OFFICIAL STATEMENT DATED MAY 26, 2005

NEW ISSUE - Book-Entry Only **Non-Rated**

In the opinion of Bond Counsel, assuming continuing compliance with all covenants set forth in the Indenture, and subject to the conditions set forth herein, under existing statutes, regulations, rulings and judicial decisions, as presently interpreted and construed, interest on the Series 2005 Bonds earned by the respective owners thereof is excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code, except as described in "TAX MATTERS" herein. Bond Counsel is of the opinion that under existing law, interest on the Series 2005 Bonds earned by the respective owners thereof is exempt from State of Mississippi income taxes.

$10,595,000
PEARL RIVER COMMUNITY COLLEGE STUDENT HOUSING CORPORATION
Revenue Bonds, Series 2005
(Student Housing Project)

Dated: Date of Delivery **Due: September 1, as shown on inside front cover**

The Series 2005 Bonds will be issued as fully registered bonds in denominations of $5,000 or integral multiples thereof up to the amount of a single maturity, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Series 2005 Bonds. Purchases may be made only in book-entry form through the DTC Participants and no physical delivery of the Series 2005 Bonds will be made to Beneficial Owners, except as described herein. So long as Cede & Co. is the Registered Owner, as nominee of DTC, references herein to the Bondholders or Registered Owners will mean Cede & Co., as aforesaid, and will not mean the Beneficial Owners of the Series 2005 Bonds. See "THE SERIES 2005 BONDS - Book-Entry Only System" herein. The principal of, premium, if any, and interest on the Series 2005 Bonds will be made to Cede & Co., as long as Cede & Co. is the Registered Owner. Disbursement of such payments to the Beneficial Owners is the responsibility of the DTC Participants, as more fully described herein.

Principal of the Series 2005 Bonds is payable on September 1, as shown on inside front cover. Interest on the Series 2005 Bonds is payable on September 1, 2005, and semiannually thereafter on March 1 and September 1 of each year, to the Registered Owners of record as of the applicable Record Dates, as herein described, which payments shall, as long as the book-entry only system described herein is in place, be made to Cede & Co.

The Series 2005 Bonds are issued by the Pearl River Community College Student Housing Corporation (the "Corporation"), a Mississippi public nonprofit corporation, under a Trust Indenture, dated as of June 1, 2005 (the "Indenture"), by and between the Corporation and Hancock Bank, Gulfport, Mississippi, as Trustee (the "Trustee"), to provide funds to (i) acquire, construct and equip a 118 male residence hall facility and 268 female residence hall facility (the "2005 Project") on certain real property located on the main campus of the College (the "2005 Project Sites"), and (ii) provide for capitalized interest in connection with the Series 2005 Bonds, and (iii) pay certain necessary expenses incidental thereto. See "THE SERIES 2005 PROJECT" herein.

The Series 2005 Bonds are payable as to principal, premium, if any, and interest solely from rental payments made by the Board of Trustees of the Pearl River Community College District (the "Board") under the Lease (as defined herein). See "THE SERIES 2005 BONDS" and "THE LEASE" herein. Subject to the provisions of the Lease, the obligations of the Board to make the rental payments required in the Lease and to perform and observe the other agreements on its part contained in the Lease shall be absolute and unconditional, regardless of the continued existence of the Project in a physical condition satisfactory to the Board.

THE SERIES 2005 BONDS ARE SOLELY AND EXCLUSIVELY THE OBLIGATION OF THE CORPORATION PAYABLE SOLELY FROM RENTAL PAYMENTS MADE BY THE BOARD UNDER THE LEASE AS DESCRIBED HEREIN. THE SERIES 2005 BONDS ARE NOT OBLIGATIONS OR DEBTS OF THE BOARD OR THE STATE, AND DO NOT CONSTITUTE A PLEDGE OF THE FULL FAITH AND CREDIT OF EITHER THE BOARD OR THE STATE. THE CORPORATION HAS NO TAXING POWER. FURTHER, THE SERIES 2005 BONDS DO NOT CONSTITUTE A DEBT OF PEARL RIVER COMMUNITY COLLEGE.

The Series 2005 Bonds are subject to redemption prior to maturity as provided herein.

Purchase of the Series 2005 Bonds involves a certain degree of risk, and reference is made to "RISKS TO BONDHOLDERS" herein for a discussion of such risks.

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

The Series 2005 Bonds are offered when, as and if issued by the Corporation and accepted by the Purchaser, subject to prior sale, to withdrawal or modification of the offer without notice, and to the opinion as to legality and tax exemption of the Series 2005 Bonds by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Corporation by its counsel, Martin Smith, Poplarville, Mississippi, for the Purchaser by its counsel, Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, and for the Board by Martin Smith, Poplarville, Mississippi. The Series 2005 Bonds are expected to be available for delivery on or about June 15, 2005.

Crews & Associates, Inc.

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount*	Interest Rate	Price to Yield	Maturity (September 1)	Principal Amount	Interest Rate	Priced to Yield
2007	$165,000	3.75%	3.75%	2012	$205,000	4.40%	4.50%
2008	175,000	4.00	4.00	2013	215,000	4.50	4.60
2009	180,000	4.00	4.20	2014	220,000	4.60	4.70
2010	185,000	4.20	4.30	2015	230,000	4.625	4.80
2011	195,000	4.30	4.40				

$1,345,000 5.00% Term Series 2005 Bonds Due September 1, 2020* Priced to Yield 5.10%
$1,720,000 5.15% Term Series 2005 Bonds Due September 1, 2025* Priced to Yield 5.35%
$5,760,000 5.35% Term Series 2005 Bonds Due September 1, 2036* Priced to Yield 5.51%

* Subject to mandatory sinking fund redemption as set forth herein.

No dealer, broker, salesman, or other person has been authorized by the Corporation or the Board to give any information or to make any representation with respect to the Series 2005 Bonds, other than as contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation or the Board. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of the Series 2005 Bonds by any person, in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. The information set forth herein has been obtained from the Corporation, the Board, the Bond Insurer the College and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Corporation or the Board. The information regarding DTC has been obtained from DTC, but is not guaranteed as to accuracy or completeness by the Corporation or the Board. The Purchaser has provided the following sentence for inclusion in this Official Statement: The Purchaser has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Purchaser does not guarantee the accuracy or completeness of such information. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. This Official Statement does not constitute a contract between the Corporation, the Board or the Purchaser and any one or more of the purchasers or registered owners of the Series 2005 Bonds.

THE SERIES 2005 BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE SERIES 2005 BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE SERIES 2005 BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT.

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OFFICIAL STATEMENT

$10,595,000
PEARL RIVER COMMUNITY COLLEGE STUDENT HOUSING CORPORATION
REVENUE BONDS, SERIES 2005
(STUDENT HOUSING PROJECT)

September 1, 2005

INTRODUCTION

The purpose of this Official Statement is to set forth certain information in connection with the sale and issuance of the Pearl River Community College Student Housing Corporation Revenue Bonds, Series 2005 (Student Housing Project) (the "Series 2005 Bonds"). Certain capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings set forth in "**APPENDIX A**" hereto.

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in this Official Statement, including the cover page and all Appendices hereto, and the documents summarized or described herein. A full review should be made of this entire Official Statement. The offering of the Series 2005 Bonds to potential investors is made only by means of this entire Official Statement.

Authority and Purpose.

The Series 2005 Bonds are being issued pursuant to the Act and a resolution of the Board of Directors of the Pearl River Community College Student Housing Corporation (the "Corporation") dated May 10, 2005, and a resolution of the Board of Trustees of the Pearl River Community College District (the "Board") dated May 10, 2005, in order to provide funds to be used to (i) acquire, construct and equip a 118 male residence hall facility and 268 female residence hall facility (the "2005 Project") on certain real property located on the main campus of the College (the "2005 Project Sites"), and (ii) provide for capitalized interest in connection with the Series 2005 Bonds, and (iii) pay certain necessary expenses incidental thereto.

The Board and the Corporation.

Pursuant to Section 37-29-1, *et seq.*, Mississippi Code of 1972, as amended, the Board, which is composed of sixteen (16) members who appoint a President who is responsible for administering its policies and decisions, is charged with the management and control of Pearl River Community College (the "College"), which was organized and incorporated as such an institution pursuant to Section 37-29-1 *et seq.*, Mississippi Code of 1972, as amended. See "THE BOARD," "THE COLLEGE" and "THE CORPORATION".

For purposes of the Lease and all covenants contained therein, the Board and the College are to be treated as one and the same legal entity, and all references to the College in the Lease shall be deemed to be references to the Board.

The Corporation was created as a public non-profit corporation, pursuant to a resolution adopted by the Board under the authority of Section 79-11-137, Mississippi Code of 1972, as amended (the "Act"), and was chartered by the State on February 14, 2005.

The Corporation has not made and does not intend to make any profit by reason of any business or venture in which it may engage or by reason of the Project, and no part of the Corporation's net earnings, if any, will ever inure to the benefit of any person, firm or corporation, excepting the Board.

The Series 2005 Bonds are being issued under the authority of the Constitution and statutes of the State, including the Act, and by further authority of proceedings duly held by the Corporation and the Board.

The Indenture and Security.

The Series 2005 Bonds will be issued under and pursuant to a Trust Indenture, dated as of June 1, 2005 (the "Indenture"), by and between the Corporation and Hancock Bank, as Trustee (the 'Trustee"). The principal of, premium, if any, and interest on any and all of the Series 2005 Bonds are payable solely from the Trust Estate (which includes the rental payments by the Board) and funds of the Corporation that are pledged therefore in accordance with the Indenture for the benefit of the owners of the Series 2005 Bonds without priority. The faith, credit, taxing power and moral obligation of neither the Board nor the College are pledged to the payment of the principal of, premium, if any, and interest on any of the Series 2005 Bonds. The Series 2005 Bonds are solely an obligation of the Corporation and not a debt, liability, loan of the credit or pledge of the faith and credit of the College, the Board or of any political subdivision thereof. The Corporation has no taxing power and has only those powers and sources of revenue set forth in the Act.

The Series 2005 Bonds are secured by the pledge of the Trust Estate established under the Indenture including the rental payments under the Lease. All Series 2005 Bonds will be secured equally and ratably by the Trust Estate. Reference is made to the Lease for a description of the obligations of the Board under the Lease and for the covenants of the Board to appropriate moneys from Designated Revenues or from any other legally available source for rental payments under the Lease. See "THE INDENTURE," "THE SERIES 2005 BONDS," "SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS", "THE LEASE" and "APPENDIX A."

The Series 2005 Bonds are issued and secured separately from any other obligations previously or subsequently issued by the Corporation. The Series 2005 Bonds are not secured by a moral obligation of, or in any other manner by, the State, however a reserve fund is provided for payment of debt service on the Series 2005 Bonds, which will be funded from designated revenues over a period of five years from the first principal payment dates of the Bonds.

The Indenture provides that in order to further secure the payment of principal of and interest on the Series 2005 Bonds, the Board will establish thereunder a debt service reserve fund (the "Debt Service Reserve Fund") and maintain therein an amount (the "Debt Service Reserve Requirement") equal to the lesser of the following: (i) the maximum amount of principal and interest becoming due in the current or any future bond year (meaning each one year period beginning September 1 of one year and ending August 31 of the following year) on all Series 2005 Bonds then Outstanding; (ii) 125% of average annual debt service on the Series 2005 Bonds; and (iii) 10% of the stated principal amount of the Series 2005 Bonds. In addition, the Board shall pay on September 1 of each year amounts required to fully fund the Debt Service Reserve Fund no later than five years from the first principal payment date on the Series 2005 Bonds. It is anticipated that the Debt Service Reserve Requirement will be equal to the maximum amount of principal and interest becoming due in the current or any future bond year on all Series 2005 Bonds then Outstanding.

The Lease provides that the Board covenants that it shall take all such actions as may be necessary to (a) include all rental payments and other amounts, including all expenses of managing, operating and maintaining the 2005 project, due under the terms of the Lease in the annual budget of the College and to provide for periodic appropriations in an amount sufficient to provide all revenues received by the College from the rental of all student housing facilities operated by the College (the "Designated Revenues") equal to one hundred and twenty percent (120%) of the aggregate of (i) the highest annual debt service on the Series 2005 Bonds and (ii) any other amounts due under the terms of the Lease; and (b) to provide procedures to the College to direct the rental of housing facilities contained in the 2005 Project prior to the rental of other housing facilities available on the campus of the College. In addition, the Board further covenants in the Lease that if the Designated Revenues are at any time insufficient to satisfy the Board's

obligations under the Lease, the Board will provide increased rental rates on all student housing facilities operated by the College.

Notwithstanding the foregoing, it is the intent of the Board that all amounts to be paid by the Board under the Lease, except Section 3.7 of the Lease, shall be paid solely from Designated Revenues. However, the Board shall not be restricted from making any payment which it is obligated to make under the Lease from any other legally available revenue source on an annual basis. The use of Designated Revenues or other revenues to pay rental payments under the Lease shall have equal priority with other claims against the College's expenditure of Designated Revenues, in addition, nothing in the Lease limits or prevents the ability of the Board to use or pledge Designated Revenues for the incurrence of debt so long as the Board has made a prior finding that the Designated Revenues available for debt service payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such Additional Bonds are issued are certified by an Independent Accountant to have been at least equal to one hundred twenty percent (120%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease; or in lieu of the foregoing formula, if a new rate schedule of unrestricted revenues received by the College from the rental of all student housing facilities shall have been adopted and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Designated Revenues available for debt service payments would have at least equaled one hundred thirty percent (130%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease.

Transaction Structure.

The Project will be located on the Project Sites on the campus of the College. The Corporation will lease the Project Sites from the Board pursuant to the Ground Lease. The Board will, in turn, lease the Project Sites and the Project back from the Corporation pursuant to the Lease. The Lease shall provide for rental payments to be made by the Board in an amount sufficient to pay the principal of, premium, if any, and interest on the Series 2005 Bonds as the same come due. See "THE GROUND LEASE" and "THE LEASE".

Risks of Ownership of Series 2005 Bonds.

There are certain risks involved in the ownership of the Series 2005 Bonds that should be considered by prospective purchasers. The ability of the Corporation to pay principal of, premium, if any, and interest on the Series 2005 Bonds depends solely upon the receipt of rental payments from the Board, which is obligated under the Lease to make such payments to the Trustee, as assignee of the Corporation, together with investment earnings on certain amounts in the funds and accounts created in the Indenture. The rental payments will be paid from Designated Revenues by the Board as set forth in the Lease. A reserve fund is to be provided for payment of the debt service on the Series 2005 Bonds. See "RISKS TO THE OWNERS OF THE SERIES 2005 BONDS."

Other Information about this Official Statement.

This Official Statement speaks only as of its date, and certain information contained herein is subject to change. Copies of the Indenture, the Lease and the other documents described herein are available, upon request, and upon payment to the Corporation of a charge for copying, mailing and handling, from Michael E. Patten, Treasurer, Pearl River Community College Student Housing Corporation, 101 Highway 11 North, Poplarville, Mississippi 39762, telephone (601) 795-4572.

There follows in this Official Statement a description of the security and sources of payment for the Series 2005 Bonds and summaries of certain provisions of the Series 2005 Bonds, the Indenture, the Ground Lease, the Lease and certain provisions of the Act. All discussions of the Act, the Ground Lease, the Lease and the Indenture are qualified in their entirety by reference to the Act, the Ground Lease, the Lease and the Indenture, and all discussions of the Series 2005 Bonds are qualified in their entirety by reference to the definitive form of the information with respect to the Series 2005 Bonds contained in the Indenture. Definitions of certain terms and a summary of certain provisions of the Indenture and the Lease are set forth in "APPENDIX A – DEFINED TERMS AND SUMMARY OF INDENTURE AND LEASE," certain financial information on the College and the Board is set forth in "APPENDIX B – PEARL RIVER COMMUNITY COLLEGE DISTRICT AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDED JUNE 30, 2003 AND UNAUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDED JUNE 30, 2004"; "APPENDIX C – PEARL RIVER COMMUNITY COLLEGE BUDGET FOR FISCAL YEAR ENDED JUNE 30, 2004 AND 2005"and "APPENDIX D – SELECTED PRO-FORMA FINANCIAL INFORMATION OF THE COLLEGE CONCERNING DESIGNATED REVENUES, CONSTRUCTION DATA, AND HISTORICAL FUND BALANCES OF AUXILIARY REVENUES," the proposed form of opinion of Bond Counsel with respect to the Series 2005 Bonds is set forth in "APPENDIX E - FORM OF BOND COUNSEL OPINION," the form of the Continuing Disclosure Agreement of the Corporation is set forth in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT," the form of the Market Study Release Form is set forth in "APPENDIX G – FORM OF MARKET STUDY RELEASE FORM," and the housing floor plans of the 2005 Project are set forth in "APPENDIX H – HOUSING FLOOR PLANS." Each of the Appendices to this Official Statement is an integral part of this Official Statement and should be read in its entirety by any and all owners or prospective owners of the Series 2005 Bonds.

THE 2005 PROJECT

The 2005 Project will consist of the development and construction of two separate buildings, two stories each, one for women with 264 beds and one for men with 118 beds on a 1.46 acre parcel of land and a 2.71 acre parcel of land, respectively. Both buildings will accommodate residential units with two students per bedroom and will be constructed in a modern day apartment style design which compliments the campus surroundings.

Features of the 2005 Project include: (a) lighted parking areas including handicapped parking; (b) security lighting, fencing, electronic gates, door locks and other security devices; (c) phone, television, cable and computer hookups in each unit; (d) central laundry with 3 coin-operated washers and dryers in the women's facility and 2 coin-operated washers and dryers in the men's facility; (e) a student activities facility suitable for use by the College for educational purposes; (f) dorm manager's apartment furnished with two bedrooms, dining room, kitchen, den and laundry; (g) landscaping including plants, fences and irrigation systems; and (h) an external courtyard for the women's dormitory.

As further provided in each of the Ground Lease, the Lease and the Indenture, in certain instances the 2005 Project may be expanded to include further items for the benefit of the Corporation, the Board and the College.

The purpose of the 2005 Project is to provide housing to students, faculty and staff of the College. The following is a chart provided by Pearl River Community College Student Services in May 2005 that details the dormitory waiting list for the previous 12 semesters:

Semester	Male	Female
Fall 1999	20	7
Spring 2000	11	3
Fall 2000	32	13
Spring 2001	8	6
Fall 2001	47	21
Spring 2002	13	8
Fall 2002	76	19
Spring 2003	21	12
Fall 2003	98	38
Spring 2004	36	15
Fall 2004	101	51
Spring 2005	38	7

The location of the 2005 Project is on the main campus of the College in Poplarville, Mississippi. The 2005 Project is being developed through a Development Agreement between Malone Development, LLC (the "Developer") and the Corporation (the "Development Agreement"). The 2005 Project will be constructed pursuant to a Construction Contract between the Developer, as agent for the Corporation, and G.R. Parvill General Contractors, Inc., Mobile, Alabama. **The College will manage, operate and maintain the 2005 Project upon completion.**

The Developer and the Development Agreement.

The Developer was organized in February 2005 for the express purpose of developing the 2005 Project for the Corporation. The principal owner and manager of the Developer is Sidney Malone of Hattiesburg, Mississippi. Mr. Malone has for the past thirty five years developed and owned a number of commercial real estate projects including hotels, shopping centers, a nursing home, a cable television system and mini warehouses. Mr. Malone is a charter member and has served on the Board of Directors of the Pearl River Community College Development Foundation since 1988.

Pursuant to the provisions of the Development Agreement the Developer shall commence and prosecute the Developer Functions (as defined in the Development Agreement), including without limitation, complete the construction of the 2005 Project or cause the same to be completed in a good and workmanlike manner, free and clear of all mechanics', materialmen's or similar liens in accordance with the Plans and Specifications (as defined in the Development Agreement) and shall furnish and equip the 2005 Project or cause the same to be furnished and equipped with all necessary and appropriate fixtures, equipment and articles of personal property, including without limitation, those provided for in the Project Documents (as defined in the Development Agreement).

The Developer shall cause Substantial Completion of the 2005 Project to occur on or before August 1, 2006 unless its inability to do so is the result of (i) an event constituting Force Majeure, (ii) delay in construction attributable to failure of Owner or Pearl River Community College to promptly issue any required approvals under or with respect to the Project Documents or Bond Issuance Documents or (iii) any delay in payment of any of the Construction Draws resulting in a slow down or stoppage of work

(individually or collectively, the "Excused Delays"). If the Developer does not Substantially Complete the Project by August 1, 2006, to accommodate students who have entered into rental agreements for such specified units, the Developer will pay the Corporation actual damages limited to the cost per day to house and transport in a safe and supervised environment for each student for each day of delay in Substantial Completion beyond August 1, 2006, unless the delay is attributable to Excused Delays. The Developer shall, prior to the commencement of the construction contract, secure from the general contractor a performance and payment bond to secure completion of the 2005 Project.

The Developer has heretofore performed certain services relating to the development of the 2005 Project and shall continue to oversee the design, construction and development of the 2005 Project, and shall perform the services and carry out the responsibilities with respect to the 2005 Project as are set forth in the Development Agreement, and such additional duties and responsibilities as are reasonably within the general scope of such services and responsibilities and which are designated from time to time by the Corporation with the approval of the College.

The Developer Functions shall be performed by Developer as agent for the Corporation on behalf of the Corporation and shall consist of the Developer Functions and the duties set forth in the Development Agreement, including those set forth in subparagraphs (i)-(x) of Section 3(b) of the Development Agreement; provided, however, that if the performance of any duty of the Developer set forth in the Development Agreement is beyond the reasonable control of the Developer, the Developer shall nonetheless be obligated to (i) use its reasonable commercial efforts to perform such duty and (ii) promptly notify the Corporation and the College that the performance of such duty is beyond its reasonable control provided that the Developer shall in any event use its reasonable commercial efforts to cause Project Completion to occur within the cost and time requirements specified in Section 2 of the Development Agreement.

SOURCES AND USES OF FUNDS

The following is a summary of the expected sources and uses of the proceeds of the Series 2005 Bonds which proceeds will be used for the 2005 Project and to pay certain necessary expenses incidental thereto. See "THE 2005 PROJECT" herein.

Sources of Funds.

Par Amount of Series 2005 Bonds	$10,595,000
Total	$10,595,000

Uses of Funds.

Deposit to Construction Fund[1]	$9,508,710.95
Deposit to Bond Fund for Capitalized Interest	643,280.45
Underwriter's Discount	238,387.50
Original Issue Discount	204,621.10
Total	$10,595,000.00

[1]Includes $117,155.70 to be used to provide costs of issuance for the Series 2005 Bonds.

THE SERIES 2005 BONDS

Terms of the Series 2005 Bonds.

The Series 2005 Bonds shall be registered as to both principal and interest; shall be dated the date of issuance and delivery thereof; shall be issued in the denomination of $5,000 each, or integral multiples thereof; shall be numbered from one upward in the order of issuance; shall bear interest from the date thereof at the rate or rates specified on the cover of this Official Statement, payable on September 1, 2005, and semiannually thereafter on March 1 and September 1 of each year; and shall mature and become due and payable, with option of prior payment, on September 1 in the principal amounts and on the dates set forth on the cover of this Official Statement.

Optional Redemption of the Series 2005 Bonds.

The Series 2005 Bonds which mature after September 1, 2016, are subject to optional redemption prior to their respective maturities on and after September 1, 2015, at the election of the Corporation in whole or in part on any date at a redemption price of 100% of the principal amount thereof (expressed as a percentage of the principal amount or portion thereof to be redeemed) plus accrued interest, if any, to the date of redemption.

If less than all of the Outstanding Series 2005 Bonds are to be redeemed, they shall be redeemed in the order designated by the Corporation and by lot if less than all of the maturity is to be redeemed. Notice of the call for redemption shall be given by the Trustee not less than 30 days prior to the date of redemption by mail to all Registered Owners of the Series 2005 Bonds to be redeemed; provided, however, failure to so mail the notice of the call of redemption shall not affect the redemption of the Series 2005 Bonds held by Registered Owners with respect to which no such failure has occurred.

Mandatory Sinking Fund Redemption of the Series 2005 Bonds

The Series 2005 Bonds maturing on September 1, 2020, shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on September 1 in the years and in the principal amounts (after credit as provided below) as follows:

Term Bond

Year	Principal Amount
2016	$245,000
2017	255,000
2018	270,000
2019	280,000
*2020	295,000

*Final Maturity

The Series 2005 Bonds Maturing on September 1, 2025, shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on September 1 in the years and in the principal amounts (after credit as provided below) as follows:

Term Bond

Year	Principal Amount
2021	$310,000
2022	325,000
2023	345,000
2024	360,000
*2025	380,000

*Final Maturity

The Series 2005 Bonds Maturing on September 1, 2036, shall be subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount to be redeemed plus accrued interest thereon to the redemption date, on September 1 in the years and in the principal amounts (after credit as provided below) as follows:

Term Bond

Year	Principal Amount
2026	$400,000
2027	420,000
2028	440,000
2029	465,000
2030	490,000
2031	515,000
2032	545,000
2033	575,000
2034	605,000
2035	635,000
*2036	670,000

*Final Maturity

Not less than 45 or more than 60 days prior to each scheduled mandatory sinking fund redemption date, the Trustee shall proceed to select for redemption, by lot, Series 2005 Bonds or portions thereof in an aggregate principal amount equal to the amount required to be redeemed and shall call such Series 2005 Bonds or portions thereof for redemption on such scheduled mandatory sinking fund redemption date; provided, however, that the Corporation may, upon direction delivered to the Trustee not less than 60 days prior to such scheduled mandatory sinking fund redemption date, direct that any or all of the following amounts be credited against the principal amount of Series 2005 Bonds scheduled for redemption on such date: (a) the principal amount of Series 2005 Bonds maturing on September 1, 2016, 2017, 2018, 2019 and 2020, delivered by the Corporation to the Trustee for cancellation and not previously claimed as a credit; (b) the principal amount of Series 2005 Bonds maturing on September 1, 2021, 2022, 2023, 2024 and 2025, previously redeemed (other than pursuant to this section) and not previously claimed as a credit; and (c) the principal amount of Series 2005 Bonds maturing on September 1, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035 and 2036, which have been otherwise deemed "fully paid" and not previously claimed as credit.

On the date designated for redemption notice having been given in the manner and under the conditions hereinabove provided, the Series 2005 Bonds so called for redemption shall become due and payable at the redemption price of par plus premium, if any, and plus accrued interest, if any, to the date of redemption, and, if moneys for payment of such redemption price are held in separate accounts by the Trustee for the Registered Owners of the Series 2005 Bonds to be redeemed as provided in the Indenture,

interest on the Series 2005 Bonds so called for redemption shall cease to accrue, such Series 2005 Bonds shall cease to be entitled to any benefit or security under the Indenture, and the Registered Owners of such Series 2005 Bonds shall have no rights in respect thereof except to receive payment of the redemption price.

Debt Service Requirements for the Series 2005 Bonds.

The following table sets forth for each calendar year the amount required each year for debt service on the Series 2005 Bonds, as well as other outstanding bonds of the Corporation. The principal maturities of the Series 2005 Bonds will be payable on September 1 as shown below, and interest will be payable on September 1, 2005, and semiannually thereafter on March 1 and September 1 of each year.

Fiscal Year Ended*	Series 2005 Bonds Principal	Series 2005 Bonds Interest	Total Series 2005 Bonds Debt Service	Total Outstanding Bond Debt Service
2006**	$0.00	269,992.50	269,992.50	$10,595,000.00
2007	$165,000.00	536,891.25	$701,891.25	10,430,000.00
2008	175,000.00	530,297.50	$705,297.50	10,255,000.00
2009	180,000.00	523,197.50	$703,197.50	10,075,000.00
2010	185,000.00	515,712.50	$700,712.50	9,890,000.00
2011	195,000.00	507,635.00	$702,635.00	9,695,000.00
2012	205,000.00	498,932.50	$703,932.50	9,490,000.00
2013	215,000.00	489,585.00	$704,585.00	9,275,000.00
2014	220,000.00	479,687.50	$699,687.50	9,055,000.00
2015	230,000.00	469,308.75	$699,308.75	8,825,000.00
2016	245,000.00	457,865.00	$702,865.00	8,580,000.00
2017	255,000.00	445,365.00	$700,365.00	8,325,000.00
2018	270,000.00	432,240.00	$702,240.00	8,055,000.00
2019	280,000.00	418,490.00	$698,490.00	7,775,000.00
2020	295,000.00	404,115.00	$699,115.00	7,480,000.00
2021	310,000.00	388,757.50	$698,757.50	7,170,000.00
2022	325,000.00	372,406.25	$697,406.25	6,845,000.00
2023	345,000.00	355,153.75	$700,153.75	6,500,000.00
2024	360,000.00	337,000.00	$697,000.00	6,140,000.00
2025	380,000.00	317,945.00	$697,945.00	5,760,000.00
2026	400,000.00	297,460.00	$697,460.00	5,360,000.00
2027	420,000.00	275,525.00	$695,525.00	4,940,000.00
2028	440,000.00	252,520.00	$692,520.00	4,500,000.00
2029	465,000.00	228,311.25	$693,311.25	4,035,000.00
2030	490,000.00	202,765.00	$692,765.00	3,545,000.00
2031	515,000.00	175,881.25	$690,881.25	3,030,000.00
2032	545,000.00	147,526.25	$692,526.25	2,485,000.00
2033	575,000.00	117,566.25	$692,566.25	1,910,000.00
2034	605,000.00	86,001.25	$691,001.25	1,305,000.00
2035	635,000.00	52,831.25	$687,831.25	670,000.00
2036	670,000.00	17,922.50	$687,922.50	0.00

* The Fiscal Year of the College ends on June 30 for each respective year.

** Interest in the total amount of $653,981.83 will be capitalized from the date of issuance through and until the first interest payment date on March 1, 2007.

Book-Entry Only System.

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

DTC will act as securities depository for the Series 2005 Bonds. The Series 2005 Bonds will be initially issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by the authorized representative of DTC. One fully-registered bond certificate for each maturity will be issued for the Series 2005 Bonds in the aggregate principal amount of the issue and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non–U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions, in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. DTC is a wholly-owned subsidiary of The Depository Trust and Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MSB Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2005 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for such Series 2005 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2005 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchases. Beneficial Owners are, however, expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participants through which the Beneficial Owners entered into the transactions. Transfers of ownership interests in the Series 2005 Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in Series 2005 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Series 2005 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2005 Bonds with DTC and their registration in the name of Cede & Co. does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2005 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts the Series 2005 Bonds are credited, which may or may

not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices are to be sent to Cede & Co. If less than all of the Series 2005 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in the Series 2005 Bonds to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee), will consent or vote with respect to Series 2005 Bonds. Under its usual procedures, DTC mails an "Omnibus Proxy" to the Trustee as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and divided payments on the Series 2005 Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the 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 nor its nominee, Trustee, or the Corporation subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation, or Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participates.

DTC may discontinue providing its services as depository with respect to the Series 2005 Bonds at any time by giving reasonable notice to the Corporation or the Trustee. The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates are required to be printed and delivered.

THE CORPORATION, THE TRUSTEE AND THE UNDERWRITER CANNOT AND DO NOT GIVE ANY ASSURANCES THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE SERIES 2005 BONDS (i) PAYMENTS OF PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2005 BONDS; (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN SERIES 2005 BONDS; OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNERS OF THE SERIES 2005 BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC OR DIRECT OR INDIRECT PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT. THE CURRENT "RULES" APPLICABLE TO DTC ARE ON FILE WITH THE SECURITIES AND EXCHANGE COMMISSION AND THE CURRENT "PROCEDURES" OF DTC TO BE FOLLOWED IN DEALING WITH DTC PARTICIPANTS ARE ON FILE WITH DTC.

NEITHER THE CORPORATION, THE TRUSTEE NOR THE UNDERWRITER WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO SUCH DTC PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE SERIES 2005 BONDS; (2) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DTC PARTICIPANT; (3) THE PAYMENT BY ANY DTC PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR INTEREST OR PREMIUM, IF ANY, ON THE SERIES 2005 BONDS; (4) THE DELIVERY BY ANY DTC PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED UNDER THE TERMS OF THE INDENTURE TO BE GIVEN TO BONDHOLDERS; (5) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE SERIES 2005 BONDS; OR (6) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

So long as Cede & Co. is the registered holder of the Series 2005 Bonds as nominee of DTC, references herein to the Holders, holders, or registered owners of the Series 2005 Bonds mean Cede & Co. and not the Beneficial Owners of the Series 2005 Bonds.

SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS

Under the Indenture, the Corporation has pledged all of its right, title and interest in and to the Lease as security for the payment of principal of, premium, if any, and interest on the Series 2005 Bonds. Under the Lease, the Board has indicated its intent to pay rental payments equal to the debt service on the Series 2005 Bonds utilizing Designated Revenues which are defined as all revenues received by the College from rentals received from all student housing facilities operated of the College. The Board further covenants in the Lease that if the Designated Revenues are at any time insufficient to satisfy the Board's obligations under the Lease, the Board will provide increased rental rates on all student housing facilities operated by the College. See "THE LEASE-Covenant to Appropriate Designated Revenues; Limitation on Source of Board Payments" herein.

Nothing in the Lease or the Indenture creates a lien on the Designated Revenues or other revenues received by the College or prohibits the use or pledge of such Designated Revenues or other revenues to pay other obligations of the College and Board. The use of Designated Revenues or other revenues to pay rental payments under the Lease shall have equal priority with other claims against the College's expenditure of Designated Revenues, in addition, nothing in the Lease limits or prevents the ability of the Board to use or pledge Designated Revenues for the incurrence of debt so long as the Board has made a prior finding that the Designated Revenues available for debt service payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such Additional Bonds are issued are certified by an Independent Accountant to have been at least equal to one hundred twenty percent (120%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease; or in lieu of the foregoing formula, if a new rate schedule of unrestricted revenues received by the College from the rental of all student housing facilities shall have been adopted and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Designated Revenues available for debt service payments would have at least equaled one hundred thirty percent (130%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease.

There is no outstanding debt of the Corporation or the College secured by Designated Revenues.

THE CORPORATION

The Corporation is a public nonprofit corporation created pursuant to resolution of the Board under the authority of the Act. The members of the Board of Directors, who manage all business of the Corporation, serve for one year terms and receive no compensation.

The current officers of the Corporation for the 2005-2006 year are:

President	James C. Sones, Jr.
Vice President	Wayne Alexander
Secretary/Treasurer	Mike Patten

The Act empowers the Corporation, among other things, (a) to acquire, whether by purchase, construction or gift, facilities to be utilized by Pearl River Community College, and to equip, maintain or improve such facilities; (b) to issue its bonds for said purpose; (c) to lease such Project to the Board; and (d) to secure the payment of such bonds through the pledge or the lien on its rights to receive lease payments.

The Corporation may in the future issue additional bonds to finance student housing facilities at the College. Each series of bonds issued by the Corporation is payable only from revenues (lease payments) pledged pursuant to the indentures authorizing the issuance of the bonds.

The incorporators, members, directors and officers of the Corporation shall not be personally liable for any costs, losses, damages or liabilities, including payments on the Series 2005 Bonds, caused or incurred by the Corporation in connection with the Indenture.

THE BOARD

Pursuant to the Act, the Board was created to direct the operations of the Pearl River Community College. The available programs range from a wide variety of undergraduate disciplines and vocational-technical education fields.

The Board consists of sixteen (16) members. Members of the Board are appointed by the Board of Supervisors of the six (6) counties comprising the service area of the District, or elected to the position of School Superintendent within their school districts resulting in a position on the Board of Trustees. Current members of the Board are as follows:

Board Members	Term Expires
Dr. Kay Clay	January, 2008
Herbert R. Nobles	December, 2008
Frank Ladner	December, 2006
David Kopf	January, 2008
Wayne Fortenberry	January, 2008
Charles Speed	December, 2008
Glen Swan	January, 2008
Bruce Hankins	December, 2005
Craig Robbins	January, 2008
Al Brooks	December, 2007
Dennis Penton	January, 2008
M. L. Knight	December, 2009
Greg Mitchell	December, 2008

Dr. Gale Harris	December, 2008
Richard Dossett	December, 2005
Max Huey	December, 2006

The Board appoints a President of the College (the "President") who is responsible for administering the policies and decisions of the Board. The present President is Dr. William Lewis. The College is also staffed with professionals with expertise in the areas of academic and vocational technical education programs, fiscal matters and student financial aid, who are under the direction of the President.

All appropriations from the Legislature made for the use by the Board are received by the Board with the power and authority in the Board to allocate and distribute such funds in the way and manner and in such amounts as will further an efficient and economical administration of the College. The College is responsible for collecting and investing the tuition, fees, and other revenues generated by the College, and budgeting such amounts along with the allocation received from the Board from legislative appropriations, for the expenses of the College for each fiscal year. The College's budget and any budget amendments are subject to approval by the Board.

THE COLLEGE

The Pearl River Community College District is comprised of the Pearl River Community College (the "College") located on U. S. Highway 11, Poplarville, Mississippi and the Forrest County Center campus located in Hattiesburg, Mississippi, on U.S. Highway 49. The Forrest County Center is a comprehensive center providing career, technical and allied health programs, as well as academic courses. Pearl River Community College is among the oldest colleges of its kind in the South, and is the pioneer junior college in the State. It has been the pathfinder for advanced education in South Mississippi. The College opened in 1909 as Pearl River County Agricultural High School. In 1921, the College was the first institution in the State to offer junior college credit. The College was later named Pearl River Junior College. A post-secondary Career-Technical Center was built in 1969 in Forrest County on Highway 49. This facility is referred to as Pearl River Community College Allied Health Center, and was expanded in 1985, and again in 1992 when the Allied Health Center was completed and opened for classes in the fall of 1992. On July 1, 1988, the Board of Trustees with approval from the State Lay Board for Community and Junior Colleges, voted to change the name from Pearl River Junior College to Pearl River Community College. The name change reflects the comprehensive academic, career, technical, and community service programs that are offered through the College.

The faculty of the college is comprised of professionally competent and successful educators whose fitness is certified not only by their scholarly gifts and attainments, but also by their experience in helping students overcome difficulties and perplexities. Faculty members are encouraged to expect a high standard of conduct from students, and to develop a profitable association with them.

The College is accredited by the Commission on Colleges of the Southern Association of Colleges and Schools to award degrees. The College is also a member of the American Association of Community and Junior Colleges, and the Mississippi Association of Colleges and Universities. The College maintains accreditation in the numerous individual College programs, including the allied health programs, and the various career-technical programs.

The District employs 146 full-time faculty members, including 23 who hold a bachelor's degree, 84 who hold a master's degree and 11 who hold a doctoral degree. An additional 15 part-time faculty members, which includes faculty involved in workforce training, bring the total faculty to 161.

The Pearl River Community College District includes the six counties of Jefferson Davis, Forrest, Marion, Lamar, Pearl River, and Hancock. In addition, the District not only served students from other counties outside of the designated six county district, but it also served 65 out-of-state students as well.

The College receives its revenues from various sources: student tuition and fees, county, state, federal and other sources. Student tuition and fees include out-of-state fees, tuition, matriculation fees, summer school fees and night school fees. Various miscellaneous fees, such as graduation fees and ACT test fees, are also included in revenues. State funds are appropriated by the State Legislature, administered by the State Board for Community and Junior Colleges, received by the College and deposited in the general fund account. The federal government contributes funds to the College in a two-fold manner. Directly, it provides moneys to the College, and indirectly, it appropriates moneys to the State which, in turn directs revenue to the College. Other sources of revenue include investment income, private gifts, grants and contracts, sales and services of educational and auxiliary activities and miscellaneous revenues.

THE MARKET STUDY

A market study was prepared by a national accounting firm focusing on the surrounding market and potential demand for housing on the Pearl River Community College campus. This study will be made available to qualified investors upon the signing of a release letter. It is important to note that the market study assumes market conditions as observed as of the date of the report are correct; however, the analysts assume no liability should market conditions materially change because of unusual or unforeseen circumstances. Market studies may contain indications or estimates of future performance that represent the analyst's view of reasonable expectations at a particular point in time, but such information, estimates or opinions are not offered as predictions or as assurances that a particular outcome will occur. The Pearl River Community College analysis is based on limited data in a small market area and actual results achieved during the period covered by our prospective analyses will vary from those described in our report, and the variations may be material.

THE GROUND LEASE

The Board, pursuant to the authority of Section 37-29-135 and the Act, is authorized and empowered to enter into lease agreements with nonprofit corporations for the lease of land and facilities to said nonprofit corporations for the purpose of renovating, improving, repairing, equipping and constructing buildings to be leased to and made available to the Board.

Under the terms of the Ground Lease, the Corporation has leased from the Board the Project Sites for a period commencing on the Closing Date, and ceasing upon the payment of the Series 2005 Bonds by maturity, acceleration or otherwise, in accordance with the provisions of the Indenture, or upon the defeasance of the lien of the Indenture, as such is described therein, whichever shall occur first. Upon the termination of the Ground Lease, all rights of the Corporation, or any other person or entity holding through the Corporation, in and to the Project Sites shall cease, and the Corporation shall cause the Trustee to release from the lien of the Indenture any interest which it may have in the Project Sites. As long as the lien of the Indenture remains uncancelled of record, the Ground Lease shall continue in full force and effect and no merge of title among the Ground Lease, the Lease and other documents shall occur.

THE LEASE

The following is a summary of certain provisions of the Lease. This summary does not purport to be comprehensive or definitive. All references herein to the Lease are qualified in their entirety by reference to such documents, copies of which may be obtained upon written request from the Corporation. See "APPENDIX A - DEFINED TERMS AND SUMMARY OF INDENTURE AND LEASE" for a summary of further provisions of the Lease.

Lease of the Project.

Under the provisions of the Lease, the Corporation leases and lets to the Board and the Board leases and lets from the Corporation, subject to the conditions contained in the Lease, (a) the 2005 Project Sites,

subject to the provisions of the Ground Lease, as the same may be revised, amended and supplemented and (b) the 2005 Project. It is not intended that there shall be any merger of title or estates by the leasing of the 2005 Project Sites and the 2005 Project to the Board.

Disbursements from the Construction Fund.

The Corporation authorizes and directs in the Indenture that the Trustee apply the moneys in the Construction Fund for the following purposes only:

(a) Payment of the initial or acceptance fee of the Trustee, the fees for filing and recording the Ground Lease, the Lease, the Indenture and any supplements to curative documents that either the Corporation or counsel may deem desirable to file for record in order to perfect or protect the interest of the Corporation or the Trustee in the 2005 Project and the Trust Estate; all fees and expenses in connection with any actions or proceedings that either the Corporation or independent counsel may deem desirable to bring in order to perfect or protect the interest of the Corporation or the Trustee in the 2005 Project, including the expenses in connection with any title insurance policy required to be provided, and any other items of expense incurred in preparation for work on the 2005 Project; and payment of all expenses, if any, incurred by the Corporation in seeking to enforce any remedy against any contractor or subcontractor in respect of any default under a contract relating to the 2005 Project.

(b) Payment to the Corporation or the Board, or both, of such amounts, if any, as shall be necessary to fully reimburse the Corporation or Board or both for advances and payments made prior to or after the delivery of the Series 2005 Bonds for approved expenditures in connection with (1) the preparation of the Plans (including any preliminary study or planning of the 2005 Project or any aspect thereof), (2) the construction of the 2005 Project or any portion thereof and (3) all real or personal properties used or acquired for use in connection with the 2005 Project or any one or more of said expenditures (including architectural, engineering and supervisory services with respect to any of the foregoing); provided, however, that reimbursements of advances and payments made prior to the delivery of the Series 2005 Bonds shall be made only to the extent permitted by Section 1.150-2 of the United States Treasury Regulations, as the same may be amended, supplemented or superseded.

(c) Payment of the legal, underwriting, financial advisor, Trustee and accounting fees and expenses, rating agency fees, bond insurance premium, if any, and printing, engraving and publication costs incurred in connection with the authorization, marketing, sale and issuance of the Series 2005 Bonds, the preparation of the Lease, the Ground Lease, the Indenture, the offering documents relating to the sale of the Series 2005 Bonds and all other documents in connection therewith and in connection with the construction of the 2005 Project.

(d) Payment for labor, services, materials and supplies used or furnished in the construction renovation, rehabilitation, improvement and equipping of the 2005 Project, all as provided in the Plans, and payment for the miscellaneous expenses incidental to any of the foregoing, including the premium on each surety bond required to be deposited with the Trustee under any of the provisions of the Indenture.

(e) Payment of the fees, if any, for architectural, engineering and supervisory services with respect to the 2005 Project.

(f) Payment of the taxes, assessments and other charges, if any, referred to in the Lease that may become payable prior to the transfer of money in the Construction Fund to the Bond Fund under the last paragraph of this subheading.

(g) Payment of expenses incurred in seeking to enforce any remedy against any Architect, engineer, contractor, subcontractor, construction manager or developer in respect of any default under a contract relating to the 2005 Project.

Pursuant to the provisions of the Indenture, payments from the amounts on deposit in the Construction Fund for the purposes referenced under this subheading shall be made only with the written approval of an Authorized Board Representative, which approval shall not be unreasonably withheld, and upon the presentation to the Trustee of a requisition signed by an Authorized Corporation Representative, specifying the amount to be disbursed and the name and address of the payee. In the Lease the Corporation agrees to comply with provisions of all certificates executed in connection with the issuance of the Series 2005 Bonds (including, but not limited to the "Federal Tax Certificate" of the Corporation) in designating payments to be made from the Construction Fund.

Upon the filing with the Trustee and the Bond Insurer of a certificate executed on behalf of the Board by an Authorized Board Representative and on behalf of the Corporation by an Authorized Corporation Representative, certifying that the 2005 Project has been completed to the satisfaction of the Board and the Corporation, respectively, the amounts necessary to pay any unpaid costs referenced above under this subheading shall be set aside for such purpose, and the remainder in the Construction Fund shall be deposited in the Bond Fund by the Trustee and applied as provided in the Indenture.

Rental Payments.

The Board covenants and agrees in the Lease that it shall pay for the account of the Corporation, as rental payments for the 2005 Project Sites and the 2005 Project, the following amounts:

(a) Not less than three (3) Business Days prior to the date on which principal, premium, if any, and interest payments are due pursuant to the provisions of the Indenture with respect to the Series 2005 Bonds, a sum which, together with any funds in the Bond Fund on such date, will equal the amount of such principal, premium, if any, and interest then due of the Series 2005 Bonds. Rental payments under this paragraph (a) shall be paid by the Board directly to the Trustee for the account of the Corporation.

(b) Upon receipt of an invoice therefor, the Board shall pay to the applicable party, all taxes of whatever nature, if any, that may be imposed upon the 2005 Project Sites, the 2005 Project, the Corporation, the Board, their property, operations or income, whether by federal, state or local government, and including every governmental charge (including special assessments for public improvements at or near the 2005 Project Sites) whether for services rendered or not, which the Corporation or the Board is required or may be required by law to pay with respect to the 2005 Project Sites and the 2005 Project.

(c) Upon being presented with evidence of payment by the Corporation or the Trustee, the Board shall pay to the Corporation or the Trustee amounts sufficient to reimburse the Corporation or the Trustee for all amounts and expenses if and when paid by the Corporation or the Trustee for and on behalf of the Board as may be required or allowed under the Lease (other than payments made from amounts on deposit in the Construction Fund).

(d) The Board shall pay as supplemental rent all governmental impositions, expenses, liabilities, obligations and other payments of whatever nature which the Board has agreed to pay or assume under the provisions of the Lease. The supplemental rent payable under this paragraph (d) shall be payable within 20 days after receipt of a statement therefor from the Trustee or other payee and such payment shall be made directly to the Trustee or such payee, as applicable.

(e) The Board shall pay amounts to the Debt Service Reserve Fund together with any moneys already on deposit therein, sufficient to cause the total amount on deposit therein to equal the Debt Service Reserve Fund Requirement. The Board shall pay on September 1 of each year amounts required to fully fund the Debt Service Reserve Fund annually from the twenty percent (20%) above the amount required to fully pay debt service on the Series 2005 Bonds, with the Debt Service Reserve Fund to be fully funded no later than five years from the first principal payment date on the Bonds. The total amount due to fully fund the Debt Service Reserve Fund is $709,037.50. If there is on deposit in the Debt Service Reserve Fund an

amount less than the Debt Service Reserve Requirement as of any Interest Payment Date based on the Indenture Trustee's valuation under Section 4.08 of the Indenture, the Board shall pay directly to the Trustee an amount for deposit into the Debt Service Reserve Fund which, when added to the amount on deposit in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement, such payment to be made within thirty (30) days after the applicable Interest Payment Date.

(f) The Board shall timely pay any amounts required to be paid as rebate to the United States of America pursuant to the Arbitrage Rebate Agreement.

Covenant to Appropriate Designated Revenues; Limitation on Source of Board Payments.

The Board covenants that it shall take all such actions as may be necessary to (a) include all rental payments and other amounts due under the terms of this Lease in the annual budget of the College and to provide for periodic appropriations in an amount sufficient to provide Designated Revenues equal to one hundred and twenty percent (120%) of the aggregate of (i) the highest annual debt service on the Series 2005 Bonds, (ii) amounts due to the Debt Service Reserve Fund and (iii) any other amounts due under the terms of this Lease, including all expenses of managing, operating and maintaining the 2005 project; and (b) to provide procedures to the College to direct the rental of housing facilities contained in the 2005 Project prior to the rental of other housing facilities available on the campus of the College. **The Board further covenants that if the Designated Revenues are at any time insufficient to satisfy the Board's obligations under the Lease, the Board will provide increased rental rates on all student housing facilities operated by the College.**

Notwithstanding the foregoing, it is the intent of the Board that all amounts to be paid by the Board under Section 3.4 hereof or under any other section of this Lease, except Section 3.7 hereof, shall be paid solely from Designated Revenues. **However, the Board shall not be restricted from making any payment which it is obligated to make under this Lease from any other legally available revenue source on an annual basis.**

The Series 2005 Bonds are solely and exclusively the obligation of the Corporation, but recourse against the Corporation may not be had except as provided in this Lease and the Indenture and, except as provided herein or in the Indenture, may not be had against any asset held by the Corporation. The Series 2005 Bonds are neither an obligation nor a debt of either the Board or the State and do not constitute a pledge of the full faith or credit of either the Board or the State. Further, the Series 2005 Bonds do not constitute a debt of the College. Nothing in this Lease (a) creates a lien of any kind or character whatsoever upon any specific funds, income or revenues (including, but not limited to, Designated Revenues) now existing or hereafter held, collected, received, anticipated by or available to the Board, or (b) limits or prevents the ability of the Board to use or pledge Designated Revenues for the incurrence of debt so long as the Board has made a prior finding that the Designated Revenues available for debt service payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such Additional Bonds are issued are certified by an Independent Accountant to have been at least equal to one hundred twenty percent (120%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease; or in lieu of the foregoing formula, if a new rate schedule of unrestricted revenues received by the College from the rental of all student housing facilities shall have been adopted and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Designated Revenues available for debt service payments would have at least equaled one hundred thirty percent (130%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease.

Obligation of Board Unconditional Under the Lease; Corporation Must Cooperate in Legal Actions.

Subject to the provisions contained in the immediately preceding subheading, the obligations of the Board to make the rental payments required in the Lease and to perform and observe the other agreements on its part contained in the Lease shall be absolute and unconditional, regardless of the continued existence of any of the 2005 Project in a physical condition satisfactory to the Board, and regardless of any finding that the Ground Lease is invalid or unenforceable for any reason. Until such time as the principal of, premium, if any, and interest on the Series 2005 Bonds shall have been fully paid or provided for as provided in the Indenture, the Board (a) shall not diminish, suspend or discontinue any payments provided for in the Lease, (b) shall perform and observe all of its other agreements contained in the Lease and (c) shall not terminate the Lease for any cause, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, condemnation, destruction of or damage to any of the 2005 Project, frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Lease, or the invalidity or unenforceability of the Ground Lease. Nothing contained under this subheading or in the Lease shall be construed to release the Board from the performance of any of the agreements on its part contained in the Lease; and pursuant to the Lease, in the event the Corporation shall fail to perform any such agreement on its part, the Board may institute such action against the Corporation as the Board may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not do violence to the agreements on the part of the Board contained in the two preceding sentences. The Board may, however, at its own cost and expense and in its own name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the Board deems reasonably necessary in order to secure or protect its rights of possession, occupancy and use under the Lease, and in such event the Corporation agrees in the Lease to cooperate fully with the Board and to take all action necessary to effect the substitution of the Board for the Corporation in any such action or proceeding if the Board shall so request.

THE INDENTURE

Assignment and Pledge.

The following is a summary of certain provisions of the Indenture. This summary does not purport to be comprehensive or definitive. All references herein to the Indenture are qualified in their entirety by reference to such documents, copies of which may be obtained upon written request from the Corporation. See "APPENDIX A - DEFINED TERMS AND SUMMARY OF INDENTURE AND LEASE" for a summary of further provisions of the Indenture.

Under the Indenture, the Corporation grants, warrants, assigns and pledges unto the Trustee, and unto its successors in trust, and to its assigns forever, all of the Corporation's estate, right, title and interest in, to and under any and all of the following described rights and interests:

(a) All right, title and interest of the Corporation, in, to and under the Ground Lease and the Lease, as either may from time to time have been or be amended and supplemented, including, but not limited to, the immediate and continuing right to receive and collect all rents, income, revenues, issues, profits, insurance proceeds, moneys and security payable or receivable under the Ground Lease or the Lease or pursuant to any of the provisions thereof (except sums payable as supplemental rent pursuant to the Lease and sums payable directly to any person other than the Corporation or the Trustee thereunder); the Corporation, however, to remain liable to observe and perform all of the conditions and covenants in the Lease provided to be observed and performed by it.

(b) All rents, income, revenues, issues and profits derived by the Corporation from the Project and the present and continuing right to make claim for, collect, receive and receipt for any or all such rents,

income, revenues, issues and profits arising therefrom or in connection therewith except for amounts payable under the Arbitrage Rebate Agreement.

(c) All property rights which are, by the express provisions of the Indenture required to be subject to the lien thereof and any additional property rights that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien thereof, by the Corporation or by anyone in its behalf, and the Trustee is authorized by the Indenture to receive the same at any time as additional security thereunder.

(d) All money and investments held or required to be deposited in each of the funds established under Indenture.

(e) All rents, income, revenues, issues and profits derived by the Corporation from the Trust Estate pursuant to (a) through (d) above.

Establishment of Funds.

The following special funds are established with the Trustee by the Indenture:

(a) The Bond Fund, which shall be used only for the payment of principal of, premium, if any, and interest, including capitalized interest, on the Bonds so long as any of the Bonds remain Outstanding. Payments of interest and payments of principal, whether at maturity or upon redemption, and payments of premium, if any, on the Bonds shall be deposited into the Bond Fund.

(b) The Construction Fund, which shall be used to pay the costs of the 2005 Project and costs of issuance of the Series 2005 Bonds and costs associated with the 2005 Project, all as provided in the Lease.

(c) The Debt Service Reserve Fund, which shall be used as provided in the Indenture and funded pursuant to the Lease.

(d) The Rebate Fund, which shall be used as provided in the Indenture and funded pursuant to the Arbitrage Rebate Agreement.

Each of said funds shall be held as a special trust account separate and apart from all other funds and accounts of the Corporation or the Board.

Application of Bond Proceeds.

Upon the delivery of the Series 2005 Bonds, that portion of the purchase price which represents the accrued interest, if any, received from the Purchaser shall be deposited in the Bond Fund, a portion of the purchase price shall be deposited in the Construction Fund to provide for the 2005 Project. Upon the delivery of any Additional Bonds, the proceeds thereof shall be deposited as provided in the Supplemental Indenture authorizing the execution and delivery thereof.

Application of Rental Payments.

All rental payments under the Lease are to be paid by the Board as provided in the Lease. All rental payments paid by the Board under Section 3.4(a) of the Lease shall be paid to the Trustee for deposit in the Bond Fund and therein held and applied by the Trustee for the payment of principal of, premium, if any, and interest on the Series 2005 Bonds (and all Additional Bonds, if any) without priority or distinction from time to time as the same become due. All rental payments paid by the Board under Section 3.4 (c) of the Lease shall be paid directly to the Corporation or the Trustee, as applicable. All supplemental rental payments paid by the Board under Section 3.4 (d) of the Lease shall be paid to the Trustee or to such other

person as provided in the Lease. The Trustee shall cause Advance Rentals paid by the Board pursuant to the Lease to be deposited into an escrow fund to be established with the Trustee as provided in the Indenture.

Application of Moneys in the Bond Fund.

The Trustee shall, without further instruction, apply moneys in the Bond Fund, including, but not limited to, moneys transferred to the Bond Fund from the Construction Fund pursuant to the Indenture, to the payment of currently maturing interest, including capitalized interest, on the Bonds and of principal thereof and premium, if any, thereon when due at maturity or earlier redemption.

Application of Moneys in the Construction Fund.

Moneys in the Construction Fund shall be held and paid out by the Trustee in accordance with the provisions of the Lease.

Application of Moneys in the Debt Service Reserve Fund.

Moneys in the Debt Service Fund shall be transferred by the Trustee to the Bond Fund when sufficient funds have not been received from the Board on a payment date. The Trustee must give written notice to the Corporation and the Board of (i) any withdrawal from the Debt Service Reserve Fund, (ii) any losses from the investment of money in the Debt Service Reserve Fund, and (iii) any periodic valuation of the Debt Service Reserve Fund in an amount determined to be below the Debt Service Reserve Fund Requirement. In the event that moneys are withdrawn from the Debt Service Reserve Fund, the Trustee shall notify the Corporation and the Corporation shall restore such Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement within 120 days after the end of the Fiscal Year of the College during which a withdrawal occurs; provided, however, that any obligation of the Corporation to restore any deficiency in the Debt Service Reserve Fund to the Debt Service Reserve Requirement shall be a limited obligation of the Corporation payable solely from Revenues as provided in the Indenture. See "THE DEBT SERVICE PROJECT" herein.

Transfers to Rebate Fund.

Anything contained in the Indenture to the contrary notwithstanding (a) the Rebate Fund shall not be considered part of the "trust estate" created or pledged by the Indenture and (b) the Trustee is authorized in the Indenture and permitted to transfer money on deposit in the Bond Fund to the Rebate Fund established under the Arbitrage Rebate Agreement in the amounts and at the times as provided in accordance with the provisions of the Arbitrage Rebate Agreement.

Payment of Principal, Premium, If Any, and Interest.

The Corporation covenants in the Indenture that it will promptly pay the principal of, premium, if any, and interest on every Bond issued under the provisions of the Indenture at the places, on the dates and in the manner provided therein and in said Bonds. The principal of, premium, if any, and interest, including capitalized interest, are payable only from amounts on deposit in the Bond Fund arising principally from rental payments accruing to the Corporation under the Lease, which payments are pledged by the Indenture to the payment of principal of, premium, if any, and interest on the Bonds. The Corporation will not, directly or indirectly, extend or assent to the extension of the time for the payment of any claim for principal, premium, if any, and interest, including capitalized interest, on any of the Bonds.

Covenant as to Adequacy of Payments.

The Corporation covenants in the Indenture, subject to the provisions of the Indenture, that the rental payments for the Project in each year will, in the aggregate, produce amounts which will be sufficient (a) to pay all expenses of the Corporation during such year and (b) to make all payments which the Trustee is obligated to set aside in the Bond Fund.

TAX MATTERS

Exclusion from Gross Income Pursuant to Section 103 of the Code.

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and decisions, as presently interpreted and construed, and based on the assumptions described below, and subject to the exceptions, conditions and limitations described below, interest on the Series 2005 Bonds earned by the respective owners thereof is excludable from gross income for federal income tax purposes pursuant to the Code.

The Code includes certain restrictions, conditions and requirements, compliance with which subsequent to issuance of the Series 2005 Bonds is necessary in order that interest on the Series 2005 Bonds be (and continue to be) excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. In rendering its opinion, Bond Counsel will assume continuous compliance with all provisions of the Code, compliance with which subsequent to the date of issuance of the Series 2005 Bonds is necessary in order that interest on the Series 2005 Bonds be and continue to be excludable from gross income for federal income tax purposes pursuant to Section 103 of the Code. In the Lease and the Indenture the Corporation has covenanted to comply with each such requirement, and failure of the Corporation to comply with such requirements may cause interest on the Series 2005 Bonds to be includable in gross income for federal income tax purposes, retroactive to the date of issuance of the Series 2005 Bonds.

Alternative Minimum Tax.

Pursuant to Section 55 of the Code, an alternative minimum tax is imposed if a taxpayer's regular income tax for a year is less than such taxpayer's "tentative minimum tax" for such year. "Tentative minimum tax" is computed on the basis of "alternative minimum taxable income." "Alternative minimum taxable income" is taxable income determined with certain adjustments and increased by certain items of tax preference.

Among the adjustments applicable in determining "alternative minimum taxable income" for corporations (other than S corporations, regulated investment companies, real estate investment trusts and real estate mortgage investment conduits, as such terms are defined in the Code) is 75 percent of the amount by which "adjusted current earnings" exceeds the "alternative minimum taxable income" (determined without regard to the adjustments based on "adjusted current earnings" and the alternative net operating loss deduction described in Section 56 of the Code). Interest on the Bonds will be included in computing "adjusted current earnings."

Among the items of tax preference for all taxpayers is interest on any "specified private activity bond," reduced by any deduction (not allowable in computing the regular tax) which would have been allowable if such were included in gross income. In the opinion of Bond Counsel, the Series 2005 Bonds will not be "specified private activity bonds," and accordingly interest thereon will not be treated as a specific item of tax preference.

Certain Other Provisions of the Code Affecting Owners of the Series 2005 Bonds; Other Federal Tax Consequences of Interest on the Series 2005 Bonds.

Branch Profits Tax. Interest on the Series 2005 Bonds earned by certain foreign corporations doing business in the United States of America may be subject to the branch profits tax imposed by Section 884 of the Code.

S Corporations. Interest on the Series 2005 Bonds will be includable in calculating the tax on "excess net passive income" imposed by Section 1375 of the Code on certain Subchapter S corporations that have Subchapter C earnings and profits.

Social Security and Railroad Retirement Benefits. Interest on the Series 2005 Bonds held by persons who also receive Social Security or Railroad Retirement Benefits may have the effect of subjecting part of such benefits to federal income taxation.

Insurance Companies. Pursuant to Section 832 of the Code, deductible underwriting losses of property and casualty insurance companies will be reduced by 15 percent of the amount of interest earned on the Series 2005 Bonds. (If the amount of the reduction exceeds the amount otherwise deductible as losses incurred, such excess may be includable in income).

Financial Institutions. Section 265(b)(1) of the Code provides that commercial banks, thrift institutions and other financial institutions may not deduct the portion of their otherwise allowable interest expense allocable to tax-exempt obligations acquired after August 7, 1986 (other than "qualified tax-exempt obligations" as defined in Section 265(b)(3) of the Code).

The Series 2005 Bonds are not being offered as, and the Series 2005 Bonds will not be, "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code.

Bond Counsel Opinion. Bond Counsel will not address or opine with respect to any federal tax consequences arising with respect to the Series 2005 Bonds, other than its opinion with respect to the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes pursuant to Section 103 of the Code and its opinion that the Series 2005 Bonds are not "specified private activity bonds." Prospective investors, particularly those who may be subject to special rules, are advised to consult their own tax advisors regarding the federal tax consequences of owning and disposing of the Series 2005 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

Future Federal Legislation. Legislation which may affect the tax consequences of owning municipal bonds is constantly being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Series 2005 Bonds will not adversely affect the tax consequences of owning the Series 2005 Bonds, the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes or the market price of the Series 2005 Bonds.

RISKS TO BONDHOLDERS

Nothing in the Lease or the Indenture (a) creates a lien of any kind or character whatsoever upon any specific funds, income or revenues (including, but not limited to, Designated Revenues) now existing or hereafter held, collected, received, anticipated by or available to the Board or (b) limits or prevents the ability of the Board to use or pledge Designated Revenues for the incurrence of debt so long as the Board has made a prior finding that sufficient Designated Revenues exist for the payment of the principal of, premium, if any, and interest on all Bonds issued under the Indenture. Negative financial events occurring with respect to the Board after one or more such findings may have an adverse effect on the holders of all Bonds issued under the Indenture.

CONTINUING DISCLOSURE

The Corporation, the Trustee and the Board have covenanted for the benefit of the holders and beneficial owners of the Series 2005 Bonds to provide certain financial information and operating data relating to the College by not later than 12 months following the end of the College's fiscal year, which currently would be June 30 (the "Annual Report"), commencing with the report for the 2005 fiscal year. The Corporation has covenanted to provide notices of the occurrence of certain enumerated events, if material. The Annual Report will be filed by the Corporation with each Nationally Recognized Municipal Securities Information Repository and the State Repository, if any. The notices of material events will be filed by the Trustee on behalf of the Corporation with each Nationally Recognized Municipal Securities

Information Repository and the State Repository, if any, or with the Municipal Securities Rulemaking Board and the State Repository, if any. The specific nature of the information to be contained in the Annual Report or the notices of material events is contained in "APPENDIX F" hereto. These covenants have been made in order to assist the purchasers of the Series 2005 Bonds in complying with the Securities and Exchange Commission's Rule 15c2-12(b)(5).

UNDERWRITING

The Series 2005 Bonds are being purchased for reoffering by Crews & Associates, Inc. (the "Purchaser"), as shown on the cover hereof, at a purchase price of $10,151,991.40 ($10,595,000 par amount of the Series 2005 Bonds, less $238,387.50 for Purchaser's discount, less a net original issue discount of $204,621.10), plus accrued interest, if any. The Bond Purchase Agreement pursuant to which the Purchaser expects to purchase the Series 2005 Bonds from the Corporation provides that the Purchaser will purchase all of the Series 2005 Bonds if they are purchased. The obligation of the Purchaser to accept delivery of the Series 2005 Bonds is subject to various conditions as stated in the Bond Purchase Agreement.

The Purchaser may offer and sell the Series 2005 Bonds to other dealers and other purchasers at prices lower than the public offering prices stated on the cover page hereof. The initial public offering prices may be changed from time to time by the Purchaser.

VALIDATION

The Series 2005 Bonds were validated before the Chancery Court of Pearl River County, Mississippi, as provided by Sections 31-13-1 *et seq.*, Mississippi Code of 1972, as amended.

LEGAL MATTERS

All legal matters in connection with the authorization and issuance of the Series 2005 Bonds are subject to the final approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Bond Counsel. Copies of such opinion will be available at the time of delivery of the Series 2005 Bonds. Certain legal matters will be passed upon for the Corporation by its counsel, Martin Smith, Esq., Poplarville, Mississippi, for the Purchaser by its counsel, Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, and for the Board by Martin Smith, Esq., Poplarville, Mississippi. No representation is made to the Registered Owners of the Series 2005 Bonds that Bond Counsel has verified the accuracy, completeness or fairness of the statements in this Official Statement and Bond Counsel assumes no responsibility to the Registered Owners of the Series 2005 Bonds except for the matters set forth in such opinion.

LITIGATION

There is no litigation of any nature now pending or threatened to restrain or enjoin the issuance, sale or delivery of the Series 2005 Bonds, or in any way contesting or affecting the validity of the Series 2005 Bonds or any proceedings and authority under which they are to be issued. There is no litigation pending which in any manner questions the right of the Corporation to secure the Series 2005 Bonds in the manner provided in the Indenture.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee and the owners of the Bonds upon an Event of Default under the Lease and the Indenture are in many respects dependent upon regulatory and judicial actions which are often subject to discretion and delay. Under existing law and judicial decisions, the remedies provided for under the Lease and the Indenture may not be readily available or may be limited. The various legal

opinions to be delivered concurrently with delivery of the Bonds and the Lease will be qualified as to enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization insolvency or other similar laws affecting the rights of creditors generally and by equitable remedies and proceedings generally.

OFFICIAL STATEMENT CERTIFICATE

At the time of the delivery of the Series 2005 Bonds, the representative of the purchaser will receive a certificate signed on behalf of the Corporation by an Authorized Corporation Representative acting solely in his/her official capacity, substantially to the effect that to the best of his/her knowledge and belief, as of the date of the delivery of the Series 2005 Bonds to the purchaser, this Official Statement, excluding the Appendices, as then supplemented or amended, does not contain an untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein in the light of the circumstances under which they were made, not misleading. In rendering such certificate, the official executing the certificate may state that he/she has relied in part on his/her examination of the records of the Corporation relating to matters within his/her own area of responsibility, and discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the Corporation.

ADDITIONAL MATTERS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is directed to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights and obligations of the Registered Owners thereof.

The information contained in this Official Statement has been taken from sources considered reliable, but is not guaranteed. To the best of the Corporation's knowledge, information in this Official Statement does not include any untrue statement of material fact nor does the information omit the statement of any material fact required to be stated therein or necessary to make the statements therein, in the light of circumstances under which they were made, not misleading.

Neither any advertisement of the Series 2005 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2005 Bonds. So far as any statements are made in this Official Statement involving estimates, projections or matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. No representation is made that any of the statements will be realized.

References herein to the Act, and all other legislative acts referred to herein are only summaries, excerpts or brief outlines of certain provisions thereof and do not purport to summarize or describe all provisions thereof. Additional information and original source materials may be examined by contacting the Pearl River Community College Student Housing Corporation, Mississippi State College, 538 McArthur Hall, Poplarville, Mississippi 39762, telephone (662) 325-7074.

The execution of this Official Statement has been authorized by the Board of Directors of the Corporation.

PEARL RIVER COMMUNITY COLLEGE STUDENT HOUSING CORPORATION

/s/James C. Sones, Jr.
President

APPENDIX A

DEFINED TERMS AND SUMMARY OF LEASE AND INDENTURE

DEFINED TERMS

In addition to any words and terms elsewhere defined herein, the following words and terms shall have the following meanings, unless the context or use otherwise requires. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. The words "Bond" and "person" shall include the plural as well as the singular number unless the context shall otherwise indicate.

"Act" means Sections 79-11-137 through 37-29-135, Mississippi Code of 1972, as amended.

"Additional Bonds" means Bonds, in addition to the Series 2005 Bonds, issued by the Corporation pursuant to the terms and conditions of the Indenture.

"Advance Rentals" mean payments of rent under the Lease in the form of moneys or Qualified Permitted Investments in any amount sufficient, in combination with amounts then on deposit in the Bond Fund available to pay principal of, premium, if any, and interest on the Bonds, to satisfy all principal, premium, if any, and interest due on the Bonds and to pay all fees and expenses of the Trustee and other reasonable costs incident to the defeasance of the lien of the Indenture.

"Arbitrage Rebate Agreement" means the agreement dated as of June 1, 2005, among the Corporation, the Trustee and the Board, as the same may from time to time be supplemented or amended.

"Architect" means any architect, engineer or firm of architects or engineers qualified and registered to practice under the laws of the State and who or which is not a full-time employee of either the Corporation or the Board.

"Authorized Board Representative" means the Chairman or Secretary of the Board, or such other person as may be hereafter designated to act on behalf of the Board by written certificate furnished to the Trustee and the Corporation containing the specimen signature of such person and signed by the Board's Chairman. Such a certificate may designate one or more alternates.

"Authorized Corporation Representative" means the President or Secretary of the Corporation, or such other person as may be hereafter designated to act on behalf of the Corporation by written certificate furnished to the Trustee and the Board containing the specimen signature of such person and signed by the Corporation's President. Such certificate may designate one or more alternates.

"Board" means the Board of Trustees of Pearl River Community College District.

"Board of Directors" means the governing body of the Corporation.

"Bond Counsel" means, with respect to the original issuance of the Series 2005 Bonds, Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, and thereafter such other firm of nationally recognized attorneys appointed by the Corporation and acceptable to the Trustee and the Bond Insurer, which is experienced in issuing opinions with respect to tax- exempt bonds under the exemption provided in the Code.

"Bond Fund" means the Bond Fund established pursuant to the Indenture.

"Bond Proceeds" means the proceeds received by the Trustee (on behalf of the Corporation) from the sale of the Series 2005 Bonds.

"Bond Resolution" means the resolution adopted by the Board of Directors of the Corporation on May 10, 2005, pursuant to which the Series 2005 Bonds are to be issued.

"Bonds" means the Series 2005 Bonds and any Additional Bonds issued pursuant to the Indenture.

"Business Day" means any day, other than a Saturday or Sunday, on which the Trustee is not required or authorized by law to remain closed.

"Certified Resolution" with reference to the Corporation, means a copy of a resolution certified by the Secretary of the Corporation to have been duly passed and adopted by the Board of Directors at a meeting duly called and convened, and, with reference to the Board, means a copy of a resolution certified by its Executive Secretary as having been duly passed and adopted by the Board at a meeting duly called and convened.

"Closing Date" means the date of issuance and delivery of the Series 2005 Bonds.

"Code" means the Internal Revenue Code of 1986, as amended, and regulations and rulings published thereunder.

"Construction Fund" means the Construction Fund established pursuant to the Indenture.

"Continuing Disclosure Agreement" means that certain Continuing Disclosure Agreement among the Board, the Corporation and the Trustee dated the date of issuance and delivery of the Series 2005 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Corporation" means Pearl River Community College Student Housing Corporation, its successors and assigns.

"Debt Service Reserve Fund" means the Debt Service Reserve Fund established pursuant the Indenture.

"Debt Service Reserve Fund Requirement" means the lesser of the following: (i) the maximum amount of principal and interest becoming due in the current year or any future Bond Year on all Series 2005 Bonds then Outstanding; (ii) 125% of average annual debt service on the Series 2005 Bonds; and (iii) 10% of the stated principal amount of the Series 2005 Bonds.

"DTC" means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns, including any successor securities depositories appointed pursuant to the Indenture.

"Designated Revenues" means all unrestricted revenues received by the College from rental of all student housing facilities operated by the College.

"Event of Default" means a default by the Board or a default by the Corporation under the Lease, or one or more of those events designated as "Events of Default" in the Indenture.

"Financed Project" means the Project as the same may be revised, enlarged, renovated or rehabilitated as provided in the Lease.

"Ground Lease" means the Ground Lease dated as of June 1, 2005, by and among the Board and the College, as lessor, and the Corporation, as lessee, as the same may be amended or supplemented.

"Indenture" means the Trust Indenture dated as of June 1, 2005, by and between the Corporation and the Trustee pursuant to which the Series 2005 Bonds are issued, and as the same may be supplemented or amended.

"Lease" means the Lease Agreement dated as of June 1, 2005, by and between the Corporation, as lessor, and the Board, as lessee, as the same may be supplemental as amended.

"Opinion of Bond Counsel" means a written opinion of Bond Counsel.

"Opinion of Counsel" means a written opinion of counsel (who may be counsel for the Board or the Corporation) selected by the Board or the Corporation and acceptable to the Trustee.

"Outstanding" means, when applied to the Series 2005 Bonds, Additional Bonds or any other obligation, all obligations of the class concerned which shall have been authenticated, issued and delivered with the exception of (a) obligations in lieu of which other obligations have been issued under an agreement to replace lost, destroyed or mutilated obligations and (b) obligations which have been redeemed or discharged under the provisions of the Indenture.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Agreement.

"Permitted Encumbrances" mean, as of any particular time, the following.

(a) liens for taxes and assessments not then delinquent;

(b) the Indenture, the Ground Lease and the Lease;

(c) utility, access and other easements and rights of way, restrictions and exceptions that an engineer certifies will not interfere with or impair operations and activities connected with any of the Financed Project;

(d) any mechanic's, laborer's, materialman's, supplier's or vendor's lien or right in respect thereof if payment is not yet due and payable under the contract in question;

(e) any agreement or agreements, whether in the form of a lease or other contract, for the operation of any of the Financed Project between the Board and any one or more persons, firms or corporations who or which undertake to operate any of the Financed Project, but only if such leases or other contracts (1) require each operator to observe all requirements of law which the Board would be required to observe if the Board itself operated any such Financed Project, (2) meet the requirements of the Lease, and (3) which, in the written opinion of Bond Counsel, do not cause interest on the Series 2005 Bonds to be includable in the gross income of the owners thereof for federal income tax purposes; and

(f) such minor defects, irregularities, encumbrances, encroachments, easements, rights of way and clouds on title as normally exist with respect to properties similar in character to any of the Financed Project and the property upon which any such Financed Project is located and as do not, in the Opinion of Counsel, materially impair the property affected thereby for the purpose for which it is held by the Corporation.

"Permitted Investments" mean, to the extent permitted by State law:

1. Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America ("U.S. Government Securities").

2. Direct obligations* of the following federal agencies which are fully guaranteed by the full faith and credit of the United States of America:

   (a) Export-Import Bank of the United States – Direct obligations and fully guaranteed certificates of beneficial interest
   (b) Federal Housing Administration – debentures
   (c) General Services Administration – participation certificates
   (d) Government National Mortgage Association ("GNMAs") – guaranteed mortgage-backed securities and guaranteed participation certificates
   (e) Small Business Administration – guaranteed participation certificates and guaranteed pool certificates
   (f) U.S. Department of Housing & Urban Development – local authority bonds
   (g) U.S. Maritime Administration – guaranteed Title XI financings
   (h) Washington Metropolitan Area Transit Authority – guaranteed transit bonds

3. Direct obligations* of the following federal agencies which are not fully guaranteed by the faith and credit of the United States of America:

   (a) Federal National Mortgage Association ("FNMAs") – senior debt obligations rated Aaa by Moody's Investors Service ("Moody's") and AAA by Standard & Poor's Ratings Services ("S&P")
   (b) Federal Home Loan Mortgage Corporation ("FHLMCs") – participation certificates and senior debt obligations rated Aaa by Moody's and AAA by S&P
   (c) Federal Home Loan Banks – consolidated debt obligations
   (d) Student Loan Marketing Association – debt obligations
   (e) Resolution Funding Corporation – debt obligations

4. Direct, general obligations of any state of the United States of America or any subdivision or agency thereof whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose uninsured and unguaranteed general obligation debt is rated, at the time of purchase, A2 or better by Moody's and A or better by S&P.

5. Commercial paper (having original maturities of not more than 270 days) rated, at the time of purchase, P-1 by Moody's and A-1 or better by S&P.

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* The following are explicitly excluded from the securities enumerated in 2 and 3:

(i) All derivative obligations, including without limitation inverse floaters, residuals, interest-only, principal-only and range notes;
(ii) Obligations that have a possibility of returning a zero or negative yield if held to maturity;
(iii) Obligations that do not have a fixed par value or those whose terms do not promise a fixed dollar amount at maturity or call date; and
(iv) Collateralized Mortgage-Backed Obligations ("CMOs").

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits in amounts that are continuously and fully insured by the Federal Deposit Insurance Corporation ("FDIC"), including the Bank Insurance Fund and the Savings Association Insurance Fund.

7. Certificates of deposit, deposit accounts, federal funds or bankers' acceptances (in each case having maturities of not more than 365 days following the date of purchase) of any domestic commercial bank or United States branch office of a foreign bank, provided that such bank's short-term certificates of deposit are rated P-1 by Moody's and A-1 or better by S&P (not considering holding company ratings).

8. Investments in money-market funds rated AAAm or AAAm-G by S&P.

9. State-sponsored investment pools rated AA- or better by S&P.

10. Repurchase agreements that meet the following criteria:

    (a) A master repurchase agreement or specific written repurchase agreement, substantially similar in form and substance to the Public Securities Association or Bond Market Association master repurchase agreement, governs the transaction.

    (b) Acceptable providers shall consist of (i) registered broker/dealers subject to Securities Investors' Protection Corporation ("SIPC") jurisdiction or commercial banks insured by the FDIC, if such broker/dealer or bank has an uninsured, unsecured and unguaranteed rating of A3/P-1 or better by Moody's and A-/A-1 or better by S&P, or (ii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

    (c) The repurchase agreement shall require termination thereof if the counterparty's ratings are suspended, withdrawn or fall below A3 or P-1 from Moody's, or A- or A-1 from S&P. Within ten (10) days, the counterparty shall repay the principal amount plus any accrued and unpaid interest on the investments.

    (d) The repurchase agreement shall limit acceptable securities to U.S. Government Securities and to the obligations of GNMA, FNMA or FHLMC described in 2(d), 3(a) and 3(b) above. The fair market value of the securities in relation to the amount of the repurchase obligation, including principal and accrued interest, is equal to a collateral level of at least 104% for U.S. Government Securities and 105% for GNMAs, FNMAs or FHLMCs. The repurchase agreement shall require (i) the Trustee or the Agent to value the collateral securities no less frequently than weekly, (ii) the delivery of additional securities if the fair market value of the securities is below the required level on any valuation date, and (iii) liquidation of the repurchase securities if any deficiency in the required percentage is not restored within two (2) business days of such valuation.

    (e) The repurchase securities shall be delivered free and clear of any lien to the bond trustee (herein, the "Trustee") or to an independent third party acting solely as agent ("Agent") for the Trustee, and such Agent is (i) a Federal Reserve Bank, or (ii) a bank which is a member of the FDIC and which has combined capital, surplus and undivided profits or, if appropriate, a net worth, of not less than $50 million, and the Trustee shall have received

written confirmation from such third party that such third party holds such securities, free and clear of any lien, as agent for the Trustee.

(f) A perfected first security interest in the repurchase securities shall be created for the benefit of the Trustee, and the issuer and the Trustee shall receive an opinion of counsel as to the perfection of the security interest in such repurchase securities and any proceeds thereof.

(g) The repurchase agreement shall have a term of one year or less, or shall be due on demand.

(h) The repurchase agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the repurchase securities, unless Financial Guaranty directs otherwise:

(i) insolvency of the broker/dealer or commercial bank serving as the counterparty under the repurchase agreement;
(ii) failure by the counterparty to remedy any deficiency in the required collateral level or to satisfy the margin maintenance call under item 10(d) above; or
(iii) failure by the counterparty to repurchase the repurchase securities on the specified date for repurchase.

11. Investment agreements (also referred to as guaranteed investment contracts) that meet the following criteria:

(a) A master agreement or specific written investment agreement governs the transaction.

(b) Acceptable providers of uncollateralized investment agreements shall consist of (i) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least Aa2 by Moody's and AA by S&P; (ii) domestic insurance companies rated Aaa by Moody's and AAA by S&P; and (iii) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P.

(c) Acceptable providers of collateralized investment agreements shall consist of (i) registered broker/dealers subject to SIPC jurisdiction, if such broker/dealer has an uninsured, unsecured and unguaranteed rating of A1 or better by Moody's and A+ or better by S&P; (ii) domestic FDIC-insured commercial banks, or U.S. branches of foreign banks, rated at least A1 by Moody's and A+ by S&P; (iii) domestic insurance companies rated at least A1 by Moody's and A+ by S&P; and (iv) domestic structured investment companies approved by Financial Guaranty and rated Aaa by Moody's and AAA by S&P. Required collateral levels shall be as set forth in 11(f) below.

(d) The investment agreement shall provide that if the provider's ratings fall below Aa3 by Moody's or AA- by S&P, the provider shall within ten (10) days either (i) repay the principal amount plus any accrued and interest on the investment; or (ii) deliver Permitted Collateral as provided below.

(e) The investment agreement must provide for termination thereof if the provider's ratings are suspended, withdrawn or fall below A3 from Moody's or A- from S&P. Within ten

(10) days, the provider shall repay the principal amount plus any accrued interest on the agreement, without penalty.

(f) The investment agreement shall provide for the delivery of collateral described in (i) or (ii) below ("Permitted Collateral") which shall be maintained at the following collateralization levels at each valuation date:

(i) U.S. Government Securities at 104% of principal plus accrued interest; or
(ii) Obligations of GNMA, FNMA or FHLMC (described in 2(d), 3(a) and 3(b) above) at 105% of principal and accrued interest.

(g) The investment agreement shall require the Trustee or Agent to determine the market value of the Permitted Collateral not less than weekly and notify the investment agreement provider on the valuation day of any deficiency. Permitted Collateral may be released by the Trustee to the provider only to the extent that there are excess amounts over the required levels. Market value, with respect to collateral, may be determined by any of the following methods:

(i) the last quoted "bid" price as shown in Bloomberg, Interactive Data Systems, Inc., The Wall Street Journal or Reuters;
(ii) valuation as performed by a nationally recognized pricing service, whereby the valuation method is based on a composite average of various bid prices; or
(iii) the lower of two bid prices by nationally recognized dealers. Such dealers or their parent holding companies shall be rated investment grade and shall be market makers in the securities being valued.

(h) Securities held as Permitted Collateral shall be free and clear of all liens and claims of third parties, held in a separate custodial account and registered in the name of the Trustee or the Agent.

(i) The provider shall grant the Trustee or the Agent a perfected first security interest in any collateral delivered under an investment agreement. For investment agreements collateralized initially and in connection with the delivery of Permitted Collateral under 11(f) above, the Trustee and Financial Guaranty shall receive an opinion of counsel as to the perfection of the security interest in the collateral.

(j) The investment agreement shall provide that moneys invested under the agreement must be payable and putable at par to the Trustee without condition, breakage fee or other penalty, upon not more than two (2) business days' notice, or immediately on demand for any reason for which the funds invested may be withdrawn from the applicable fund or account established under the authorizing document, as well as the following:

(i) In the event of a deficiency in the debt service account;
(ii) Upon acceleration after an event of default;
(iii) Upon refunding of the bonds in whole or in part;
(iv) Reduction of the debt service reserve requirement for the bonds; or

(v) If a determination is later made by a nationally recognized bond counsel that investments must be yield-restricted.

Notwithstanding the foregoing, the agreement may provide for a breakage fee or other penalty that is payable in arrears and not as a condition of a draw by the Trustee if the issuer's obligation to pay such fee or penalty is subordinate to its obligation to pay debt service on the bonds and to make deposits to the debt service reserve fund.

(k) The investment agreement shall establish the following as events of default, the occurrence of any of which shall require the immediate liquidation of the investment securities, unless:

(i) Failure of the provider or the guarantor (if any) to make a payment when due or to deliver Permitted Collateral of the character, at the times or in the amounts described above;
(ii) Insolvency of the provider or the guarantor (if any) under the investment agreement;
(iii) Failure by the provider to remedy any deficiency with respect to required Permitted Collateral;
(iv) Failure by the provider to make a payment or observe any covenant under the agreement;
(v) The guaranty (if any) is terminated, repudiated or challenged; or
(vi) Any representation of warranty furnished to the Trustee or the issuer in connection with the agreement is false or misleading.

(l) The investment agreement must incorporate the following general criteria:

(i) "Cure periods" for payment default shall not exceed two (2) business days;
(ii) The agreement shall provide that the provider shall remain liable for any deficiency after application of the proceeds of the sale of any collateral, including costs and expenses incurred by the Trustee or Financial Guaranty;
(iii) Neither the agreement or guaranty agreement, if applicable, may be assigned (except to a provider that would otherwise be acceptable under these guidelines) or amended without the prior consent of Financial Guaranty;
(iv) If the investment agreement is for a debt service reserve fund, reinvestments of funds shall be required to bear interest at a rate at least equal to the original contract rate.
(v) The provider shall be required to immediately notify Financial Guaranty and the Trustee of any event of default or any suspension, withdrawal or downgrade of the provider's ratings;
(vi) The agreement shall be unconditional and shall expressly disclaim any right of set-off or counterclaim;
(vii) The agreement shall require the provider to submit information reasonably requested by Financial Guaranty, including balance invested with the provider, type and market value of collateral and other pertinent information.

12. Maturity of investments shall be governed by the following:

(a) Investments of monies (other than reserve funds) shall be in securities and obligations maturing not later than the dates on which such monies will be needed to make payments.

(b) Investments shall be considered as maturing on the first date on which they are redeemable without penalty at the option of the holder or the date on which the Trustee may require their repurchase pursuant to repurchase agreements.

Investments of monies in reserve funds not payable upon demand shall be restricted to maturities of five years or less.

"Person" or "person" means, as the case may be, any individual, sole proprietorship, corporation, limited liability company, partnership (including, without limitation, general and limited partnership), joint venture, association, joint stock company, trust, unincorporated organization or government, any agency or political subdivision thereof or public corporation.

"Plans" means the plans and specifications for the 2005 Project, as amended and supplemented from time to time, which have been approved by the Corporation and are on file in the office of one or more Authorized Corporation Representatives.

"Project" mean together the 2005 Project.

"Project Sites" mean together the real property consisting of the 2005 Project Sites as described in Exhibit A attached to the Lease and on which the Project is located.

"Purchaser" means Crews & Associates, Inc., as original purchaser of the Series 2005 Bonds on the Closing Date.

"Qualified Permitted Investments" mean obligations described in paragraph (a) in the definition of Permitted Investments herein.

"Rebate Fund" means the Rebate Fund established by the Trustee pursuant to the Arbitrage Rebate Agreement and maintained by the Trustee.

"Record Date" means, as to interest payments, the 15th day of the month preceding the dates set for payment of interest on the Bonds and, as to payments of principal, the 15th day of the month preceding the maturity date thereof.

"Registered Owner" means the person in whose name any Bond shall be registered in the Bond Register maintained under the provisions of the Indenture and the executors, administrators and other legal representatives authorized in writing to act on behalf of such person.

"Series 2005 Bonds" means the $10,595,000 Pearl River Community College Student Housing Corporation Revenue Bonds, Series 2005 (Student Housing Project), authorized to be issued by the Corporation pursuant to the terms and conditions of the Indenture.

"State" means the State of Mississippi.

"Subsection 148(f)" means Subsection 148(f) of the Code.

"Subsection 148(f) Regulations" means regulations promulgated by the Internal Revenue Service under Subsection 148(f).

"Supplemental Indenture" means any indenture which supplements or amends the Indenture in accordance with the provisions thereof.

"Trust Estate" means the rights and interest granted by the granting clauses of the Indenture.

"Trustee" means Hancock Bank, Gulfport, Mississippi in its capacity as Trustee under the Indenture, or its successor.

"2005 Project" means and includes the acquiring, constructing and equipping new student housing facilities for 118 male and 268 female students (the "Project") on certain real property located on the main campus of Pearl River Community College (the "College"), providing for capitalized interest in connection with the 2005 project, and paying the related costs of the issuance, sale and delivery of the Series 2005 Bonds, as more particularly described in Exhibit B attached to the Lease, which 2005 Project is to be financed with a portion of Bond Proceeds, and which is to be leased to and used by the Board in connection with the operation of the University.

"2005 Project Site" means the real property on the College campus on which the 2005 Project is located.

"College" means Pearl River Community College, Poplarville, Mississippi.

"Written Direction" with reference to the Corporation, means a direction in writing signed by an Authorized Corporation Representative, and with reference to the Board, means a request in writing signed by the Board's Chairman or an Authorized Board Representative.

"Written Request" means, with reference to the Corporation, a request in writing signed by an Authorized Corporation Representative and, with reference to the Board, means a request in writing signed by the Board's Chairman or an Authorized Board Representative.

"Yield" means yield computed in accordance with Subsection 148(h) of the Code or any regulations promulgated by the Internal Revenue Service under Section 148 of the Code.

SUMMARY OF THE INDENTURE

The following is a brief summary of certain provisions of the Indenture. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Indenture, copies of which are on file with the Corporation and the Trustee. Capitalized terms used in this summary but not defined herein shall have the meaning ascribed to such terms in the Indenture and in this Appendix A.

Places and Forms of Payment. The principal of, premium, if any, and interest on the Series 2005 Bonds shall be payable in lawful money of the United States of America. The principal of, premium, if any, and interest on Additional Bonds shall be payable in lawful money of the United States of America as provided for the payment of principal of, premium, if any, and interest on the Series 2005 Bonds or at such other place or places as may be prescribed in the proceedings or Supplemental Indenture authorizing the issuance thereof.

Payment of principal and premium, if any, on the Bonds shall be paid by check or draft, upon presentation and surrender of the Bonds at the principal office of the Trustee or such other address as

designated by the Trustee, to the Record Date Registered Owners thereof whose names shall appear in the Bond Register maintained by the Trustee.

Payment of each installment of interest on the Bonds shall be made to the Record Date Registered Owners thereof whose names shall appear in the Bond Register maintained by the Trustee. Interest shall be payable in the aforesaid manner irrespective of any transfer or exchange of such Bonds subsequent to the Record Date and prior to the due date of such interest installment.

Interest on the Bonds shall be paid by check or draft mailed to Registered Owners at the addresses appearing in the Bond Register maintained by the Trustee or in such other manner as may be agreed upon by such Registered Owners and the Trustee; provided, however, at the option of a Registered Owner of at least $1,000,000 in aggregate principal amount of Bonds, such payment may be accomplished by wire transfer. Any such address may be changed by written notice from the Registered Owner to the Trustee by certified mail, return receipt requested, or such other method as may be subsequently prescribed by the Trustee, such notice to be received by the Trustee not later than the 15th day of the calendar month preceding the applicable interest payment due to be effective as of such date.

Authentication. Only such Bonds as shall be authenticated by the endorsement thereon of a certificate substantially in the form prescribed in the Indenture, executed by the Trustee by one of its authorized officers or agents, shall be secured by the Indenture or shall be entitled to any benefit thereunder, and every such certificate of the Trustee upon any Bond purporting to be secured hereby shall be conclusive evidence that the Bond so certified has been duly issued under the Indenture, and that the Registered Owner is entitled to the benefit of the trust thereby created. It shall not be necessary that the same officer sign the certificate of authentication on all of the Bonds secured under the Indenture.

Execution. All Bonds issued under the Indenture shall be executed in the name of the Corporation by the President and attested by its Secretary or Treasurer. Either or both of said signatures may be by facsimile. The seal of the Corporation may be affixed manually or by a facsimile reproduction thereof. In case any officer of the Corporation who shall have signed or sealed any Bond shall cease to be such officer before the Bond so signed or sealed shall have been actually certified by the Trustee or delivered or issued, such Bond may be authenticated, delivered and issued with the same effect as though the person who had signed such Bond had not ceased to be an officer of the Corporation.

Registration and Transfer of Bonds. Records for the registration and transfer of the Bonds as provided in the Indenture shall be kept in the Bond Register by the Trustee, which is the registrar of the Bonds. At reasonable times and under reasonable regulations established by the Trustee, the list of Registered Owners of the Bonds may be inspected and copied by the Board and/or the Corporation. Upon surrender for transfer of any Bond to the Trustee, the Corporation shall execute and the Trustee shall authenticate and deliver to the transferee or transferees a new Bond or Bonds of the same series and interest rate for a like aggregate principal amount. Certificates, blank as to denomination, rate of interest, date of maturity and CUSIP number and sufficient in quantity in the judgment of the Corporation to meet the reasonable transfer and reissuance need of the Bonds, shall be printed and delivered to the Trustee in a generally accepted format and held by the Trustee until needed for transfer or reissuance, whereupon the Trustee shall imprint the appropriate information as to denomination, rate of interest, date of maturity and CUSIP number prior to the registration, authentication and delivery thereof to the transferee of the Bonds. The Trustee is authorized upon the approval of the Corporation to have printed at the expense of the Corporation from time to time as necessary additional certificates bearing the manual or facsimile seal of the Corporation and the manual or facsimile signatures of the persons who were the officials of the Corporation as of the date of original issue of the Bonds. The execution by the Corporation of any Bond in

the denomination of $5,000 or any integral multiple thereof shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate, register and deliver such Bond. No charge shall be made to any Registered Owner for the privilege of registration, but any Registered Owner requesting any such registration shall pay any tax or other governmental charge required to be paid with respect thereto. The Trustee shall not be required to transfer any Bond during the period between the 15th day of the month preceding any interest or principal and interest payment date and any such date or transfer any Bonds selected for redemption in whole or in part.

Persons Treated as Owners. Except as provided in the next paragraph, the person in whose name any Bond shall be registered in the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, and neither the Corporation nor the Trustee shall be affected by any notice to the contrary. Payment of or on account of the principal of any such Bond shall be made only to or upon the order of the Registered Owner thereof or his legal representative, but such registration may be changed as hereinabove provided. 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.

In the event the purchaser of the Bonds shall fail to designate the names, addresses and social security or tax identification numbers of the Registered Owners of the Bonds within thirty (30) days of the date of sale, or at such other later date as may be designated by the Corporation, one Bond registered in the name of said purchaser may be issued in the full amount for each maturity. Ownership of the Bonds shall be in said purchaser until the initial Registered Owner has made timely payment and, upon request by the purchaser within a reasonable time of the initial delivery of the Bonds, the Trustee shall re-register any such Bond in the Bond Register in the name of the Registered Owner to be designated by said purchaser in the event timely payment has not been made by the initial Registered Owner.

Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall become mutilated or be stolen, destroyed or lost, the Corporation shall execute and the Trustee shall authenticate, if not then prohibited by law, and deliver a new Bond of like series, date, number, maturity and tenor in exchange and substitution for and upon cancellation of such mutilated Bond, or in lieu of and in substitution for such Bond stolen, destroyed or lost, as the case may be, upon the Registered Owner's paying the reasonable expenses and charges of the Corporation and the Trustee in connection therewith, and in case of a Bond stolen, destroyed or lost, his filing with the Corporation or Trustee evidence satisfactory to them that such Bond was stolen, destroyed or lost, and of his ownership thereof, and furnishing the Corporation or Trustee with such security or indemnity as may be required by law or by them to save each of them harmless from all risks, however remote. In the event any Bond shall have matured, instead of issuing a duplicate Bond, the Corporation may direct the Trustee to pay the same without surrender thereof.

Funds to be Invested as Directed by the Corporation. All moneys in any of the funds established pursuant to the Indenture, all moneys to be used to reconstruct any of the 2005 Project which are received by the Trustee as insurance proceeds due to loss or damage to the 2005 Project or any portion thereof or as condemnation proceeds, and all other insurance proceeds received and retained by the Trustee shall be invested and reinvested in Permitted Investments as directed by Written Directions of the Corporation as provided in the Indenture, and any interest, profit or loss on such investments shall be credited or charged to the fund of which such investment was made. Investments may be made through the Trustee's investment department.

Duration and Amount of Investment. Moneys in the Bond Fund, the Construction Fund and the Debt Service Reserve Fund, if any, shall be invested in Permitted Investments in accordance with Written Directions of the Corporation. Any investment of moneys in the Bond Fund, the Construction Fund or the

Debt Service Reserve Fund must be made in accordance with the terms and provisions of the Arbitrage Rebate Agreement.

Whenever any moneys in any of the funds established by the Trustee pursuant to the Indenture (except for the Rebate Fund) are invested under the provisions of the Indenture and are needed to prevent default in the payment of principal of, premium, if any, and interest on the Bonds or any of them, the Trustee shall liquidate such investments at such times and in such manner as the Trustee shall deem best and shall, without further instructions, cause the proceeds thereof to be applied to the payment of such principal of, premium, if any, and interest. Otherwise, such investments shall be liquidated only upon the maturity thereof.

The Trustee shall not be liable or responsible for any loss resulting from any investment made by it under the provisions of the Indenture in good faith in accordance therewith.

Additional Bonds. Except when an Event of Default is existing under the Indenture, the Corporation and the Board may from time to time agree upon and approve the issuance and delivery of Additional Bonds for the following purposes: (a) refunding the Series 2005 Bonds or any other series of Bonds; (b) providing funds to pay the cost of additional improvements to the Project and/or the Project Sites, as well as the payment of all expenses incidental thereto; (c) providing funds for acquisition, construction, improvements or equipping residential housing facilities on the campus of the College; (d) in the event all or a portion of any of the Project shall be destroyed or damaged by disaster to such an extent that it can no longer serve its intended purpose, restoring said portion to reasonable condition to enable its continued service for such intended purpose; and (e) paying all reasonable expenses incidental to the issuance of such Additional Bonds. All Additional Bonds shall be of the same rank as the Series 2005 Bonds and shall be payable from the Bond Fund on a parity with the Series 2005 Bonds, but shall bear such date or dates, bear such interest rate or rates, have such maturity dates and be issued at such prices as shall be approved in writing by the Corporation and the Board.

The use of Designated Revenues or other revenues to pay rental payments under the Lease shall have equal priority with other claims against the College's expenditure of Designated Revenues, in addition, nothing in the Lease limits or prevents the ability of the Board to use or pledge Designated Revenues for the incurrence of debt so long as the Board has made a prior finding that the Designated Revenues available for debt service payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such Additional Bonds are issued are certified by an Independent Accountant to have been at least equal to one hundred twenty percent (120%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease; or in lieu of the foregoing formula, if a new rate schedule of unrestricted revenues received by the College from the rental of all student housing facilities shall have been adopted and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Designated Revenues available for debt service payments would have at least equaled one hundred thirty percent (130%) of the aggregate of (i) the highest annual debt service payment on the Series 2005 Bonds in any succeeding Bond Year, as defined in the Indenture, and any Additional Bonds (including the Additional Bonds proposed to be issued), (ii) amounts due to the Debt Service Reserve Fund, and (iii) any other amounts due under the terms of this Lease.

Upon the execution and delivery in each instance of appropriate supplements to the Indenture and to the Lease, the Corporation shall execute and deliver to the Trustee, and the Trustee shall authenticate,

such Additional Bonds and deliver them to the purchaser as may be directed by the Corporation, but only as provided in the Indenture. Prior to the delivery by the Trustee of any of such Additional Bonds the following items shall be filed with the Trustee:

(a) A Certified Resolution of the Board authorizing the execution of a supplemental Lease meeting the requirements of the next succeeding paragraph and an amendment to the Ground Lease, if necessary.

(b) Any executed counterpart of a supplemental Lease pursuant to which the amounts of the rental payments, and, if necessary, the duration of the term of the Lease shall be increased, so as to assure that the additional rental payments will adequately provide for the retirement of the Additional Bonds by making available sufficient money for the payment when due of principal, premium, if any, and interest thereon; provided, that such additional rental payments shall be sufficient to provide the amount of Designated Revenues, as defined in the Lease, for the issuance of Additional Bonds. Any such supplemental Lease shall make only those changes in the Lease as may be required to reflect the improvements, if any, to be made to any of the 2005 Project and the increased rental payments necessary to meet the requirements above set out, and such other changes as the Trustee determines will not adversely affect the security of the Bonds.

(c) An executed amendment to the Ground Lease, if any additional real estate or interest therein or extension of the term of the Ground Lease is necessary for the construction, acquisition, operation, maintenance and use of the Project as improved with the proceeds of said Additional Bonds.

(d) A Certified Resolution or Resolutions of the Corporation authorizing the execution and delivery of a supplemental Lease, an amendment to the Ground Lease, if necessary, a Supplemental Indenture and the issuance of such Additional Bonds.

(e) A fully executed Supplemental Indenture which shall supplement and amend the Indenture to specifically include such Additional Bonds within the meaning of "Bonds" as defined in the Indenture and shall provide for the terms and details of said Additional Bonds. Said Supplemental Indenture (1) must provide that the proceeds of the Additional Bonds are to be used solely for refunding Outstanding Bonds or for one or more of the purposes set out in the Indenture, and for the payment of capitalized interest and reserves and other expenses incidental thereto and to the issuance of such Additional Bonds, with any surplus being applied only to the retirement of Bonds or deposits in funds referred to in the Indenture or in the Supplemental Indenture pursuant to which such Additional Bonds are issued; and (2) must provide that said Additional Bonds shall fall due each year on the date on which principal matures, and bear interest payable semiannually on March 1 and September 1 of each year (except that the first interest payment date may be at any time within one year from the delivery of such Additional Bonds).

(f) A request and authorization to the Trustee on behalf of the Corporation and signed by the President or Secretary of the Corporation to authenticate and deliver such Additional Bonds to the purchaser therein identified upon payment to the Trustee, but for the account of the Corporation, of a sum specified in such request and authorization plus accrued interest, if any, thereon to the date of delivery. Such proceeds shall be paid over to the Trustee and deposited to the credit of the appropriate funds established pursuant to a Supplemental Indenture in such respective amounts as shall be specified in the Supplemental Indenture authorizing such Additional Bonds.

(g) A Written Request of the Board to the Corporation and the Trustee in the form of a copy, duly certified by the Secretary of the Board, of the resolution adopted by the Board approving the issuance of such Additional Bonds on its behalf.

(h) An original executed counterpart of an approving Opinion of Bond Counsel with respect to the validity of the Additional Bonds and opining that the issuance and sale of the Additional Bonds will not result in rendering interest on any of the Bonds subject to federal or State income taxation, as applicable.

Financial Statements. The Trustee covenants and agrees in the Indenture to keep proper statements of record and account in which complete and correct entries shall be made of all transactions relating to the 2005 Project, including records showing the receipts, disbursements, allocation and application of the rental payments and revenues accruing to and funds comprising the trusts created by the Indenture, and also including the amounts thereof forwarded to the Corporation or paid to the Trustee. Such statements shall be available for inspection by the Registered Owner of any of the Bonds at reasonable hours, under reasonable conditions and at their expense. Not more than six months after the close of each fiscal year of the Corporation, the Trustee agrees to furnish to the Registered Owner of any of the Bonds who may so request at the expense of the requesting Registered Owner, copies of financial statements covering receipts, disbursements, allocation and application of such rentals and revenues or funds for such fiscal year. Such financial statements shall be retained by the Trustee so long as any Bonds are Outstanding. The Corporation covenants in the Indenture that it will promptly furnish the Trustee with such additional information as is deemed necessary by the Trustee to carry out the provisions of the Indenture. The Corporation shall continually require the Board to furnish to the Trustee copies of the annual audit of the College or the Board in accordance with the Lease. The Trustee shall make such audits available for inspection by the Registered Owner of any of the Bonds at the office of the Trustee and shall send the same to any such Registered Owner at the expense of the requesting Registered Owner upon receipt of a written request thereof.

Ownership. The Corporation covenants in the Indenture that it is the owner and lawfully possessed of the Trust Estate; that the Ground Lease and the Lease are at the date of the execution and delivery of the Indenture valid subsisting demises in accordance with the terms therein set forth of the property which such documents purport to demise; that the Ground Lease and the Lease were lawfully made; that the covenants contained in the Ground Lease and the Lease on the part of the Corporation are valid and binding and that the Indenture is executed in conformity therewith; that the Corporation has good right, full power and lawful authority to assign and to transfer in trust and pledge the Trust Estate in the manner and form provided in the Indenture; and that the Corporation forever will cooperate with the Board to defend the title to the Project and every part thereof to the Trustee and its respective successors and assigns, for the benefit of the Registered Owners of the Bonds against the claims of all persons whomsoever.

Changes to or Cancellation of Ground Lease or Lease, Etc. The Corporation further covenants in the Indenture that, unless it receives the written consent of the Trustee, it will not alter, modify or cancel, or agree to consent to alter, modify or cancel, the Ground Lease or the Lease; but with the written consent of the Trustee, the Corporation may consent to alterations or modifications thereof, provided, that in the opinion of the Trustee and pursuant to an Opinion of Counsel selected by it, such alterations or modifications will not result in any impairment of the Trust Estate or of the security given by the Indenture or intended to be given for the payment of said Bonds.

In the Indenture, the Corporation and the Trustee acknowledge and agree that following the execution and delivery of the Indenture, the Corporation may desire to supplement the definition of 2005 Project and 2005 Project Sites therein and in the Lease, as well as EXHIBIT A to the Lease and the Ground Lease, for the limited purpose of expanding items constituting the 2005 Project and expanding real property descriptions of the 2005 Project Sites in EXHIBIT A to each of the Lease and the Ground

Lease. In such event, notwithstanding any other provision of the Indenture, the Lease and the Ground Lease may be so supplemented provided that such supplemental documents may be executed and delivered by the parties thereto, as appropriate, without formal adoption and approval by the Board, but with the giving of notice of such supplementation to the Board, and the Trustee.

The Corporation and the Trustee may, without the consent of or notice to Registered Owners of the Bonds, consent to any amendment, change or modification of the Ground Lease or the Lease as may be required (a) by the provisions of such leases or the Indenture, (b) in connection with the issuance of Additional Bonds, (c) for the purpose of curing any ambiguity or formal defect or omission, (d) in connection with additional real property which is to become part of the 2005 Project or (e) in connection with any other change therein which, in the judgment of the Trustee, is not to the prejudice of the Trustee or the Registered Owners of the Bonds. If any such amendment, change or modification does not come within the purview of (a), (b), (c), (d) or (e) of the preceding sentence or the preceding paragraph, prior to giving its consent the Trustee shall obtain the written consent of the Registered Owners of not less than a majority in principal amount of the Bonds then Outstanding. No amendment, change or modification of the Lease shall be made which would (a) permit the 2005 Project or any portion thereof to be used in any manner which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code and the regulations promulgated pursuant thereto nor (b) amend or repeal Section 9.4 of the Lease, except upon receipt by the Trustee and the Corporation of an Opinion of Bond Counsel to the effect that such amendment or repeal would not result in causing interest on the Bonds or any of them to be subject to federal or State income taxation nor (c) reduce the amount or delay the time of rental payments under the Lease.

The Corporation and the Trustee shall agree to any amendment to the Lease recommended by an Opinion of Bond Counsel, filed with the Trustee, to restrict further the agreements referred to in paragraph (e) of the definition of "Permitted Encumbrances" in the Lease in order to prevent said paragraph from permitting any agreement which would cause interest on the Bonds to be subject to federal or State income taxation.

The Corporation covenants in the Indenture that it will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Ground Lease and the Lease to be kept, performed and complied with by it.

The Corporation further covenants in the Indenture that it will not do or permit anything to be done, or omit or refrain from doing anything in any case where any such act done, or permitted to be done, or any such omission of or refraining from action would or might be a basis for declaring a forfeiture of the Ground Lease or the Lease; that upon request of the Trustee, the Corporation will promptly deposit with the Trustee (to be held by the Trustee until title and rights of the Trustee under the Indenture shall be released and reconveyed) any and all documentary evidence received by it showing compliance with the provisions of the Ground Lease and the Lease to be performed by it; that the Corporation, immediately upon its receiving or giving any notice, communication or other document in any way relating to or affecting the Ground Lease or the Lease, which may or can in any manner affect the estate of the Corporation in or under the Ground Lease or the Lease, or affect any portion of the Trust Estate, will deliver the same or a copy thereof, to the Trustee; that the Corporation will cause the Board to pay or cause to be paid all taxes, assessments and other charges, if any, that may be levied, assessed or charged upon the Trust Estate, or any part thereof, promptly as and when the same shall become due and payable; that the Corporation will, upon request of the Trustee, from time to time keep the Trustee advised of such payments, and deliver such evidence thereof as the Trustee may reasonably require; that the Corporation will not suffer the 2005 Project Sites, the 2005 Project, the Trust Estate, or any part of any of them to be

sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor; nor do or permit to be done anything that might otherwise weaken, diminish or impair the security intended to be given by or under the Indenture, nor suffer any portion of the Trust Estate or the 2005 Project to be sold under any mechanic's lien or other proceedings.

The Corporation covenants in the Indenture that it will not sell lease, convey, mortgage, encumber or otherwise dispose of any part of the 2005 Project or the income or revenue derived from the sale, lease or other disposition thereof or of its rights under the Lease and the Ground Lease except as specifically permitted in the Indenture.

Repairs; Free From Liens; Bylaws; Etc. The Corporation covenants and agrees in the Indenture as follows:

(a) To cause the 2005 Project to be maintained by the Board in good working condition and to be kept in good repair and not to commit or allow any waste with respect to the 2005 Project or the Trust Estate.

(b) To comply with and abide by every statute, order, rule or regulation now in force or hereafter enacted by any competent governmental agency or authority with respect to or affecting the operation of the properties and activities of the Corporation.

(c) To cause the Board to keep the 2005 Project, the Trust Estate and all parts thereof free from judgments, mechanic's and materialmen's liens, claims, demands and encumbrances of whatsoever nature or character, to the end that the priority of the lien of the Indenture may at all times be maintained and preserved, and free from any claim or liability, which, in the judgment of the Trustee (and its determination thereof shall be binding and final), might hamper the Corporation or the Board in conducting their activities or operating the 2005 Project, and the Trustee at its option and election (after first giving the Corporation ten (10) days' written notice to comply therewith and failure of the Corporation to so comply within said period) may defend against any and all actions or proceedings in which the validity of the Indenture or its priority is or might be questioned, or pay or compromise any claim or demand asserted in any such actions or proceedings; provided, however, that in defending against such actions or proceedings or in paying or compromising such claim or demands, the Trustee shall not in any event be deemed to have waived or released the Corporation from liability for or on account of any of its covenants and warranties contained in the Indenture, or from its liabilities under the Indenture to defend the validity and priority of the Indenture and the lien thereof and to perform such covenants and warranties.

(d) To comply with the terms, covenants and provisions, express or implied, of all contracts and agreements affecting or involving the 2005 Project Sites, the 2005 Project, the Trust Estate or the activities of the Corporation.

(e) Whenever and so often as requested so to do by the Trustee or the Registered Owners of a majority in principal amount of the then Outstanding Bonds, promptly to execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly to do or cause to be done all such other and further things as may be necessary or reasonably required in order to vest further and more fully in the Trustee and the Registered Owners of the Bonds all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Indenture.

(f) Upon the request of the Trustee or the Registered Owners of a majority in principal amount of the Bonds, to cause the Board to take promptly such action from time to time as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the 2005 Project, the Trust Estate or any part thereof, whether now existing or hereafter arising, and to prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by applicable law, to indemnify and save the Trustee and every such Registered Owner of a Bond harmless from all loss, cost, damage and expense, including attorneys' fees, which they or either of them may incur by reason of any such defect, cloud, suit, action or proceedings.

(g) To cause the Board to defend against every suit, action or proceeding at any time brought against the Trustee or any Registered Owner of a Bond upon any claim arising out of the receipts, applications or disbursements of any of the income or proceeds from the 2005 Project or the Trust Estate or involving the Trustee or the rights of such Registered Owner of a Bond under the Indenture, and to the extent permitted by applicable law, to indemnify and save harmless the Trustee and any Registered Owner of a Bond against any and all liability claimed or asserted by any person whomsoever, arising out of such receipt, application or disbursement of any such proceeds; provided, however, that the Trustee or such Registered Owner of a Bond at its or their election may appear in and defend any such suit, action or proceedings, notwithstanding any contrary provisions of the Indenture, and this covenant shall continue and remain in full force and effect, even though all indebtedness, liabilities, obligations and other sums secured by the Indenture may have been fully paid and satisfied, and the Indenture may have been released and the lien thereof discharged.

(h) To at all times maintain the Corporation's right to carry on its business, and to duly procure all renewals and extensions thereof and to diligently maintain, preserve and renew all the rights, powers, privileges and franchises now owned or hereafter acquired and to maintain its existence as a nonprofit corporation in good standing organized and existing under the laws of the State.

(i) To not permit its interest in the Ground Lease or the Lease to be assigned except as assigned to the Trustee as security for the Bonds issued under the Indenture and the performance of all obligations imposed upon the Corporation under the Indenture.

(j) To not permit any amendment to its Articles of Incorporation or its Bylaws without the consent of the Board and the Trustee. The Trustee shall consent to any such amendment desired by the Corporation and approved by the Board if there is furnished to the Trustee an Opinion of Counsel satisfactory to the Trustee which shows that such amendment will not permit the Corporation to engage in any business other than that for which it was created, or result in any income to the Corporation, or any interest on any of the Bonds being made subject to federal or State income taxation. However, if the Trustee and the Corporation shall receive an Opinion of Counsel to the effect that an amendment to the Corporation's Articles of Incorporation or Bylaws is necessary or desirable to prevent the income of the Corporation or the interest on any of the Bonds from being subject to federal or State income taxation, the Corporation shall immediately proceed to make such amendment to its Articles of Incorporation or Bylaws, and the consent of the Board and the Trustee thereto shall not be required.

(k) To not engage in any activities other than those permitted by the Articles of Incorporation and the Bylaws of the Corporation.

Merger, Consolidation or Sale of Assets. The Corporation covenants in the Indenture that it will not be or become a party to any merger or consolidation and will not sell, lease or otherwise dispose of all or substantially all of its properties or assets to any other corporation or other entity, except by the Lease or upon compliance with the terms of the Lease and the Indenture, so long as any of the Bonds are

Outstanding under the Indenture; provided, however, that the Corporation may consolidate or merge with another nonprofit corporation formed solely for the purpose of financing or constructing improvements for the Board under arrangements similar to those pertaining to the Corporation under the Indenture and under the Lease if the Trustee expressly authorizes such merger in writing. The Trustee shall authorize any such merger or consolidation in writing if it receives a Written Request of the Board and the Corporation to do so unless the Trustee, after consulting with counsel of its own choosing, determines that such merger or consolidation would adversely affect the security of the Bonds, or might result in violation of any section or provision of the Indenture.

No Action Affecting Tax-Exempt Status of Series 2005 Bonds. The Corporation covenants in the Indenture that it will not take any action or refrain from taking any action, which might result in the income of the Corporation becoming taxable to it or in the interest on the Series 2005 Bonds becoming taxable to the owner thereof under the federal income tax laws or the laws of the State. The Corporation covenants in the Indenture that it will not permit the 2005 Project or any portion thereof to be used in any manner which would cause the Series 2005 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code and the regulations promulgated pursuant thereto. The Corporation and the Board covenant to comply with the provisions of the Arbitrage Rebate Agreement. The Corporation agrees in the Indenture to establish with the Trustee a Rebate Fund under the Arbitrage Rebate Agreement, which shall not be a trust fund under the Indenture, and the terms of and provisions governing which shall be as set forth in the Arbitrage Rebate Agreement; provided that said compliance shall not be required if the Corporation or the Board delivers to the Trustee an Opinion of Bond Counsel to the effect that compliance is not required to preserve the exclusion from gross income for federal income tax purposes of interest on the Series 2005 Bonds. In the event of any conflict between the provisions of the Arbitrage Rebate Agreement and the provisions of the Indenture, the provisions of the Arbitrage Rebate Agreement shall govern. The Indenture provides that this covenant shall survive the payment in full or the defeasance of all Outstanding Series 2005 Bonds.

Condemnation. In the event that title to, or the temporary use of, the 2005 Project Sites or 2005 Project shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, the Corporation and the Trustee will cause the net proceeds, after payment of expenses incurred in the collection of the award received by them or either of them from any award made in such eminent domain proceedings, to be paid to and held by the Trustee in a separate trust account, to be applied in one of the following ways as shall be directed in writing by the Board:

(a) the restoration of any affected portion of the 2005 Project to substantially the same condition as such existed prior to the exercise of the said power of eminent domain; or

(b) the repair of existing facilities and the acquisition, by construction or otherwise, by the Board of other improvements suitable for the Board's operations on or adjacent to any of the affected 2005 Project Sites (which improvements shall be deemed a part of the 2005 Project and available for use and occupancy by the Board without the payment of any money other than as provided in the Lease to the same extent as if such eminent domain proceedings had not occurred); provided, that such improvements shall be acquired by the Board subject to no liens or encumbrances other than Permitted Encumbrances and shall be located on real property owned by the Board and leased under the Ground Lease and shall not be used in any manner which would cause the Bonds to be "private activity bonds" within the meaning of Section 141 of the Code and the regulations promulgated thereto.

The Corporation shall cooperate fully with the Board in the handling and conduct of any prospective or pending condemnation proceeding with respect to the 2005 Project or any part thereof and will, to the extent it may lawfully do so, permit the Board to litigate any such proceeding in the name and on behalf of the Corporation. In no event will the Corporation voluntarily settle, or consent to the settlement of, any prospective or pending condemnation proceedings with respect to the 2005 Project or any part thereof without the written consent of the Board.

Events of Default. The following shall be Events of Default under the Indenture:

(a) default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;

(b) default in the due and punctual payment of the principal of, and premium, if any, of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or otherwise;

(c) default in the due and punctual payment to the Debt Service Reserve Fund;

(d) default by the Corporation in the performance or observance of any other of the covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, and such default shall have continued for a period of 60 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee, or to the Corporation and the Trustee by the Registered Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds at the time Outstanding;

(e) attachment or taking into custody under any court process of the Trust Estate (including any rental payments due from the Board to the Corporation under the terms of the Lease);

(f) an Event of Default by the Board under the Lease; or

(g) the Debt Service Reserve Fund is not restored to the Debt Service Reserve Requirement within one hundred twenty (120) days after the end of the Fiscal Year of the College during which a deficiency occurs.

Remedies. The Trustee, in case of the occurrence of an Event of Default specified in the Indenture, may and, upon the written request of the Registered Owners of a majority in principal amount of the Bonds then Outstanding and upon being first indemnified, shall, to the extent then permitted by law, exercise any or all of the following remedies:

(a) The Trustee, personally or by its agents or attorneys, may exercise any and all of the rights granted to it by the granting clauses of the Indenture, including particularly the collection of the rental payments under the Lease and all rentals due from the Board or any other lessee of any of the 2005 Project to the Corporation and may upon application to any court of competent jurisdiction secure the appointment of a receiver to collect and apply such rentals, and may pay or cause to be paid all reasonable charges, including taxes and assessments levied thereon and operating and maintenance expenses and all disbursements and liabilities of the Trustee under the Indenture and apply the net proceeds arising from the exercise of such rights as follows:

(1) to the payment of all amounts owed under the Arbitrage Rebate Agreement;

(2) to the compensation of the Trustee, its agents, attorneys and counsel, and of all proper expenses, liabilities and advances incurred or made under the Indenture by the Trustee or by any Registered Owner of the Bonds, and of all taxes, assessments or liens superior to the lien of the Indenture;

(3) to the payment of the whole amount then owing or unpaid upon the Bonds for principal and interest, together, if and to the extent permitted by law, with interest at the respective rates borne by the Bonds on overdue principal and interest; and in case such proceeds shall be insufficient to pay the whole amount so due and unpaid on the Bonds, then to the payment of such principal and interest, without preference or priority of principal over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, in proportion to the aggregate of such principal and accrued and unpaid interest; and

(4) to the payment of the surplus, if any, to the Board, its successors and assigns, or to whomever may be lawfully entitled to receive the same.

(b) The Trustee may proceed to protect and enforce its rights and the rights of the Registered Owners of the Bonds under the Indenture and the rights of the Corporation under the Ground Lease and under the Lease whether the Ground Lease or the Lease is then in default or not, by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in the Indenture or in the Lease, or in aid of the execution of any power granted in the Indenture or in the Lease, or in its own name and as trustee of an express trust to recover judgment for the amount of the principal of or interest on any of the Bonds if the same shall have become due, whether in accordance with the terms thereof or for the enforcement of any other appropriate legal or equitable remedy, as the Trustee, being advised by counsel may deem most effectual to protect and enforce any of the rights or interests under the Bonds and the Indenture, or either of them. All rights of action under the Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding relative thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee, and any recovery of judgment shall be for the ratable benefit of the Registered Owners of the Bonds subject to the provisions of the Indenture.

(c) The Trustee is appointed by the Indenture, and the successive respective Registered Owners of the Bonds acquiring ownership of the same, shall be conclusively deemed to have so appointed the Trustee, the true and lawful attorney-in-fact of the respective Registered Owners of the Bonds, with authority to make or file in the respective names of the Registered Owners of the Bonds or on behalf of all Registered Owners of the Bonds as a class, any proof of debt, amendment to proof of debt, petition or other document; to receive payment of all sums becoming distributable on account thereof; to execute any other papers and documents and to do and perform any and all acts and things for and on behalf of Registered Owners of the Bonds as a class, as may be necessary or advisable, in the opinion of the Trustee, in order to have the respective claims of the Registered Owners of the Bonds against the Corporation allowed in any equity receivership, insolvency, liquidation, bankruptcy or other proceedings to which the Corporation shall be a party. The Trustee shall have full power of substitution and delegation in respect of any such powers.

(d) The Trustee may, and shall, at the direction of the Bond Insurer (or, at any time that the Bond Insurer shall be in default with respect to any obligation under the Bond Insurance Policy, the Registered Owners of a majority of the aggregate principal amount of the Series 2005 Bonds then Outstanding), by written notice to the Corporation, declare the principal of the Series 2005 Bonds to be immediately due and payable, whereupon that portion of the principal of the Series 2005 Bonds thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become

and be immediately due and payable, anything in the Indenture or in the Series 2005 Bonds to the contrary notwithstanding.

Delay or Waiver by Trustee or Registered Owners of the Bonds. No delay or omission of the Trustee or of any Registered Owner of any of the Bonds to exercise any right or power arising from any default on the part of the Corporation shall exhaust or impair any such right or power or prevent its exercise during the continuance of such default. No waiver by the Trustee or any Registered Owner of the Bonds of any such default, whether such waiver be full or partial shall extend to or be taken to affect any subsequent default, or to impair the rights resulting therefrom, except as may be otherwise provided in the Indenture. No remedy under the Indenture is intended to be exclusive of any other remedy but each and every remedy shall be cumulative and in addition to any and every other remedy given under the Indenture or otherwise existing.

Rights and Remedies of Registered Owners of the Bonds. No Registered Owner of any of the Bonds shall have any right to institute or prosecute any suit or proceedings at law or in equity for the appointment of a receiver of the Corporation for the enforcement of any of the provisions of the Indenture or of any remedies thereunder in respect to the Project unless the Trustee, after request and indemnification by the Registered Owners of twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have neglected for 60 days to take such action; provided, however, that the right of any Registered Owner of any Bond to receive payment of the principal thereof, premium, if any, and interest thereon, or any one of them, on or after the respective due dates expressed therein or to institute suit for the enforcement of any such payment shall not be impaired or affected without the consent of such Registered Owner.

Obligation to Pay Principal, Premium, If Any, and Interest Not Affected. Nothing in any provision of the Indenture or in the Bonds shall affect or impair the obligation of the Corporation, which is absolute and unconditional, to pay the principal of, premium, if any, and interest on the Bonds to the respective Registered Owners of the Bonds at their respective dates of maturity or earlier redemption, but solely from the sources provided in the Indenture and at the places in such Bonds expressed.

Supplemental Indentures Not Requiring Consent of Registered Owners of the Bonds. With the consent of the Board expressed by resolution, the Corporation and the Trustee from time to time and at any time, except as otherwise provided in the Indenture for certain Supplemental Indentures expanding the definition of Project, and subject to the conditions and restrictions contained in the Indenture, may enter into a Supplemental Indenture or Supplemental Indentures, which Supplemental Indenture or Supplemental Indentures thereafter shall form a part of the Indenture, for any one or more of all of the following purposes:

(a) to add to the covenants and agreements of the Corporation contained in the Indenture, other covenants and agreements thereafter to be observed (including additional security thereto) or to surrender any right or power reserved to or conferred upon the Corporation in the Indenture;

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Corporation may deem necessary or desirable and not inconsistent with the Indenture and which shall not adversely affect the interests of the Registered Owners of the Bonds;

(c) to modify, amend or supplement the Indenture or any Supplemental Indenture in such manner as to permit the qualification of the Indenture and of any indenture supplemental to the Indenture under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or any state Blue

Sky law and, if they so determine, to add to the Indenture, or any Supplemental Indenture, any other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute or any state Blue Sky law;

(d) to provide for the issuance of Additional Bonds pursuant to the provisions of the Indenture; and

(e) to comply with the provisions of the Indenture when money and Qualified Permitted Investments sufficient to provide for the retirement of the Bonds shall have been deposited with the Trustee.

Any Supplemental Indenture authorized by the provisions of the Indenture may be executed by the Corporation and the Trustee without the consent of or notice to the Registered Owners of any of the Bonds at the time Outstanding, notwithstanding any of the provisions of the Indenture which address Supplemental Indentures requiring consent of Registered Owners of the Bonds, but the Trustee shall not be obligated to enter into such Supplemental Indenture which affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

Supplemental Indentures Requiring Consent of Registered Owners of the Bonds. With the consent of the Board expressed by resolution, and the consent (evidenced as provided in the Indenture) of the Registered Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, the Corporation and the Trustee may from time to time and at any time enter into a Supplemental Indenture or Supplemental Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of any Supplemental Indenture; provided, however, that no such Supplemental Indenture shall, without the consent of the Registered Owner of each Bond so affected (a) extend the maturity of any Bond or reduce the rate of interest thereon or extend the time of payment of interest, or reduce the amount of the principal thereof, or reduce the amount of premium owed thereon, or reduce the amount or extend the due date of any principal installment established for mandatory redemption, or (b) reduce the aforesaid percentage of Registered Owners of Bonds required to approve any such Supplemental Indenture, or (c) permit the creation of any lien on the Project or deprive the Registered Owners of the Bonds (except as aforesaid) of the lien created by the Indenture upon the Trust Estate. Upon receipt by the Trustee of a Certified Resolution of the Corporation authorizing the execution of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the requisite consent of Registered Owners of the Bonds, as aforesaid, the Trustee shall join with the Corporation in the execution of such Supplemental Indenture unless such Supplemental Indenture affects the Trustee's own rights, duties or immunities under the Indenture or otherwise, in which case the Trustee may in its discretion, but without obligation, enter into such Supplemental Indenture.

It shall not be necessary for the consent of Registered Owners of the Bonds under the provisions of this subheading to approve the particular form of any proposed Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

Promptly after the execution by the Corporation and the Trustee of any Supplemental Indenture pursuant to the provisions under this subheading, notice of the substance of such Supplemental Indenture, setting forth the general terms thereof, shall be given by registered or certified mail to each Registered Owner of Bonds then Outstanding. Any failure of the Corporation to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

Any nationally recognized rating agency then maintaining a rating on the Bonds shall receive notice of each supplemental indenture and a copy thereof at least fifteen (15) days in advance of its execution or adoption.

Supplemental Indenture to Modify the Indenture. Upon the execution of any Supplemental Indenture pursuant to the provisions of the Indenture, the Indenture shall be modified and amended in accordance therewith and the respective rights, duties and obligations of the Corporation, the Trustee and all Registered Owners of Bonds Outstanding thereunder shall thereafter be determined, exercised and enforced under the Indenture subject in all respects to such modification and amendments, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Discharge of Lien. If the Corporation shall pay or cause to be paid to the Registered Owners of the Bonds the principal of, premium, if any, and interest to become due with respect thereto at the times and in the manner stipulated therein and in the Indenture, or if provision satisfactory to the Trustee is made by the Corporation or the Board for such payment under the Lease, and if the Corporation shall keep, perform and observe all and singular the covenants and promises in the Bonds and in the Indenture expressed as to be kept, performed and observed by it or on its part and shall pay or cause to be paid to the Trustee all sums of money due or to become due according to the provisions of the Indenture, then the Indenture and the estate and invested rights granted by the Indenture shall cease, determine and be void, and thereupon the Trustee shall cancel and discharge the lien of the Indenture, and execute and deliver to the Corporation such instruments in writing as shall be requisite to satisfy the lien of the Indenture, and reconvey to the Corporation the estate conveyed by the Indenture, and assign and deliver to the Corporation any property at the time subject to the lien of the Indenture which may then be in its possession except cash held by the Trustee for the payment of interest and premium, if any, on any retirement of the Bonds.

Bonds for the payment or redemption of which sufficient moneys shall have been deposited with the Trustee or other qualified financial institution as provided in the Indenture (whether upon or prior to the maturity or the redemption date of such Bonds) in trust with irrevocable instructions to apply such funds to such payment or redemption shall be deemed to be paid within the meaning of the Indenture; provided, however, that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption shall have been duly given or arrangements satisfactory to the Trustee shall have been made for the giving thereof.

Without limiting the generality of the foregoing, provision for the payment of Bonds shall be deemed to have been made upon the delivery to the Trustee or other qualified financial institution as provided in the Indenture in trust with irrevocable instructions to apply the same or the proceeds thereof to such payment of (a) cash in an amount sufficient to make all payments specified above, or (b) Qualified Permitted Investments, maturing on or before the date or dates when the payments specified above shall become due, the principal amount of which, premium, if any, and the interest thereon, when due, is or will be, in the aggregate, sufficient to make all such payments, or (c) any combination of cash and Qualified Permitted Investments.

Notwithstanding anything to the contrary in the Indenture, any amount deposited with the Trustee or other qualified financial institution as provided in the Indenture pursuant to the provisions under this subheading shall not be invested at a Yield in excess of the Yield on the Bonds unless there is first delivered to the Trustee an Opinion of Bond Counsel to the effect that all or a portion of the amount deposited with the Trustee or other qualified financial institution as provided in the Indenture pursuant to

the provisions under this subheading may be invested at a Yield in excess of the Yield on the Bonds without adversely affecting the tax-exempt status of interest on the Bonds, and only such amount as will, in the opinion of such Bond Counsel, not so affect the tax-exempt status of interest on the Bonds, may be invested at a Yield in excess of the Yield on the Bonds.

SUMMARY OF THE LEASE

The following is a brief summary of certain provisions of the Lease. The summary does not purport to be complete or definitive and is qualified in its entirety by reference to the Lease, copies of which are on file with the Corporation and the Trustee. Capitalized terms used in this summary but not defined herein shall have the meaning ascribed to such terms in the Lease and in this Appendix A.

Prepayment of Rental Payments; Advance Rentals. In the Lease there is expressly reserved to the Board the right, and the Board is authorized and permitted, at any time it may choose, to prepay its rental payment obligations under the Lease, and the Corporation agrees in the Lease that it shall cause such payments to be paid to the Trustee and applied to the payment of the Series 2005 Bonds as provided in the Indenture.

Maintenance and Utilities and Operation by Others. All maintenance and repair of the 2005 Project and utilities therefor shall be the responsibility of the Board, including electric power, gas, light, water and all other public utility services.

The Lease provides that Board may lease to others, or may arrange for the operation by others of, the 2005 Project or any part or parts thereof to the extent permitted in the Lease and may in any such lease or other arrangement require the lessee or operator to perform all or some maintenance and repair, but no such lease or other arrangement shall have the effect of relieving the Board from such responsibly under the terms of the Lease except to the extent that such maintenance and repair is in fact performed by the lessee or lessees or other operator.

Investments. In order to achieve the maximum economy with respect to the 2005 Project, the Corporation agrees in the Lease that it will, at all times practicable, cause moneys held by or for it to remain invested to the extent practical, in investments which are lawful investments for moneys of the Corporation in accordance with and limited to the application of Article V of the Indenture, which Article V contains provisions regarding the investment of funds.

Interest on the Series 2005 Bonds to Remain Tax-Exempt; Arbitrage. The Board and the Corporation recognize that the Purchaser and the Registered Owners of the Series 2005 Bonds will have accepted the Series 2005 Bonds in reliance on the fact, and paid therefor a price reflecting, the understanding that interest on the Series 2005 Bonds is not included in gross income of the holders thereof for purposes of federal and State income taxation. Therefore, the parties agree in the Lease that neither will do anything which would in any way cause the interest on the Series 2005 Bonds to be included in gross income of the holders thereof for purposes of federal and State income taxation. The Board shall not let or sublet the 2005 Project or any portion thereof in any manner which would cause the Series 2005 Bonds to be private activity bonds (as such term is used in the Code). No more than ten percent (10%) of any of the 2005 Project will be "used" (within the meaning of Section 141 of the Code) directly or indirectly, in a "trade or business" (within the meaning of Section 141 of the Code, and including any activity carried on by any person other than a natural person) carried on by any Person other than a "governmental unit" (within the meaning of Section 141 of the Code, and specifically excluding the United States of America or any agency or instrumentality thereof); the 2005 Project will not be "used" for any "private business use" (within the meaning of Section 141 of the Code) which is not related to the

"government use" (within the meaning of Section 141 of the Code) of the 2005 Project; and no party (other than a "governmental unit") which shall use all or any part of the 2005 Project shall make any payments to the Corporation or the Board which are in any way related to the 2005 Project if the aggregate of all such payments from all such parties (other than "governmental units") shall in any year equal or exceed ten percent (10%) of principal of or interest on the Series 2005 Bonds payable during such year, unless the Corporation or the Board shall have received an Opinion of Bond Counsel to the effect that receipt of such payments will not adversely affect the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes. The Board will not create any debt service fund, sinking fund or other similar fund that will be reasonably expected to be used to pay principal of or interest on the Series 2005 Bonds or payments pursuant to the Lease; and no funds or accounts of the Board will be pledged to secure the payment of principal of or interest on the Series 2005 Bonds or payments pursuant to the Lease. The Board further covenants and agrees in the Lease that, notwithstanding any provision of the Lease or the rights of the Board thereunder, the Board will not take or permit to be taken on its behalf any action which would impair the exclusion of interest on the Series 2005 Bonds from gross income for federal income tax purposes, and it will take such reasonable action as may be necessary to continue such exclusion.

Arbitrage. The Corporation and the Board each represent, warrant, covenant and agree in the Lease that:

(a) They will neither take any action nor omit to take any action nor make any investment or use of the proceeds from the issue and sale of the Series 2005 Bonds, including amounts treated as proceeds, if any, which will cause the Series 2005 Bonds to be classified as arbitrage bonds within the meaning of Section 148 of the Code, and any regulations thereunder as such may be applicable to the Series 2005 Bonds, at the time of such action, investment or use.

(b) (1) They shall take all actions necessary in order to comply with the requirements of paragraphs (2) and (3) of Subsection 148(f) in order that the Series 2005 Bonds shall not be treated as arbitrage bonds pursuant to paragraph (1) of Subsection 148(f), including payment of all amounts, if any, required to be paid to the United States of America in accordance with and within the time limits prescribed in Subsection 148(f) and the Subsection 148(f) Regulations, the making of any and all calculations, computations and filings required pursuant to Subsection 148(f) and the Subsection 148(f) Regulations, and the maintenance of all such records as may be required pursuant to Subsection 148(f) and the Subsection 148(f) Regulations.

(2) In order to effectuate the foregoing covenants, (A) prior to delivery of the Series 2005 Bonds, they shall have received written instructions from Bond Counsel with respect to specific actions which will, under Subsection 148(f) and such regulations as may have been promulgated prior to delivery of the Series 2005 Bonds, assure compliance with such covenants; and (B) they shall comply with such instructions until they shall have received from Bond Counsel written advice that continued compliance with such instructions is not necessary in order to avoid adversely affecting the tax-exempt status of the Series 2005 Bonds or alternative written instructions with respect to certain actions which will assure compliance with the covenants set forth above, in which event they shall thereafter comply with all such alternative instructions.

(c) They shall not intentionally use any portion of the proceeds (within the meaning of Subsection 148(a) of the Code and any regulations promulgated pursuant thereto) of the Series 2005 Bonds to acquire higher yielding investments (as defined in Subsection 148(a) of the Code and all regulations promulgated pursuant thereto) or to replace funds which were used directly or indirectly to

acquire higher yielding investments, except to the extent specifically permitted pursuant to Section 148 of the Code and any regulations promulgated thereunder.

(d) They shall not purchase or acquire any investment property with proceeds (within the meaning of Section 148 of the Code) of the Series 2005 Bonds in a manner or for a price which would cause the Series 2005 Bonds to be or become arbitrage bonds, within the meaning of Section 148 of the Code and all regulations promulgated thereunder, including, without limitation, to the extent prescribed by applicable regulations, investments (regardless of yield) which do not comply with the provisions of any regulations intended to assure that obligations are acquired at their "fair market value."

(e) The Chairman of the Board and/or the President and Secretary of the Corporation are authorized to execute a "Federal Tax Certificate" in connection with the sale and delivery of the Series 2005 Bonds, setting forth the reasonable expectations with respect to the investment and use of proceeds of the Series 2005 Bonds and also setting forth certain covenants, stipulations and certifications with respect to the investment and expenditures of the proceeds of the Series 2005 Bonds, and they shall comply with all certifications, stipulations and covenants set forth in such certificate. In addition, such officials are authorized to make such elections as are necessary or appropriate under the Code or the Subsection 148(f) Regulations.

(f) There are no other obligations heretofore issued or to be issued by or on behalf of any state, territory or possession of the United States of America, or political subdivision of any of the foregoing, or of the District of Columbia, by or for the benefit of the Board or the Corporation, which (1) were or are to be sold at substantially the same time as the Series 2005 Bonds, (2) were or are to be issued pursuant to the same plan of financing as the financing plan for the Series 2005 Bonds and (3) are payable directly or indirectly by the Board or the Corporation or from substantially the same source from which the Series 2005 Bonds are payable. There are no additional facts or circumstances which may further evidence that the Series 2005 Bonds are part of any other issue of obligations.

(g) No payment of principal of or interest on the Series 2005 Bonds is or will be guaranteed (in whole or in part, directly or indirectly) by the United States of America, or any agency or instrumentality thereof or any entity with statutory authority to borrow from the United States of America. None of the proceeds of the Series 2005 Bonds will be: (1) used to make loans, the payment of principal of or interest on which is or will be guaranteed (in whole or in part, directly or indirectly) by the United States of America or any agency or instrumentality thereof or any entity with statutory authority to borrow from the United States of America; or (2) invested (directly or indirectly) in any deposit or account which is insured under federal law by the Federal Deposit Insurance Corporation, the National Credit Union Administration or any similar federally chartered corporation [other than: (A) the investment of the proceeds of the Series 2005 Bonds for an initial temporary period (within the meaning of subparagraph 3(B) of Subsection 149(b) of the Code) until such proceeds are needed for the purpose for which the Series 2005 Bonds are being issued; (B) investments of a bona fide debt service fund (within the meaning of Subparagraph 3(B) of Subsection 149(b) of the Code); (C) investments of a reserve which meets the requirements of Subsection 148(d) of the Code; (D) investments in bonds issued by the United States Treasury; or (E) other investments permitted under regulations promulgated by the Internal Revenue Service pursuant to Subsection 149(b) of the Code].

(h) Notwithstanding any provision of the Lease or the rights of the Board or the Corporation thereunder, they will not take or permit to be taken on their behalf any action which would impair the exclusion of interest on the Series 2005 Bonds from gross income of the holders thereof for federal income tax purposes, and they will take such reasonable action as may be necessary to continue such exclusion,

including, without limitation, the preparation and filing of any statements required to be filed by them in order to maintain such exclusion.

Changes in the 2005 Project. So long as the Board is not in default under the Lease, the Corporation shall not make any changes or alterations in or additions to any of the 2005 Project except with the written consent of the Board and upon such terms as may then be agreed. The Board may make or permit others to make improvements or modifications to any of the 2005 Project as it determines best serve the interests of the Board. The cost of any alterations, addition or improvement shall be promptly paid or discharged so that such 2005 Project shall at all times be free of liens for labor and materials supplied thereto. All alterations, additions and improvements to any 2005 Project shall be and become a part of the respective 2005 Project Sites.

Taxes. It is understood and agreed in the Lease that all taxes and assessments of any type or nature charged to the Corporation, the Board or affecting the 2005 Project and the 2005 Project Sites or the respective interests in or estates therein, or affecting the amount available to the Corporation from payments received under the Lease for the retirement of the Series 2005 Bonds (including charges or encumbrances assessed or levied by any governmental agency, district or corporation having power to levy assessments or taxes) shall upon receipt of invoices therefor be paid by the Board under the Lease as rental payments. Upon Written Request of the Board, the Corporation agrees to take whatever steps are necessary to contest the assessed valuation, the amount of an assessment or tax, or to recover any assessment or tax paid if the Board believes such assessed valuation or tax to be improper or invalid. The Board agrees to reimburse the Corporation for any and all costs incurred by the Corporation in relation thereto.

Insurance. The College has insurance with respect to fire and casualty loss and business interruption insurance for the 2005 Project.

Eminent Domain. If all of or any part of any of the 2005 Project and/or the 2005 Project Sites shall be taken under the power of eminent domain, the Lease shall continue in full force and effect and shall not be terminated by virtue of such taking, and the parties waive the benefit of a law to the contrary.

Any award made in eminent domain proceedings for taking or damaging of the 2005 Project in whole or in part shall be deposited with the Trustee and applied as provided in the Indenture.

Events of Default by Board. The following shall be Events of Default by the Board under the Lease:

(a) the Board shall fail to make any of the rental payments corresponding to debt service on the Series 2005 Bonds when due under the Lease; or

(b) the Board shall fail to make any other of the supplemental rental payments under the Lease for a period of 30 days after notice of such failure shall have been given in writing to the Board by the Corporation or by the Trustee; or

(c) the Board shall fail to perform any other covenant in the Lease for a period of 30 days after written notice specifying such default shall have been given to the Board by the Corporation or the Trustee, provided that if such failure to perform is such that it can be remedied but cannot be remedied within such 30 day period, it shall not be deemed an Event of Default so long as the Board diligently tries to remedy the same; or

(d) the Board's interest in the Lease or any part thereof is assigned or transferred (except to a successor political subdivision), without the written consent of the Corporation and the Trustee, either voluntarily or by operation of law.

Remedies Upon Default by Board. Upon the occurrence of any Event of Default, the Trustee shall have the right and the Corporation, if requested by the Trustee, shall have the right, without further demand or notice, to take any one or more of the following actions:

(a) to exercise any available remedies at law or in equity;

(b) to enter any or all of the 2005 Project Sites during reasonable business hours (and in emergencies at all times), (1) to inspect the same, (2) for any purpose connected with the Corporation's rights or obligations under the Lease and (3) for all other lawful purposes; and

(c) to declare the payment of all amounts owed by the Board under the Lease to be immediately due and payable, including but not limited to the payment of all rental payments thereunder, without further action, anything in the Lease to the contrary notwithstanding.

The foregoing remedies of the Corporation are in addition to and nonexclusive of any other legal or equitable remedy available to the Corporation. The Corporation has assigned under the Indenture all of its rights and privileges under the Ground Lease and the Lease to the Trustee, and, whenever an Event of Default exists, the Trustee may exercise any or all of such rights or privileges as provided in the Indenture. The Board consents in the Lease to such assignment under the terms and provisions set forth in the Indenture.

Events of Default by Corporation. The following shall be Events of Default by the Corporation under the Lease:

(a) the Corporation shall fail to perform its obligations under the section of the Lease which involves receipt of prepayments of rent; or

(b) the Corporation shall fail to perform any of its obligations under the Lease for 30 days, or such additional time as is reasonably required to correct any such default, after having received notice by the Board properly specifying wherein the Corporation has failed to perform any such obligation.

No default by the Corporation shall relieve the Board of its obligations to timely pay the rental payments and other amounts required to be paid by the Board under the Lease, so long as any Series 2005 Bonds remain Outstanding.

Remedies Upon Default by Corporation. The Board may exercise any remedy available at law or in equity to require the Corporation to remedy such default so long as such remedy does not interfere with or endanger the payment of the rental and the payment of all other amounts required by the Corporation to be made to the Trustee.

Interest of Board Not to be Assigned; Permitted Exceptions. Neither the Lease nor any interest of the Board in the Lease shall at any time after the date of the Lease, without (a) the prior written consent of the Trustee, and (b) receipt of an opinion of Bond Counsel to the effect that such activities will not cause interest on the Series 2005 Bonds to become includable in gross income of the owners thereof for federal income tax purposes, be mortgaged, pledged, assigned, hypothecated or transferred by the Board by voluntary act or by operation of law or otherwise, whether or not such action constitutes an automatic

Event of Default under the Lease, except for transfer to any successor agent or political subdivision of the State. The Board shall at all times remain liable for the performance of all of the covenants and conditions on its part to be performed, notwithstanding any assignment, transfer or subletting which may be made. Any sublease or assignment of the Lease by the Board shall include a provision that it shall terminate when the Lease terminates pursuant thereto.

Board May Grant Easements. The Board shall have the right under the Lease to grant easements which qualify as Permitted Encumbrances across, along, in, under or over any of the Project Sites upon filing with the Corporation and the bondholders a certificate executed by an Authorized Board Representative showing that the granting of such easement will not interfere with the use of the respective 2005 Project.

Amendments for S.E.C., Blue Sky and Other Limited Purposes. The Board and the Corporation agree in the Lease that if it shall ever become necessary to make any amendment to the Lease or to the Indenture in order to permit the qualification of the Indenture under the Trust Indenture Act of 1939 or the registration of the Series 2005 Bonds with the Securities and Exchange Commission or the sale of the Series 2005 Bonds in accordance with the Blue Sky laws of any state, the Board and the Corporation will agree to such amendments to both the Lease and the Indenture as may be necessary or advisable, in the opinion of independent counsel, to permit such qualification, registration or sale; provided that the Lease may not be altered, modified or amended without the prior written consent of the Trustee as provided in the Indenture.

The parties to the Lease acknowledge and agree therein that following the execution and delivery of the Lease, the Corporation may desire to supplement the definition of 2005 Project and 2005 Project Sites, as well as legal description of the 2005 Project Sites contained in the Lease for the limited purpose of expanding items constituting the 2005 Project and expanding real property descriptions of the 2005 Project Sites. In such event, the Lease may be so supplemented provided that such Supplemental Lease may be executed and delivered by the parties to the Lease without formal approval and adoption by the Board or the Insurer, but with the giving of notice of such supplementation to the Board and the Trustee.

Termination of Lease. In any event, and notwithstanding any other provisions of the Lease, and regardless of any act or failure to act on the part of any party to the Lease, or the failure of the Board to make any payment contemplated in the Lease, upon the discharge of the Series 2005 Bonds or the defeasance of the lien of the Indenture, whichever shall occur first, the Lease and the term granted thereby shall cease and expire and all rights to the Corporation, or any other person or entity, in and to the 2005 Project Sites or the 2005 Project shall cease, and the Corporation shall cause the Trustee to release any interest which the Trustee may have in the 2005 Project Sites or the 2005 Project from the lien of the Indenture and the same shall become the property of the Board, and title to the same shall vest in the State without further action or demand by the Board, pursuant to the Lease and Section 37-29-135, Mississippi Code of 1972, as amended. Such termination of the right of the Corporation in the 2005 Project Sites and the 2005 Project shall not terminate the right of the Corporation to any rental payments under the Lease which shall remain unpaid.

No Representations or Warranties Regarding 2005 Project Sites or the 2005 Project. The Corporation has not made an inspection of the 2005 Project Sites or the 2005 Project, and the Corporation makes no warranty or representation in the Lease, express or implied or otherwise, with respect to the same or the location, use, description, design, merchantability, environmental condition, fitness for use for any particular purpose, condition or durability thereof, or as to the quality of the material or workmanship therein, or as to the title thereto or ownership thereof or otherwise, it being agreed that all risks incidental

thereto are to be borne by the Board. In the event of any defect or deficiency of any nature in the 2005 Project Sites or the 2005 Project, whether patent or latent, the Corporation shall have no responsibility or liability with respect thereto. The provisions under this subheading have been negotiated and are intended to be a complete exclusion and negation of any warranties by the Corporation, express or arising pursuant to the Uniform Commercial Code of the State or any other law now or hereafter in effect or otherwise.

Board to Perform Its Duties Under the Indenture. In the Lease, the Board agrees to perform all duties required of it under the Indenture, which it has reviewed and approved.

Net Lease. The Lease shall be deemed and construed to be a "net lease" and the Board agrees in the Lease that the payments provided for in the Lease shall be an absolute net return to the Corporation free and clear of any expenses or charges whatsoever, except as otherwise specifically provided in the Lease.

Completion of Payments. All payments to be made to the Trustee under the Lease will be deemed to have been completed upon receipt thereof by the Trustee. All other payments under the Lease will be deemed to have been completed upon receipt by the payee.

APPENDIX B
PEARL RIVER COMMUNITY COLLEGE DISTRICT AUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDED JUNE 30, 2003 and UNAUDITED FINANCIAL STATEMENT FOR FISCAL YEAR ENDED JUNE 30, 2004

FINANCIAL STATEMENT FOR FISCAL YEAR ENDED JUNE 30, 2003

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STATE OF MISSISSIPPI
OFFICE OF THE STATE AUDITOR

=

PHIL BRYANT
State Auditor

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

BRENT BALLARD, CPA
Director, Education Audit Section

PEARL RIVER COMMUNITY COLLEGE

Audited Financial Statements
For the Year Ended June 30, 2003

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PEARL RIVER COMMUNITY COLLEGE

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PEARL RIVER COMMUNITY COLLEGE

FINANCIAL AUDIT REPORT

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the accompanying financial statements of Pearl River Community College as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of Pearl River Community College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pearl River Community College, as of June 30, 2003, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, Pearl River Community College adopted Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*; and related pronouncements for the year ended June 30, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2004, on our consideration of Pearl River Community College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 7 through 16, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Pearl River Community College's basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

PHIL BRYANT
State Auditor

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 13, 2004

PEARL RIVER COMMUNITY COLLEGE

MANAGEMENT'S DISCUSSION AND ANALYSIS

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MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pearl River Community College annual financial report presents our discussion and analysis of the financial performance of the college during the fiscal year ended June 30, 2003. This discussion has been prepared by management along with the financial statements and related footnote disclosures and should be read in conjunction with and is qualified in its entirety by the financial statements and footnotes. Since this is a transition year for this format, only one year of financial data is presented. In future years, a comparative analysis will be presented. The financial statements, footnotes, and this discussion are the responsibility of management.

Using the Annual Report

This annual report consists of a series of financial statements, prepared in accordance with the Governmental Accounting Standards Board Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. These financial statements differ significantly, in both form and the accounting principles used, from prior financial statements presented. The financial statements presented in prior years focused on the accountability of funds, while these statements focus on the financial condition of the college, the results of operations, and cash flows of the college as a whole.

One of the most important questions asked is whether the college as a whole is better or worse off because of the year's activities. The key to understanding this question is the Statement of Net Assets, the Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows. These Statements present financial information in a form similar to that use by corporations. It is prepared under the accrual basis of accounting, whereby revenues and assets are recognized when the service is provided and expenses and liabilities are recognized when others provide the service, regardless of when cash is exchanged.

The Statement of Net Assets includes all assets and liabilities. The college's net assets (the difference between assets and liabilities) are one indicator of the college's financial health. Over time, increases or decreases in net assets are one indicator of the improvement or erosion of the 's financial health when considered with non-financial facts such as enrollment levels and the condition of the facilities.

The Statement of Revenues, Expenses, and Changes in Net Assets presents the revenues earned and the expenses incurred during the year. Activities are reported as either operating or nonoperating. The financial reporting model classifies state appropriations and gifts as nonoperating revenues. The college's dependency on state aid and gifts results in an operating deficit. The utilization of long-lived assets, referred to as Capital Assets, is reflected in the financial statements as depreciation, which amortizes the cost of an asset over its expected useful life.

Another important factor to consider when evaluating financial viability is the college's ability to meet financial obligations as they mature. The Statement of Cash Flows presents information related to cash inflows and outflows summarized by operating, noncapital financing, capital and related financing, and investing activities.

Condensed Statement of Net Assets
June 30, 2003

	Amount	Percent
Assets		
Current Assets	$11,471,833	27.85
Noncurrent Assets:		
Capital, Net	25,182,419	61.14
Other	4,537,159	11.01
Total Assets	41,191,411	100.00
Liabilities		
Current Liabilities	3,573,512	57.38
Noncurrent Liabilities	2,654,919	42.62
Total Liabilities	6,228,431	100.00
Net Assets		
Invested in Capital Assets, Net	21,613,110	61.82
Restricted:		
Nonexpendable	29,250	.07
Expendable	4,492,068	12.85
Unrestricted	8,828,552	25.26
Total Net Assets	$34,962,980	100.00

Assets

Current Assets

Cash and Cash Equivalents

Cash and cash equivalents consist of cash in the college's bank accounts, petty cash and certificates of deposit. The total amount of cash and cash equivalents reported as current assets on the college financial statements were $2,666,294 at June 30, 2003.

Accounts Receivable
Accounts receivable relate to several transactions including county appropriations, accrued interest, student tuition and fee billings, and auxiliary enterprise sales such as food service and bookstore. In addition, receivables arise from grant awards and financial aid revenues. The receivables are shown net of allowance for doubtful accounts. The college receivables totaled $2,976,136 at June 30, 2003.

Inventories
The college maintains inventories of resale merchandise as well as items for internal consumption. Books, student supplies, and institutional memorabilia make up the majority of the resale inventory. Inventories maintained for internal departmental use include paper goods. Inventories totaled $452,812 at June 30, 2003.

Noncurrent assets

Cash and Cash Equivalents
Cash and cash equivalents are those funds that are held in the bank accounts. The cash and cash equivalents that are considered noncurrent are cash in Endowment Funds. The amount of cash and cash equivalents considered noncurrent at June 30, 2003, totaled $4,507,909.

Other Investments
Other long-term investments include bank certificates of deposit held by F.D.I.C. insured banks. The value at June 30, 2003, was $29,250.

Capital Assets, Net
Capital assets, net, consist of land, infrastructure, buildings, equipment, and historical library holdings at June 30, 2003. The amount reported is net of accumulated depreciation. Capital assets, net totaled $25,182,419 at June 30, 2003.

Liabilities

Current Liabilities

Accounts Payable and Accrued Liabilities
Accounts payable and accrued liabilities represent amounts due at June 30, 2003, for goods and services received before the end of the fiscal year. The accounts payable and accrued liabilities totaled $2,311,147 at June 30, 2003.

Long-Term Liabilities-Current Portion
Long-term liabilities-current portion, bonds, notes and capital leases, represents the portion of these balances that would be payable by the end of the June 30, 2003, fiscal year. The amount of the current portion of bonds, notes and capital leases at June 30, 2003, was $942,485.

Noncurrent Liabilities

Long-Term Liabilities
This liability consists of the bonds, notes and capital leases balances. The total amount of the noncurrent portion of bonds, notes and capital leases balances was $2,626,824 at June 30, 2003.

Net Assets
Net assets represent the difference between the college's assets and liabilities. Total net assets at June 30, 2003, were $34,962,980.

Analysis of Net Assets
Restricted nonexpendable net assets consist of endowment gifts with specific restrictions on spending the principal given.

Restricted expendable net assets consist of endowment gifts, gifts with specific restrictions, grants from third party agencies with expenditure restrictions, and loan funds.

Unrestricted net assets represent those balances from operational activities that have not been restricted by parties external to the college such as donors or grant agencies. This includes funds that are normal working capital balances maintained for departmental and auxiliary enterprise activities.

The following is a breakdown of the unrestricted net assets:

	Amount
Unrestricted General Fund	$ 7,553,201
Unrestricted Auxiliary Fund	1,275,351
Total Unrestricted Net Assets	$ 8,828,552

Condensed Statement of Revenues, Expenses, and Changes in Net Assets
For the year ended June 30, 2003.

	Amount
Operating Revenues:	
Tuition and Fees	$ 1,816,083
Grants and Contracts	12,942,318
Sales and Services of Educational	120,560
Auxiliary Enterprises	3,047,013
Other Operating Revenues	259,802
Total Operating Revenues	18,185,776
Operating Expenses	28,282,560
Operating Loss	(10,096,784)
Nonoperating Revenues:	
State Appropriations	8,294,443
County Appropriations	3,636,716
Investment Income, Net	1,548
Other Nonoperating Expenses	(113,155)
Net Nonoperating Revenues	11,819,552
Income Before Other Revenues	1,722,768
Capital Appropriations	401,317
Total Increase in Net Assets	2,124,085
Net Assets	
Net Assets at Beginning of Year, as Restated	32,838,895
Net Assets at End of Year	$ 34,962,980

Total operating loss for the fiscal year 2003 was $10,096,784. Since the State of Mississippi appropriation is not included within operating revenue per GASB No. 35, beginning this year and going forward, the college will show a significant operating loss.

The sources of operating revenue for the college are tuition and fees, grants and contracts, auxiliary services, and other operating revenues.

The college strives to provide students with the opportunity to obtain a quality education. Future enrollments at the college may be affected by a number of factors including any material increases in tuition and other mandatory charges stemming from any material decrease in appropriation funding from the State of Mississippi.

Total operating revenues for fiscal year 2003 were $18,185,776. Tuition and fees were $1,816,083. Operating expenses, including depreciation of $1,508,609 totaled $28,282,560. Of this total $11,922,209 or 42% was for instruction.

Revenues

Operating Revenues

Tuition and Fees
This category includes all tuition and fees assessed for educational purposes totaling $1,816,083.

Grants and Contracts
This includes all restricted revenues made available by government agencies as well as private agencies. Grant revenues are recorded only to the extent that the funds have been expended for exchange transactions. Nonexchange revenues are recorded when received or when eligibility criteria have been met.

The following table details the college's grant and contract awards for the fiscal year ended June 30, 2003:

		Amount
Federal Source	$	8,761,589
Other Sources		4,180,729
Total All Sources	$	12,942,318

Noncapital Gifts
This consists of gifts made to the college from a nongovernmental organization and/or individuals. The cash gifts totaled $230,615 at June 30, 2003.

Sales and Services from Educational Activities
Other operating revenues consist of income from educational activities that totaled $120,560 for the 2003 fiscal year.

Sales and Services, Net
Sales and services, net, consist of various enterprise entities that exist predominantly to furnish goods and services to students, faculty, staff, or the general public and charge a fee directly related to the cost of those goods or services. They are intended to be self-supporting.
Auxiliary enterprises primarily include the college bookstore.

Operating Expenses
Operating expenses totaling $28,282,560 include salaries and benefits of $14,638,911 scholarships and fellowships of $4,730,999, utilities of $873,170, supplies of $2,943,306, services of $3,295,273 and depreciation of $1,508,609.

	Amount
Expenses by Function:	
Instruction	$ 11,922,209
Academic Support	541,936
Student Services	2,668,754
Institutional Support	3,128,670
Operations and Maintenance of Plant	2,310,240
Student Financial Aid	3,449,616
Auxiliary Enterprises	2,752,526
Depreciation	1,508,609
Total Operating Expenses by Function	$ 28,282,560

Nonoperating Revenues (Expenses)
State Aid

The college's largest source of nonoperating revenue is the State of Mississippi appropriation. The college received $8,695,760 for 2002-2003 fiscal year, of which $8,294,443 was for operations. In addition, the college received $401,317 in general obligation bonds of the state for capital improvements.

County Appropriations

The college also receives revenue from the six county district in which the school resides. The college uses the funding for salaries and benefits, for operational purposes. The college receives the appropriation in monthly payments, beginning in July of each year, since the fiscal year begins July 1st. The college received $3,636,716 for the 2003 fiscal year from the counties. This appropriation was fully recorded by the college during the fiscal year.

Investment Income, Net

This includes the interest income from the cash in the bank accounts. The investment income at June 30, 2003, was $179,478.

Other Nonoperating Expenses

This includes losses on the sale of fixed assets that the college incurred during the 2003 fiscal year. Total other nonoperating expenses amounted to $113,155.

Statement of Cash Flows

Another way to assess the financial health of the college is to look at the Statement of Cash Flows. Its primary purpose is to provide relevant information about the cash receipts and cash payments of the college during a period. The Statement of Cash Flows also helps users assess:

- The ability to generate future net cash flows,
- The ability to meet obligations as they come due, and
- A need for external financing.

Condensed Statement of Cash Flows (Direct Method)
For the Fiscal Year Ended June 30, 2003

	Amount
Cash and Cash Equivalents Provided (Used) by:	
Operating Activities	$ (8,461,072)
Noncapital Financing Activities	12,060,428
Capital and Related Financing Activities	(2,151,557)
Investing Activities	(4,735,895)
Net Decrease in Cash and Cash Equivalents	(3,288,096)
Cash and Cash Equivalents – Beginning of the Year	10,462,299
Cash and Cash Equivalents – End of the Year	$ 7,174,203

The major sources of funds included in operating activities include student tuition and fees, $6,114,921, auxiliary enterprises, $3,263,029, and grants and contracts, $11,948,024. The major uses of funds were payments made to employees, $14,082,055 and to suppliers, $6,864,976.

The largest inflow of cash in the noncapital financing activities group is the state appropriation of $7,743,077.

Significant Capital Asset Transactions

None noted for the FY 2003.

Factors Impacting Future Periods

There are a number of issues of community college-wide importance that directly impacted the fiscal year 2003 financial situation. The level of state support, compensation increases, student tuition and fee increases, and energy cost increases impact the college's ability to expand programs, undertake new initiatives, and meet its core mission and ongoing operational needs.

State appropriations contribute approximately fifty-five percent of general operations' revenue. The level of state support is therefore one of the key factors influencing the college's financial condition.

The need to continue to address priority needs and requirements for deferred maintenance, new technology, repairs, and new construction projects is a large challenge facing the college in the years to come.

Various committees and individuals are assessing the college's performance toward identified goals and ways to achieve greater efficiencies and reduce expenditures in an effort to assist in meeting the future challenges.

PEARL RIVER COMMUNITY COLLEGE

AUDITED FINANCIAL STATEMENTS

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PEARL RIVER COMMUNITY COLLEGE
Statement of Net Assets
June 30, 2003

ASSETS		
Current assets:		
Cash and cash equivalents	$	2,666,294
Short-term investments		5,070,074
Accounts receivables, net		2,976,136
Inventories,		452,812
Prepaid expenses		306,517
Total Current Assets		11,471,833
Noncurrent assets:		
Restricted cash and cash equivalents		4,507,909
Endowment investments		29,250
Capital assets, net of accumulated depreciation		25,182,419
Total Noncurrent Assets		29,719,578
Total Assets		41,191,411
LIABILITIES		
Current liabilities:		
Accounts payable and accrued liabilities		2,311,147
Deferred revenues		319,880
Long-term liabilities - current portion		942,485
Total Current Liabilities		3,573,512
Noncurrent liabilities:		
Deposits refundable		28,095
Long-term liabilities		2,626,824
Total Noncurrent Liabilities		2,654,919
Total Liabilities		6,228,431
NET ASSETS		
Invested in capital assets, net of related debt		21,613,110
Restricted for:		
Nonexpendable:		
Scholarships and fellowships		29,250
Expendable:		
Scholarships and fellowships		14,532
Capital projects		2,132,033
Debt service		2,345,503
Unrestricted:		8,828,552
Total Net Assets	$	34,962,980

The notes to the financial statements are an integral part of this statement.

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PEARL RIVER COMMUNITY COLLEGE
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2003

Operating Revenues:		
Tuition and fees (net of scholarship allowances of $4,004,564)	$	1,816,083
Federal grants and contracts		8,761,589
State grants and contracts		3,950,114
Nongovernmental grants and contracts		230,615
Sales and services of educational departments		120,560
Auxiliary enterprises:		
Student housing		324,608
Food services		1,064,382
Bookstore		1,658,023
Other operating revenues		259,802
Total Operating Revenues		18,185,776
Operating Expenses:		
Salaries and wages		11,880,338
Fringe benefits		2,758,573
Travel		292,292
Contractual services		3,295,273
Utilities		873,170
Scholarships and fellowships		4,730,999
Commodities		2,943,306
Depreciation expense		1,508,609
Total Operating Expenses		28,282,560
Operating Income (Loss)		(10,096,784)
Nonoperating Revenues (Expenses):		
State appropriations		8,294,443
Local appropriations		3,636,716
Investment income		179,478
Interest expense on capital asset-related debt		(177,930)
Other nonoperating revenues (expenses)		(113,155)
Total Net Nonoperating Revenues (Expenses)		11,819,552
Income (Loss) before Other Revenues, Expenses, Gains and Losses		1,722,768
State appropriations restricted for capital purposes		401,317
Change in Net Assets		2,124,085
Net Assets:		
Net Assets - Beginning of Year, as Originally Reported		49,422,421
Cumulative effects of changes in accounting principle		(16,583,526)
Net Assets - Beginning of Year, as Restated		32,838,895
Net Assets - End of Year	$	34,962,980

The notes to the financial statements are an integral part of this statement.

PEARL RIVER COMMUNITY COLLEGE
Statement of Cash Flows
For the Year Ended June 30, 2003

Cash Flows from Operating Activities:		
Tuition and fees	$	6,114,921
Grants and contracts		11,948,024
Sales and services of educational departments		120,560
Payments to suppliers		(6,864,976)
Payments to employees for salaries and benefits		(14,082,055)
Payments for utilities		(832,204)
Payments for scholarships and fellowships		(8,128,371)
Auxiliary enterprise charges:		
Student housing		324,608
Food services		1,064,382
Bookstore		1,667,900
Other auxiliary enterprises		206,139
Net Cash Provided (Used) by Operating Activities		(8,461,072)
Cash Flows from Noncapital Financing Activities:		
State appropriations		7,743,077
Gifts and grants for other than capital purposes		4,223,612
Federal loan program receipts		8,244,728
Federal loan program disbursements		(8,244,728)
Other sources (uses)		93,739
Net Cash Provided (Used) by Noncapital Financing Activities		12,060,428
Cash Flows from Capital and Related Financing Activities:		
Proceeds from capital debt		225,245
Cash paid for capital assets		(1,743,259)
Capital appropriations received		401,317
Principal paid on capital debt and leases		(803,512)
Interest paid on capital debt and leases		(231,348)
Net Cash Provided (Used) by Capital and Related Financing Activities		(2,151,557)
Cash Flows from Investing Activities:		
Proceeds from sales and maturities of investments		1,424,681
Interest received on investments		51,039
Purchases of investments		(6,211,615)
Net Cash Provided (Used) by Investing Activities		(4,735,895)
Net Increase (Decrease) in Cash and Cash Equivalents		(3,288,096)
Cash and Cash Equivalents - Beginning of the Year		10,462,299
Cash and Cash Equivalents - End of Year	$	7,174,203

Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$	(10,096,784)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation expense		1,508,609
Changes in assets and liabilities:		
(Increase) decrease in assets:		
Receivables, net		(476,658)
Inventories		(140,966)
Prepaid expenses		(59,213)
Increase (decrease) in liabilities:		
Accounts payables and accrued liabilities		162,271
Deferred revenues		640,715
Deposits refundable		954
Total Adjustments		1,635,712
Net Cash Provided (Used) by Operating Activities	$	(8,461,072)

The notes to the financial statements are an integral part of this statement.

(1) Summary of Significant Accounting Policies.

A. Reporting Entity - Pearl River Community College was founded in 1924 and is one of Mississippi's 15 public community colleges. The legal authority for the establishment of Pearl River Community College is found in Section 37-29-31, Miss. Code Ann. (1972).

Pearl River Community College is locally-governed by a sixteen-member board of trustees, selected by the board of supervisors of Forrest, Hancock, Jefferson Davis, Lamar, Marion and Pearl River Counties who support the district through locally assessed ad valorem tax millage. One of the trustees from each of the supporting counties must be the county superintendent of education, unless the superintendent chooses not to serve, in which case the county board of supervisors shall fill the vacancy in accordance with Section 37-29-65, Miss. Code Ann. (1972). Each board member is appointed for a 5-year term. In addition, Pearl River Community College works jointly with the Mississippi State Board for Community and Junior Colleges, which coordinates the efforts of all 15 community colleges as they serve the taxpayers of the State of Mississippi.

B. Basis of Presentation - The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB), including Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and Statement No. 35, *Basic Financial Statements - and Management's Discussion and Analysis - for Public Colleges and Universities*, issued in June and November, 1999, respectively. The college now follows the "business-type activities" reporting requirements of GASB Statement No. 34 that provides a comprehensive one-line look at the college's financial activities.

C. Basis of Accounting - The financial statements of the college have been prepared on the accrual basis whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

D. Cash Equivalents - For purposes of the Statement of Cash Flows, the college considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

E. Short-term Investments - Investments that are not cash equivalents but mature within the next fiscal year are classified as short-term investments.

F. Accounts Receivables, Net - Accounts receivables consist of tuition and fees charged to students, state appropriations, amounts due from state and federal grants and contracts, local governments and credits due to the college from vendors. Accounts receivables are recorded net of an allowance for doubtful accounts.

G. Student Notes Receivables, Net - Student notes receivables consist of federal, state and institutional loans made to students for the purpose of paying tuition and fee charges. Loan balances expected to be paid during the next fiscal year are presented on the statement of net assets as current assets. Those balances that are either in deferment status or expected to be paid back beyond the next fiscal year are presented as noncurrent assets on the Statement of Net Assets.

H. Inventories - Inventories consist of bookstore and printing supplies. These inventories are generally valued at the lower of cost or market, on either the first-in, first-out ("FIFO") basis or the average cost basis.

I. Restricted Cash and Cash Equivalents - Cash and cash equivalents that are externally restricted to make debt service payments, maintain sinking or reserve funds, or to purchase or construct capital or other noncurrent assets, are classified as restricted cash and cash equivalents on the Statement of Net Assets.

J. Endowment Investments - Endowment investments are generally subject to the restrictions of donor gift instruments. They include true endowment funds, which are funds received from a donor with the restrictions that only the income is to be utilized.

K. Capital Assets, Net of Accumulated Depreciation - Capital assets are recorded at cost at the date of acquisition, or, if donated, at fair market value at the date of donation. Renovations to buildings and improvements other than buildings that significantly increase the value or extend the useful life of the structure are capitalized. Routine repairs and maintenance costs are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the asset and is not allocated to the functional expenditure categories. See Note 6 for additional details concerning useful lives, salvage values and capitalization thresholds. Expenditures for construction in progress are capitalized as incurred. Interest expense relating to construction is capitalized net of interest income earned on resources set aside for this purpose.

L. Deferred Revenues - Deferred revenues include amounts received for tuition and fees and certain auxiliary activities prior to the end of the fiscal year but related to the subsequent accounting period. Deferred revenues also include amounts received from grant and contract sponsors that have not yet been earned.

M. Classification of Revenues - The college has classified its revenues as either operating or nonoperating revenues according to the following criteria:

Operating revenues: Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition, net of scholarship discounts and allowances, (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances, (3) most federal, state and local grants and contracts

Nonoperating revenues: Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as gifts and contributions, and other revenue sources that are defined as nonoperating revenues by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting* and GASB Statement No. 34, such as state appropriations, local appropriations and investment income.

N. State Appropriations - Pearl River Community College receives funds from the State of Mississippi based on the number of full-time students actually enrolled and in attendance on the last day of the sixth week of the fall semester of the previous year, counting only those students who reside within the State of Mississippi. Beginning with the 2004 fiscal year, a new funding formula will be phased in over a five year period which will shift the funding calculation from a predominantly full-time student formula, weighted by type of student, to a full-time equivalent formula which is based on total credit hours generated by all students with special consideration given only to high cost programs.

O. Scholarship Discounts and Allowances - Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers (NACUBO). Certain aid, such as loans, funds provided to students as awarded by third parties and Federal Direct Lending, is accounted for as a third party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expenses represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a college basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third party aid.

P. Net Assets - GASB Statement No. 34 reports equity as "Net Assets" rather than "Fund Balance". Net assets are classified according to external donor restrictions or availability of assets for satisfaction of college obligations. Nonexpendable restricted net assets are gifts that have been received for endowment purposes, the corpus of which cannot be expended. Expendable restricted net assets represent funds that have been gifted for specific purposes and funds held in federal loan programs.

The unrestricted net asset balance of $8,828,552 at June 30, 2003, includes $452,812 reserved for inventories, $822,539 reserved for auxiliaries, and a remaining amount of $7,553,201. /

(2) Accounting Changes.

As a result of the adoption of GASB Statement No. 34, the college was also required to change in accounting principles regarding the adoption of depreciation on capital assets. Net assets at July 1, 2002, were reduced by $16,583,526 for the cumulative effect of these changes on years prior to fiscal year 2003.

(3) Cash and Investments.

Policies:

A. Cash, Cash Equivalents and Short-term Investments - Investment policies as set forth by policy and state statute authorize the college to invest in demand deposits and interest-bearing time deposits such as savings accounts, certificates of deposit, money market funds, U.S. Treasury bills and notes, and repurchase agreements.

The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the college's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against these deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation.

B. Investments - Investment policies as set forth by policy and state statute also authorize the college to invest in equity securities, bonds and other securities. Investments are reported at fair value (market).

The following table summarizes the carrying values of the college's investments reported on the Statement of Net Assets:

	June 30, 2003
Endowment investments	$ 29,250
Total	$ 29,250

In accordance with the GASB Statement No. 3, investments are classified into three categories of custodial risk:

Category 1	Investments that are insured or registered, or securities held by the college or by its agent in the college's name.
Category 2	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent in the college's name.
Category 3	Investments that are uninsured and unregistered, with securities held by the counterparty's trust department or agent but not held in the college's name.
Not Categorized	Investments in mutual funds, money markets and investment management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

The following table summarizes the categorization of investments at June 30, 2003:

	Category 1	Total Per Bank
Investments:		
Certificates of deposit	$ 29,250	29,250
Total Investments	$ 29,250	29,250

(4) Accounts Receivable.

Accounts receivable consisted of the following at June 30, 2003:

Student tuition	$	2,724,429
Federal, state, and private grants and contracts		2,143,121
State appropriations		168,495
Local appropriations		226,973
Other		132,834
Total Accounts Receivable		5,395,852
Less allowance for doubtful accounts		2,419,716
Net Accounts Receivable	$	2,976,136

(5) Notes Receivable from Students.

Notes receivable from students are payable in installments over a period of up to ten years, commencing three to twelve months from the date of separation from the college. The following is a schedule of interest rates and unpaid balances for the different types of notes receivable held by the college at June 30, 2003:

	Interest Rates		June 30, 2003	Current Portion	Non-Current Portion
Nursing student loans	3% to 5%	$	18,719		18,719
Total Notes Receivable			18,719		18,719
Less allowance for doubtful accounts			18,719		18,719
Net Notes Receivable		$	0	0	0

(6) Capital Assets.

A summary of changes in capital assets for the year ended June 30, 2003, is presented as follows:

	Beginning Balance	Additions	Deletions	Change in Accounting Principle and Prior Period Adjustment	Ending Balance
Nondepreciable Capital Assets:					
Land	$ 458,882				458,882
Construction in progress	929,237	1,154,492	1,325,858		757,871
Total Nondepreciable Capital Assets	1,388,119	1,154,492	1,325,858	0	1,216,753
Depreciable Capital Assets:					
Improvements other than buildings	4,137,851	1,308,647		12,616,287	18,062,785
Buildings	27,845,167			(12,616,287)	15,228,880
Equipment	5,422,299	497,144	113,431		5,806,012
Library books	2,771,790	108,834		(1,508,265)	1,372,359
Total Depreciable Capital Assets	40,177,107	1,914,625	113,431	(1,508,265)	40,470,036
Less Accumulated Depreciation for:					
Improvements other than buildings	5,407,941	668,543			6,076,484
Buildings	5,105,195	297,575			5,402,770
Equipment	3,884,336	405,255	79,500		4,210,091
Library books	677,789	137,236			815,025
Total Accumulated Depreciation	15,075,261	1,508,609	79,500	0	16,504,370
Total Depreciable Capital Assets, Net	25,101,846	406,016	33,931	(1,508,265)	23,965,666
Capital Assets, Net	$ 26,489,965	1,560,508	1,359,789	(1,508,265)	25,182,419

* Because of a change in capitalization standards, a portion of the prior year fixed assets had to be removed from inventory. This reduction in beginning inventory balance is included in the change in accounting principle column.

Depreciation is computed on a straight-line basis with the exception of the library books category, which is computed using a composite method. The following useful lives, salvage values and capitalization thresholds are used to compute depreciation:

	Estimated Useful Lives	Salvage Value	Capitalization Threshold
Buildings	40 years	20%	$ 50,000
Improvements other than buildings	20 years	20%	25,000
Equipment	3-15 years	1% - 10%	5,000
Library books	10 years	0%	0

(7) Long-term Liabilities.

Long-term liabilities of the college consist of notes and bonds payable, capital lease obligations and certain other liabilities that are expected to be liquidated at least one year from June 30, 2003. The various leases cover a period not to exceed five years. The college has the option to prepay all outstanding payments less any unearned interest to fully satisfy the obligation. There is also a fiscal funding addendum stating that if funds are not appropriated for periodic payment for any future fiscal period, the lessee will not be obligated to pay the remainder of the total payments due beyond the end of the current fiscal period.

Information regarding original issue amounts, interest rates and maturity dates for bonds, notes and capital leases included in the long-term liabilities balance at June 30, 2003, is listed in the following schedule. A schedule detailing the annual requirements necessary to amortize the outstanding debt is also provided.

PEARL RIVER COMMUNITY COLLEGE

Notes to Financial Statements
For the Year Ended June 30, 2003

Description and Purpose	Original Issue	Annual Int. Rate	Maturity	Beginning Balance	Additions	Deletions	Balance June 30, 2003	Due Within One Year
Bonded Debt								
Housing revenue bonds of 1967	$ 150,000	3.00%	2007	$ 35,000		5,000	30,000	6,000
District building notes, Series 1998	1,000,000	6.75% to 9.5%	2004	215,000		105,000	110,000	110,000
Educational facilities notes, Series 1998	1,500,000	6.75% to 9.5%	2004	300,000		145,000	155,000	155,000
District building notes, Series 1989	3,200,000	6.75% to 9.5%	2004	640,000		310,000	330,000	330,000
District building notes, Series 1994	825,000	5% to 5.9%	2009	465,000		55,000	410,000	60,000
Educational facilities notes, Series 1995	1,600,000	4.3% to 6.125%	2011	1,115,000		100,000	1,015,000	105,000
Total Bonded Debt				2,770,000	0	720,000	2,050,000	766,000
Capital Leases								
Energy lease 2000	1,020,130	5.50%	2015	927,078		50,452	876,626	53,265
Total Capital Leases				927,078	0	50,452	876,626	53,265
Other Long-term Liabilities								
Revenue shortfall note	225,245	2.70%	2006		225,245		225,245	73,090
Capital improvements revolving loan	600,000	3.70%	2012	450,498		33,060	417,438	50,130
Total Other Long-term Liabilities				450,498	225,245	33,060	642,683	123,220
Total				$ 4,147,576	225,245	803,512	3,569,309	942,485
Due within one year							942,485	
Total Long-term Liabilities							$ 2,626,824	

	Bonded Debt	Capital Leases	Notes Payable	Interest	Total
2004	$ 766,000	53,265	123,220	178,259	1,120,744
2005	176,000	56,235	114,316	124,898	471,449
2006	186,000	59,370	117,820	109,658	472,848
2007	196,000	62,681	42,262	93,328	394,271
2008	211,000	66,175	43,853	77,884	398,912
2009-2013	515,000	390,513	201,212	169,307	1,276,032
2014-2015		188,387		13,127	201,514
Totals	$ 2,050,000	876,626	642,683	766,461	4,335,770

(8) Operating Leases.

Leased property under operating leases is composed of 25 copiers, one mail machine and one Risograph machine. The following is a schedule by years of the future minimum rental payments required under those operating leases:

Year Ending June 30,	Amount
2004	$ 101,275
2005	84,830
2006	38,517
2007	9,152
Total Minimum Payments Required	$ 233,774

The total rental expense for all operating leases, except those with terms of a month or less that were not renewed, for the fiscal year ending June 30, 2003, was $108,718.

(9) Natural Classifications with Functional Classifications.

The college's operating expenses by functional classification were as follows for the year ended June 30, 2003:

Functional Classification	Salaries & Wages	Fringe Benefits	Travel	Contractual Services	Utilities	Scholarships & Fellowships	Commodities	Depreciation Expense	Total
Instruction	$ 7,753,978	1,715,646	122,885	669,946	2,536	615,363	1,041,855		11,922,209
Academic support	387,992	94,190	703	34,935			24,116		541,936
Student services	1,401,851	324,230	122,194	242,107	932	352,855	224,585		2,668,754
Institutional support	1,371,449	348,295	42,880	857,288		283,876	224,882		3,128,670
Operation of plant	712,091	206,716	1,552	323,670	839,729		226,482		2,310,240
Student aid						3,449,616			3,449,616
Auxiliary enterprises	252,977	69,496	2,078	1,167,327	29,973	29,289	1,201,386		2,752,526
Depreciation								1,508,609	1,508,609
Total Operating Expenses	$ 11,880,338	2,758,573	292,292	3,295,273	873,170	4,730,999	2,943,306	1,508,609	28,282,560

(10) Construction Commitments and Financing.

The college has contracted for various construction projects as of June 30, 2003. Estimated costs to complete the various projects and the sources of anticipated funding are presented below:

		Funded by			
Project Title	Total Costs to Complete	Federal Sources	State Sources	Institutional Funds	Other
Advanced Technology Center	$ 3,431,389		2,573,542		857,847
Student Center	2,240,483		1,949,220		291,263
Building #3 - Hattiesburg	107,000				107,000
Lamar Hall renovation	70,000				70,000
Marion Hall renovation	40,000				40,000
Total	$ 5,888,872	0	4,522,762	0	1,366,110

(11) Pension Plan.

Plan description - Pearl River Community College participates in the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the Mississippi State Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to the Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding policy - PERS members are required to contribute 7.25% of their annual covered salary and the institution is required to contribute at an actuarially determined rate. The current rate is 9.75% of annual covered payroll. The contribution requirement of PERS members are established and may be amended only by the Mississippi State Legislature. The college's contributions to PERS for the years ending June 30, 2003, 2002 and 2001 were $1,082,670, $1,090,170 and $1,096,511, respectively, equal to the required contributions for each year.

(12) Foundations and Affiliated Parties.

The Pearl River Community College Foundation is an independent corporation formed for the purpose of receiving funds for the sole benefit of Pearl River Community College. The foundation is separately audited and the financial statements of the foundation have not been included in the financial statements of Pearl River Community College. Statement No. 39 of the Governmental Accounting Standards Board, *Determining Whether Certain Organizations Are Component Units*, will become effective for the fiscal year ended June 30, 2004, and will require the foundation's financial statements to be included in the financial statements of Pearl River Community College as a component unit. Following is a summary of the foundation's financial position at June 30, 2003, which amounts are not included in the financial statements of the college. This summary is based on audited figures for the year ended June 30, 2003.

Assets		Amount
Cash and investments	$	432,342
Investments		2,081,665
Accounts receivable		376,840
Prepaid insurance		1,539
Construction in progress		30,000
Land		6,758
Total Assets	$	2,929,144
Liabilities and Fund Balances		
Accounts payable	$	8,568
Net assets:		
Unrestricted		552,426
Temporarily restricted		1,385,980
Permanently restricted		982,170
Total Liabilities and Net Assets	$	2,929,144

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SUPPLEMENTAL INFORMATION

PEARL RIVER COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program or Cluster Title		Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Student Financial Aid - Cluster:				
U.S. Department of Education				
Federal Supplemental Educational Opportunity Grants (FSEOG)		84.007		$ 99,588
Federal Family Education Loans (FFEL)	(1)	84.032		1,801,456
Federal Work-study Program (FWS)		84.033		126,791
Federal Pell Grant Program		84.063		6,443,272
Pass-through program from:				
Board of Trustees of the Institution's of Higher Learning - Leveraging Educational Assistance Partnership		84.069		3,800
Total U.S. Department of Education				8,474,907
Total Student Financial Aid Cluster				8,474,907
U.S. Department of Agriculture				
Conservation Reserve Program		10.069		760
Pass-through program from:				
Mississippi Community College Foundation - Mississippi Rural Health Corporation Program - Cooperative Extension Service		10.500		110,354
Total U.S. Department of Agriculture				111,114
U.S. Department of Justice				
Public Safety Partnership & Community Policing Grants		16.710		15,116
Total U.S. Department of Justice				15,116

PEARL RIVER COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Labor			
Pass-through programs from:			
Mississippi Employment Security Commission - Trade Adjustment Assistance - Workers	17.245		4,301
WIA Cluster:			
Mississippi Employment Security Commission - WIA Adult Programs	17.258		397,092
Mississippi Development Authority - WIA Youth Activities	17.259		1,678
Southern Mississippi Planning and Development - WIA Youth Activities	17.259		39,692
Mississippi Employment Security Commission - WIA Dislocated Workers	17.260		229,340
Total WIA Cluster			667,802
Total U.S. Department of Labor			672,103
National Aeronautics and Space Administration			
Pass-through program from:			
University of Mississippi - Aerospace Education Services Program	43.001		9,465
Total National Aeronautics and Space Administration			9,465
National Endowment for the Humanities			
Pass-through program from:			
University of Southern Mississippi - Promotion of the Humanities - Federal/State Partnership	45.129		150
Total National Endowment for the Humanities			150
National Science Foundation			
Pass-through program from:			
Brevard Community College - Education and Human Resources	47.076		26,691
Total National Science Foundation			26,691

PEARL RIVER COMMUNITY COLLEGE
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2003

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
Small Business Administration			
Pass-through program from:			
University of Mississippi - Small Business Development Center	59.037		38,065
Total Small Business Administration			38,065
U.S. Department of Education			
Trio - Student Support Services	84.042		291,136
Pass-through programs from:			
Mississippi State Board for Community & Junior Colleges - Adult Education - State Grant Program	84.002		263,485
Mississippi Department of Education - Vocational Education - Basic Grants to States	84.048	EV048A99024	530,968
Mississippi Department of Education - Tech Prep Education	84.243	EV048A990295	45,351
Mississippi Department of Education - School to work opportunities	84.278	U44034008860	11,613
Subtotal pass-through programs			851,417
Total U.S. Department of Education			1,142,553
U.S. Department of Health and Human Services			
Pass-through program from:			
Mississippi Department of Mental Health - Developmental disabilities basic support and advocacy grants	93.630		76,282
Total U.S. Department of Health and Human Services			76,282
Total Other Programs			2,091,539
Total Expenditures of Federal Awards			$ 10,566,446

Notes to Schedule of Expenditures of Federal Awards

This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the financial statements, with the following exceptions:

(1) For purposes of this schedule, loans made to students under the Federal Family Education Loans (CFDA #84.032) are presented as federal expenditures. Neither the funds advanced to students nor the outstanding loan balance is included in the financial statements since the loans are made and subsequently collected by private lending institutions and/or the federal government.

PEARL RIVER COMMUNITY COLLEGE

REPORTS ON COMPLIANCE AND INTERNAL CONTROL

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the financial statements of Pearl River Community College as of and for the year ended June 30, 2003, as listed in the table of contents and have issued our report thereon dated April 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the college's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the college's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our opinion, could adversely affect the college's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as items 2003-1, 2003-2 and 2003-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions and, accordingly, would not also disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described in the findings referred to above, we consider the item 2003-1 to be a material weakness.

This report is intended solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Phil Bryant

Rodney D. Zeagler

PHIL BRYANT
State Auditor

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 13, 2004

State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

Compliance

We have audited the compliance of Pearl River Community College with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2003. The college's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the college's management. Our responsibility is to express an opinion on the college's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the college's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the college's compliance with those requirements.

In our opinion, Pearl River Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

The management of the Pearl River Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the college's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our opinion, could adversely affect the college's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2003-4.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the finding referred to above is not a material weakness.

This report is intended solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Phil Bryant

PHIL BRYANT
State Auditor

Rodney D. Zeagler

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 13, 2004

PEARL RIVER COMMUNITY COLLEGE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

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State of Mississippi

OFFICE OF THE STATE AUDITOR
PHIL BRYANT
AUDITOR

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Dr. William A. Lewis, President and Board of Trustees
Pearl River Community College
Poplarville, MS 39470

We have audited the financial statements of Pearl River Community College as of and for the year ended June 30, 2003, and have issued our report thereon dated April 13, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*.

We have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the financial statements did not disclose any instances of noncompliance with state laws and regulations.

This report is intended solely for the information and use of the college, Members of the Legislature, entities with accreditation overview, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Phil Bryant

PHIL BRYANT
State Auditor

Rodney D. Zeagler

RODNEY D. ZEAGLER, CPA
Director, Financial and Compliance Audit Division

April 13, 2004

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PEARL RIVER COMMUNITY COLLEGE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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PEARL RIVER COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

Section 1: Summary of Auditor's Results

Financial Statements:

1.	Type of auditor's report issued on the financial statements:	Unqualified
2.	Material noncompliance relating to the financial statements?	No
3.	Internal control over financial reporting:	
	a. Material weakness(es) identified?	Yes
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	Yes

Federal Awards:

4.	Type of auditor's report issued on compliance for major federal programs:	Unqualified
5.	Internal control over major programs:	
	a. Material weakness(es) identified?	No
	b. Reportable condition(s) identified that are not considered to be material weaknesses?	Yes
6.	Any audit finding(s) reported as required by Section ___.510(a) of Circular A-133?	Yes
7.	Federal programs identified as major programs:	
	a. Student Financial Aid Cluster CFDA #84.007 CFDA #84.032 CFDA #84.033 CFDA #84.063 CFDA #84.069	
	b. WIA Cluster CFDA #17.258 CFDA #17.259 CFDA #17.260	
	c. Vocational Education - Basic Grants to States CFDA #84.048	
8.	The dollar threshold used to distinguish between type A and type B programs:	$300,000
9.	Auditee qualified as a low-risk auditee?	No

10. Prior fiscal year audit finding(s) and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section ____.315(b) of OMB Circular A-133? Yes

Section 2: Financial Statement Findings

Material Weaknesses

2003-1. Finding

During our test of capital assets the following were noted:

A. In three instances, the equipment purchased could not be traced to the fixed asset subsidiary ledger.

B. The amount charged to the capitalizable object codes for equipment differed from the amount added to the equipment subsidiary by $238,396.

C. In five instances, the equipment could not be located.

D. In 15 instances, the equipment was in the wrong location.

E. In one instance, there was no equipment tag on the equipment.

F. In one instance, the description did not match the equipment verified.

Recommendation

The college should implement policies and procedures to insure that amounts expended for equipment, per the general ledger accounts, are reconciled to capital asset additions, per the subsidiary listings. Inventory tags/numbers should be placed on all equipment owned by the college. Transfers of equipment from one location to another should be properly documented and the resulting change in location should be reflected in the subsidiary listing.

Reportable Conditions Not Considered to be Material Weaknesses

2003-2. Finding

During our test of expenditures the following were noted:

A. In three instances, the expenditures were made without an approved purchase order.

B. In one instance, the purchase order was prepared after the expenditure was made.

C. In one instance, the travel was approved after the travel actually occurred.

Recommendation

The college should implement procedures to insure that disbursements are properly approved prior to purchase.

PEARL RIVER COMMUNITY COLLEGE

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2003

2003-3. Finding

The college did not submit Pell disbursement data timely to the U.S. Department of Education. This resulted in undue pressure being put on the college to meet its immediate cash needs.

Recommendation

The college should implement procedures to insure Pell disbursement data is submitted timely to the U.S. Department of Education.

Section 3: Federal Award Findings and Questioned Costs

Reportable Condition Not Considered to be a Material Weakness

2003-4. Finding

Compliance requirement: Special tests and provisions

Program: Student Financial Aid cluster; CFDA #'s 84.007, 84.032, 84.033, 84.063 & 84.069

The college did not comply with Title IV financial aid regulation known as the Student Right to Know Disclosure requirement that requires disclosure of graduate and transfer out rates for the general student body and for students receiving athletically related student aid.

Recommendation

The college should implement procedures to insure that the requirements for the Student Right to Know Disclosure are met.

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AUDITEE'S CORRECTIVE ACTION PLAN
AND SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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Pearl River Community College
Auditee's Corrective Action Plan

As required by Section_.315b of OMB Circular A-133, the Pearl River Community College has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2003.

Finding 2003-1

A) Contact Person(s): Roger Knight, Nancy Sidock./
B) Corrective Action Planned:

In response to an audit finding for FY 2002, the position of Inventory Control Manager was created and filled as of February 16, 2004. Efforts are currently underway by the Inventory Control Manager to tag all required equipment, to inventory each location verifying the presence of fixed assets, to verify existing tag numbers for description accuracy, and to resolve location issues as well. This effort includes the updating and maintenance of the inventory control module within the institution's Banner software program.

C) Anticipated Completion Date:

These corrective actions have been implemented and are currently on going.

Finding 2003-2

A) Contact Person(s): Roger Knight, Bettye Clark
B) Corrective Action Planned:

The institution will enforce the purchasing laws established by the State of Mississippi as they apply to the institution. Internal policies and procedures governing travel and various expenditures will be enforced by the institution's administration. A written policy will be presented to the institution's Policy and Procedure Committee for approval and implementation that will serve to

administer the $150.00 per day maintenance purchasing allowance. The purchasing violation letter presently being generated by the Business Office will continue to be used to address with both vendor and employee those purchasing situations where institutional policy and procedure have been violated.

C) Anticipated Completion Date:

Immediate.

Finding 2003-3

A) Contact Person(s): Dr. Adam Breerwood, Peggy Shoemake.
B) Corrective Action Planned:

The institution's Financial Aid Department will submit claims for the Pell program on a timelier basis by utilizing a weekly submission program.

C) Anticipated Completion Date:

These corrective actions have been implemented and are currently on going.

Finding 2003-4

A) Contact Person(s): Dr. Adam Breerwood
B) Corrective Action Planned:

A student right to know disclosure will be prepared by the institution.

C) Anticipated Completion Date:

The corrective action planned will be initiated immediately.

Pearl River Community College
Auditee's Summary Schedule of Prior Audit Findings
For The Year Ended June 30, 2003

As required by Section_.315(b) of OMB Circular A-133, the Pearl River Community College has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2003.

Finding:	Status
2002-7	Corrective action taken, and continues to be an on-going process.
2002-8	Corrective action on going.
2002-9	Corrective action taken. Financial management of grants now housed within the Business Office.
2002-10	Corrective action on going.
2002-11	Corrective action on going.
2002-12	Corrective action taken. Finding closed out by the Mississippi Department of Education.
2002-13	Corrective action taken.
2002-14	Corrective action taken. Finding closed out by the Mississippi Department of Education.
2002-15	Corrective action taken. Indirect cost rate established and submitted to the United States Department of Education.
2002-16	Corrective action taken.

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Pearl River Community College
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2004

Operating Revenues	
Tuition and fees (net of scholarship allowances of)	6,436,451.87
Federal grants and contracts	8,790,515.76
State grants and contracts	3,542,270.29
Nongovernmental grants and contracts	251,919.99
Sales and services of educational departments	206,728.63
Auxilary enterprises	
Student housing	326,297.00
Food services	1,039,576.29
Bookstore	1,811,046.98
Other operating revenues	438,035.30
Total Operating Revenues	22,842,842.11
Operating Expenses	
Salaries and wages	13,495,534.78
Fringe benefits	3,104,226.50
Travel	428,501.83
Contractual services	3,117,639.49
Utilities	902,084.86
Scholarships and fellowships	8,843,347.19
Commodities	3,316,156.38
Depreciation expense	1,600,414.85
Total Operating Expenses	34,807,905.88
Operating Income (Loss)	(11,965,063.77)
Nonoperating Revenues (Expenses)	
State appropriations	8,420,999.06
Local appropriations	3,710,134.05
Investment income	144,396.76
Interest expense on capital asset-related debt	(166,395.22)
Other nonoperating revenues (expenses)	(62,405.72)
Total Net Nonoperating Revenues (Expenses)	12,046,728.93
Income (Loss) before Other Revenues, Expenses, Gains and Losses	81,665.16
State appropriations restricted for capital purposes	4,062,394.80
Change in Net Assets	4,144,059.96
Net Assets	
Net Assets - Beginning of Year	34,962,979.30

Net Assets - End of Year	39,107,039.26
	39,107,039.26

APPENDIX C
PEARL RIVER COMMUNITY COLLEGE BUDGET FOR FISCAL YEAR ENDED JUNE 30, 2004 AND 2005

Pearl River Community College
Budgets
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2004-2005

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Pearl River Community College
Current Unrestricted Fund
Summary Statement of Revenues and Expenditures
FY 2004-2005

	2003-2004	% Total	2004-2005	% Total	Increase (Decrease)
Revenues					
Student Fees	6,044,373	30.5%	7,389,459	34.9%	1,345,086
County Support	2,090,717	10.5%	2,344,355	11.1%	253,638
State Support	11,056,670	55.8%	10,756,924	50.8%	(299,746)
Federal Support	234,925	1.2%	234,925	1.1%	0
Private Gifts, Grants, and Contracts	177,245	0.9%	205,000	1.0%	27,755
Investment Income	27,000	0.1%	40,000	0.2%	13,000
Sales and Svc of Educ Activities	109,370	0.6%	118,070	0.6%	8,700
Other Sources	86,167	0.4%	101,467	0.5%	15,300
Total Revenues	**19,826,467**	**100.0%**	**21,190,200**	**100.0%**	**1,363,733**
Expenditures					
Instructional - Academic	6,121,993	30.9%	6,742,802	31.8%	620,809
Instructional - Vo-Tech	4,409,806	22.2%	4,357,258	20.6%	(52,548)
Instructional - Other	386,000	1.9%	413,441	2.0%	27,441
Instructional - Support	679,498	3.4%	746,504	3.5%	67,006
Student Services	2,359,893	11.9%	2,568,021	12.1%	208,128
Institutional Support	3,650,367	18.4%	3,618,235	17.1%	(32,132)
Operation of Plant	2,218,910	11.2%	2,743,939	12.9%	525,029
Total Expenditures	**19,826,467**	**100.0%**	**21,190,200**	**100.0%**	**1,363,733**

Pearl River Community College
Current Unrestricted Fund
Schedule of Revenue

	2003-2004	2004-2005	Increase (Decrease)
Educational Revenues			
Student Fees			
Academic			
Full Time Tuition - IS	1,974,000	2,276,960	302,960
Part Time Tuition - IS	577,962	1,129,968	552,006
Full Time Tuition - OS	76,140	68,400	(7,740)
Part Time Tuition - OS	14,364	27,360	12,996
Virtual Community College Tuition	221,190	325,584	104,394
Night Class Tuition	649,422	750,000	100,578
Full Time Fees - OS	120,000	100,800	(19,200)
Part Time Fees - OS	22,000	22,000	0
Graduation Fees	10,674	19,674	9,000
Lab Fees	159,690	162,883	3,193
Technology Fee	79,648	128,500	48,852
Registration Fee	66,000	128,500	62,500
Other Fees	5,387	2,000	(3,387)
Total Academic	3,976,477	5,142,629	1,166,152
Vocational			
Full Time Tuition - IS	303,150	324,880	21,730
Part Time Tuition -IS	19,278	30,096	10,818
Full time Tuition - OS	8,000	4,000	(4,000)
Part Time Tuition - OS	0	0	0
Night Class Tuition	7,403	0	(7,403)
Full Time Fees - OS	10,000	10,000	0
Part Time Fees - OS	0	0	0
Program and Course Fees	62,816	52,000	(10,816)
Continuing Education Fees	4,067	0	(4,067)
Graduation Fees	3,177	3,177	0
Technology Fee	10,268	10,600	332
Registration Fee	5,500	10,600	5,100
Other Fees - Nursing Assistant Program	53,200	61,500	8,300
Total Vocational	486,859	506,853	19,994
Technical			
Full Time Tuition - IS	1,012,380	1,078,440	66,060
Part Time Tuition - IS	165,942	199,728	33,786
Full time Tuition - OS	21,150	21,150	0
Part Time Tuition - OS	1,000	0	(1,000)
Night Class Tuition	34,100	37,958	3,858
Full Time Fee - OS	30,112	19,184	(10,928)
Part Time Fees - OS	3,000	2,000	(1,000)
Virtual Community College Tuition	17,979	28,728	10,749
Program and Course Fees	181,833	182,738	905

Pearl River Community College
Current Unrestricted Fund
Schedule of Revenue

	2003-2004	2004-2005	Increase (Decrease)
Graduation Fees	8,769	6,500	(2,269)
Technology Fee	31,415	47,250	15,835
Registration Fee	21,153	47,250	26,097
Total Technical	1,528,833	1,670,926	142,093
Other Student Fees			
Orientation	23,561	23,561	0
Transcripts	1,665	7,000	5,335
ACT/GED Testing	22,490	22,490	0
ID Card Fees	2,856	6,000	3,144
Deferment Fees	1,632	10,000	8,368
Total Other Student Fees	52,204	69,051	16,847
Total Student Fees	**6,044,373**	**7,389,459**	**1,345,086**
General Revenues			
County Support			
Forrest	461,125	470,000	8,875
Hancock	481,000	651,000	170,000
Jefferson Davis	93,941	94,190	249
Lamar	327,548	440,000	112,452
Marion	288,544	252,000	(36,544)
Pearl River	438,559	437,165	(1,394)
Total County Support	**2,090,717**	**2,344,355**	**253,638**
State Support			
General			
General Appropriations	4,936,895	4,697,838	(239,057)
Health Insurance	788,014	988,472	200,458
Technology Appropriation	200,006	202,917	2,911
Rural Health Corp Appropriation	71,626	71,632	6
One Stop Career Center	300,000	300,000	0
Advanced Tech Center	0	150,000	150,000
EEF	1,512,610	1,476,358	(36,252)
Budget Contingency	843,597	820,799	(22,798)
Other State Revenue			
Vocational Salary Reimbursement	2,015,173	1,924,045	(91,128)
Vocational Equip. Reimbursement	316,886	53,000	(263,886)
Industrial Training	31,363	31,363	0
State Grants - Other	40,500	40,500	0
Total State Support	**11,056,670**	**10,756,924**	**(299,746)**

Pearl River Community College
Current Unrestricted Fund
Schedule of Revenue

	2003-2004	2004-2005	Increase (Decrease)
Federal Support			
Vocational Program Reimbursement	199,925	199,925	0
Vocational Program Salary Reimb Other	16,000	16,000	0
Recovery of Admin Costs	19,000	19,000	0
Total Federal Support	**234,925**	**234,925**	**0**
Private Gifts, Grants and Contracts			
Outside Scholarships	**177,245**	**205,000**	**27,755**
Investment Income			
Interest Income	**27,000**	**40,000**	**13,000**
Sales & Services of Educational Activities			
Child Care Revenue	26,000	34,700	8,700
Wellness Center Usage Fees	15,500	15,500	0
Gate Receipts	15,000	15,000	0
Season Ticket Sales	420	420	0
Ad Sales	600	600	0
Program Sales	600	600	0
Barbering Revenue	2,700	2,700	0
Cosmetology Revenue	2,600	2,600	0
CD Annuals	13,650	13,650	0
Vending	10,000	10,000	0
Vo-Tech Service Income	20,300	20,300	0
Drama Ticket Sales	2,000	2,000	0
Total Sales & Svc of Ed Activities	**109,370**	**118,070**	**8,700**
Other Sources			
Library Fines	2,900	2,900	0
Traffic Violations	15,000	23,000	8,000
Parking Permits	12,700	20,000	7,300
Other Income	35,776	35,776	0
Due from Foundation	17,691	17,691	0
Miscellaneous Income	2,000	2,000	0
Cash Short/Over	100	100	0
Total Other Sources	**86,167**	**101,467**	**15,300**
Transfers In	**0**	**0**	**0**
Total Educational and General Revenues	**19,826,467**	**21,190,200**	**1,363,733**

Pearl River Community college
Current Unrestricted Fund
Schedule of Expenditures by Object

	2003-2004	2004-2005	Increase (Decrease)
Salaries	11,424,336	12,247,053	822,717
Fringe Benefits	2,819,637	3,141,270	321,633
Work Study Salaries	71,000	71,000	0
Postage	70,751	75,087	4,336
Telephone	98,879	127,066	28,187
Printing and Reproduction Service	40,269	42,437	2,168
Repairs and Maintenance	84,635	113,760	29,125
Service Contracts on Equipment	232,498	242,147	9,649
Utilities			
Electricity	512,874	629,909	117,035
Gas	106,370	127,350	20,980
Water	79,453	79,453	0
Waste Disposal	25,519	27,879	2,360
Equipment and Other Rentals	144,945	199,442	54,497
Insurance	410,772	441,241	30,469
Professional Fees	297,066	394,015	96,949
Medical Services	9,500	9,692	192
Other Contractual Services	19,040	20,083	1,043
Advertising	45,760	54,812	9,052
Legal and Membership Dues	63,353	64,036	683
Educational Supplies	230,613	257,473	26,860
Office Supplies	103,238	112,156	8,918
Building and Construction Supplies	75,082	80,075	4,993
Janitorial Supplies	49,771	76,000	26,229
Automotive Supplies	8,972	10,593	1,621

Pearl River Community college
Current Unrestricted Fund
Schedule of Expenditures by Object

	2003-2004	2004-2005	Increase (Decrease)
Landscaping Supplies	14,794	11,687	(3,107)
Gas, Oil, and Deisel	25,819	28,100	2,281
Computer Software	10,684	12,445	1,761
Other Supplies	110,785	121,387	10,602
Printing and Binding Supplies	4,461	6,907	2,446
Scholarships	1,220,410	1,314,042	93,632
Vehicle Tags, Taxes, Etc.	1,683	1,683	0
Mandatory Transfers	150,000	114,000	(36,000)
Reserve for Unexpected Expenditures	228,877	154,989	(73,888)
Miscellaneous Expense	8,200	13,000	4,800
Meal Expense	74,525	76,286	1,761
Bad Debts (Student Accts Receivable)	150,000	75,000	(75,000)
Uniforms	29,924	32,706	2,782
Medical Supplies	7,500	7,500	0
Minor Equipment	51,169	57,827	6,658
In State Travel	112,395	123,917	11,522
Out of State Travel	64,207	67,654	3,447
Library Books, Films and Periodicals	109,345	109,345	0
State 100% Reimburseable Equipment	316,886	53,000	(263,886)
Equipment	110,470	164,696	54,226
Total Expenditures by Object	19,826,467	21,190,200	1,363,733

Pearl River Community College
Current Unrestricted Fund
Schedule of Expenditures by Function

	2003-2004	2004-2005	Increase (Decrease)
Academic Instruction			
Poplarville			
Vice President of Instruction	647,655	797,657	150,002
Distance Learning	85,440	97,851	12,411
Business Education	141,959	130,049	(11,910)
Art	72,408	76,355	3,947
Theatre	8,883	9,153	270
Communications	159,780	169,244	9,464
English	516,000	528,261	12,261
Journalism	3,062	3,295	233
Reading	56,966	51,064	(5,902)
Band	211,560	235,273	23,713
String of Pearls	28,602	30,161	1,559
Chorus	91,911	98,875	6,964
Music	273,901	298,373	24,472
Social Sciences	504,035	552,056	48,021
Criminal Justice	15,756	16,679	923
Sciences	600,438	637,179	36,741
Mathematical Sciences	596,390	620,663	24,273
Associate Degree Nursing	1,196,856	1,292,191	95,335
Nursing and Wellness Center	395,653	427,575	31,922
Foreign Language	45,951	48,974	3,023
Total Academic Instruction - Poplarville	5,653,206	6,120,928	467,722
Forrest County			
Communications	16,788	37,628	20,840
English	92,513	92,768	255
Music	7,123	7,123	0
Reading	12,208	12,208	0
Physical Education	15,163	15,163	0
Mathematical Sciences	95,175	98,554	3,379
Science	172,330	178,577	6,247
Social Science	57,487	57,488	1
Total Academic Instruction - Forrest County	468,787	499,509	30,722
Hancock Center			
Director's Office	0	122,365	122,365
Total Academic Instruction - Hancock Center	0	122,365	122,365
Total Academic Instruction	**6,121,993**	**6,742,802**	**620,809**

Pearl River Community College
Current Unrestricted Fund
Schedule of Expenditures by Function

	2003-2004	2004-2005	Increase (Decrease)
Career Technical Instruction			
Poplarville			
Director's Office	233,486	249,219	15,733
Related Studies	136,185	89,827	(46,358)
Science & Technology	58,725	62,553	3,828
Business & Office Technology	326,831	349,053	22,222
Marketing	47,904	52,100	4,196
Computer Technology	107,214	115,016	7,802
Computer Network Support Technology	79,188	84,570	5,382
Drafting	93,633	99,894	6,261
Electronics	93,683	99,178	5,495
Banking & Finance	55,928	59,204	3,276
Child Care/Development	89,800	98,036	8,236
Child Development Tech Lab School	48,088	52,754	4,666
Automated Manufacturing	82,662	88,283	5,621
Barbering	45,414	49,734	4,320
Cosmetology	51,785	54,818	3,033
Heating, Air Conditioning and Refrigeration	45,757	40,507	(5,250)
Auto Mechanics	88,464	92,553	4,089
Construction Engineering Technology	41,469	44,114	2,645
Electricity	104,271	111,478	7,207
Machine Shop	59,479	61,916	2,437
Masonry	43,526	47,199	3,673
Commercial Truck Driving	90,900	94,490	3,590
Truck Driver Testing	8,219	8,219	0
Welding	59,541	62,564	3,023
LPN	97,898	104,485	6,587
100% Equipment Reimbursed by State	316,886	53,000	(263,886)
Total Career Technical Instruction Poplarvill	2,506,936	2,324,764	(182,172)
Forrest County			
Director's Office	273,130	290,128	16,998
Business & Office Technology	64,464	69,134	4,670
LPN	146,730	156,349	9,619
Nursing Assistant Program	44,467	47,451	2,984
Nurses' Aid Competency Evaluation Testing	3,875	3,875	0
Heating, Air Conditioning and Refrigeration	52,806	57,086	4,280
Welding	44,403	48,999	4,596
Electronics	40,563	43,245	2,682
Computer Servicing Technology	39,769	42,365	2,596
Allied Health Program			
Dental Hygiene	231,809	245,145	13,336
Dental Assisting	88,890	94,063	5,173
Physical Therapy Assisting	192,828	205,527	12,699

Pearl River Community College
Current Unrestricted Fund
Schedule of Expenditures by Function

	2003-2004	2004-2005	Increase (Decrease)
Medical Lab Technology	108,848	115,629	6,781
Respiratory Therapy	175,386	186,169	10,783
Operating Room Technician	109,654	117,090	7,436
Occupational Therapy	166,644	180,667	14,023
X-Ray Technology	118,604	129,572	10,968
Total Career Technical Instruction Hattiesburg	1,902,870	2,032,494	129,624
Total Career Technical Instruction	**4,409,806**	**4,357,258**	**(52,548)**
Other Instruction			
Forrest County			
Advanced Technology Center	331,438	413,441	82,003
Remote Sensing	54,562	0	(54,562)
Total Other Instruction	**386,000**	**413,441**	**27,441**
Instructional Support Library			
Poplarville	567,622	632,025	64,403
Forrest County	111,876	114,479	2,603
Total Instructional Support Library	**679,498**	**746,504**	**67,006**
Student Services			
Dean's Office	126,534	137,806	11,272
Admissions	193,465	205,509	12,044
Guidance and Counselors (Academic Pville)	145,693	131,144	(14,549)
Academic Coordinator (Hattiesburg)	28,711	63,035	34,324
Vo-Tech Counselors (Pville)	187,661	200,825	13,164
Vo-Tech Counselors (Hburg)	129,640	138,211	8,571
ACT/GED Testing Service	13,606	35,136	21,530
Health Service	37,626	40,245	2,619
Game Room	20,092	19,322	(770)
Student Council	4,494	4,799	305
Phi Theta Kappa	7,283	7,412	129
Cheerleaders	26,706	29,322	2,616
Homecoming	5,709	8,647	2,938
Recruitment	161,739	170,793	9,054
Parade of Beauties	950	950	0
PRC Modeling Team	4,627	4,979	352
Intramurals	24,267	22,978	(1,289)
Student Publications	13,667	13,667	0
Financial Aid	248,522	267,387	18,865
Disability Services	10,750	10,750	0
Football	334,276	363,595	29,319

Pearl River Community College
Current Unrestricted Fund
Schedule of Expenditures by Function

	2003-2004	2004-2005	Increase (Decrease)
Athletic Director	166,871	172,613	5,742
Athletic Medical Supplies	10,000	10,000	0
Basketball - Men	101,900	108,572	6,672
Basketball - Women	86,538	90,825	4,287
Softball - Women	50,056	51,633	1,577
Baseball - Men	106,850	127,635	20,785
Golf	9,764	10,601	837
Soccer - Men	40,103	48,466	8,363
Soccer - Women	41,148	49,511	8,363
Tennis	20,645	21,653	1,008
Total Student Services	**2,359,893**	**2,568,021**	**208,128**
Institutional Support			
Board of Trustees	15,530	15,530	0
President's Office	223,448	269,531	46,083
Business Manager's Office	406,784	463,131	56,347
Information Technology	637,418	669,409	31,991
Alumni-Foundation Office	150,648	147,583	(3,065)
Grants & Research Office	148,975	58,488	(90,487)
General Administration	809,627	849,620	39,993
Public Relations and Printing	271,966	293,531	21,565
Post Office	11,165	11,165	0
Transfers to Grants and Restricted Funds	150,000	114,000	(36,000)
Reserve for Unexpected Expenditures	228,877	154,989	(73,888)
Bad Debts (Student Accounts)	150,000	75,000	(75,000)
Campus Security (Poplarville)	198,434	198,033	(401)
Campus Security (Hattiesburg)	65,917	68,116	2,199
Institutional Research	35,152	73,551	38,399
Institutional Effectiveness and Guidance	146,426	156,558	10,132
Total Institutional Support	**3,650,367**	**3,618,235**	**(32,132)**
Operation of Plant			
Poplarville			
Janitorial	368,445	421,027	52,582
Building Maintenance	507,749	575,595	67,846
Grounds	219,273	243,957	24,684
Utilities and Telephone	679,862	740,897	61,035
Other Transportation	111,163	120,554	9,391
Total Operation of Plant - Poplarville	1,886,492	2,102,030	215,538
Forrest County			
Janitorial	93,539	131,946	38,407

Pearl River Community College
Current Unrestricted Fund
Schedule of Expenditures by Function

	2003-2004	2004-2005	Increase (Decrease)
Building Maintenance	71,897	88,821	16,924
Grounds	9,000	29,240	20,240
Utilities	157,144	179,124	21,980
Transportation	838	838	0
Total Operation of Plant - Forrest County	332,418	429,969	97,551
Advanced Technology Center			
Janitorial	0	47,340	47,340
Building Maintenance	0	10,000	10,000
Grounds	0	25,000	25,000
Utilities	0	75,000	75,000
Total Operation of Plant - Advanced Tech Ctr	0	157,340	157,340
Hancock Center			
Janitorial	0	6,000	6,000
Building Maintenance	0	39,000	39,000
Utilities	0	9,600	9,600
Total Operation of Plant - Hancock Center	0	54,600	54,600
Total Operation of Plant	**2,218,910**	**2,743,939**	**525,029**
Total Unrestricted Current Fund Expenditures	**19,826,467**	**21,190,200**	**1,363,733**

Pearl River Community College
Auxilary Fund
Schedule of Revenues and Expenditures

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
Food Service			
Food Sales	217,600	200,000	(17,600)
Meal tickets	780,000	770,000	(10,000)
Sales to college	85,000	85,000	0
Total Food Service	1,082,600	1,055,000	(27,600)
Residential Facilities			
Room Rentals	320,000	320,000	0
Miscellaneous	2,000	2,000	0
Other Rentals	3,000	3,000	0
Total Residential Facilities	325,000	325,000	0
Bookstore (Pearl River and Forrest County)			
Book Rentals	155,000	180,000	25,000
Book Sales	1,000,000	1,200,000	200,000
Books Not Returned	25,000	30,000	5,000
Sale of Rental Books	5,500	5,500	0
Merchandise Sales	330,000	350,000	20,000
Non-Taxable Sales	8,000	8,000	0
Total Bookstore	1,523,500	1,773,500	250,000
Total Auxilary Revenues	**2,931,100**	**3,153,500**	**222,400**
Expenditures			
Food Service			
Contract Cost	1,000,000	1,010,000	10,000
Postage and Freight	0	1,500	1,500
Equipment Rental	500	500	0
Repairs	5,000	5,000	0
Other Supplies	2,000	2,000	0
Total Food Service	1,007,500	1,019,000	11,500
Residential Facilities			
Salaries	96,576	100,040	3,464
Staff Benefits	39,041	44,649	5,608
Maintenance Supplies	15,000	15,000	0
Scholarships	30,000	38,000	8,000
Utilities (Cable)	32,000	33,000	1,000
Repairs	17,000	17,000	0

Pearl River Community College
Auxilary Fund
Schedule of Revenues and Expenditures

	2003-2004	2004-2005	Increase (Decrease)
Equipment Rental	2,000	2,000	0
Pest Control	3,000	5,880	2,880
Meal Expense	4,000	4,000	0
Minor Equipment	500	500	0
Repairs to Pearl River and Huff Hall	0	250,000	250,000
Total Residential Facilities	239,117	510,069	270,952
Bookstore (Pearl River and Forrest County)			
Salaries	158,493	170,724	12,231
Fringe Benefits	45,069	56,500	11,431
Book Purchases	810,000	1,000,000	190,000
Rental Book Purchases	200,000	100,000	(100,000)
Book Buy Back Purchases	20,000	20,000	0
Merchandise Purchases	270,000	250,000	(20,000)
Postage and Freight	5,000	5,000	0
Repairs	500	500	0
Office Supplies	8,000	8,000	0
Miscellaneous	0	0	0
Minor Equipment	500	500	0
Equipment Rental	1,500	1,500	0
Dues and Subscriptions	75	75	0
Travel	2,000	2,000	0
Meal Expense	1,000	1,000	0
Sales Tax	22,880	22,880	0
POS Equipment Lease	0	36,000	36,000
Work-Study Salaries	5,000	5,000	0
Total Bookstore	1,550,017	1,679,679	129,662
Total Auxilary Expenditures	2,796,634	3,208,748	412,114
Excess Revenues Over/(Under) Expenditures	134,466	(55,248)	(189,714)

Pearl River Community College
Current Restricted Funds
Federal and State Grants for Students

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
PELL Grants	5,830,000	6,400,000	570,000
Supplemental Grants	110,000	120,000	10,000
State Student Incentive Grants	271,151	271,151	0
Total Revenues	6,211,151	6,791,151	580,000
Expenditures			
Payment to General Fund for Student Accts	3,975,136	4,346,337	371,201
Payment to Students	2,236,015	2,444,814	208,799
Total Expenditures	6,211,151	6,791,151	580,000
Excess Revenues Over Expenditures	0	0	0

Pearl River Community College
Current Restricted Fund
Grants

	2003-2004	Proposed 2004-2005	Increase (Decrease)
Revenues			
ABE/GED - Federal	402,505	359,916	(42,589)
Small Business Development Center			
Federal SBA	27,389	0	(27,389)
Federal WIA	0	25,000	25,000
State	10,000	0	(10,000)
Program Income	0	4,805	4,805
PRCC Match	32,654	11,278	(21,376)
WIN Job Center	58,886	62,359	3,473
ABE/GED Computers	49,991	0	(49,991)
Dislocated Workers	85,300	85,924	624
Student Support Services - Federal	290,065	290,065	0
Technical Preparation			
Federal - Vo-Tech Salary Reimb	41,981	41,981	0
Federal Other Costs	59,703	51,614	(8,089)
PRCC Match	18,300	22,370	4,070
Cops Grant			
Federal	54,094	50,000	(4,094)
PRCC Match	0	5,610	5,610
Rural Health			
Federal - Flow Through MCCF	110,354	110,354	0
Career Center			
SBCJC - Special Projects	811,836	811,836	0
PRCC Match	2,500	2,500	0
NASA Space Grant	3,948	3,000	(948)
Courage to Teach	31,596	23,000	(8,596)
SpaceTEC	51,200	51,200	0
T. J. Alexander Endowment	6,000	0	(6,000)
Developmental Disabilities			
Federal	71,490	71,490	0
Total Revenues	2,219,792	2,084,302	(135,490)
Expenditures			
Salaries	1,360,890	1,353,156	(7,734)
Fringe Benefits	227,592	232,703	5,111
Marketing	2,000	8,000	6,000
Educational & Office Supplies	128,805	100,825	(27,980)
Printing	2,901	2,117	(784)
Travel	83,184	77,518	(5,666)
Contractual Services	170,037	144,777	(25,260)
Telephone	6,400	1,350	(5,050)
Rent	22,648	9,461	(13,187)
Postage	2,673	1,273	(1,400)
Meals	3,750	3,000	(750)

Pearl River Community College
Current Restricted Fund
Grants

	2003-2004	Proposed 2004-2005	Increase (Decrease)
Scholarships	146,832	146,832	0
Other	2,690	2,690	0
Equipment	59,390	600	(58,790)
Total Expenditures	2,219,792	2,084,302	(135,490)
Excess Revenues Over Expenditures	**0**	**0**	**0**

Pearl River Community College
Current Restricted Funds
Federal Workstudy Fund

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
Receipts from U.S. Department of Education	170,000	139,189	(30,811)
Receipts from PRCC - Matching (25%)	0	0	0
Total Revenues	170,000	139,189	(30,811)
Expenditures			
Payments to qualifying students	170,000	139,189	(30,811)
Excess Revenues Over Expenditures	0	0	0

Pearl River Community College
Plant Funds
Faculty Housing Fund

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
Rent from Apartments	12,000	12,000	0
Interest Income	0	50	50
Total Revenues	12,000	12,050	50
Expenditures			
Transfer to Debt Service	6,810	6,630	(180)
Repairs	3,000	3,000	0
Building and Construction Supplies	2,190	2,420	230
Total Expenditures	12,000	12,050	50
Excess Revenues Over Expenditures	**0**	**0**	**0**

Pearl River Community College
Plant Funds
Debt Service

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
County Tax Support			
Forrest	217,000	59,000	(158,000)
Hancock	33,000	33,000	0
Jeff Davis	10,000	10,000	0
Lamar	156,000	156,000	0
Marion	22,000	22,000	0
Pearl River	89,000	168,172	79,172
Total County Tax Support	527,000	448,172	(78,828)
Interest	35,800	12,000	(23,800)
Transfers In	186,739	107,387	(79,352)
Total Revenues	749,539	567,559	(181,980)
Expenditures			
Principal & Interest - Pymt. Crosby Hall	83,240	80,000	(3,240)
Principal & Interest - Tech Bldg	114,125	0	(114,125)
Principal & Interest - Allied Health Bldg	160,812	0	(160,812)
Principal & Interest - Dorms, Science, Const, Renov	353,760	0	(353,760)
Principal & Interest - Interfund Loan AHC	50,000	0	(50,000)
Principal & Interest - Interfund Loan AHC #2	115,000	0	(115,000)
Principal & Interest - ADN Building	152,493	152,708	215
Principal & Interest - Faculty Housing	6,810	6,630	(180)
Principal & Interest - CAPS Loan	52,181	52,181	0
Principal & Interest - Energy Management	100,757	100,757	0
Principal & Interest - Revenue Shortfall Note	79,172	79,172	0
Other Bond Costs	4,200	1,000	(3,200)
Total Expenditures	1,272,550	472,448	(800,102)
Excess Revenues Over/(Under) Expenditures	(523,011)	95,111	618,122

Pearl River Community College
Plant Funds
Enlargement and Improvement Fund
Capital Expenditures

	2003-2004	2004-2005	Increase (Decrease)
Revenues			
County Tax Support			
Forrest	209,000	209,596	596
Jefferson Davis	24,000	24,108	108
Lamar	153,000	290,042	137,042
Marion	60,000	52,500	(7,500)
Pearl River	403,937	423,165	19,228
Total County Tax Support	849,937	999,411	149,474
Reappropriate Funds	0	0	0
Interest Income	3,000	5,000	2,000
Total Revenues	852,937	1,004,411	151,474
Expenditures			
1. Pearl River County Projects	0	244,000	244,000
2. President's Home Renovations	40,000	40,000	0
3. Forrest Co Bldg #1 Renovation/Furnishings	0	75,000	75,000
4. Road & Building Signs	4,000	8,000	4,000
5. Faculty Housing Renovations	30,000	40,000	10,000
6. Asphalt/Paving - Hburg	40,330	40,000	(330)
7. Asphalt/Paving - Poplarville	50,000	50,000	0
8. Kitchen Upgrades	37,328	25,000	(12,328)
9. Flatbed Equipment Trailer	0	10,000	10,000
10. Electronic Message Board (Pville & Hburg)	0	44,000	44,000
11. Flooring - Cafeteria & Admin Bldg	0	25,000	25,000
12. Lighting - Marion & White Halls	0	7,500	7,500
13. Office Const - Admin Bldg 2nd Floor	0	7,500	7,500
14. Storage Bldg - Cafeteria	0	20,000	20,000
15. Seal/Pearl River Halls - Brick A/C Units	0	7,500	7,500
16. Roofing - Security, Pearl River, Hancock Hall	0	20,000	20,000
17. 30 Second Clocks - Baseball	0	6,500	6,500
18. Coliseum Roofing and Siding Repair	0	10,000	10,000
19. Athletics - Concessions/Rest Rooms	0	20,000	20,000
20. Iron/Brick - Entrance Gates	0	10,000	10,000
21. Furniture- Student Ctr, Marion Hall, Admin Bldg	100,000	100,000	0
22. Q.E.P.	0	25,000	25,000
23. Networking and Servers	205,107	108,411	(96,696)
24. Band Instruments	0	25,000	25,000
25. Lamar Hall Renovations	75,000	0	(75,000)
26. Classroom Renovations Bldg #3 Hburg	100,000	0	(100,000)
27. Admin/Financial Aid Office - Hburg	30,000	0	(30,000)

Pearl River Community College
Plant Funds
Enlargement and Improvement Fund
Capital Expenditures

	2003-2004	2004-2005	Increase (Decrease)
28. Vehicles	20,000	36,000	16,000
29. Truck for Maintenance	10,000	0	(10,000)
30. Laptop Computers for Registration (5)	9,500	0	(9,500)
31. Ice Machine	2,500	0	(2,500)
32. Classroom Furniture - Hattiesburg	20,000	0	(20,000)
33. Transfer Out - PRC Debt	79,172	0	(79,172)
34. Ice Machine	0	0	0
35. Classroom Furniture - Hattiesburg	0	0	0
36. Transfer Out - PRC Debt	0	0	0
Total Expenditures	852,937	1,004,411	151,474
Excess Revenues Over Expenditures	**0**	**0**	**0**

Pearl River Community College
Plant Funds
Construction Fund - Capital Improvements
Active Projects

	2004-2005
Revenues	
Proceeds from State Bond Funds - 99	248,705
Proceeds from State Bond Funds - 00	549,046
Proceeds from State Bond Funds - 01	728,719
Proceeds from State Bond Funds - 02	542,647
Proceeds from State Bond Funds - 03	716,262
Proceeds from State Bond Funds - 99 (Tech Training Center)	4,000,000
Proceeds from Other Sources (Tech Training Center)	1,000,000
Transfer from PRCC Capital Improvement	307,000
Total Revenues	8,092,379
/ Expenditures	
Technology Training Center (Building and Equipment)	5,000,000
Student Center Renovation and Construction	2,204,000
Coliseum Renovations	600,000
Total Expenditures	7,804,000
Excess Revenues Over Expenditures	288,379

APPENDIX D

SELECTED PRO-FORMA FINANCIAL INFORMATION OF THE COLLEGE CONCERNING DESIGNATED REVENUES, CONSTRUCTION DATA, AND HISTORICAL FUND BALANCES OF AUXILIARY REVENUES

Housing Pro Forma Spreadsheet

	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Income							
Existing Housing*	$324,608	$326,297	$325,000	$461,277	$287,400	$287,400	$287,400
New Housing	$0	$0	$0	$0	$798,600	$798,600	$798,600
Total Income	$324,608	$326,297	$325,000	$461,277	$1,086,000	$1,086,000	$1,086,000
Designated Revenue	$324,608	$326,297	$325,000	$461,277	$1,086,000	$1,086,000	$1,086,000
Expenses							
Existing Housing	$225,362	$273,219	$260,069	$255,816	$144,270	$144,270	$144,270
New Housing	$0	$0	$0	$0	$47,000	$48,000	$79,500
Total Expenses	$225,362	$273,219	$260,069	$255,816	$191,270	$192,270	$223,770
Net Income	$99,246	$53,078	$64,931	$205,461	$894,730	$893,730	$862,230
Estimated Debt Service**			$0**	$0**	$715,000	$715,000	$715,000
Designated Revenue Coverage					1.52	1.52	1.52
Net Debt Service Coverage					1.25	1.25	1.21

* Upon completion of the 2005 Project, two current dormitories will no longer be active dormitories

** Interest has been capitalized

Source: Pearl River Community College Business Office, May 2005

Existing Housing Capacity

Resident Hall	Fall 2005	Gender
Huff Hall	88	male
Lamar Hall	60	male
Marion Hall	176	female
Men's Honor Dorm	60	male
Pearl River Hall	62	male
White Hall	47	female
Women's Honor Dorm	60	female
Total Capacity	553	

Actual Occupancy Experience Fall 2005 and Spring 2006
(end of term headcount)

	Fall 2005	Spring 2006
Huff Hall	82	83
Lamar Hall	57	48
Marion Hall	145	115
Men's Honor Dorm	60	56
Pearl River Hall	59	59
White Hall	46	40
Women's Honor Dorm	58	55
Total**	507*	456*

*Annual average is equal to 963 occupants
**Housing Income equals 963 X $479 (per semester) = $461,227

Actual Occupancy Experience Fall 2005 and Spring 2006
(beginning of term headcount)

	Fall 2005	Spring 2001
Huff Hall	88	83
Lamar Hall	60	51
Marion Hall	176	126
Men's Honor Dorm	60	57
Pearl River Hall	62	59
White Hall	47	40
Women's Honor Dorm	60	58
Total	553	474

The existing housing income beginning in FY 2007 is based on the following assumptions:

Existing Housing Available Beginning FY 2007

Facility	# of Beds	Gender
Lamar Hall	60	male
Marion Hall	88	male
Men's Honor Dorm	60	male
White Hall	47	male
Women's Honor Dorm	60	female
Total	315	
Estimated Occupancy Rate	x 0.95%	
Total Estimated Occupancy	300	
Annual Income per Bed ($479/semester	$958	
Total Annual Income	$287,400	

*Pearl River Hall (62 beds) and Huff Hall (88 beds) will be taken off line as active dorms.
*Marion Hall will be converted from 176 beds for women to 88 beds for men.

The new housing income beginning FY 2007 is based upon the following assumptions:

New Women's Dorm	264 beds
New Men's Dorm	118 beds
Total New Beds	382
Estimated Occupancy Rate	x 0.95%
Total Beds Occupied	363
Annual Income per Bed ($1100/semester)	x $2200
New Housing Annual Income	$798,600

The existing housing expenses for FY 2003 through FY 2005 are based upon actual experience.
The existing housing expenses beginning FY 2007 are based upon the following:

FY 2004 Housing Operating Expenses

Expenses	Amount
Salaries	$95,028
Fringes	$33,688
Cable	$29,961
Postage	$23
Repairs	$37,533
Professional Fees	$2,900
Maintenance Supplies	$15,363
Scholarships	$35,977
Meal Expense	$3,166
Total Operating Expenses	$253,639
Expense per Bed (553)	$229
Total Available Existing Housing Beginning FY 2007	630
Expense per bed	x $229
Total Expense for Existing Housing Beginning FY 2007	$144,270

Student meal tickets are not included within these numbers.
Summer school data not included within these numbers.

Source: Pearl River Community College Business Office

The uses of Construction Proceeds are as follows:

Construction Budget Use of Proceeds		
Site Work	$	175,000.00
Building		7,581,000.00
Construction Overhead/Management		160,000.00
Construction Contingency		274,300.00
Parking		75,000.00
Furnishing		360,000.00
Professional Fees		190,700.00
Fiber Optic Relocation		60,000.00
Developer Profit		382,000.00
Developer Overhead and Permit		168,000.00
Total		$ 9,426,000.00

Pearl River Community College
Statement of Revenues and Expenses and Changes in Fund Balance
For the Year Ended June 30, 2000

Description	Acct No	Bookstore	Food Svc	Housing	Total
Income					
Interest Earned	521	1,958.12			1,958.12
Other Income	530	1,215.00		260.00	1,4 75.00
Vending	545		43,155.58		43,155.58
Cash Sales	551	0.00	186,400.4 7		186,400.47
Meal Tickets	552		592,827.10		592,827.10
Other Sales	553				0.00
Room Rental	554			241,805.07	241,805.07
Other Income	556			5,867.64	5,867.64
Book Sales	557	739,979.24			739,979.24
Mdse Sales	558	258,965.18			258,965.18
Book Rental	560	135,227.44			135,227.44
Rental Bk Sales	561	10,576.81			10,576.81
Rental Books Not Returned	562	30,942.75			30,942.75
Tax Exempt Sales	563	3,769.26			3,769.26
Rev from College	564	0.00	77,682.07		77,682.07
Misc Income	569			50.00	50.00
Total Income		**1,182,633.80**	**900,065.22**	**247,982.71**	**2,330,681.73**
Cost of Goods Sold					
Beginning Inventory		523,519.10			523,519.10
Add: Purchases					
Rental Books	851	60,906.04			60,906.04
Merchandise	735	171,859.72			171,859.72
Book Buy Backs	732	44,081.04			44,081.04
Books for Resale	731	511,212.06			511,212.06
Cost of Goods Available		1,311,577.96			1,311,577.96
Less: Ending Inventory		444,382.18			444,382.18
Cost of Goods Sold		**867,195.78**	**0.00**	**0.00**	**867,195.78**
Gross Profit		**315,438.02**	**900,065.22**	**247,982.71**	**1,463,485.95**
Operating Expenses					
Salaries	640	126,896.27		93,070.73	219,967.00
Workstudy	680	3,006.32			3,006.32
Fringes					
Retirement	694	10,523.08		9,076.09	19,599.17
Fica	695	7,729.29		5,734.73	13,464.02
Medicare	696	1,807.69		1,341.23	3,148.92
Insurance	698	12,706.50		12,306.65	25,013.15

Cable Cost	701	0.00		28,004.36	28,004.36
Postage	702	2,036.81	18.91	8.33	2,064.05
Repairs	705	0.00	1,039.27	6,499.70	7,538.97
Rentals	712	1,501.43	2,622.84	1 ,111 .50	5,235.77
Professional Fees	717	0.00	938,839.24	3,765.00	942,604.24
Advertising and Publicity	718	0.00			0.00
Dues & Subscriptions	719	75.00			75.00
Office Supplies	722	6,214.16	63.08		6,277.24
Maint & Repair Supplies	723	0.00	4,249.97	12,698.78	16,948.75
Other Supplies	731	0.00	12,052.63	3,545.66	15,598.29
Scholarships	739	0.00		24,659.54	24,659.54
Miscellaneous	749	0.00			0.00
Sales Tax	745	16,926.00			16,926.00
Meal Expense	751	817.34		3,018.75	3,836.09
Minor Equipment	755	2,110.27			2,110.27
In-state travel	771	1,723.40			1,723.40
Out-of-state travel	781	2,811.68			2,811.68
Office Equipment	821	0.00	1,321.48	1,575.78	2,897.26
Total Operating Expenses		**196,885.24**	**960,207.42**	**206,416.83**	**1 ,363,509.49**
Revenue Over/(Under) Expense		118,552.78	-60,142.20	41,565.88	99,976.46
Transfers In/(Out)		-69,839.94	0.00	0.00	-69,839.94
Increase/(Decrease) for Year		**118,552.78**	**-60,142.20**	**41,565.88**	**99,976.46**
Beginning Fund Balance		0.00	0.00	0.00	
Ending Fund Balance		**118,552.78**	**-60,142.20**	**41,565.88**	**99,976.46**

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

FORM OF BOND COUNSEL OPINION

June __, 2005

Board of Directors
Pearl River Community College Student Housing Corporation
Poplarville, Mississippi

Re: $10,595,000 Pearl River Community College Student Housing Corporation Revenue Bonds, Series 2005 (Student Housing Project)

Ladies and Gentlemen:

We have examined the Constitution and statutes of the State of Mississippi (the "State"), including particularly Sections 79-11-137 and 37-29-135 *et seq.*, of the Mississippi Code of 1972, as amended (the "Act"), and certified copies of the proceedings had by the Pearl River Community College Student Housing Corporation (the "Corporation"), including the adoption of one or more resolutions on October 20, 2005 (collectively, the "Resolution"), and other certifications and proceedings relative to the issuance and sale by the Corporation of its Revenue Bonds, Series 2005 (Student Housing Project) issued on the date hereof in the aggregate principal amount of $10,595,000 (the "Series 2005 Bonds"). The Series 2005 Bonds mature in such amounts and at such times, bear interest and are subject to redemption as set forth in the Resolution and that certain Trust Indenture dated as of June 1, 2005 (the "Indenture"), between the Corporation and Hancock Bank, as trustee (the "Trustee"). In connection with the issuance of the Series 2005 Bonds, the Project are being leased by the Corporation to the Board of Trustees of Pearl River Community College District (the "Board") pursuant to that certain Lease Agreement dated as of June 1, 2005 (the "Lease"). Capitalized terms used herein and not otherwise defined shall have the meanings given in the Indenture.

We have also examined one of the Series 2005 Bonds as executed and authenticated. We assume that all other Series 2005 Bonds have been similarly executed and authenticated.

As to questions of fact material to our opinion, we have relied upon such certified proceedings and other certifications of officers of the Corporation and the Board furnished to us without undertaking to verify the same by independent investigation.

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

1. The Series 2005 Bonds have been issued under the authority of the Act and have been duly authorized, executed and delivered under the provisions of the Resolution and the Indenture.

2. The Series 2005 Bonds are legal, valid and binding limited obligations of the Corporation secured by the Indenture in accordance with the terms thereof. The Series 2005 Bonds and the interest thereon are not obligations or debts of the Board, the State or the College, and do not constitute a pledge of the full faith and credit of the Board, the State or the College. The Series 2005 Bonds shall never constitute nor give rise to any pecuniary liability of the State or a charge against its general credit or taxing powers.

3. The Ground Lease dated as of June 1, 2005 (the "Ground Lease"), among the Board and the Corporation has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.

4. The Lease has been duly authorized, executed and delivered by the Corporation, and constitutes a valid and legally binding obligation of the Corporation, enforceable against the Corporation and the Board in accordance with its terms.

5. The Indenture has been duly authorized, executed and delivered by the Corporation and constitutes a valid and legally binding obligation of the Corporation, enforceable against the Corporation in accordance with its terms.

6. Subject to the condition set forth in the immediately succeeding sentence, (a) the interest on the Series 2005 Bonds is excluded from gross income for federal income tax purposes, and (b) the Series 2005 Bonds are not "specified private activity bonds" and interest on the Series 2005 Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, with respect to corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on such corporations. The opinions set forth in the immediately preceding sentence are subject to the condition that the Corporation and the Board comply with all requirements of the Internal Revenue Code of 1986, as amended (the "Code"), compliance with which subsequent to the issuance of the Series 2005 Bonds is necessary in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Corporation and the Board have covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Series 2005 Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Series 2005 Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Series 2005 Bonds.

7. Interest on the Series 2005 Bonds earned by the owners thereof is exempt from Mississippi income taxes.

In rendering this opinion, we express no opinion as to:

(a) the organization and existence of the Board or the College;

(b) the power and authority of the Board to enter into and perform its obligations under the Lease and the Ground Lease;

(c) the title of the Corporation, the Board and the College to the Project and the Project Sites, as such terms are defined in the Lease.

We have not undertaken to verify by independent investigation the facts contained in the certified proceedings and other certifications of officers of the Corporation, the Board or the College, and we express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement dated May 26, 2005, or of other offering material relating to the Series 2005 Bonds.

In rendering this opinion we have relied upon (1) the opinion of the Counsel to the Board, acting as counsel for the Board, dated the date hereof, as to the due authorization, execution, delivery and enforceability by the Board of the Lease and the Ground Lease, and (2) the opinion of counsel for the Corporation, dated the date hereof, as to the due authorization, execution, delivery and enforceability by the Corporation of the Ground Lease, the Lease and the Indenture, and as to the authority of the Corporation to exercise the powers conferred by the Act with respect to the Project.

It is to be understood that the rights of the owners of the Series 2005 Bonds and the enforceability thereof and the enforceability of the Indenture, the Lease and the Ground Lease may be subject to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights heretofore or hereinafter enacted to the extent constitutionally applicable, and that their enforcement may be subject to the exercise of judicial discretion in appropriate cases in accordance with general principles of equity.

Respectfully submitted,

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

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement") is executed and delivered as of June 1, 2005, by and among the Pearl River Community College Student Housing Corporation (the "Issuer"), Hancock Bank (the "Trustee"), and the Board of Trustees of Pearl River Community College District (the "Board"), acting on its behalf responsible for the operation and maintenance of Pearl River Community College (the "College"), in connection with the issuance of the Issuer's $10,595,000 Revenue Bonds, Series 2005 (Student Housing Project) (the "Series 2005 Bonds"). The Series 2005 Bonds are being issued pursuant to an Indenture dated as of June 1, 2005, between the Issuer and the Trustee (the "Indenture"). The Issuer, the Trustee and the BOARD covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Issuer, the Trustee and the Board for the benefit of the holders and Beneficial Owners of the Series 2005 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 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 pertaining to the College provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Beneficial Owner" shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2005 Bonds (including persons holding Series 2005 Bonds through nominees, depositories or other intermediaries) or (b) is treated as the owner of any Series 2005 Bonds for federal income tax purposes.

"Disclosure Representative" shall mean Michael E. Patten or his designee, or such other officer or employee as the Issuer shall designate in writing to the Trustee from time to time.

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

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

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in "EXHIBIT B."

"Official Statement" shall mean the Official Statement dated May 26, 2005, pertaining to the Series 2005 Bonds.

"Participating Underwriter" shall mean any of the original underwriters of the Series 2005 Bonds required to comply with the Rule in connection with offering of the Series 2005 Bonds.

"Repository" shall mean each National Repository and the State Repository, if any.

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

"State" shall mean the State of Mississippi.

"State Repository" shall mean any public or private repository or entity designated by the State as a State repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.

"Submission Date" shall mean the date on which the Annual Report is submitted to the Repositories pursuant to Section 3 of this Disclosure Agreement, which shall be a date not later than twelve (12) months after the end of the College's fiscal year (presently June 30), commencing with the report for the 2005 fiscal year.

SECTION 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the Submission Date, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The BOARD covenants to cooperate with the Issuer in providing any information necessary for this purpose. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the College may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the College's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(f).

(b) Not later than fifteen (15) business days prior to the Submission Date, the Issuer shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If, by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the Issuer and the Dissemination Agent to determine if the Issuer is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to Repositories by the Submission Date, the Trustee shall send a notice to each Repository or the Municipal Securities Rulemaking Board and the State Repository, if any, in substantially the form attached as "EXHIBIT A."

(d) The Dissemination Agent shall:

(1) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(2) file a report with the Issuer and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant

to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports. The College's Annual Report shall contain or include by reference (a) information of the type included in the section of the Official Statement entitled "SOURCES OF PAYMENT FOR THE SERIES 2005 BONDS", and (b) the audited financial statements of the College for the prior fiscal year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the College's audited financial statements are not available by the Submission Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available. Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Issuer shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Issuer shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series 2005 Bonds, if material:

(1) principal and interest payment delinquencies;

(2) non-payment related defaults;

(3) modifications to rights of bondholders;

(4) optional, contingent or unscheduled bond calls;

(5) defeasances;

(6) rating changes;

(7) adverse tax opinions or events adversely affecting the tax-exempt status of the Series 2005 Bonds;

(8) unscheduled draws on the debt service reserves reflecting financial difficulties; and

(9) release, substitution or sale of property securing repayment of the Series 2005 Bonds.

(b) The Trustee shall, within one (1) business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative, inform such person of the event, and request that the Issuer promptly notify the Trustee in writing whether or not to report the event pursuant to subsection (f).

(c) Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Trustee pursuant to subsection (b) or otherwise, the Issuer shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Issuer has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Issuer shall promptly notify the Trustee in writing. Such notice shall instruct the Trustee to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Issuer determines that the Listed Event would not be material under applicable federal securities laws, the Issuer shall so notify the Trustee in writing and instruct the Trustee not to report the occurrence pursuant to subsection (f).

(f) If the Trustee has been instructed by the Issuer to report the occurrence of a Listed Event, the Trustee shall file a notice of such occurrence with each National Repository or with the Municipal Securities Rulemaking Board and the State Repository, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Series 2005 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2005 Bonds. If such termination occurs prior to the final maturity of the Series 2005 Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(f).

SECTION 7. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Agreement. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent. The initial Dissemination Agent shall be the Trustee.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Issuer, the Trustee and the Board may amend this Disclosure Agreement (and the Trustee may agree to any amendment so requested by the Issuer with the approval of the Board), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series 2005 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2005 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (1) is approved by the holders in the same manner as provided in the Indenture for amendments to the Indenture with the consent of holders, or (2) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners.

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

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

SECTION 10. Default. In the event of a failure of the Issuer, the Trustee or the BOARD to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the holders of at least twenty-five percent (25%) aggregate principal amount of Outstanding Series 2005 Bonds, shall), or any holder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer, the Trustee or the Board, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture and the sole remedy under this Disclosure Agreement in the event of any failure of the Issuer, the Trustee or the Board to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. Section 14.01 of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Issuer and the Board agree, to the extent allowed by applicable law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer and the Board under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series 2005 Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the Issuer: Pearl River Community College Student Housing Corporation
Poplarville, Mississippi 39470
Attention: President

To the Trustee: Hancock Bank
1855 Lakeland Drive
Suite Q-230
Jackson, Mississippi 39216
Attention: Corporate Trust Department

To the Board: Board of Trustees of Pearl River Community College District
Poplarville, Mississippi 39470
Attention: Chairman

To the Dissemination
Agent: Hancock Bank
1855 Lakeland Drive
Suite Q-230
Jackson, Mississippi 39216
Attention: Corporate Trust Department

Any person may, by written notice to the other persons listed above, designate a different address to which subsequent notices or communications should be sent.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Issuer, the Trustee, the College, the Board, the Dissemination Agent, the Participating Underwriters, the Bond Insurer and the holders and Beneficial Owners from time to time of the Series 2005 Bonds, and shall create no rights in any other person or entity.

SECTION 14. 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.

Date: _____, 2005

PEARL RIVER COMMUNITY COLLEGE STUDENT HOUSING CORPORATION

By: _____
Authorized Corporation Representative

HANCOCK BANK
as Trustee

By: _____
Vice President

BOARD OF TRUSTEES OF PEARL RIVER COMMUNITY COLLEGE DISTRICT

By: _____
Chairman

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Pearl River Community College Student Housing Corporation

Names of Issue: $10,595,000 Revenue Bonds, Series 2005 (Student Housing Project), dated the date of delivery thereof

Date of Issuance: June 15, 2005

NOTICE IS HEREBY GIVEN that the Issuer has not provided an Annual Report with respect to the above-named Series 2005 Bonds as required by Section 14.01 of the Indenture dated as of June 1, 2005, between the Issuer and the Trustee. The Issuer anticipates that the Annual Report will be filed by _____, 20__.

Dated: _____, 20_

HANCOCK BANK, as Trustee

BY: _____
Authorized Officer

cc: Pearl River Community College Student Housing Corporation
Board of Trustees of Pearl River Community College District

EXHIBIT B

Nationally Recognized Municipal Securities Information Repositories approved by the Securities and Exchange Commission as of June 15, 2005:

Bloomberg Municipal Repository

100 Business Park Drive
Skillman, NJ 08558
E-mail: Munis@Bloomberg.com
(609) 279-3225
FAX (609) 279-5962

DPC Data, Inc.
One Executive Drive
Fort Lee, NJ 07024
E-mail: nrmsir@dpcdata.com
(201) 346-0701
FAX (201) 947-0107

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
E-mail: nrmsir_respository@sandp.com
(212) 438-4595
FAX (212) 438-3975

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
E-mail: NRMSIR@FTID.com
(212) 771-6999
FAX (212) 771-7390

APPENDIX G

FORM OF MARKET STUDY RELEASE FORM

Conditions Regarding the Use of the Report

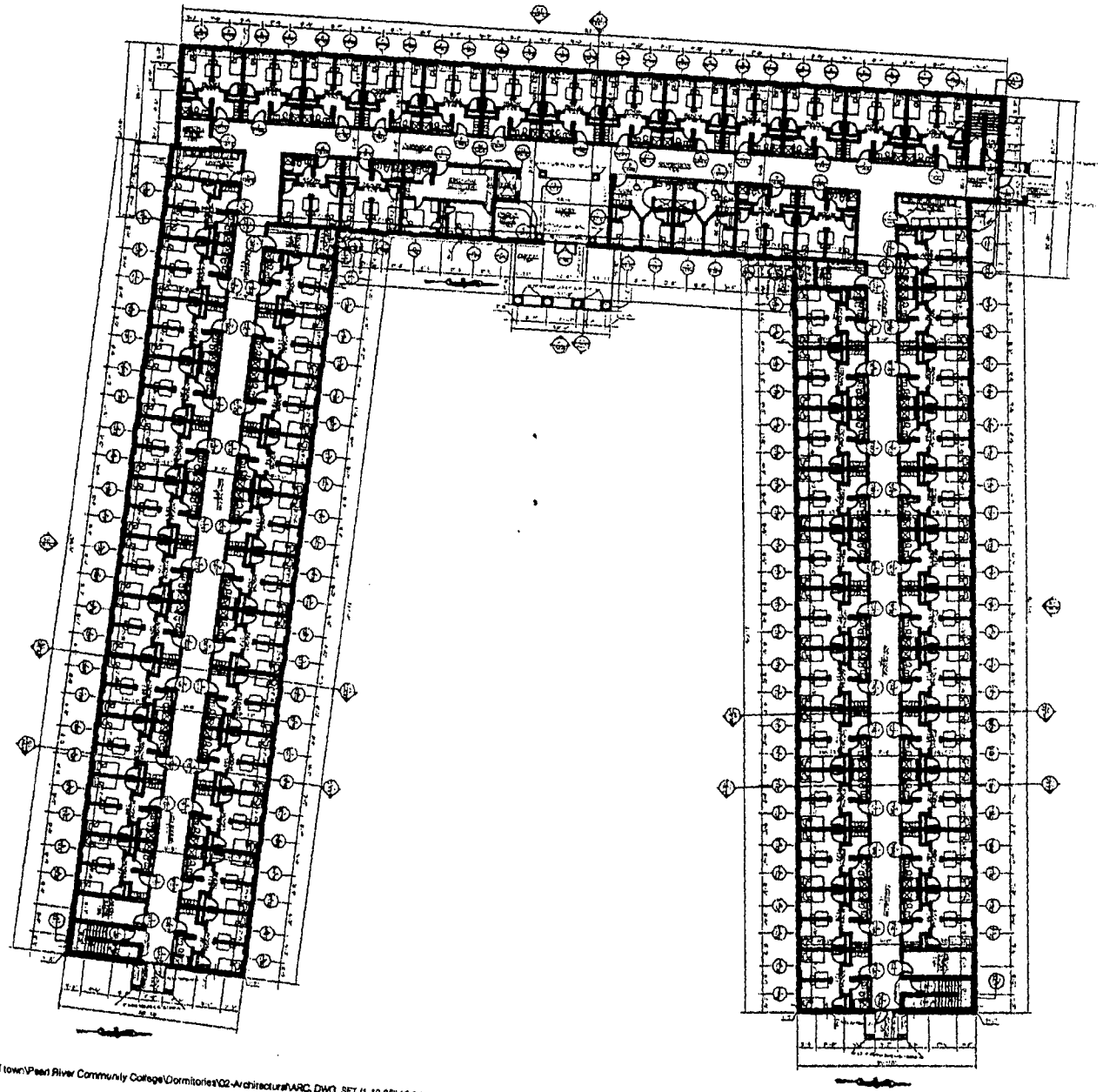
_____ (The "Recipient") understands that it is being provided a copy of the report for the property for information purposes in connection with the Recipient's overall due diligence efforts. The Recipient hereby represents that (i) it is either an "Institutional Accredited Investor", a "Qualified Institutional Buyer" or other prudent sophisticated institutional investor, and (ii) it will not be relying exclusively on the report or information conveyed during discussions with PricewaterhouseCoopers LLP ("PricewaterhouseCoopers"), if any, but rather it will be performing its own due diligence, consistent with its customary practices with respect to similar investments, including inspections, analyses, report reviews, and evaluations of all relevant facts and circumstances. The Recipient understands that PricewaterhouseCoopers makes no representations or warranties regarding the accuracy of the conclusions contained in the report or conveyed during discussions relating to the report, other than that PricewaterhouseCoopers exercised its professional judgment in reaching such conclusions and that the report shall remain subject to each of the conditions, limitations and assumptions stated within the report. The Recipient agrees that PricewaterhouseCoopers shall under no circumstances be liable to the Recipient and any persons or entities by reason of the report or discussions relating to the report for an aggregate amount no more than the professional fee actually received by PricewaterhouseCoopers for the report.

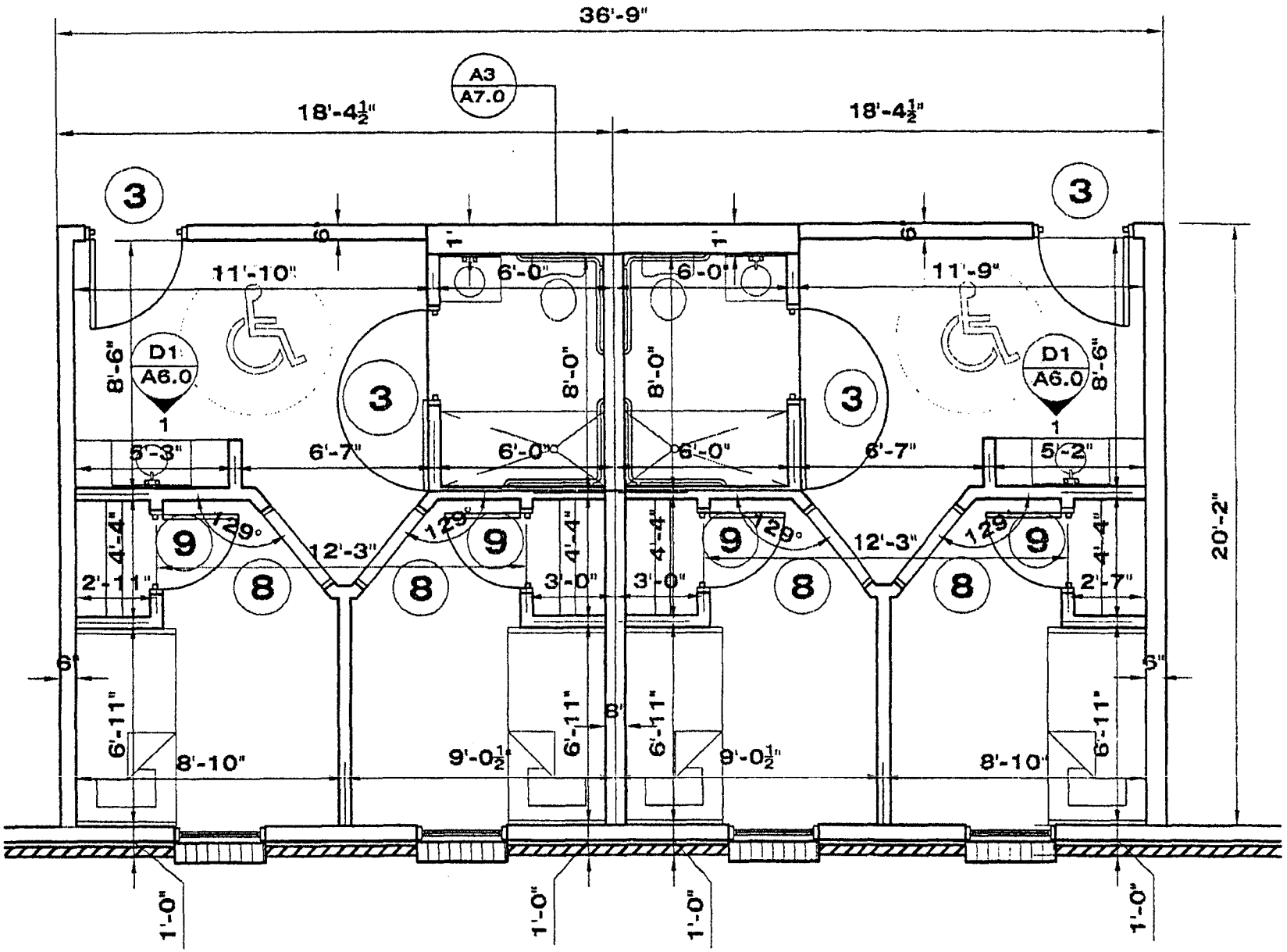
Term accepted by:

Name: _____
Title: _____
Date: _____
Signature: _____

APPENDIX H

HOUSING FLOOR PLANS

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D1
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1
8'-0"
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D1
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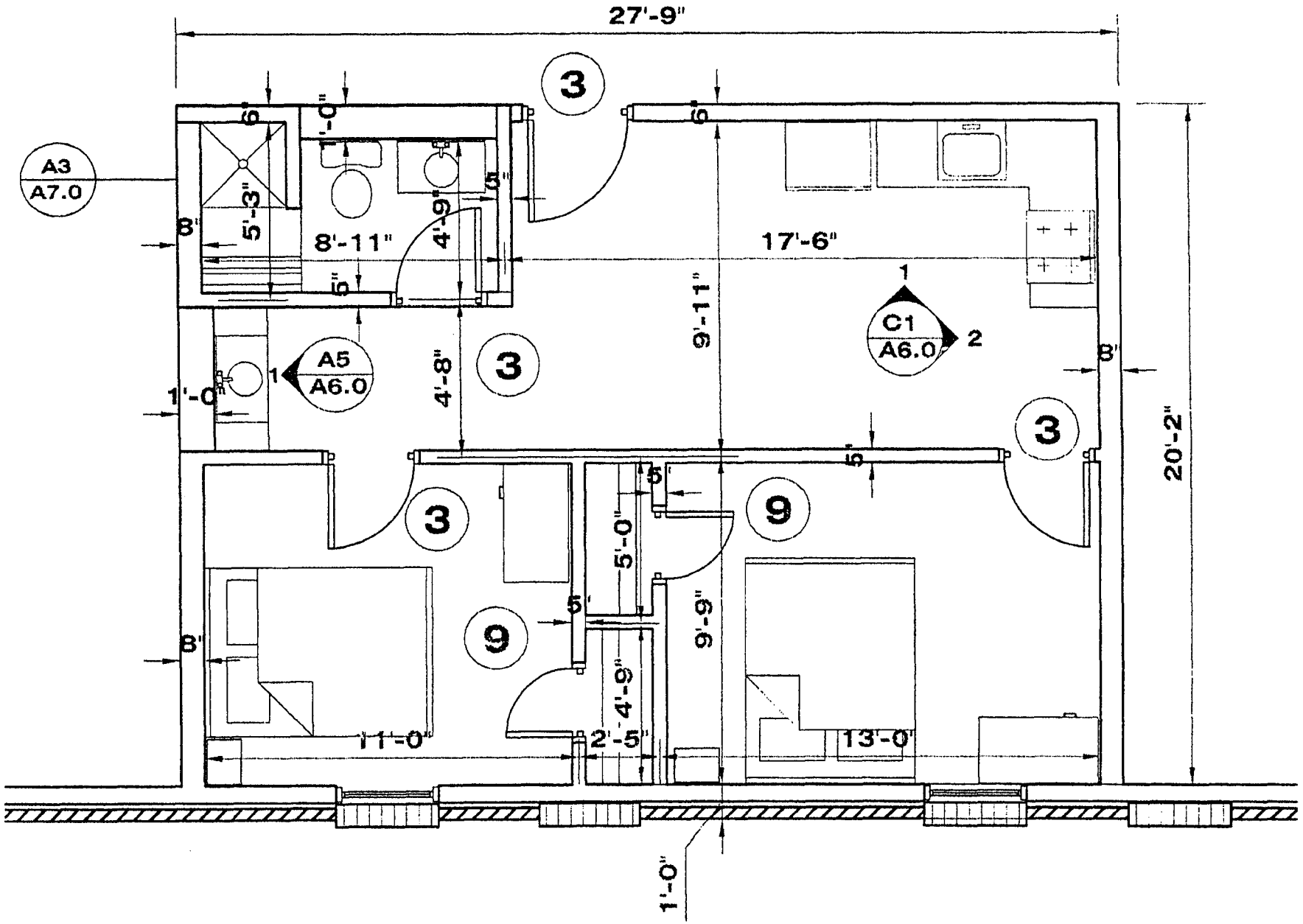

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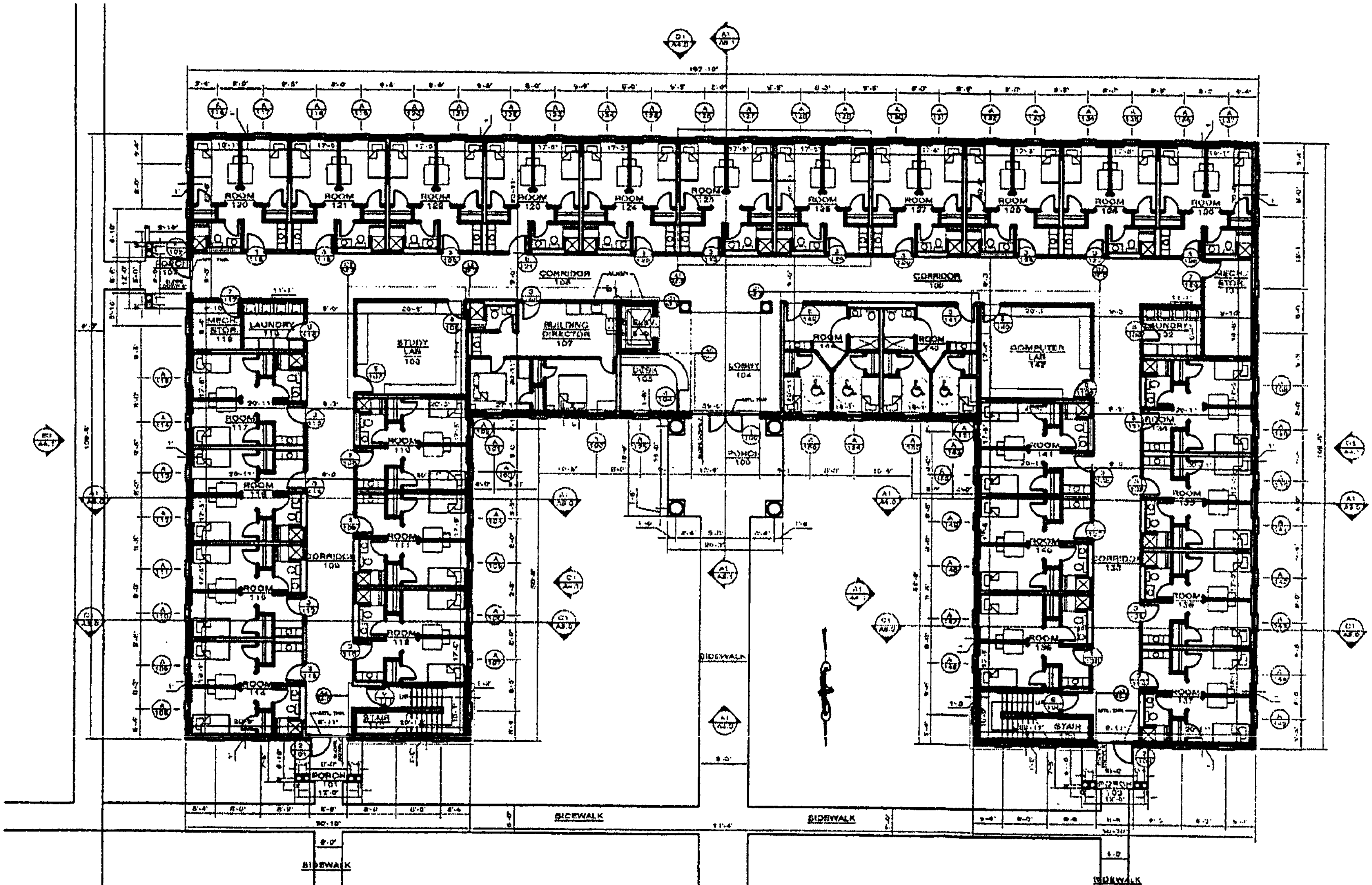

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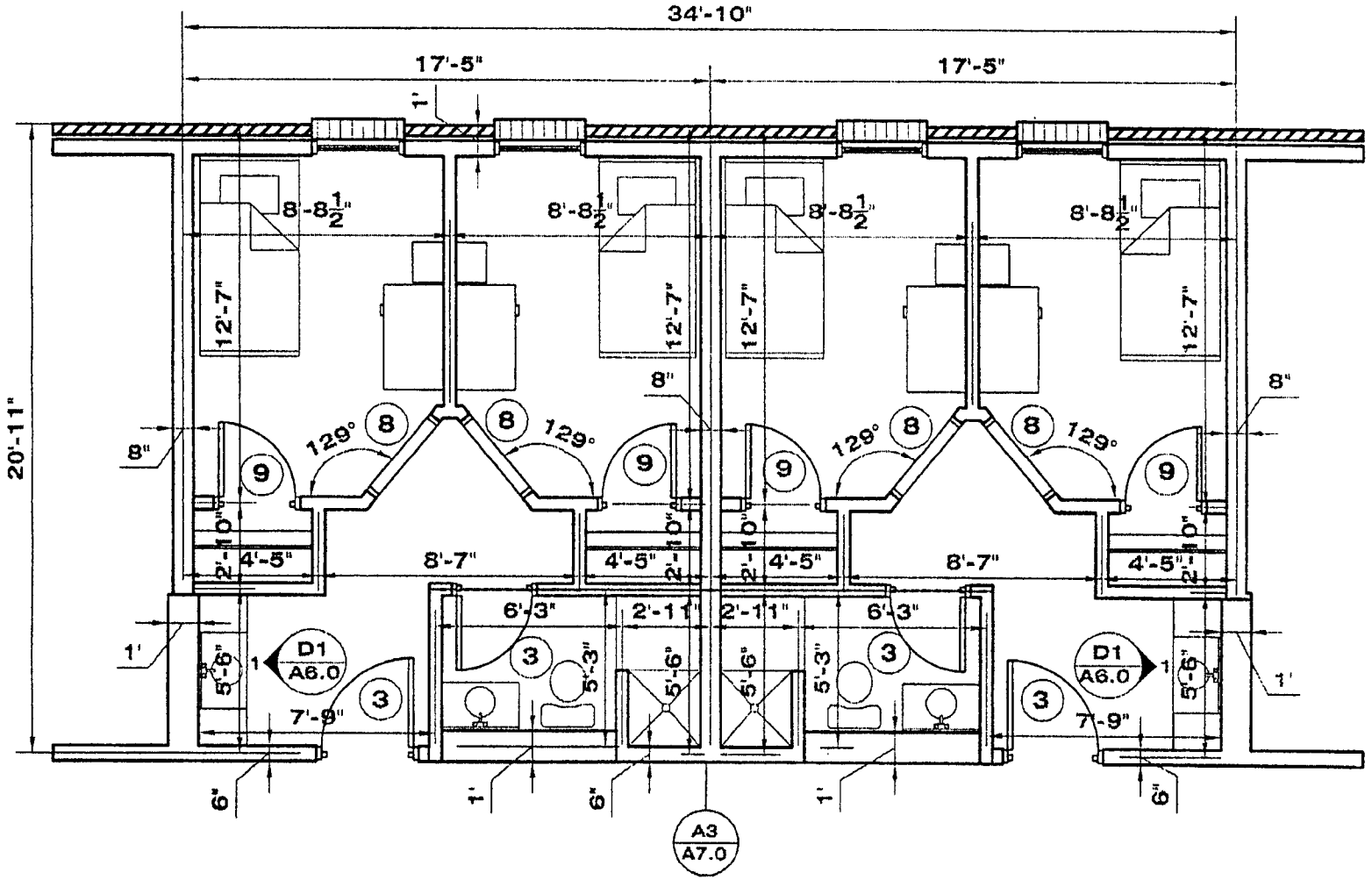
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