one step at a time...*

Provided by

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## **1.0 Introduction**

### **1.1 Purpose**

This Final Supplemental Special Assessment Methodology Report (the "Report") was developed to supplement the Final Master Special Assessment Methodology Report dated July 14, 2008 (the "Master Report"), and to provide a supplemental financing plan and a supplemental special assessment methodology for the Lost Rabbit Public Improvement District (the "District"), located in Madison County, Mississippi, as relating to funding a portion of the costs of public infrastructure improvements (the "Capital Improvement Program") contemplated to be provided by the District as part of the Phase 1 of development.

### **1.2 Scope of the Report**

This Report presents the projections for financing a portion of the District's capital requirements (the "Capital Improvement Program") necessary to provide the public community infrastructure improvements described in the District Engineer's Report provided by Pickering Incorporated (the "District Engineer").

This Report also describes the method for the allocation of special benefits and the apportionment of special assessment debt resulting from the provision and funding of the Phase 1 of the Capital Improvement Program.

### **1.3 Special Benefits and General Benefits**

Improvements undertaken and funded by the District as part of the Capital Improvement Program create special and peculiar benefits, different in kind and degree than general benefits, for properties within its borders as well as general benefits to the public at large. However, as discussed within this report, these general benefits are incidental in nature and are readily distinguishable from the special and peculiar benefits which accrue to property within the District. The Capital Improvement Program of the District enables properties within the boundaries of the District to be developed. Without the Capital Improvement Program, there would be no infrastructure to support development of the land. Without these improvements, the development of property within the District would be impracticable.



There is no doubt that the general public, property owners, and property outside the District will benefit from the provision of the Capital Improvement Program. However, these benefits are only incidental since the Capital Improvement Program is designed solely to provide special benefits peculiar to property within the District. Properties outside the District do not depend upon the Capital Improvement Program to obtain or to maintain their development entitlements. This fact alone clearly distinguishes the special benefits which District properties receive compared to those lying outside of the District's boundaries.

By pursuing the Capital Improvement Program and providing improvements which are all necessary in order to make the lands within the District developable and saleable, the value of the developable and saleable lands within the District increases by more than the sum of the financed cost of the individual components of the Capital Improvement Program. Even though the exact value of the benefits provided by the Capital Improvement Program is hard to estimate at this point, it is nevertheless greater than the costs associated with providing same.

#### **1.4 Organization of this Report**

*Section Two* describes the development program as proposed by the Developer.

*Section Three* provides a summary of the Capital Improvement Program as determined by the Engineer.

*Section Four* discusses the financing program for the District.

*Section Five* introduces the Assessment Methodology.

### **2.0 Development Program for Lost Rabbit**

#### **2.1 Overview**

The District will serve the Lost Rabbit development (the "Lost Rabbit"), a master planned, mixed-use development consisting of approximately 259.37 gross acres located in Madison County, Mississippi. The proposed land use for the property within the District is consistent with the Madison County Land Use and Comprehensive Plans, as amended.



## **2.2 The Development Program**

The development of Lost Rabbit will be conducted by Lost Rabbit Development, LLC (the "Developer"). The most current development plan envisions the construction of 555 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the planned land use as well as unit numbers may change throughout the development period.

Phase 1 is projected to include 278 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the phasing plan, timetable of construction, unit numbers and land use types may change.

## **3.0 The Capital Improvement Program for Lost Rabbit**

### **3.1 Public Capital Improvement Plan**

The infrastructure costs to be funded by District are determined by the District Engineer in his Engineer's Report. Only infrastructure that may qualify for bond financing by the District under Sec. 19-31-19, Mississippi Code of 1972, as amended (the "Act") was included in these estimates.

### **3.2 Capital Improvement Program**

The public infrastructure system needed to serve the planned development is projected to consist of roads, street lighting, landscaping, irrigation, public parking, recreation, water, sanitary sewer, storm water management, wastewater management, and off-site improvements. The total costs of the public infrastructure within the District are calculated by adding to the construction costs determined by the District Engineer the costs of design, engineering, surveying, permitting, environmental, architectural and contingencies. At the time of this writing, the total costs of the infrastructure according to the Engineer's Report are estimated at \$30,765,000.

The construction of improvements included in the Capital Improvement Program is projected to occur in two stages, first of which is expected to



commence in the current year and total \$11,911,927. Even though the construction of the Capital Improvement Program will be staged over a number of years, the infrastructure included in the Capital Improvement Program will comprise an interrelated system of improvements, which means that the sum of the improvements will serve the entire District and the improvements will reinforce one another and that their combined benefit will be greater than the sum of their individual benefits.

## **4.0 Financing Program for Lost Rabbit**

### **4.1 Overview**

As noted above, the District is embarking on a program of capital improvements, which will facilitate the development of lands within the District. Generally, construction of Capital Improvement Program is either funded by the Developer and then acquired by the District or funded directly by the District. The choice of the exact mechanism of public infrastructure provision has not yet been made at the time of this writing and the District may either acquire the public infrastructure from the Developer, or construct it, or even partly acquire it and partly construct it.

It is contemplated at this time that the development of properties within the District will occur in two phases and the installation of the infrastructure included in the Capital Improvement Program will occur in two stages. Due to staging of infrastructure construction, it is projected at this time that the District will fund a portion of the total costs of the Capital Improvement Program in approximately two financing transactions, though this financing plan is preliminary and may change to include more than two financing transactions.

It is expected that the District will finance a portion of the cost of the first stage of the Capital Improvement Program outlined in *Section 3.2* with Special Assessment Revenue Bonds, Series 2008 (the "Bonds") in the aggregate principal amount of \$18,605,000. The balance of the costs for Phase 1 as identified in the Engineer's Report will be funded through a Developer's completion agreement or to the extent that there are any lots that remain unsold in Phase 1, such costs may be funded through issuance of a future debt series on those remaining unsold lots in Phase 1. Future Phases' costs are expected to be funded via future bond issuances.



## **4.2 Types of Special Assessment Bonds Proposed**

The financing program for the Phase 1 of the District provides for the issuance of the Bonds in the amount of \$18,605,000 to defray construction/acquisition expenses of \$11,911,927. The Bonds are projected to be issued on or about July 17, 2008, pay interest payments every May 1 and November 1, and have their interest capitalized until May 1, 2011. The Bonds are projected to pay principal payments every May 1 commencing May 1, 2012 and ending May 1, 2038.

In order to finance the \$11,911,927 in improvement costs, the District will need to borrow more funds and incur indebtedness in the total amount of \$18,605,000.

The difference is comprised of debt service reserve, capitalized interest, underwriter's discount and the costs of issuance. Preliminary sources and uses of funding and other financing assumptions are presented in Table 1 in the *Appendix*.

## **5.0 Assessment Methodology**

### **5.1 Overview**

The issuance of the Bonds provides the District with funds necessary to construct/acquire the infrastructure improvements which are part of the Capital Improvement Program outlined in *Section 3.2* and described in more detail by the District Engineer in his report. These improvements lead to special and general benefits, with special benefits accruing generally to the properties within the boundaries of the District and general benefits accruing to areas outside the District and being only incidental in nature. The debt incurred in financing the infrastructure acquisition will be paid off by assessing properties that derive special and peculiar benefits from the proposed projects. All properties that receive special benefits from the Capital Improvement Program will be assessed for the debt incurred to fund the Capital Improvement Program.

### **5.2 Assigning Debt**

The current development plan for the District projects construction of infrastructure for 555 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial



uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the planned land use as well as unit numbers may change throughout the development period.

As explained in *Section 2.2*, the development of land in the District is projected at this time to occur in two phases over a multi-year period. Phase 1 of development is projected to include 278 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, although the phasing plan, timetable of construction, unit numbers and land use types may change.

The construction of improvements included in the Capital Improvement Program is projected to occur in two stages, first of which expected to commence in the current year. Even though the construction of the Capital Improvement Program will be staged over a number of years, the infrastructure included in the Capital Improvement Program will comprise an interrelated system of improvements, which means that the sum of the improvements will serve the entire District and improvements will be interrelated such that they will reinforce one another and their combined benefit will be greater than the sum of their individual benefits. The infrastructure provided by the District will include roads, street lighting, landscaping, irrigation, public parking, recreation, water, sanitary sewer, storm water management, wastewater management, and off-site improvements. All of the land uses within the District will benefit from all infrastructure improvement categories, as the improvements provide basic infrastructure to all lands within the District and benefit all lands within the District as an integrated system of improvements.

As the provision of the above listed improvements by the District will make the lands in the District developable, the land will become more valuable to their owners. The increase in the value of the land provides the logical nexus of benefit of improvements that accrues to the developable and saleable parcels within the District. The improvements, therefore, have a logical connection to the special and peculiar benefits received by lands within the District because without the improvements, the development of the properties within the District would not be possible. Furthermore, the improvements of the Capital Improvement Program are all necessary in order to make the lands within the District developable and saleable and as a result, the value of the developable and saleable lands within the District increases by more than the sum of the financed cost of the individual components of the Capital Improvement Program.



Based on that connection between the improvements and the special and peculiar benefit to lands within the District, the District can assign or apportion to lands receiving such special and peculiar benefits a portion of the District's debt or assessments. Even though these special and peculiar benefits are real and ascertainable, the precise amount of the benefit cannot be calculated yet with mathematical certainty. However, each is more valuable than the cost of, or the actual non-ad valorem assessment amount levied on that parcel.

The benefit associated with the Capital Improvement Program of the District is proposed to be allocated to the different product types within the District in proportion to the density and intensity of use of the District's infrastructure as measured by a standard unit called an Equivalent Residential Unit ("ERU"). Table 2 in the *Appendix* illustrates the development plan currently contemplated to be implemented in the District, the appropriate ERU factors that are proposed to be assigned to the land uses in the District, the total ERU counts for each land use category, and the share of the benefit received by each land use in total and on a per unit/1,000 sq. ft./acre/boat slip basis. The rationale behind these ERU weight is supported by the fact that smaller units are reasonably expected to use and benefit from the District's public infrastructure improvements less than larger units, as smaller units produce less storm water runoff, produce fewer vehicular trips and need less water and sewer capacity than larger units. Additionally, the larger units are likely to appreciate by more in dollar terms than the smaller units as a result of the implementation of the Capital Improvement Program. Similarly, non-residential units which are intensively used will produce more vehicular trips and need more water and sewer capacity than non-residential uses which are less intensively used, as well the more intensively used units are likely to appreciate more on a per unit basis, than the less intensively used units. As the exact amount of the benefit derived from the use of District services and facilities as well as the amount of the appreciation in value is not possible to be calculated at this time, the use of ERU measures serves as a reasonable proxy for the relative amount of benefit received from District's improvements.

Even though it is beyond question that the civic government space located within Lost Rabbit development will benefit from the provision of the District's Capital Improvement Program, it is proposed in this Report that it is not assessed for any capital costs associated with the provision of the Capital Improvement Program. The rationale for this exemption is that civic government space is already exempt from regular taxation, and in most cases, is also exempted from non-ad valorem and other assessments on the grounds of public purpose. Additionally, the land use will provide services to the



landowners and residents within the District and the cost of any capital assessments levied on it would ultimately be borne by the capital assessment-paying property owners within the District. Contently, such property is proposed to be exempted from paying District's assessments and is proposed to be given ERU factor of zero.

Due to the fact that the District will finance at this time only a portion of the Capital Improvement Program which will serve Phase 1 of the Development, benefit received by the 278 single-family and multi-family residential dwelling units, a 60-unit assisted living facility, 183,773 square feet of commercial uses, 12,728 square feet of hotel uses, 16,220 square feet of civic uses, 1.262 acres of religious uses, 1.806 acres of private educational uses, and a 124-slip marina, will greatly exceed the costs associated with funding the first stage of construction of the Capital Improvement Program. Based on the maximum debt amounts for each product type as developed in the Master Report, Table 3 in the *Appendix* illustrates the apportionment of Series 2008 Debt and Infrastructure Credit, where the Infrastructure Credit for each unit type is the mathematical difference between the Maximum Debt amount for each product type as developed in the Master Report and the Series 2008 Debt, the level of which has been determined based on the levels requested by the landowner who will be contributing the infrastructure improvements in the total value of the Infrastructure Credit.

Further, Table 4 in the *Appendix* illustrates the Series 2008 Debt and Annual Debt Service Assessment per unit/1,000 sq. ft./acre/boat slip. **Please note that the District will additionally assess for the costs of operating and administering of the District and such assessments will be in addition to the debt service assessments listed in Table 4.**

As other than three parcels of land which have already been platted and sold to owners other than the Developer as designated for specific land uses and together represent 0.713 acres, the land in the Phase 1 of the District is not yet platted and the precise location of all of the different products by lot or parcel is not determined, the debt resulting from issuance of the Bonds will be preliminarily levied on all of the land in the Phase 1 of the District on a pro-rata gross acre basis. As there are approximately 108.337 unplatted and unsold acres in the Phase 1 of the District, consequently undistributed bonded debt in the amount of \$18,433,239.14 will be **preliminarily** levied on all land in the Phase 1 of the District at a rate of \$170,147.22 per gross acre. As the land is platted and the final use of each parcel becomes known, the debt will be transferred from unplatted land to platted parcels in accordance with the assessment methodology and the apportionment reflected in Table 4 in the *Appendix*.



### **5.3 Lienability Test: Special and Peculiar Benefit to the Property**

As first discussed in *Section 1.3*, Special Benefits and General Benefits, improvements undertaken by the District create special and peculiar benefits to certain properties within the District. The District's improvements benefit properties within the District and accrue to all assessable properties on an ERU basis.

Improvements undertaken by the District can be shown to be creating special and peculiar benefits to the property within the District. The special and peculiar benefits resulting from each improvement are:

- a. added use of the property;
- b. added enjoyment of the property;
- c. decreased insurance premiums;
- d. increased marketability and value of the property.

The improvements which are part of the Capital Improvement Program make the lands in the District developable and saleable and when implemented jointly as parts of the Capital Improvement Program, provide special and peculiar benefits which are greater than the benefits of any single category of improvements. These special and peculiar benefits are real and ascertainable, but not yet capable of being calculated and assessed in terms of numerical value, however, each is more valuable than either the cost of, or the actual assessment levied for, the improvement or debt allocated to the parcel of land.

### **5.4 Lienability Test: Reasonable and Fair Apportionment of the Duty to Pay**

A reasonable estimate of the proportion of special and peculiar benefits received from the improvements is delineated in Table 2 (expressed as ERU factors) in the *Appendix*.

The apportionment of the assessments is reasonable and fair because it was conducted on the basis of consistent application of the methodology described in *Section 5.2* across all assessable property within the District according to reasonable estimates of the special and peculiar benefits derived from the Capital Improvement Program by different land uses.

Accordingly, with the exception of the government land located within Lost Rabbit development, no acre or parcel of property within the boundaries of the District will be liened for the payment of any non-ad valorem special



assessment more than the determined special benefit peculiar to that property. In accordance with the benefit apportionment in Table 2, and Maximum Debt and Infrastructure Credit application in Table 3, Series 2008 Debt per unit/1,000 sq. ft./acre/boat slip has been calculated in Table 4 in the *Appendix*. This amount represents the preliminary anticipated per unit debt apportionment assuming the land is developed as projected and the entire proposed infrastructure program is developed or acquired and financed by the District.

## **5.5 True-Up Mechanism**

The Assessment Methodology is based on conceptual information obtained from the Developer prior to construction. As development occurs it is possible that the number of acre may change. The mechanism for maintaining the methodology over the changes is referred to as true-up.

This mechanism is to be utilized to assure that the principal assessment on a per ERU basis never exceeds the initially apportioned assessment as contemplated in the adopted assessment methodology. If such changes occur, the Methodology is applied to the land based on number of and type units of a particular land uses in the parcel as signified by the number of ERUs.

All changes in the number of units and unit mix within parcels will be permitted subject to the following true-up mechanism. As long as the per ERU assessment equals the initial level as established in the methodology no action will be taken under the true-up. Any development changes which increase the per ERU assessments above the initial level will require a principal reduction payment by the owner of the parcel whose changes caused such increase in the per ERU assessment. Conversely, any development changes that decrease the per ERU assessments below the initial level will result in an automatic decrease in the per ERU assessment for all assessable parcels within the District. The land use and numbers of ERUs within each parcel will be certified by the Developer and confirmed by District Engineer.



**Wratbell, Hart, Hunt and Associates, LLC**  
*Building client relationships one step at a time...*

## 5.6 Preliminary Assessment Roll

The Preliminary Assessment Roll for the District is based on the number of and type of units planned for a platted and sold parcel of land in the District, or for unplatted and/or unsold land, the number of gross acres in the Phase 1 of the District, which is approximately 108.337 acres, and the total amount of the Bonds of \$18,433,239.14.

| Parcel                                | Owner                         | Address  | Assessment Amount |
|---------------------------------------|-------------------------------|--|-------------------|
| 51400                                 | DAT Investments, LLC          | 2648 Ridgewood Road, Suite B Jackson, MS 39216<br><u>or</u><br>P. O. Box 16248 Jackson, MS 39236 | \$40,068.67       |
| 50900                                 | Town Center Construction, LLC | Box 2209 Madison, MS 39130   | \$75,171.93       |
| 50110                                 | Lost Harbor 1, LLC            | Box 22891 Jackson, MS 3922   | \$56,520.26       |
| Other Land -<br>see Legal Description | Lost Rabbit Development, LLC  | 10 Canebrake, Suite 110 Flowood, MS 39232  | \$18,433,239.14   |



**EXHIBIT "A-1"**

**Legal Description  
Lost Rabbit  
Phase 1**

The following description is based on Mississippi State Plane Coordinate System, West Zone, NAD 83, Grid Values, using a combined factor of 0.999944106 and a convergence angle of 00° 08' 57.86170".

A parcel of land lying and being situated in Sections 11, 12, 13 and 14, Township 7 North, Range 2 East, Madison County, Mississippi and being more particularly described as follows to-wit:

Commencing at the section corner being common to aforesaid 11, 12, 13 and 14 run thence North 00° 22' 24" East for a distance of 1951.43 feet to a point lying on the Easterly Right-of-Way line of the Natchez Trace Parkway (N.T.P.) as it is now laid out and exists (October 2003); thence run South 85° 05' 24" West on and along aforesaid Easterly Right-of-Way line for a distance of 917.54 feet to N.T.P. Monument 118 and the Point of Beginning. From the Point of Beginning thence run North 85° 05' 24" East on and along the aforesaid Easterly Right-of-Way line for a distance of 1684.50 feet to N.T.P. Monument 117; thence run North 58° 47' 15" East on and along aforesaid Easterly Right-of-Way line for a distance of 250.72 feet to a 2-inch capped iron pipe Found; thence leaving the aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway run the following courses and distances on and along the shoreline of the Ross Barnett Reservoir:

South 47° 11' 55" West - 65.24 feet to an iron pin set;  
South 20° 55' 06" West - 354.77 feet to an iron pin set;  
South 77° 48' 57" East - 240.23 feet to an iron pin set;  
South 85° 54' 35" East - 48.02 feet to an iron pin set;  
North 06° 14' 33" East - 59.99 feet to an iron pin set;  
South 60° 50' 27" East - 110.67 feet to an iron pin set;  
South 16° 33' 48" East - 116.46 feet to an iron pin set;  
South 19° 24' 34" West - 144.52 feet to an iron pin set;  
South 06° 49' 51" West - 129.71 feet to an iron pin set;  
South 26° 36' 13" West - 186.23 feet to an iron pin set;  
South 29° 31' 01" West - 327.73 feet to an iron pin set;  
South 27° 37' 27" West - 204.76 feet to an iron pin set;  
South 49° 58' 13" West - 252.05 feet to an iron pin set;  
South 01° 38' 02" West - 102.66 feet to a 2-inch capped iron pipe found;  
South 45° 19' 18" West - 237.22 feet to an iron pin set;  
South 54° 26' 46" West - 462.20 feet to an iron pin set;  
South 46° 37' 14" West - 595.30 feet to an iron pin set;  
South 26° 31' 39" West - 256.46 feet to an iron pin set;



South 43° 48' 04" West - 533.96 feet to an iron pin set;  
South 48° 10' 15" West - 70.10 feet to an iron pin set;  
Thence leaving aforesaid shoreline run the following courses and distances:  
North 43° 33' 59" West - 394.50 feet to an iron pin set;  
North 46° 35' 17" East - 484.14 feet to an iron pin set;  
South 42° 01' 16" East - 13.76 feet to an iron pin set;  
North 48° 18' 58" East - 150.00 feet to an iron pin set;  
South 41° 41' 02" East - 16.22 feet to an iron pin set;  
North 48° 18' 58" East - 130.00 feet to an iron pin set;  
North 41° 41' 02" West - 572.93 feet to an iron pin set;  
South 44° 16' 50" West - 231.82 feet to an iron pin set;  
North 49° 02' 02" West - 68.54 feet to an iron pin set;  
South 41° 16' 20" West - 124.06 feet to an iron pin set;  
North 50° 29' 45" West - 145.02 feet to an iron pin set;  
South 41° 41' 46" West - 16.01 feet to an iron pin set;  
North 49° 22' 06" West - 119.67 feet to an iron pin set;  
North 58° 05' 42" West - 161.50 feet to an iron pin set;  
North 31° 54' 18" East - 514.94 feet to an iron pin set;  
North 58° 05' 42" West - 138.50 feet to an iron pin set;  
North 31° 54' 18" East - 301.34 feet to an iron pin set;  
North 31° 18' 37" West - 62.99 feet to an iron pin set;  
South 87° 53' 15" West - 200.53 feet to an iron pin set;  
North 02° 06' 45" West - 316.00 feet to an iron pin set;  
North 87° 53' 15" East - 154.00 feet to an iron pin set;

Thence run North 02° 06' 45" West for distance of 205.99 feet to an iron pin set lying on aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway; Thence run North 89° 27' 38" East on and along the aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway for a distance of 96.05 feet to NTP Monument No. 119, found; Thence run North 47° 30' 16" East on and along the aforesaid Easterly Right-of-Way line of the Natchez Trace Parkway for a distance of 518.42 feet back to the Point of Beginning and containing within said bounds 109.05 acres more or less.



**Wratbell, Hart, Hunt and Associates, LLC**  
*Building client relationships one step at a time...*

## 6.0 Appendix

Table 1

### **Lost Rabbit** **Public Improvement District** **Sources and Uses of Funds**

|   | <b>Series 2008</b>  |
|---|---------------------|
| <b><u>Sources Of Funds</u></b>              |                     |
| Par Amount of Bonds                         | \$18,605,000        |
| <b>Total Sources</b>                        | <b>\$18,605,000</b> |
| <b><u>Uses Of Funds</u></b>                 |                     |
| Total Underwriter's Discount                | \$372,100           |
| Costs of Issuance                           | \$550,000           |
| Deposit to Debt Service Reserve Fund (DSRF) | \$1,684,850         |
| Deposit to Capitalized Interest (CIF) Fund  | \$4,086,123         |
| Deposit to Project Construction Fund        | \$11,911,927        |
| <b>Total Uses</b>                           | <b>\$18,605,000</b> |



Table 2

# **Lost Rabbit** **Public Improvement District** **Benefit Allocation**

| Land Use                                    | Number of<br>Units/Sq.<br>Ft./Acres/<br>Boat Slips | ERU per<br>Unit/1,000 Sq.<br>Ft./Acre/ Boat<br>Slip | Total ERU      | Percent ERU      | Percent ERU<br>per Unit/1,000<br>Sq. Ft./Acre/<br>Boat Slip |
|---|--|---|----------------|------------------|---|
| <b><u>Residential Units</u></b>             |  |   |                |                  |   |
| Carriage House                              | 47   | 1.00  | 47.000         | 0.0518365        | 0.001102904   |
| Cottage                                     | 84   | 1.00  | 84.000         | 0.0926439        | 0.001102904   |
| House                                       | 67   | 1.15  | 77.050         | 0.0849788        | 0.001268340   |
| Side Yard                                   | 6  | 1.10  | 6.600          | 0.0072792        | 0.001213194   |
| Large House                                 | 77   | 1.35  | 103.950        | 0.1146469        | 0.001488920   |
| Mansion                                     | 106  | 1.60  | 169.600        | 0.1870525        | 0.001764646   |
| Town House                                  | 31   | 0.95  | 29.450         | 0.0324805        | 0.001047759   |
| Live Works 1BR                              | 26   | 0.70  | 18.200         | 0.0200729        | 0.000772033   |
| Live Works 2BR                              | 30   | 0.75  | 22.500         | 0.0248153        | 0.000827178   |
| Condo 1BR                                   | 8  | 0.65  | 5.200          | 0.0057351        | 0.000716888   |
| Condo 2BR                                   | 68   | 0.75  | 51.000         | 0.0562481        | 0.000827178   |
| Condo 3BR                                   | 5  | 0.85  | 4.250          | 0.0046873        | 0.000937468   |
| Assisted Living                             | 60   | 0.50  | 30.000         | 0.0330871        | 0.000551452   |
| <b>Total Residential</b>                    | <b>615</b>   |   | <b>648.800</b> | <b>0.7155641</b> |   |
| <b><u>Non-Residential Sq. Ft./Acres</u></b> |  |   |                |                  |   |
| Restaurant (Sq. Ft.)                        | 15,322   | 2.70  | 41.369         | 0.0456265        | 0.002977841   |
| Retail (Sq. Ft.)                            | 78,551   | 1.35  | 106.044        | 0.1169562        | 0.00148892  |
| Office (Sq. Ft.)                            | 89,900   | 0.55  | 49.445         | 0.0545331        | 0.000606597   |
| Hotel (Sq. Ft.)                             | 12,728   | 0.85  | 10.819         | 0.0119321        | 0.000937468   |
| Government (Sq. Ft.)                        | 16,220   | 0.00  | 0.000          | 0.0000000        | 0.000000000   |
| Religious (Acres)                           | 1.262  | 3.60  | 4.543          | 0.0050107        | 0.003970454   |
| Private Educational (Acres)                 | 1.806  | 9.50  | 17.157         | 0.0189225        | 0.010477588   |
| Marina (Boat Slips)                         | 124  | 0.23  | 28.520         | 0.0314548        | 0.000253668   |
| <b>Total Non-Residential</b>                |  |   | <b>257.897</b> | <b>0.2844359</b> |   |
| <b>Total</b>                                |  |   | <b>906.697</b> | <b>1.0000000</b> |   |



Table 3

## Lost Rabbit

### Public Improvement District

#### Phase I Debt and Infrastructure Credit Apportionment

| Land Use                                    | Number of<br>Units/Sq.<br>Ft./Acres/<br>Boat Slips | Maximum<br>Debt per<br>Unit/1,000 Sq.<br>Ft./Acre/Boat<br>Slip* | Maximum Total<br>Debt | Series 2008<br>Total Debt | Total<br>Infrastructure<br>Credit |
|---|--|---|-----------------------|---------------------------|-----------------------------------|
| <b><u>Residential Units</u></b>             |  |   |                       |                           |                                   |
| Carriage House                              | 47   | \$51,544  | \$2,422,578           | \$2,063,186               | \$359,392                         |
| Cottage                                     | 12   | \$51,544  | \$618,531             | \$526,771                 | \$91,760                          |
| House                                       | 37   | \$59,276  | \$2,193,206           | \$1,867,842               | \$325,365                         |
| Side Yard                                   | 6  | \$56,699  | \$340,192             | \$289,724                 | \$50,468                          |
| Large House                                 | 9  | \$69,585  | \$626,262             | \$533,355                 | \$92,907                          |
| Mansion                                     | 3  | \$82,471  | \$247,412             | \$210,708                 | \$36,704                          |
| Town House                                  | 27   | \$48,967  | \$1,322,109           | \$1,125,973               | \$196,137                         |
| Live Works 1BR                              | 26   | \$36,081  | \$938,105             | \$798,936                 | \$139,169                         |
| Live Works 2BR                              | 17   | \$38,658  | \$657,189             | \$559,694                 | \$97,495                          |
| Live Works 2BR-Sold 1569                    | 1  | \$38,658  | \$38,658              | \$4,134                   | \$34,524                          |
| Live Works 2BR-Sold 1817                    | 2  | \$38,658  | \$77,316              | \$9,575                   | \$67,741                          |
| Live Works 2BR-Sold 1830                    | 1  | \$38,658  | \$38,658              | \$4,822                   | \$33,836                          |
| Live Works 2BR-Sold 2180                    | 1  | \$38,658  | \$38,658              | \$5,744                   | \$32,914                          |
| Live Works 2BR-Sold 2296                    | 1  | \$38,658  | \$38,658              | \$6,049                   | \$32,609                          |
| Live Works 2BR-Sold 2514                    | 3  | \$38,658  | \$115,974             | \$19,872                  | \$96,102                          |
| Live Works 2BR-Sold 2978                    | 4  | \$38,658  | \$154,633             | \$31,385                  | \$123,248                         |
| Condo 1BR                                   | 8  | \$33,504  | \$268,030             | \$228,267                 | \$39,763                          |
| Condo 2BR                                   | 66   | \$38,658  | \$2,551,439           | \$2,172,930               | \$378,509                         |
| Condo 2BR-Sold 1624                         | 2  | \$38,658  | \$77,316              | \$8,557                   | \$68,759                          |
| Condo 3BR                                   | 4  | \$43,813  | \$175,250             | \$149,252                 | \$25,999                          |
| Condo 3BR-Sold 2124                         | 1  | \$43,813  | \$43,813              | \$5,596                   | \$38,217                          |
| Assisted Living                             | 60   | \$25,772  | \$1,546,327           | \$1,316,927               | \$229,399                         |
| <b>Total Residential</b>                    | <b>338</b>   |   | <b>\$14,530,315</b>   | <b>\$11,939,298</b>       | <b>\$2,591,017</b>                |
| <b><u>Non-Residential Sq. Ft./Acres</u></b> |  |   |                       |                           |                                   |
| Restaurant (Sq. Ft.)                        | 10,322   | \$139,169   | \$1,436,506           | \$1,207,743               | \$228,764                         |
| Restaurant (Sq. Ft.)-Sold                   | 5,000  | \$139,169   | \$695,847             | \$13,173                  | \$682,674                         |
| Retail (Sq. Ft.)                            | 67,887   | \$69,585  | \$4,723,896           | \$3,101,528               | \$1,622,368                       |
| Retail (Sq. Ft.)-Sold                       | 10,664   | \$69,585  | \$742,051             | \$28,095                  | \$713,956                         |
| Office (Sq. Ft.)                            | 76,707   | \$28,349  | \$2,174,591           | \$1,424,488               | \$750,103                         |
| Office (Sq. Ft.)-Sold                       | 13,193   | \$28,349  | \$374,013             | \$34,759                  | \$339,254                         |
| Hotel (Sq. Ft.)                             | 12,728   | \$43,813  | \$557,647             | \$319,290                 | \$238,356                         |
| Government (Sq. Ft.)                        | 16,220   | \$0   | \$0                   | \$0                       | \$0                               |
| Religious (Acres)                           | 1.262  | \$185,559   | \$234,176             | \$155,958                 | \$78,218                          |
| Private Educational (Acres)                 | 1.806  | \$489,670   | \$884,344             | \$250,000                 | \$634,344                         |
| Marina (Boat Slips)                         | 124  | \$11,855  | \$1,470,041           | \$130,668                 | \$1,339,373                       |
| <b>Total Non-Residential</b>                |  |   | <b>\$13,293,112</b>   | <b>\$6,665,702</b>        | <b>\$6,627,410</b>                |
| <b>Total</b>                                |  |   | <b>\$27,823,427</b>   | <b>\$18,605,000</b>       | <b>\$9,218,427</b>                |

\* See Table 3 of the Final Master Special Assessment Methodology Report dated July 14, 2008



Table 4

## Lost Rabbit

### Public Improvement District

#### Phase I Debt and Annual Debt Service Assessment Apportionment

| Land Use                                   | Number of<br>Units/Sq.<br>Ft./Acre/<br>Boat Slips | Series 2008<br>Total Debt | Series 2008<br>Total Debt per<br>Unit/1,000 Sq.<br>Ft./Acre/Boat<br>Slip | Annual Debt<br>Service<br>Assessment<br>per Unit/1,000<br>Sq. Ft./Acre/<br>Boat Slip* |
|--|---|---------------------------|--|---|
| <b><u>Residential Units</u></b>            |   |                           |  |   |
| Carriage House                             | 47  | \$2,063,186               | \$43,898   | \$4,165.63  |
| Cottage                                    | 12  | \$526,771                 | \$43,898   | \$4,165.63  |
| House                                      | 37  | \$1,867,842               | \$50,482   | \$4,790.47  |
| Side Yard                                  | 6   | \$289,724                 | \$48,287   | \$4,582.19  |
| Large House                                | 9   | \$533,355                 | \$59,262   | \$5,623.60  |
| Mansion                                    | 3   | \$210,708                 | \$70,236   | \$6,665.00  |
| Town House                                 | 27  | \$1,125,973               | \$41,703   | \$3,957.35  |
| Live Works 1BR                             | 26  | \$798,936                 | \$30,728   | \$2,915.94  |
| Live Works 2BR                             | 17  | \$559,694                 | \$32,923   | \$3,124.22  |
| Live Works 2BR-Sold 1569                   | 1   | \$4,134                   | \$4,134  | \$392.29  |
| Live Works 2BR-Sold 1817                   | 2   | \$9,575                   | \$4,787  | \$454.30  |
| Live Works 2BR-Sold 1830                   | 1   | \$4,822                   | \$4,822  | \$457.58  |
| Live Works 2BR-Sold 2180                   | 1   | \$5,744                   | \$5,744  | \$545.07  |
| Live Works 2BR-Sold 2296                   | 1   | \$6,049                   | \$6,049  | \$574.02  |
| Live Works 2BR-Sold 2514                   | 3   | \$19,872                  | \$6,624  | \$628.58  |
| Live Works 2BR-Sold 2978                   | 4   | \$31,385                  | \$7,846  | \$744.56  |
| Condo 1BR                                  | 8   | \$228,267                 | \$28,533   | \$2,707.66  |
| Condo 2BR                                  | 66  | \$2,172,930               | \$32,923   | \$3,124.22  |
| Condo 2BR-Sold 1624                        | 2   | \$8,557                   | \$4,279  | \$406.01  |
| Condo 3BR                                  | 4   | \$149,252                 | \$37,313   | \$3,540.78  |
| Condo 3BR-Sold 2124                        | 1   | \$5,596                   | \$5,596  | \$531.03  |
| Assisted Living                            | 60  | \$1,316,927               | \$21,949   | \$2,082.81  |
| <b>Total Residential</b>                   | <b>338</b>  | <b>\$11,939,298</b>       |  |   |
| <b><u>Non-Residential Sq. Ft./Acre</u></b> |   |                           |  |   |
| Restaurant (Sq. Ft.)                       | 10,322  | \$1,207,743               | \$117,007  | \$11,103.26   |
| Restaurant (Sq. Ft.)-Sold                  | 5,000   | \$13,173                  | \$2,635  | \$250.01  |
| Retail (Sq. Ft.)                           | 67,887  | \$3,101,528               | \$45,687   | \$4,335.40  |
| Retail (Sq. Ft.)-Sold                      | 10,664  | \$28,095                  | \$2,635  | \$250.01  |
| Office (Sq. Ft.)                           | 76,707  | \$1,424,488               | \$18,571   | \$1,762.24  |
| Office (Sq. Ft.)-Sold                      | 13,193  | \$34,759                  | \$2,635  | \$250.01  |
| Hotel (Sq. Ft.)                            | 12,728  | \$319,290                 | \$25,086   | \$2,380.48  |
| Government (Sq. Ft.)                       | 16,220  | \$0                       | \$0  | \$0.00  |
| Religious (Acre)                           | 1.262   | \$155,958                 | \$123,580  | \$11,727.01   |
| Private Educational (Acre)                 | 1.806   | \$250,000                 | \$138,427  | \$13,135.97   |
| Marina (Boat Slips)                        | 124   | \$130,668                 | \$1,054  | \$100.00  |
| <b>Total Non-Residential</b>               |   | <b>\$6,665,702</b>        |  |   |
| <b>Total</b>                               |   | <b>\$18,605,000</b>       |  |   |

\* Includes a 6% allowance for costs of collection - for illustrative purposes only; actual costs may vary depending on actual County costs



**Wratbell, Hart, Hunt and Associates, LLC**  
*Building client relationships one step at a time...*

## Lost Rabbit

Public Improvement District  
Capital Improvement Revenue Bonds  
Series 2008

## Sources & Uses

**Dated 07/17/2008 | Delivered 07/17/2008**

### Sources Of Funds

|                      |                        |
|----------------------|------------------------|
| Par Amount of Bonds  | \$18,605,000.00        |
| <b>Total Sources</b> | <b>\$18,605,000.00</b> |

### Uses Of Funds

|   |                        |
|---|------------------------|
| Total Underwriter's Discount (2.000%)       | 372,100.00             |
| Costs of Issuance                           | 550,000.00             |
| Deposit to Debt Service Reserve Fund (DSRF) | 1,684,850.00           |
| Deposit to Capitalized Interest (CIF) Fund  | 4,086,123.15           |
| Deposit to Project Construction Fund        | 11,911,926.85          |
| <b>Total Uses</b>                           | <b>\$18,605,000.00</b> |



## Lost Rabbit

Public Improvement District  
 Capital Improvement Revenue Bonds  
 Series 2008

## Net Debt Service Schedule

| Date         | Principal              | Coupon   | Interest               | Total P+I              | DSR                   | CIF                   | Net New D/S            |
|--------------|------------------------|----------|------------------------|------------------------|-----------------------|-----------------------|------------------------|
| 05/01/2009   | -                      | -        | 1,155,835.63           | 1,155,835.63           | (19,925.88)           | (1,155,835.63)        | (19,925.88)            |
| 05/01/2010   | -                      | -        | 1,465,143.76           | 1,465,143.76           | (25,272.76)           | (1,465,143.76)        | (25,272.76)            |
| 05/01/2011   | -                      | -        | 1,465,143.76           | 1,465,143.76           | (25,272.76)           | (1,465,143.76)        | (25,272.76)            |
| 05/01/2012   | 215,000.00             | 7.875%   | 1,465,143.76           | 1,680,143.76           | (25,272.76)           | -                     | 1,654,871.00           |
| 05/01/2013   | 235,000.00             | 7.875%   | 1,448,212.50           | 1,683,212.50           | (25,272.76)           | -                     | 1,657,939.74           |
| 05/01/2014   | 255,000.00             | 7.875%   | 1,429,706.26           | 1,684,706.26           | (25,272.76)           | -                     | 1,659,433.50           |
| 05/01/2015   | 275,000.00             | 7.875%   | 1,409,625.00           | 1,684,625.00           | (25,272.76)           | -                     | 1,659,352.24           |
| 05/01/2016   | 295,000.00             | 7.875%   | 1,387,968.76           | 1,682,968.76           | (25,272.76)           | -                     | 1,657,696.00           |
| 05/01/2017   | 315,000.00             | 7.875%   | 1,364,737.50           | 1,679,737.50           | (25,272.76)           | -                     | 1,654,464.74           |
| 05/01/2018   | 340,000.00             | 7.875%   | 1,339,931.26           | 1,679,931.26           | (25,272.76)           | -                     | 1,654,658.50           |
| 05/01/2019   | 370,000.00             | 7.875%   | 1,313,156.26           | 1,683,156.26           | (25,272.76)           | -                     | 1,657,883.50           |
| 05/01/2020   | 400,000.00             | 7.875%   | 1,284,018.76           | 1,684,018.76           | (25,272.76)           | -                     | 1,658,746.00           |
| 05/01/2021   | 430,000.00             | 7.875%   | 1,252,518.76           | 1,682,518.76           | (25,272.76)           | -                     | 1,657,246.00           |
| 05/01/2022   | 465,000.00             | 7.875%   | 1,218,656.26           | 1,683,656.26           | (25,272.76)           | -                     | 1,658,383.50           |
| 05/01/2023   | 500,000.00             | 7.875%   | 1,182,037.50           | 1,682,037.50           | (25,272.76)           | -                     | 1,656,764.74           |
| 05/01/2024   | 540,000.00             | 7.875%   | 1,142,662.50           | 1,682,662.50           | (25,272.76)           | -                     | 1,657,389.74           |
| 05/01/2025   | 580,000.00             | 7.875%   | 1,100,137.50           | 1,680,137.50           | (25,272.76)           | -                     | 1,654,864.74           |
| 05/01/2026   | 630,000.00             | 7.875%   | 1,054,462.50           | 1,684,462.50           | (25,272.76)           | -                     | 1,659,189.74           |
| 05/01/2027   | 680,000.00             | 7.875%   | 1,004,850.00           | 1,684,850.00           | (25,272.76)           | -                     | 1,659,577.24           |
| 05/01/2028   | 730,000.00             | 7.875%   | 951,300.00             | 1,681,300.00           | (25,272.76)           | -                     | 1,656,027.24           |
| 05/01/2029   | 790,000.00             | 7.875%   | 893,812.50             | 1,683,812.50           | (25,272.76)           | -                     | 1,658,539.74           |
| 05/01/2030   | 850,000.00             | 7.875%   | 831,600.00             | 1,681,600.00           | (25,272.76)           | -                     | 1,656,327.24           |
| 05/01/2031   | 915,000.00             | 7.875%   | 764,662.50             | 1,679,662.50           | (25,272.76)           | -                     | 1,654,389.74           |
| 05/01/2032   | 990,000.00             | 7.875%   | 692,606.26             | 1,682,606.26           | (25,272.76)           | -                     | 1,657,333.50           |
| 05/01/2033   | 1,070,000.00           | 7.875%   | 614,643.76             | 1,684,643.76           | (25,272.76)           | -                     | 1,659,371.00           |
| 05/01/2034   | 1,150,000.00           | 7.875%   | 530,381.26             | 1,680,381.26           | (25,272.76)           | -                     | 1,655,108.50           |
| 05/01/2035   | 1,240,000.00           | 7.875%   | 439,818.76             | 1,679,818.76           | (25,272.76)           | -                     | 1,654,546.00           |
| 05/01/2036   | 1,340,000.00           | 7.875%   | 342,168.76             | 1,682,168.76           | (25,272.76)           | -                     | 1,656,896.00           |
| 05/01/2037   | 1,445,000.00           | 7.875%   | 236,643.76             | 1,681,643.76           | (25,272.76)           | -                     | 1,656,371.00           |
| 05/01/2038   | 1,560,000.00           | 7.875%   | 122,850.00             | 1,682,850.00           | (1,710,122.76)        | -                     | (27,272.76)            |
| <b>Total</b> | <b>\$18,605,000.00</b> | <b>-</b> | <b>\$30,904,435.79</b> | <b>\$49,509,435.79</b> | <b>(2,437,685.92)</b> | <b>(4,086,123.15)</b> | <b>\$42,985,626.72</b> |

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