

BE IT REMEMBERED THAT THERE WAS BEGUN AND HELD A RECESSED MEETING OF THE MAYOR AND BOARD OF ALDERMAN OF THE CITY OF PETAL, MISSISSIPPI AT 11:00 AM ON MAY 17, 2001 IN THE BOARD ROOM OF SAID CITY.

THOSE PRESENT                   MAYOR JACK GAY, JR.  
  
ALDERMEN                       WILLIE HINTON  
                                      GENE HOLBROOK  
                                      DONNIE ROWELL  
                                      LEROY SCOTT  
  
DEPUTY CITY CLERK           MELISSA MARTIN  
  
OTHERS PRESENT               TONI WOODRUFF - BUTLER, SNOW, O'MARA, STEVENS &  
                                      CANNADA, PLLC ATTORNEYS AT LAW  
                                      DEMERY GRUBBS

THE MAYOR DECLARED A QUORUM PRESENT AND DECLARED THE CITY COUNCIL IN SESSION.

WHEREAS, THE HOUR OF 11:00 AM HAVING ARRIVED THE MAYOR AND BOARD OF ALDERMEN PROCEEDED TO PUBLICLY OPEN AND READ THE SEALED BIDS FOR THE INTEREST RATE ON THE \$1,200,000 GENERAL OBLIGATION BOND SERIES 2001 OF THE CITY OF PETAL, MISSISSIPPI. THE BIDS READ AS FOLLOWS TO-WIT:

SEE EXHIBIT "A"

TRUSTMARK NATIONAL BANK	5.41045%
MORGAN-KEEGAN	4.622307%
CITIZENS STATE BANK	4.647844%

THEREUPON, ALDERMAN ROWELL MADE A MOTION TO ACCEPT MORGAN-KEEGAN'S BID OF 4.622307% FOR THE INTEREST RATE ON THE \$1,200,000 BOND. ALDERMAN HOLBROOK SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE":

WILLIE HINTON  
GENE HOLBROOK  
DONNIE ROWELL  
LEROY SCOTT

THOSE PRESENT AND VOTING "NAY":

NONE

THEREUPON, ALDERMAN ROWELL MADE A MOTION TO ADJOURN, ALDERMAN HOLBROOK SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE":

WILLIE HINTON  
GENE HOLBROOK  
DONNIE ROWELL  
LEROY SCOTT

THOSE PRESENT AND VOTING "NAY":

NONE

THEREBEING NO FURTHER BUSINESS, THE RECESSED MEETING OF THE MAYOR AND BOARD OF ALDERMEN WAS ADJOURNED ON THIS THE 17<sup>TH</sup> DAY OF MAY, A. D., 2001.

  
\_\_\_\_\_  
JACK GAY  
MAYOR

(SEAL)

ATTEST:

  
\_\_\_\_\_  
MELISSA MARTIN  
DEPUTY CITY CLERK

EXHIBIT "A"

The Mayor and Board of Aldermen of the City of Petal, Mississippi, acting for and on behalf of the City of Petal, Mississippi, took up for consideration the matter of issuance of General Obligation Bonds, Series 2001, of the City of Petal, Mississippi, in the principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000) (the "Bonds") to raise money for the purpose of erecting municipal buildings and purchasing buildings or land therefor, and for repairing, improving, adorning and equipping the same; repairing, improving and extending storm and drainage systems; constructing, improving or paving streets, sidewalks, driveways, parkways, walkways or public parking facilities, and purchasing land therefor; improving, equipping and adorning parks and public playgrounds, including constructing, repairing and equipping other recreational facilities; and purchasing machinery and equipment which have an expected useful life in excess of ten (10) years not to include any motor vehicle weighing less than twelve thousand (12,000) pounds.

The Clerk reported that pursuant to a resolution adopted April 17, 2001, she did cause to be published in The Petal News, a newspaper with a general circulation in the City, and qualified under the provisions of Section 13-3-31, Mississippi Code of 1972, as amended, a notice that sealed proposals for the purchase of the aforesaid Bonds would be received by the Mayor and Board of Aldermen at its meeting place in the City Hall in Petal, Mississippi, until the hour of 11:00 o'clock A.M. on the 17<sup>th</sup> day of May, 2001; said notice was published in said newspaper on May 4 and 11, 2001, the first publication having been made at least ten (10) days preceding the date set for the receipt of bids.

The Clerk then and there presented a publisher's affidavit as proof of publication of said notice in the aforesaid newspaper, a copy of which was directed to be inserted in the minutes of the Mayor and Board of Aldermen and is as follows:

EXHIBIT "A"

# South Mississippi Publishing L.L.C.

4Willow Pointe, Box 15 • Hattiesburg, MS 39402 • (601) 268-2331

## PROOF OF PUBLICATION

THE STATE OF MISSISSIPPI,

FORREST COUNTY,

Personally appeared before me, the undersigned, a notary public in and for Forrest County, Mississippi, Laura Watts for THE PETAL NEWS, a weekly newspaper published in the city of Petal, Mississippi who, being duly sworn, says that the notice, a true copy of which is hereto annexed, appeared in the issues of said newspaper as follows:

DATE May 4, 2001

DATE May 11, 2001

DATE \_\_\_\_\_

DATE \_\_\_\_\_

DATE \_\_\_\_\_

Number of Words 2181

Published 2 Times

Printers Fee \$ 479.82

Making Proof \$ 3.00

TOTAL \$ 482.82

(Signed) Laura Watts  
Laura Watts, THE PETAL NEWS

Sworn to and subscribed before me the

14 day of May

(signed) Demaris Lee  
Notary Public

Notary Public State of Mississippi At Large  
My Commission Expires: January 7, 2003  
Bonded Thru Heiden, Brooks & Garland, Inc.

NOTICE OF BOND SALE  
\$1,200,000  
GENERAL OBLIGATION  
BONDS  
SERIES 2001  
OF  
CITY OF PETAL MISSISSIPPI  
Sealed proposals will be received by the Mayor and Board of Aldermen of the City of Petal, Mississippi (the Governing Body) of the City of Petal, Mississippi, on or after June 1, 2001, and thereafter, are subject to redemption prior to their stated dates of maturity, either in whole or in part, in inverse order of maturity and by lot within a maturity on June 1, 2008, or on any Interest Payment Date thereafter, at par, plus accrued interest to the date of redemption. The City will appoint the Paying and Transfer Agent for the Bonds after receiving the recommendation of the successful bidder. The Paying and Transfer Agent shall be a bank or trust company located within the State of Mississippi. The addresses appearing in the registration records of the City maintained by the Transfer Agent. Payment of principal at maturity shall be conditioned on the presentation and surrender of the Bonds at the principal office of the Transfer Agent. The Bonds will be transferable only upon the records of the City maintained by the Transfer Agent. The Bonds shall not bear a greater overall maximum interest rate to maturity than eleven percent (11%) per annum, and shall mature in the amounts and on the dates hereinabove set forth; no Bond shall bear more than one (1) rate of interest each Bond shall bear interest from

its date to its stated maturity date at the interest rate or rates specified in the bid; all Bonds of the same maturity shall bear the same rate of interest from date to maturity. The lowest interest rate specified shall not be less than seventy percent (70%) of the highest interest rate specified each interest rate specified must be an even multiple of one-eighth of one percent (1/8 of 1%) or one tenth of one percent (1/10 of 1%) and a zero rate cannot be named. The interest rate for any one maturity shall not exceed eleven percent (11%) per annum. The Bonds will be general obligations of the City payable as to principal and interest out of and secured by an irrevocable pledge of the avails, of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon the taxable property within the geographical limits of the City. The City will levy annually a special tax upon all taxable property within the geographical limits of the City adequate and sufficient to provide for the payment of the principal of and the interest on the Bonds as the same falls due. The aggregate interest on the Bonds over the life of the issue at the rate or rates of interest specified by the bidder, less premium offered, if any. It is requested that each proposal be accompanied by a statement of the net interest cost (Computed to six decimal places), but such statement will not be considered a part of the proposal. The Governing Body reserves the right to reject any and all bids submitted and to waive any irregularity or informality. The obligation of the purchaser, such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Bonds. A copy of said approving legal opinion will appear on or accompany the Bonds. Delivery of the Bonds is expected to be made within sixty (60) days after the aforesaid date of sale of the Bonds at a place to be designated by purchaser and without cost to the purchaser. Simultaneously with the delivery of the Bonds, the purchaser shall furnish to the City a certificate, in form acceptable to Bond Counsel, stating that: (i) it purchased

the Bonds as an investment for its own account and not with a view toward distribution or resale in the capacity of a bond house, broker, or intermediary; or (ii) pursuant to a bona fide public offering of all of the Bonds, it sold a substantial amount (ten percent (10%), or more, in par amount) of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below the initial public offering prices set forth in such certificate. The purchaser shall also furnish a certificate, in form acceptable to Bond Counsel, setting forth the yield on the Bonds and issue price thereof, calculated in accordance with the requirements of the Code. It is anticipated that CUSIP identification numbers will be printed on the Bonds unless specifically declined by the purchaser, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of as of such date by the City with, permitted omissions, subject to change without notice and to completion or modification in a final Official Statement (the "Official Statement"). The City will make available to the successful bidder a reasonable number of Official Statements within seven (7) business days (excluding Saturdays, Sundays and national holidays) of the award of the Bonds. The successful bidder shall conform to the requirements of Securities Exchange Act 15c2-12 ("SEC Rule 15c2-12"), City has been notified in writing to the contrary by the Representative of the successful bidder on or prior to such date; or (b) the date on which the end of the underwriting period for the Bonds has occurred under SEC Rule 15c2-12. The successful bidder shall notify the City of the date which is the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12. By order of the Mayor and Board of Aldermen on the City of Petal, Mississippi, on April 17, 2001.  
Priscilla Daniel,  
CITY CLERK  
PUBLISH: (5-4 and 5-11)p.o.p

EXHIBIT "A"

The hour of 11:00 o'clock A.M. on May 17, 2001, having arrived, the Clerk reported that pursuant to the aforesaid notice there had been filed with her at or prior to said hour on said date three (3) sealed proposals for the purchase of the aforesaid Bonds and the Clerk then and there presented said sealed proposals to the Mayor and Board of Aldermen.

Thereupon it was ordered by the Mayor and Board of Aldermen that the Clerk proceed to open said sealed proposals and to read same aloud in the presence and hearing of the Mayor and Board of Aldermen and of the bidders and other persons assembled. The Clerk thereupon proceeded to open and read the aforesaid bids which are as follows:

EXHIBIT "A"

OFFICIAL BID FORM

May 17, 2001

Mayor and Board of Aldermen  
City of Petal  
City Hall, 119 W. 8<sup>th</sup> Avenue  
Petal, Mississippi 39465

Ladies and Gentlemen: ..

We hereby offer to pay \$ 1,200,000.00 plus accrued interest to the date of delivery for the One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount General Obligation Bonds, Series 2001, dated June 1, 2001 (the "Bonds"), of the City of Petal, Mississippi (the "City"), as described in the Notice of Bond Sale, dated April 17, 2001, maturing and bearing interest as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2002	\$55,000	<u>5.20</u> %	2010	\$ 80,000	<u>5.40</u> %
2003	60,000	<u>5.25</u>	2011	85,000	<u>5.40</u>
2004	60,000	<u>5.30</u>	2012	90,000	<u>5.40</u>
2005	65,000	<u>5.375</u>	2013	95,000	<u>5.40</u>
2006	70,000	<u>5.40</u>	2014	100,000	<u>5.40</u>
2007	70,000	<u>5.40</u>	2015	105,000	<u>5.40</u>
2008	75,000	<u>5.40</u>	2016	110,000	<u>5.50</u>
2009	80,000	<u>5.40</u>			

Based upon the interest rate or rates specified above, we compute the gross interest cost to the City to be \$ 577,295.00, the net interest cost (deducting premium of \$ 0, if any) to be \$ 577,295.00 and the average annual net interest rate from the date of the Bonds to their respective maturities to be 5.41045%.

If there is any discrepancy as between the actual interest cost computed upon the rate or rates of interest above specified and the interest cost or average rate hereinabove set forth, the interest rate or rates above specified and the actual interest cost or average interest rate computed upon said rate or rates shall prevail.

A (cashier's check) (certified check) (bank exchange), **ISSUED OR CERTIFIED BY A BANK LOCATED IN THE STATE OF MISSISSIPPI** and payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000) accompanies this proposal as a guarantee that we will carry out this contract and accept delivery of the Bonds if this proposal is accepted, which shall be returned to the undersigned (1) if this bid be not accepted or (2) if the

EXHIBIT "A"

City should fail to deliver the Bonds to the undersigned in accordance with the terms of this proposal, or applied as and for liquidated damages in the event that the undersigned fails to take up and pay for the Bonds.

This proposal is submitted subject to all of the terms and conditions of the Notice of Bond Sale, dated April 17, 2001, which by reference is hereby made a part of this Bid.

BIDDER: TRUSTMARK NATIONAL BANK

BY: W. Steve Johnson

TITLE: PRESIDENT

Associates (if any):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Return of good faith deposit is hereby acknowledged.

DATE: 5/31/01

BY: Rita Cook

ACCEPTANCE

The above proposal accepted by resolution of the Mayor and Board of Aldermen of the City of Petal and receipt of the within-mentioned check is hereby acknowledged.

CITY OF PETAL, MISSISSIPPI

BY: \_\_\_\_\_

City Clerk

(SEAL)

EXHIBIT "A"

OFFICIAL BID FORM

May 17, 2001

Mayor and Board of Aldermen  
City of Petal  
City Hall, 119 W. 8<sup>th</sup> Avenue  
Petal, Mississippi 39465

Ladies and Gentlemen: ..

We hereby offer to pay \$ 1,200,132.30 plus accrued interest to the date of delivery for the One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount General Obligation Bonds, Series 2001, dated June 1, 2001 (the "Bonds"), of the City of Petal, Mississippi (the "City"), as described in the Notice of Bond Sale, dated April 17, 2001, maturing and bearing interest as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2002	\$55,000	<u>5.00</u> %	2010	\$ 80,000	<u>4.30</u> %
2003	60,000	<u>5.00</u>	2011	85,000	<u>4.375</u>
2004	60,000	<u>5.00</u>	2012	90,000	<u>4.40</u>
2005	65,000	<u>5.00</u>	2013	95,000	<u>4.50</u>
2006	70,000	<u>5.00</u>	2014	100,000	<u>4.625</u>
2007	70,000	<u>5.00</u>	2015	105,000	<u>4.625</u>
2008	75,000	<u>5.00</u>	2016	110,000	<u>4.625</u>
2009	80,000	<u>4.75</u>			

Based upon the interest rate or rates specified above, we compute the gross interest cost to the City to be \$ 493,332.50, the net interest cost (deducting premium of \$ 132.30, if any) to be \$ 493,200.20 and the average annual net interest rate from the date of the Bonds to their respective maturities to be 4.622307%.

If there is any discrepancy as between the actual interest cost computed upon the rate or rates of interest above specified and the interest cost or average rate hereinabove set forth, the interest rate or rates above specified and the actual interest cost or average interest rate computed upon said rate or rates shall prevail.

A (cashier's check) (certified check) (bank exchange), **ISSUED OR CERTIFIED BY A BANK LOCATED IN THE STATE OF MISSISSIPPI** and payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000) accompanies this proposal as a guarantee that we will carry out this contract and accept delivery of the Bonds if this proposal is accepted, which shall be returned to the undersigned (1) if this bid be not accepted or (2) if the

EXHIBIT "A"

City should fail to deliver the Bonds to the undersigned in accordance with the terms of this proposal, or applied as and for liquidated damages in the event that the undersigned fails to take up and pay for the Bonds.

This proposal is submitted subject to all of the terms and conditions of the Notice of Bond Sale, dated April 17, 2001, which by reference is hereby made a part of this Bid.

BIDDER: Morgan Keegan  
BY: [Signature]  
TITLE: Vice President

Associates (if any):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Return of good faith deposit is hereby acknowledged.

DATE: \_\_\_\_\_

BY: \_\_\_\_\_

ACCEPTANCE

The above proposal accepted by resolution of the Mayor and Board of Aldermen of the City of Petal and receipt of the within-mentioned check is hereby acknowledged.

CITY OF PETAL, MISSISSIPPI

BY: [Signature]  
City Clerk

(SEAL)



EXHIBIT "A"

OFFICIAL BID FORM

May 17, 2001

Mayor and Board of Aldermen  
City of Petal  
City Hall, 119 W. 8<sup>th</sup> Avenue  
Petal, Mississippi 39465

Ladies and Gentlemen: .. .

We hereby offer to pay \$1,200,000.00 plus accrued interest to the date of delivery for the One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount General Obligation Bonds, Series 2001, dated June 1, 2001 (the "Bonds"), of the City of Petal, Mississippi (the "City"), as described in the Notice of Bond Sale, dated April 17, 2001, maturing and bearing interest as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2002	\$55,000	<u>5.80</u> %	2010	\$ 80,000	<u>4.30</u> %
2003	60,000	<u>5.80</u>	2011	85,000	<u>4.40</u>
2004	60,000	<u>5.80</u>	2012	90,000	<u>4.50</u>
2005	65,000	<u>5.80</u>	2013	95,000	<u>4.625</u>
2006	70,000	<u>5.20</u>	2014	100,000	<u>4.75</u>
2007	70,000	<u>4.10</u>	2015	105,000	<u>4.75</u>
2008	75,000	<u>4.20</u>	2016	110,000	<u>4.75</u>
2009	80,000	<u>4.250</u>			

Based upon the interest rate or rates specified above, we compute the gross interest cost to the City to be \$ 495,925.00, the net interest cost (deducting premium of \$ 0.00, if any) to be \$ 495,925.00 and the average annual net interest rate from the date of the Bonds to their respective maturities to be 4.647844 %.

If there is any discrepancy as between the actual interest cost computed upon the rate or rates of interest above specified and the interest cost or average rate hereinabove set forth, the interest rate or rates above specified and the actual interest cost or average interest rate computed upon said rate or rates shall prevail.

A (cashier's check) (certified check) (bank exchange), **ISSUED OR CERTIFIED BY A BANK LOCATED IN THE STATE OF MISSISSIPPI** and payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000) accompanies this proposal as a guarantee that we will carry out this contract and accept delivery of the Bonds if this proposal is accepted, which shall be returned to the undersigned (1) if this bid be not accepted or (2) if the

EXHIBIT "A"

City should fail to deliver the Bonds to the undersigned in accordance with the terms of this proposal, or applied as and for liquidated damages in the event that the undersigned fails to take up and pay for the Bonds.

This proposal is submitted subject to all of the terms and conditions of the Notice of Bond Sale, dated April 17, 2001, which by reference is hereby made a part of this Bid.

BIDDER: Duncan Williams Inc  
BY: W. J. Mc. Lewis  
TITLE: Vice President

Associates (if any):

Citizens State Bank  
P.O. Box 18409  
Hattiesburg, MS 39404

Return of good faith deposit is hereby acknowledged.

DATE: 6-13-01  
BY: [Signature]

ACCEPTANCE

The above proposal accepted by resolution of the Mayor and Board of Aldermen of the City of Petal and receipt of the within-mentioned check is hereby acknowledged.

CITY OF PETAL, MISSISSIPPI

BY: \_\_\_\_\_  
City Clerk

(SEAL)

EXHIBIT "A"

6. The Mayor and Board of Aldermen find it necessary to approve the form of, execution and distribution of an Official Statement for the Bonds.

**NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND BOARD OF ALDERMEN AS FOLLOWS:**

**SECTION 1.** The Bonds are hereby awarded and sold to Morgan Keegan & Company, Inc., Memphis, Tennessee, in accordance with the offer submitted to the Mayor and Board of Aldermen in words and figures as follows:

EXHIBIT "A"

OFFICIAL BID FORM

May 17, 2001

Mayor and Board of Aldermen  
City of Petal  
City Hall, 119 W. 8<sup>th</sup> Avenue  
Petal, Mississippi 39465

Ladies and Gentlemen: ..

We hereby offer to pay \$ 1,200,132.<sup>30</sup> plus accrued interest to the date of delivery for the One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount General Obligation Bonds, Series 2001, dated June 1, 2001 (the "Bonds"), of the City of Petal, Mississippi (the "City"), as described in the Notice of Bond Sale, dated April 17, 2001, maturing and bearing interest as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>
2002	\$55,000	<u>5.00</u> %	2010	\$ 80,000	<u>4.30</u> %
2003	60,000	<u>5.00</u>	2011	85,000	<u>4.375</u>
2004	60,000	<u>5.00</u>	2012	90,000	<u>4.40</u>
2005	65,000	<u>5.00</u>	2013	95,000	<u>4.50</u>
2006	70,000	<u>5.00</u>	2014	100,000	<u>4.625</u>
2007	70,000	<u>5.00</u>	2015	105,000	<u>4.625</u>
2008	75,000	<u>5.00</u>	2016	110,000	<u>4.625</u>
2009	80,000	<u>4.75</u>			

Based upon the interest rate or rates specified above, we compute the gross interest cost to the City to be \$ 493,332.<sup>50</sup>, the net interest cost (deducting premium of \$ 132.<sup>20</sup>, if any) to be \$ 493,200.<sup>20</sup> and the average annual net interest rate from the date of the Bonds to their respective maturities to be 4.622307%.

If there is any discrepancy as between the actual interest cost computed upon the rate or rates of interest above specified and the interest cost or average rate hereinabove set forth, the interest rate or rates above specified and the actual interest cost or average interest rate computed upon said rate or rates shall prevail.

A (cashier's check) (certified check) (bank exchange), ISSUED OR CERTIFIED BY A BANK LOCATED IN THE STATE OF MISSISSIPPI and payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000) accompanies this proposal as a guarantee that we will carry out this contract and accept delivery of the Bonds if this proposal is accepted, which shall be returned to the undersigned (1) if this bid be not accepted or (2) if the

EXHIBIT "A"

City should fail to deliver the Bonds to the undersigned in accordance with the terms of this proposal, or applied as and for liquidated damages in the event that the undersigned fails to take up and pay for the Bonds.

This proposal is submitted subject to all of the terms and conditions of the Notice of Bond Sale, dated April 17, 2001, which by reference is hereby made a part of this Bid.

BIDDER: Morgan Keegan  
BY: Jay [Signature]  
TITLE: Vice President

Associates (if any):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Return of good faith deposit is hereby acknowledged.

DATE: \_\_\_\_\_

BY: \_\_\_\_\_

ACCEPTANCE

The above proposal accepted by resolution of the Mayor and Board of Aldermen of the City of Petal and receipt of the within-mentioned check is hereby acknowledged.

CITY OF PETAL, MISSISSIPPI

BY: [Signature]  
City Clerk

(SEAL)

EXHIBIT "A"

Following the reading of the bids, the Mayor and Board of Aldermen proceeded to consider them for the purpose of determining which was the best and most advantageous bid submitted. Whereupon, the following resolution was presented, read and its adoption and passage moved by Alderman Donald H. Rowell:

**RESOLUTION DIRECTING THE SALE AND AWARD OF GENERAL OBLIGATION BONDS, SERIES 2001, OF THE CITY OF PETAL, MISSISSIPPI, DATED JUNE 1, 2001, IN THE PRINCIPAL AMOUNT OF ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000); AND A RESOLUTION APPROVING AND AUTHORIZING THE FORM OF, EXECUTION AND DISTRIBUTION OF AN OFFICIAL STATEMENT PERTAINING TO THE ONE MILLION TWO HUNDRED THOUSAND DOLLARS (\$1,200,000) GENERAL OBLIGATION BONDS, SERIES 2001, OF CITY OF PETAL, MISSISSIPPI.**

**WHEREAS**, the Mayor and Board of Aldermen of City of Petal, Mississippi, acting for and on behalf of the City of Petal, Mississippi (the "City"), hereby finds, determines, adjudicates and declares as follows:

1. The Mayor and Board of Aldermen on April 17, 2001, did adopt a resolution directing that General Obligation Bonds, Series 2001 (the "Bonds"), of the City in the principal amount of One Million Two Hundred Thousand Dollars (\$1,200,000) be offered for sale on sealed bids to be received up to and until the hour of 11:00 o'clock A.M. on May 17, 2001.
2. As directed by the aforesaid resolution, notice of sale of the Bonds was duly published in The Petal News, a newspaper published in and having a circulation in the City and qualified under the provisions of Section 13-3-31, Mississippi Code of 1972, as amended, said notice having been published in said newspaper on May 4 and 11, 2001, the first publication having been made at least ten (10) days preceding May 17, 2001, all as shown by the proof of publication of said notice filed in the office of the Clerk.
3. The Mayor and Board of Aldermen did meet at their meeting place in the City Hall in the City of Petal, Mississippi, at 11:00 o'clock A.M. on May 17, 2001.
4. At said time and place three (3) sealed proposals for the purchase of the Bonds were received, examined and considered by the Mayor and Board of Aldermen said bids having heretofore been presented by and being on file with the Clerk.
5. The Mayor and Board of Aldermen do now find, determine and adjudicate that the highest and best bid made and offered for the Bonds on the basis of the lowest net interest cost over the life of the issue was made by Morgan Keegan & Company, Inc., Memphis, Tennessee, and said bid was accompanied by a cashier's check, certified check or exchange payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000), issued or certified by a bank located in the State of Mississippi, as a guarantee that said bidder would carry out its contract and purchase the Bonds if its bid be accepted.

EXHIBIT "A"

**SECTION 2.** The Mayor and Clerk are hereby authorized and directed to endorse upon a copy or duplicate of the aforesaid offer a suitable notation as evidence of the acceptance thereof, for and on behalf of the City.

**SECTION 3.** The good faith checks filed by all unsuccessful bidders shall forthwith be returned to them upon their respective receipts therefor, and the good faith check filed by the successful bidder shall be retained by the Mayor and Board of Aldermen as a guarantee that said bidder shall carry out its contract and purchase the Bonds. If said successful bidder fails to purchase the Bonds pursuant to its bid and contract, the amount of such good faith check shall be retained by the City as liquidated damages for such failure.

**SECTION 4.** The Bonds shall be in fully registered form; shall be dated June 1, 2001; shall be of the denomination of \$5,000 each or integral multiples thereof up to the amount of a single maturity; shall be numbered from one (1) upward in order of issuance; shall be payable, both as to principal and interest, in lawful money of the United States of America at The Peoples Bank, Biloxi, Mississippi, said bank to act as paying agent, registrar and transfer agent for said Bonds; shall bear interest from the date thereof at the rates hereinafter set forth, payable semiannually on June 1 and December 1 in each year (each an "Interest Payment Date"), commencing June 1, 2002; and shall mature and become due and payable serially, on June 1 in the years and principal amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>	<u>INTEREST RATE</u>
2002	\$ 55,000	5.00 %
2003	60,000	5.00
2004	60,000	5.00
2005	65,000	5.00
2006	70,000	5.00
2007	70,000	5.00
2008	75,000	5.00
2009	80,000	4.75
2010	80,000	4.30
2011	85,000	4.375
2012	90,000	4.40
2013	95,000	4.50
2014	100,000	4.625
2015	105,000	4.625
2016	110,000	4.625

Bonds maturing on June 1, 2009, and thereafter, are subject to redemption prior to their stated dates of maturity, either in whole or in part in inverse order of maturity and by lot within a maturity on June 1, 2008, or on any Interest Payment Date thereafter, at par, plus accrued interest to the date of redemption.

**SECTION 5.** The Mayor and Board of Aldermen of the City of Petal, Mississippi, hereby approve and adopt the Official Statement in the form attached hereto as **EXHIBIT A**, and hereby

EXHIBIT "A"

authorize the Mayor and Clerk to sign and distribute an Official Statement, in substantially the same form, for and on behalf of said Mayor and Board of Aldermen.

**SECTION 6.** All orders, resolutions or proceedings of the Mayor and Board of Aldermen in conflict with the provisions of this resolution shall be and are hereby repealed, rescinded and set aside, but only to the extent of such conflict.

**SECTION 7.** For cause, this resolution shall become effective immediately upon the adoption thereof.

Alderman Charles E. Holbrook seconded the motion to adopt the foregoing resolution, and the question being put to a roll call vote, the result was as follows:

Alderman Willie W. Hinton	voted: aye
Alderman Charles E. Holbrook	voted: aye
Alderman Robert F. Langford	voted: aye
Alderman Donald H. Rowell	voted: aye
Alderman Leroy Scott	voted: aye

The motion having received the affirmative vote of a majority of the members present, the Mayor declared the motion carried and the resolution adopted this the 17<sup>th</sup> day of May, 2001.

  
\_\_\_\_\_  
MAYOR

ATTEST:

  
\_\_\_\_\_  
CITY CLERK



EXHIBIT "A"

**NEW ISSUE**

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, assuming continuing compliance by the City with the tax covenants and representations described herein, under existing law, interest on the Bonds is not includable in Federal gross income pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific item of tax preference under Section 57 of the Code for purposes of calculating alternative minimum tax. In the case of corporate owners of the Bonds, interest on the Bonds will be included in the calculation of federal income tax liability under certain federal income taxes not solely based on items includable in gross income, including the calculation of the alternative minimum tax and the environmental tax as a result of the inclusion of interest on the Bonds in "adjusted current earnings". In addition, corporations that are subject to the branch profits tax imposed on certain foreign corporations and to the tax on "excess net passive income" imposed on S corporations will be required to include the interest on the Bonds in the calculation of such federal income taxes. See, "TAX EXEMPTION," herein, regarding certain collateral federal tax ramifications to certain individuals who are recipients of Social Security or Railroad Retirement Benefits and certain corporate owners of the Bonds. Bond Counsel is of the further opinion that interest on the Bonds is exempt from Mississippi State income taxation under existing laws. See "TAX EXEMPTION" herein.

**\$1,200,000**

**GENERAL OBLIGATION BONDS, SERIES 2001**

**OF THE**

**CITY OF PETAL, MISSISSIPPI**

**DATED: June 1, 2001**

**DUE: June 1, as shown below**

Interest is payable semiannually on June 1 and December 1 of each year (each an "Interest Payment Date"), commencing June 1, 2002. The Bonds, in registered form and in the denomination of \$5,000 each, or integral multiples thereof up to the amount of a single maturity, will mature on June 1, with option of prior payment, in the years and principal amounts as follows:

<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>	<u>YEAR OF MATURITY</u>	<u>PRINCIPAL AMOUNT</u>	<u>INTEREST RATE</u>	<u>YIELD</u>
2002	\$55,000	_____ %	_____ %	2010	\$ 80,000	_____ %	_____ %
2003	60,000	_____	_____	2011	85,000	_____	_____
2004	60,000	_____	_____	2012	90,000	_____	_____
2005	65,000	_____	_____	2013	95,000	_____	_____
2006	70,000	_____	_____	2014	100,000	_____	_____
2007	70,000	_____	_____	2015	105,000	_____	_____
2008	75,000	_____	_____	2016	110,000	_____	_____
2009	80,000	_____	_____				

Bonds maturing on June 1, 2009, and thereafter, are subject to redemption prior to their stated dates of maturity, either in whole or in part, in inverse order of maturity and by lot within a maturity on June 1, 2008, or on any Interest Payment Date thereafter, at par, plus accrued interest to the date of redemption.

The Bonds have been designated by the City as "qualified tax exempt obligations" for purposes of Section 265(b)(3)(c) of the Internal Revenue Code of 1986, as amended.

The Bonds are offered subject to the final approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel.

The date of this Official Statement is May 17, 2001.

**EXHIBIT "A"**

No dealer, broker, salesman or other person has been authorized to make any representations with respect to the Bonds other than is contained in this Official Statement, and if given or made, such other information or representations must not be relied upon. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any of the Bonds in any jurisdiction to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information, estimates and expressions of opinion contained herein are subject to changes without notice, and while all information has been secured from sources which are believed to be reliable, all parties preparing and distributing the Official Statement make no guaranty or warranty relating thereto. All opinions, estimates or assumptions, whether or not expressly identified, are intended as such and not as representations of fact. Neither the delivery of this Official Statement shall, nor any sale made hereunder, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

EXHIBIT "A"

**CITY OF PETAL, MISSISSIPPI**

***JACK GAY, JR.***  
**MAYOR**

**BOARD OF ALDERMEN**

***ROBERT F. LANGFORD***  
***DONALD H. ROWELL***  
***CHARLES E. HOLBROOK***  
***LEROY SCOTT***  
***WILLIE W. HINTON***

***PRISCILLA DANIEL***  
**CITY CLERK**

***AULTMAN, TYNER, RUFFIN & YARBOROUGH, LTD.***  
***PETAL, MISSISSIPPI***  
**CITY ATTORNEY**

***HOLLEY, GRUBBS, MITCHAM & PHILLIPS***  
***JACKSON, MISSISSIPPI***  
**FINANCIAL ADVISOR**

***BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC***  
***JACKSON, MISSISSIPPI***  
**BOND COUNSEL**

EXHIBIT "A"

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EXHIBIT "A"

**OFFICIAL STATEMENT**

**\$1,200,000**

**GENERAL OBLIGATION BONDS, SERIES 2001**

**OF THE**

**CITY OF PETAL, MISSISSIPPI**

**INTRODUCTION**

The purpose of this Official Statement is to set forth certain information in connection with the sale of the \$1,200,000 General Obligation Bonds, Series 2001, dated June 1, 2001 (the "Bonds"), of the City of Petal, Mississippi (the "City").

Reference is made to the Act as hereinafter defined, the Bond Resolution as hereinafter defined and any and all modifications and amendments thereof for a description of the nature and extent of the security of the Bonds, the pledge of tax revenues for the payment of the principal of and interest on the Bonds, the nature and extent of said pledge and the terms and conditions under which the Bonds are issued.

**THE BONDS**

**Purpose and Authorization**

The Bonds are being issued to provide funds for the purpose of erecting municipal buildings and purchasing buildings or land therefor, and for repairing, improving, adorning and equipping the same; repairing, improving and extending storm and drainage systems; constructing, improving or paving streets, sidewalks, driveways, parkways, walkways or public parking facilities, and purchasing land therefor; improving, equipping and adorning parks and public playgrounds, including constructing, repairing and equipping other recreational facilities; and purchasing machinery and equipment which have an expected useful life in excess of ten (10) years not to include any motor vehicle weighing less than twelve thousand (12,000) pounds.

The Bonds will be issued pursuant to the provisions of Sections 21-33-301 through 21-33-329, Mississippi Code of 1972, as amended (the "Act"), and a Bond Resolution adopted by the Mayor and the Board of Aldermen of the City (the "Governing Body") on April 17, 2001 (the "Bond Resolution").

In order to issue the Bonds, the Governing Body adopted a resolution declaring its intention to issue the Bonds and gave notice of such intention by publication of said resolution in a newspaper published in the City. If ten percent (10%), or fifteen hundred, whichever had been less, of the qualified electors of the City had filed a written protest against the issuance of the Bonds on or before the date specified in said resolution, an election on the question of the issuance of the Bonds

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would have been held. April 3, 2001, was set by the Governing Body as the date on or before which written protest was required to have been filed. No written protest having been received on or before said date, the Governing Body is now authorized and empowered by the Act to issue the Bonds without the necessity of calling and holding an election on the question of the issuance thereof.

Security

The Bonds will be general obligations of the City payable as to principal and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to rate or amount upon the taxable property within the geographical limits of the City. The City will levy annually a special tax upon all taxable property within the geographical limits of the City adequate and sufficient to provide for the payment of principal of and the interest on the Bonds as the same falls due.

The qualified electors of the State of Mississippi voted in a general election held on November 7, 1995, to amend the Mississippi Constitution of 1890 (the "Constitution") to add the following new Section 172A (the "Amendment"):

SECTION 172A. Neither the Supreme Court nor any inferior court of this state shall have the power to instruct or order the state or any political subdivision thereof, or an official of the state or any political subdivision, to levy or increase taxes.

The Amendment does not affect the underlying obligation to pay the principal of and interest on the Bonds as they mature and become due, nor does it affect the obligation to levy a tax sufficient to accomplish that purpose. However, even though it appears that the Amendment was not intended to affect Bondholders' remedies in the event of a payment default, it potentially prevents Bondholders from obtaining a writ of mandamus to compel the levying of taxes to pay the principal of and interest on the Bonds in a Court of the State of Mississippi. It is not certain whether the Amendment would affect the right of a Federal Court to direct the levy of a tax to satisfy a contractual obligation. Other effective remedies are available to the Bondholders in the event of a payment default with respect to the Bonds. For example, Bondholders can seek a writ of mandamus to compel the City to use any legally available moneys to pay the debt service on the Bonds, and if such writ of mandamus is issued and public officials fail to comply with such writ, then such public officials may be held in contempt of court. In addition, pursuant to the Mississippi Constitution §175, all public officials who are guilty of willful neglect of duty may be removed from office.

Certain information relating to the City is set forth in "APPENDIX A - INFORMATION ON THE CITY" and certain financial information on the City is included in "APPENDIX C - BUDGETS" and in "APPENDIX D - Audit."

Form of the Bonds

The Bonds shall be dated June 1, 2001, shall be delivered in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof up to the amount of a single maturity,

EXHIBIT "A"

shall be numbered from one upward in the order of issuance, shall be issued in fully registered form, and shall bear interest from the date thereof at the rate or rates specified herein, commencing June 1, 2002, and semiannually thereafter on June 1 and December 1 of each year.

**Redemption Provisions**

Bonds maturing on June 1, 2009, and thereafter, are subject to redemption prior to their stated dates of maturity, either in whole or in part, in inverse order of maturity and by lot within a maturity on June 1, 2008, or on any Interest Payment Date thereafter, at par, plus accrued interest to the date of redemption.

Notice of redemption identifying the numbers of Bonds or portions thereof to be redeemed shall be given to the Registered Owners thereof by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for redemption. From and after such redemption date, interest with respect to the Bonds to be redeemed will cease to accrue.

**FINANCIAL ADVISOR**

The City has retained the firm of Holley, Grubbs, Mitcham & Phillips, Jackson, Mississippi, as independent financial advisor (the "Financial Advisor") to the City in connection with the issuance of the Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the City with respect to the preparation of documents, the preparation for the sale of the Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Bonds.

Although the Financial Advisor performed an active role in drafting of the Official Statement, it has not independently verified any of the information set forth herein. The information contained in this Official Statement has been obtained primarily from municipal records and from other sources which are believed to be reliable, including financial records of the City and other entities which may be subject to interpretation. No guarantee is made as to the accuracy or completeness of any information obtained from sources other than the City. Any summaries or excerpts of statutes, ordinances, resolutions or other documents do not purport to be complete statements of same and reference is made to such original sources in all respects.

**TAX EXEMPTION**

**General**

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met subsequent to delivery of the Bonds in order that the interest on the Bonds not be included in gross income of the registered owners for federal income tax purposes under Section 103 of the Code. The certificate as to non-arbitrage and other tax matters of the City, which will be delivered concurrently with the delivery of the Bonds, will contain provisions and procedures relating to compliance with such requirements of the Code. The City agrees, covenants and represents in the Bond Resolution that it will not make any use of the gross proceeds of the

EXHIBIT "A"

Bonds or amount that may be treated as proceeds of the Bonds or do or take or omit to take any other action that would cause: (i) the Bonds to be "arbitrage bonds" as such term is defined in Section 148(a) of the Code, and the Regulations promulgated thereunder; (ii) the interest on the Bonds to be included in the gross income of the registered owners for federal income taxation purposes; or (iii) the interest on the Bonds to be treated as an item of tax preference under Section 57(a)(5) of the Code.

Except as expressly stated in the following two paragraphs of this section, Bond Counsel will express no opinion as to any federal or state consequences of the ownership of, receipt of interest on, or disposition of the Bonds.

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, under existing law, interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations. Such interest, however, is includable in the "adjusted current earnings" of a corporation for purposes of computing the alternative minimum tax and the environmental tax imposed on corporations (see "Certain Federal Tax Information - Alternative Minimum Tax"). In rendering the foregoing opinion, Bond Counsel has assumed the compliance by the City with the tax covenants and representations in the Bond Resolution and the representations in the certificate as to non-arbitrage and other tax matters. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds have resulted in a failure of the City to comply with its covenants. Failure of the City to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue. For federal tax information, see "Certain Federal Tax Information" herein.

Under existing law, Bond Counsel is of the opinion that, interest on the Bonds is exempt from all present taxes imposed by the State of Mississippi and any county, municipality or other political subdivision of the State of Mississippi, except for inheritance, estate and transfer taxes.

**Certain Federal Tax Information**

**General.** The following discussion of certain federal income tax matters is a summary of possible collateral tax consequences. It does not purport to deal with all aspects of federal taxation that may be relevant to particular registered owners. Further, the following discussion should not be construed as expressing an opinion of Bond Counsel as to any such matters, not specifically addressed in their opinion. **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 Bonds, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.**



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**Alternative Minimum Tax.** The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. A 20 percent alternative corporate minimum tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts or real estate mortgage investment conduits, as such terms are defined in the Code). Interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that the corporation's alternative minimum taxable income is increased by 75 percent of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the interest on the Bonds, would generally be included in computing a corporation's "adjusted current earnings." Accordingly, a portion of any interest on the Bonds received or accrued by a corporate registered owner will be included in computing such corporation's alternative minimum taxable income for such year.

**Environmental Tax.** For taxable years beginning before January 1, 1996, Section 59A of the Code imposes an environmental tax of 0.12 percent on the excess, with certain modifications, of a corporation's alternative minimum taxable income, over \$2,000,000. The environmental tax imposed by Section 59A of the Code is imposed independently from the alternative minimum tax on corporations and is deductible from gross income. Interest on the Bonds is included in alternative minimum taxable income for purposes of the environmental tax, to the extent reflected in the adjustment for "adjusted current earnings."

**Insurance Companies.** Insurance companies, other than life insurance companies, are subject to the tax imposed by Section 831 of the Code. Section 832(b)(5)(B)(i) of the Code reduces the amount of certain loss deductions, otherwise allowed, in certain cases below zero, by 15 percent of, among other things, interest on tax-exempt obligations acquired after August 7, 1986, such as the Bonds.

**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 City has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b)(3)(C) of the Code. Eighty percent (80%) of the interest expense deemed incurred by banks, thrift institutions and other financial institutions to purchase or to carry "qualified tax-exempt obligations" is deductible.

**Branch Profits Tax.** Section 884 of the Code imposes on certain foreign corporations a branch profits tax equal to 30 percent of the "dividend equivalent amount" for the taxable year. Interest on the Bonds received or accrued by a foreign corporation subject to the branch profits tax may be included in computing the "dividend equivalent amount" of such corporation.

**Borrowed Funds.** Section 265 of the Code denies a deduction for interest paid on borrowed funds to purchase or carry tax-exempt obligations. In addition, under rules used by the Internal

EXHIBIT "A"

Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

**S Corporations.** Section 1375 of the Code imposes a tax on the "excess net passive investment income" of S corporations that have Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporations is passive investment income. Interest on the Bonds is included in the calculation of excess net passive income.

**Social Security and Railroad Retirement Benefits.** Section 86 of the Code provides that interest on tax-exempt obligations is included in the calculation of modified adjusted gross income in determining whether a portion of Social Security or Railroad Retirement benefits are to be included in the taxable income of individual recipients of such benefits.

**LIMITED CONTINUING DISCLOSURE**

On November 10, 1994, the Securities and Exchange Commission (the "Commission") amended Rule 15c2-12 (as amended, "SEC Rule 15c2-12") which was originally adopted by the Commission in 1989 under the Securities Exchange Act of 1934 and set forth certain disclosure requirements relating to a primary offering of municipal securities. The amendments to SEC Rule 15c2-12, which are effective beginning July 3, 1995, add to the existing disclosure obligations relating to municipal securities by requiring that, prior to purchasing or selling municipal securities, brokers, dealers and municipal securities dealers must reasonably determine that the issuer of such municipal securities, together with any other "obligated persons," within the meaning of SEC Rule 15c2-12, have entered into an undertaking for the benefit of bondholders to make certain information available to bondholders on a continuing basis. The City is an "obligated person" with respect to the Bonds within the meaning of SEC Rule 15c2-12.

While Bond Counsel has determined that the City is not required to comply with the continuing disclosure requirements of SEC Rule 15c2-12, the City has covenanted in its Bond Resolution that pursuant to the Small Issuer Exemption under SEC Rule 15c2-12 of the Securities and Exchange Commission, the City will deliver or cause to be delivered, commencing with the fiscal year of the City ending after January 1, 2001, (i) to each person requesting same, financial information and operating data relating to the City, including audited financial statements of the City, and (ii) to the "nationally recognized municipal securities information repository," within the meaning of SEC Rule 15c2-12, and certain other entities described in SEC Rule 15c2-12 (said repositories and other entities are collectively referred to as the "Repositories"), notice of any material events relating to the Bonds and the City, if the City deems such events to be material as set forth under SEC Rule 15c2-12. If applicable, anyone requesting information under the continuing disclosure requirements of SEC Rule 15c2-12 should contact the City Clerk, City Hall, 119 W. 8<sup>th</sup> Avenue, Petal, Mississippi 39465 Telephone Number: (601) 545-1776.

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For a summary of the City's undertaking, see "APPENDIX E - FORM OF LIMITED CONTINUING DISCLOSURE AGREEMENT" attached hereto.

**Compliance with Prior Undertaking**

The City has not previously issued any debt subject to SEC Rule 15c2-12.

**MISCELLANEOUS AND LEGAL INFORMATION**

**No Default on Securities**

No securities of the City have been in default as to principal or interest payments or in any other material respect at any time in at least the last 25 years. No principal or interest on any obligations of the City is past due.

**No Bond Proceeds for Current Operating Expenses**

No proceeds from the sale of securities (except tax anticipation notes issued against revenues of a current fiscal year) have been used for current operating expenses at any time in at least the last 10 years.

**Pension Plan**

The City has no pension plan or retirement plan for employees. City employees are members of and contribute to the Mississippi Public Employees' Retirement System.

**No-Litigation Certificate**

The attorney for the Mayor and the Board of Aldermen will execute and deliver to the initial purchaser(s) of the Bonds a certificate dated as of the date of delivery that no litigation has been filed or is then pending to restrain or enjoin the issuance or delivery of the Bonds, or which would affect the provisions made for the payment of the principal of and interest on the Bonds or in any manner questioning the validity of the Bonds.

**Validation**

The Bonds were validated before the Chancery Court of Forrest County, Mississippi, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

**Approval of Legal Proceedings**

All legal matters in connection with the authorization and issuance of the Bonds are subject to the final unqualified approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel. The form of the opinion of Bond Counsel is attached hereto as APPENDIX F and will be available in final form at the time of delivery of the

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Bonds. No representation is made to the registered owners of the Bonds that such Bond Counsel has verified the accuracy, completeness or fairness of the statements in the Official Statement and Bond Counsel assumes no responsibility to the registered owners of the Bonds except for the matters set forth in such opinion.

**Miscellaneous**

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 our 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 the circumstances under which they were made, not misleading.

The successful bidder shall file the Official Statement with a nationally recognized municipal securities information repository (a "Repository") at the earliest practicable date after the date of delivery of the Bonds. The end of the underwriting period shall mean the earlier of (a) the date of the closing unless the City has been notified in writing to the contrary by the representative of the successful bidder on or prior to such date, or (b) the date on which the "end of the underwriting period" for the Bonds has occurred under SEC Rule 15c2-12. The successful bidder shall notify the City of the date which is the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12.

**CITY OF PETAL, MISSISSIPPI**

**/s/ JACK GAY, JR.**  
**MAYOR**

**/s/ PRISCILLA DANIEL**  
**CITY CLERK**

EXHIBIT "A"

APPENDIX A  
INFORMATION ON THE CITY

EXHIBIT "A"

**ECONOMIC AND DEMOGRAPHIC INFORMATION**

**General Description**

The City of Petal is located in the northeast section of Forrest County, which is located in the southeast portion of the State of Mississippi (the "State"). The City, incorporated April 5, 1974, is located on the Leaf River adjacent to the corporate limits of the City of Hattiesburg, Mississippi. The City lies approximately 91 miles south of Jackson, the capital of the State, 120 miles northeast of New Orleans, Louisiana, and 100 miles northwest of Mobile, Alabama.

**Population**

The population of the City has been recorded as follows:

1970	1980	1990
7,620	8,476	7,883

SOURCE: Mississippi Research and Development Center; April, 2001.

**Government**

The City operates under the Mayor-Board of Aldermen form of government. The governing body of the City consists of five Board members, all of whom are elected from separate wards. The Mayor, who is elected at large, and members of the Board of Aldermen are elected for concurrent four year terms. The current Mayor and members of the Board of Aldermen whose terms expire July, 2001, are:

Name	Occupation	Position Held Since
Jack Gay, Jr.	Mayor	1989
Robert F. Langford	Retired	1997
Donald H. Rowell	Insurance Adjustor	1997
Charles E. Holbrook	Retired	1997
Leroy Scott	City of Hattiesburg	1978
Willie W. Hinton	Insurance Agent	1997

EXHIBIT "A"

**Transportation**

Access to the City is available by several means. Interstate Highway 59, U. S. Highways 11, 49 and 98 and State Highway 42 serve the immediate area. A number of County highways provide access to many outlying areas in the County.

Rail service is provided to the City by the Illinois Central Gulf Railroad and the Norfolk Southern Railway. Numerous motor freight carriers are authorized to serve the City, as it is in the Hattiesburg commercial delivery zone. The nearest commercial airport is New Orleans International Airport, 100 miles southwest of the City. Commuter air service is available to residents of the City at Pine Belt Regional Airport, seven miles from the City, and Hattiesburg Airport, three miles from the City. The nearest port is the Port of Gulfport, which has a channel depth of 30 feet and is located 73 miles distant in Harrison County.

**Per Capita Income**

Year	County	Mississippi	United States	County as % of U.S.
1998	\$19,313	\$19,776	\$27,203	70.9%
1997	18,847	18,873	25,924	72.7
1996	17,344	17,561	24,436	70.0
1995	16,650	16,716	23,196	71.7
1994	15,812	15,828	21,696	72.8

SOURCE: Population-Personal Income Data: United States, Mississippi and Counties, 1993-1998; Labor Market Information Department, Mississippi Employment Security Commission; April, 2001.

EXHIBIT "A"

**Major Employers**

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

Employer	Employees	Product/Service
Petal School District	490	Education
Service Master Cleaning Alternatives	155	Cleaning services
Charles Walker Enterprises	115	Insurance
WalMart	98	Retail store
City of Petal	86	City government
Jitney Jungle	53	Grocery store
Sunflower/IGA	46	Grocery store
Hudson's of Petal	30	Discount Outlet
Plant Eaton/MS Power	23	Utilities
U. S. Post Office	23	Postal service

SOURCE: Chamber of Commerce; April, 2001.

**Retail Sales**

State Fiscal Year Ending June 30	Amount
2000	\$83,817,232
1999	83,708,960
1998	88,950,215
1997	73,403,637
1996	67,105,902

SOURCE: Annual Report for each year shown, Mississippi State Tax Commission; April, 2001.



EXHIBT "A"

**Unemployment Statistics**

	2001	2000	1999	1998	1997
January	3.0%	3.4%	3.4%	3.4%	3.4%
February	2.8	3.5	3.5	3.2	3.1
March	3.8	3.9	3.1	3.1	3.2
April		3.5	2.5	3.0	2.7
May		4.3	3.3	3.5	2.9
June		5.5	3.9	3.4	3.9
July		4.9	3.3	3.4	3.5
August		4.4	3.1	3.8	3.6
September		3.7	3.2	4.0	3.4
October		4.0	3.3	3.2	3.3
November		3.3	2.8	3.3	3.3
December		2.6	2.6	2.4	2.4
Annual Average		3.9%	3.1%	3.3%	3.4%

SOURCE: Labor Market Data for each month shown, Market Information Department, Mississippi Employment Security Commission; April, 2001.

EXHIBIT "A"

**Employment Statistics of the County**

	1999	1998	1997	1996	1995
<b>RESIDENCE BASED EMPLOYMENT</b>					
I. Civilian Labor Force	33,170	33,840	34,210	33,170	33,500
II. Unemployed	1,110	1,220	1,170	1,460	1,470
% of Civilian Labor Force	3.3%	3.6%	3.4%	4.3%	4.4%
III. Employed	32,060	32,620	33,040	32,250	32,030
A. Nonagricultural Wage & Salaried Workers	29,820	30,270	30,570	29,730	29,480
B. Other Nonagricultural Workers	1,990	2,090	2,200	2,230	2,270
C. Agricultural Workers	250	270	270	290	280
<b>ESTABLISHMENT BASED EMPLOYMENT</b>	37,950	37,530	37,940	35,560	37,280
I. Manufacturing	4,120	4,110	4,430	4,420	5,240
II. Nonmanufacturing	33,830	33,420	33,510	32,130	32,040
A. Mining	60	60	60	80	80
B. Construction	1,960	1,630	1,770	1,410	1,520
C. Transportation & Public Utilities	1,250	1,230	1,330	1,190	1,340
D. Wholesale & Retail Trade	8,060	7,900	8,110	8,100	8,210
E. Finance, Insurance & Real Estate	1,460	1,670	1,740	1,850	1,700
F. Service & Miscellaneous	8,620	7,940	7,340	7,090	7,130
G. Government Public Education	12,420 5,730	12,990 6,660	13,160 6,770	12,410 6,200	12,080 6,210

SOURCE: Annual Averages, 1990-1999; April, 2000 Ed.; Labor Market Information Department, Mississippi Employment Security Commission; April, 2001.

EXHIBIT "A"

**Banking Institutions**

Institutions	1999 Total Assets
BancorpSouth Bank <sup>1(a)</sup>	\$ 5,782,595,000
AmSouth Bank <sup>1(b)</sup>	43,400,000,000
The Lamar Bank <sup>1(c)</sup>	411,842,000
Richton Bank & Trust Company <sup>1(d)</sup>	59,485,000
Trustmark National Bank <sup>1(e)</sup>	6,731,049,000
Union Planters, National Association <sup>1(f)</sup>	33,300,000,000

SOURCE: Mississippi Financial Institution Directory 2000-2001 Ed., Mississippi Bankers Association; April, 2001.

**Construction Permits**

Year	Number	Amount
2000	80	\$3,488,860
1999	91	4,965,605
1998	118	6,033,643
1997	86	2,833,966
1996	102	2,786,121

SOURCE: Office of the City Clerk; April, 2001.

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- 1 (a) Main office located in Tupelo, Mississippi.  
 (b) Main office located Birmingham, Alabama. Figure represents total assets for 1999; As of March 17, 2000, First American National Bank, dba Deposit Guaranty National Bank ("DGNB") merged with AmSouth Bank;. Total assets of DGNB prior to merger were \$20,731,770,000.  
 (c) Main office located in Purvis, Mississippi.  
 (d) Main office located in Richton, Mississippi.  
 (e) Main office located in Jackson, Mississippi.  
 (f) Main office located in Memphis, Tennessee.

EXHIBIT "A"

**Educational Facilities**

The Petal School District (the "District") serves the entire City of Petal and consists of one elementary school, one middle school and one high school, and employs approximately 490 people.

Enrollment figures for the District for the 2000-01 scholastic year and the four preceding years are as follows:

Scholastic Year	Enrollment
2000-01	3,635
1999-00	3,626
1998-99	3,614
1997-98	3,765
1996-97	3,621

SOURCE: Office of the Superintendent, Petal Public School District; April, 2001.

**TAX INFORMATION**

**Assessed Valuation<sup>2</sup>**

Assessment Year	Real Property	Personal Property	Public Utility Property	Total
2000	\$18,170,270	\$ 8,544,550	\$4,300,089	\$31,014,909
1999	18,306,803	8,665,721	4,267,544	31,240,068
1998	17,395,174	10,397,600	4,106,045	31,898,819
1997	17,039,941	7,468,705	4,106,045	28,614,691
1996	14,749,822	9,161,838	3,967,978	27,879,638

SOURCE: Office of the City Clerk; April, 2001.

<sup>2</sup> The total assessed valuation is approved in September preceding the fiscal year of the City and represents the value of real property, personal property and public utility property for the year indicated on which taxes are assessed for the following fiscal year's budget. For example, the taxes for the assessed valuation figures for 2000 will be collected starting in January, 2001 for the 2000-2001 fiscal year budget of the City.

EXHIBIT "A"

Assessed valuations are based upon the following assessment ratios:

- (a) Real and personal property (excluding single-family owner-occupied residential real property and motor vehicles, respectively), 15 percent of true value;
- (b) Single-family owner-occupied residential real property, 10 percent of true value;
- (c) Motor vehicles and public utility property, 30 percent of true value.

The 1986 Session of the Mississippi Legislature adopted House Concurrent Resolution No. 41 (the "Resolution"), pursuant to which there was proposed an amendment to the Mississippi Constitution of 1890 (the "Amendment"). The Amendment provided, inter alia, that the assessment ratio of any one class of property shall not be more than three times the assessment ratio on any other class of property.

The Amendment set forth five classes of property and the assessment ratios which would be applicable thereto upon the adoption of the Amendment. The assessment ratios set forth in the Amendment are identical to those established by Section 27-35-4, Mississippi Code of 1972, as it existed prior to the Amendment, except that the assessment ratio for single-family, owner-occupied residential real property under the Amendment is set at 10 percent of true value as opposed to 15 percent of true value under previously existing law.

The assessed valuation figures above do not include property exempt from all City ad valorem tax for a period of up to ten years, primarily for new or expanded manufacturing facilities. Set forth below is a schedule of the assessed valuation of such exempt property which will become subject to City ad valorem tax in the next ten years:

Exempt Property	Current Assessed Valuation	Date Exemption Ends
Petal Gas Storage	\$2,067,477	12/31/03
CMS Gas Transmission	351,045	12/31/03
Petal Gas Storage	273,046	12/31/03
Petal Gas Storage	175,117	12/31/03
CMS Gas Transmission	5,666	12/31/03
Midstream Combination	765	12/31/05
Total	\$2,873,116	

SOURCE: Office of the City Clerk; April, 2001.

EXHIBIT "A"

**Procedure for Property Assessments**

The Tax Assessor of Forrest County assesses all real and personal property subject to taxation in the County, including property in the City, except motor vehicles and property owned by public service corporations, both of which are required by law to be assessed by the State Tax Commission.

Section 21-33-9, Mississippi Code of 1972, as amended, provides that the governing authorities of a municipality which is located within a county having completed a countywide reappraisal approved by the State Tax Commission and which has been furnished a true copy of that part of the County assessment roll containing the property located within a municipality as provided in Section 27-35-167, Mississippi Code of 1972, as amended, shall adopt such assessment rolls for its assessment purposes. The City is utilizing the assessment rolls of the County.

The City may not correct or revise such assessment rolls except for the purpose of conforming the municipal assessment roll to corrections or revisions made to the County assessment roll. All objections to the municipal assessment roll may be heard by the Board of Supervisors of the County at the time and in the manner that objections to the County assessment roll are heard. The Board of Supervisors shall notify, in writing, the Governing Body and the Tax Assessor of the City of any corrections or revisions made by it to the part of the County assessment roll adopted as the municipal assessment roll.

**Tax Levy Per \$1,000 Valuation<sup>3</sup>**

	2000-01	1999-00	1998-99	1997-98	1996-97
General Purpose	27.86	24.39	21.91	21.91	21.91
Debt Service	0.00	4.00	10.20	12.11	13.59
Library Fund	2.00	2.00	1.90	2.25	2.25
Total	29.86	30.39	34.01	36.27	37.75

SOURCE: Office of the City Clerk; April, 2001.

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<sup>3</sup>Tax levy figures are given in mills.

EXHIBIT "A"

**Ad Valorem Tax Collections**

<b>Fiscal Year September 30</b>	<b>Amount Budgeted</b>	<b>Amount Collected</b>	<b>Difference Over/Under</b>
2000	\$710,000	\$720,471	\$10,471
1999	601,346	636,149	34,803
1998	560,000	602,772	42,772
1997	520,000	537,677	17,677
1996	520,000	551,721	31,721

SOURCE: Office of the City Clerk; April, 2001.

**Procedure for Tax Collections**

The Governing Body is required to levy a special tax upon all of the taxable property within the geographical limits of the City each year sufficient to provide for the payment of the principal of and interest on the City's general obligation bonds. If any taxpayer neglects or refuses to pay his taxes on the due date thereof, the unpaid taxes bear interest at the rate of 1 percent per month or fractional part thereof from the delinquent date to the date of payment of such taxes. When enforcement officers take action to collect delinquent taxes, other fees, penalties and costs may accrue. Both real property and personal property are subject to public tax sale.

Section 21-33-63, Mississippi Code of 1972, as may be amended from time to time, and related statutes provide that after the fifteenth day of February and after the fifteenth day of August in each year, the tax collector for each municipality shall advertise all lands in such municipality on which all the taxes due and in arrears have not been paid, as well as all land liable for sale on the first Monday of April or the third Monday of September following, as the case may be.

**Reappraisal of Property and Limitation on Ad Valorem Levies**

Senate Bill No. 2672, General Laws of Mississippi, Regular Session 1980, codified in part as Sections 27-35-49 and 27-35-50, Mississippi Code of 1972 (the "Reappraisal Act"), provides that all real and personal property in the State shall be appraised at true value and assessed in proportion to true value. To insure that property taxes do not increase dramatically as the counties complete reappraisals, the Reappraisal Act provides for the limit on increase in tax revenues discussed below.

The statute limits ad valorem tax levies by the City subsequent to October 1, 1980, to a rate which will result in an increase in total receipts of not greater than ten percent (10%) over the previous year's receipts, excluding revenue from ad valorem taxes on any newly constructed properties, any existing properties added to the tax rolls or any properties previously exempt which were not assessed in the next preceding year: This limitation does not apply to levies for the payment

EXHIBIT "A"

of the principal of and the interest on general obligation bonds issued by the City or to certain other specified levies. The limitation may be increased only if the proposed increase is approved by a majority of those voting in an election held on such question.

On August 20, 1980, the Mississippi Supreme Court rendered its decision in State Tax Commission v. Fondren, 387 So.2d 712, affirming the decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, wherein the State Tax Commission was enjoined from accepting and approving assessment rolls from any county in the State for the tax year 1983 unless the State Tax Commission equalized the assessment rolls of all of the counties. Due to the intervening passage of the Reappraisal Act, the Supreme Court reversed that part of the lower court's decree ordering the assessment of property at true value (although it must still be appraised at true value), holding instead that assessed value may be expressed as a percentage of true value. Pursuant to the Supreme Court modification of the Chancellor's decree, on November 15, 1980, the State Tax Commission filed a master plan to assist counties in determining true value. On February 7, 1983, the Chancery Court granted an extension until July 1, 1984, of its previous deadline past which the State Tax Commission could not accept and approve tax rolls from counties which had not yet reappraised. The City has completed reappraisal.

**Homestead Exemption**

The Mississippi Homestead Exemption Law of 1946 reduces the local tax burden on homes qualifying by law and substitutes revenues from other sources of taxation on the State level as a reimbursement to the local taxing units for such tax loss. Provisions of the homestead exemption law determine qualification, define ownership and limit the amount of property that may come within the exemption. The exemption is not applicable to taxes levied for the payment of the Bonds, except as hereinafter noted.

Those homeowners who qualify for the homestead exemption and who have reached the age of sixty-five (65) years on or before January 1 of the year for which the exemption is claimed, service-connected, totally disabled American veterans who were honorably discharged from military service and those qualified as disabled under the federal Social Security Act are exempt from any and all ad valorem taxes on qualifying homesteads not in excess of \$6,000 of assessed value thereof.

The tax loss resulting to local taxing units from properly qualified homestead exemptions is reimbursed by the State Tax Commission. Beginning with the 1984 supplemental ad valorem tax roll and for each roll thereafter, no taxing unit shall be reimbursed an amount in excess of one hundred six percent (106%) of the total net reimbursement made to such taxing unit in the next proceeding year.



EXHIBIT "A"

**Ten Largest Taxpayers**

The ten largest taxpayers in the City for assessment year 2000, are as follows:

Taxpayer	Assessed Valuation	Taxes Collected
MS Power & Light	\$ 3,372,340	\$100,698.07
BellSouth	548,352	16,373.79
Midstream	531,800	15,879.55
Wal-Mart	363,655	10,858.74
Rainbow Development	203,885	6,088.01
Hudson Salvage	173,628	5,184.53
Entex	132,168	3,946.54
Norfolk	106,380	3,176.51
Plantation Pipe	61,880	1,847.74
Koch	58,880	1,758.16
<b>TOTAL</b>	<b>\$10,487,868</b>	<b>\$165,811.64</b>

SOURCE: Office of the City Clerk; April, 2001.

EXHIBIT "A"

DEBT INFORMATION

Legal Debt Limit Statement

(as of April, 2001)

	15% Debt	20% Debt
Authorized Debt Limit (Last Completed Assessment for Taxation - \$31,014,909)	\$4,652,236	\$6,202,981
Present Debt Subject to Debt Limits	-0-	205,000
Margin for Further Debt Under Debt Limits	\$4,652,236	\$5,997,981
Less: This Offering	1,200,000	1,200,000
Margin for Further Debt Under Debt Limits after Issuance of the Bonds	\$3,452,236	\$4,797,981

Statutory Debt Limits

The City is subject to a general statutory debt limitation under which no municipality in the State may incur general obligation bonded indebtedness in an amount which will exceed 15 percent of the assessed value of the taxable property within such municipality according to the last completed assessment for taxation.

In computing general obligation bonded indebtedness for purposes of such 15 percent limitation, there may be deducted all bonds or other evidences of indebtedness issued for school, water and sewerage systems, gas and light and power purposes and for the construction of special improvements primarily chargeable to the property benefitted, or for the purpose of paying a municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefitted. However, in no case may a municipality contract any indebtedness payable in whole or in part from proceeds of ad valorem taxes which, when added to all of its outstanding general obligation indebtedness, both bonded and floating, exceeds 20 percent of the assessed value of the taxable property within such municipality.

In arriving at the limitations set forth above, bonds issued for school purposes, bonds payable exclusively from the revenues of any municipally-owned utility, general obligation industrial bonds issued under the provisions of Sections 57-1-1 to 57-1-51, Mississippi Code of 1972, as amended, and special assessment improvement bonds issued under the provisions of Sections 21-41-1 to 21-41-53, Mississippi Code of 1972, as amended, are not included. Also excluded from both limitations are contract obligations subject to annual appropriations.

EXHIBIT "A"

**Outstanding General Obligation Bonded Debt Subject to Debt Limits**

(as of April, 2001)

Issue	Date of Issue	Outstanding Principal
General Obligation Water and Sewer Refunding Bonds	09/15/89	\$205,000
Total		\$205,000

**Outstanding General Obligation Bonded Debt Not Subject to Debt Limits**

(as of April, 2001)

Issue	Date of Issue	Outstanding Principal
Petal Separate School District Bonds <sup>4</sup>	03/01/78	\$380,000
Total		\$380,000

**Outstanding Revenue Bonded Debt**

(as of April, 2001)

Issue	Date of Issue	Outstanding Principal
Water and Sewer Revenue Bonds	02/01/90	\$520,000
Total		\$520,000

Revenue bonds are payable as to principal and interest solely out of and secured by a pledge of the revenue to be derived from the facilities financed with the proceeds of such bonds and any other sum which may be received from or in connection with such facilities or utility system. Such bonds and the interest thereon are limited obligations of the City and shall never constitute nor give rise to any pecuniary liability of the City or a charge against its general credit or taxing powers.

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<sup>4</sup> Represent general obligation bonds issued by the City, for and on behalf of the Petal Separate School District, payable from taxes levied on property located in the Petal Separate School District not subject to debt limitations of the City. This debt is also listed under "Overlapping/Underlying General Obligation Indebtedness" herein.

EXHIBIT "A"

**Other Outstanding Long Term Debt**

(as of April, 2001)

Issue	Date of Issue	Outstanding Principal
Certificates of Participation	1994	\$ 360,000
Sewer Abatement	1985	99,827
Sewer Revolving Fund	1995	651,955
Capital Lease	1998	100,264
Total		\$1,212,046

EXHIBIT "A"

Annual Debt Service Requirements

Fiscal Year Ending September 30 <sup>5</sup>	2001-2016			General Obligation Bonds			Estimated 10/21 Debt Service
	Principal	Interest	Total	Principal	Interest	Total	
2001	\$ 450,000.00	\$ 61,685.00	\$ 511,685.00	\$ 0.00	\$	\$	\$
2002	465,000.00	36,642.50	501,642.50	55,000.00			
2003	180,000.00	18,125.00	198,125.00	60,000.00			
2004	200,000.00	6,250.00	206,250.00	60,000.00			
2005	0.00	0.00	0.00	65,000.00			
2006	0.00	0.00	0.00	70,000.00			
2007	0.00	0.00	0.00	70,000.00			
2008	0.00	0.00	0.00	75,000.00			
2009	0.00	0.00	0.00	80,000.00			
2010	0.00	0.00	0.00	80,000.00			
2011	0.00	0.00	0.00	85,000.00			
2012	0.00	0.00	0.00	90,000.00			
2013	0.00	0.00	0.00	95,000.00			
2014	0.00	0.00	0.00	100,000.00			
2015	0.00	0.00	0.00	105,000.00			
2016	0.00	0.00	0.00	110,000.00			
<b>Total</b>	<b>\$1,295,000.00</b>	<b>\$122,702.50</b>	<b>\$1,417,702.50</b>	<b>\$1,200,000.00</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

<sup>5</sup> Calculated based on interest rates set forth on the cover.

EXHIBIT "A"

**General Obligation Bonded Debt**

	1994	1995	1996	1997	1998
Petal Separate School District (3/1/78)	\$ 560,000	\$ 740,000	\$ 920,000	\$1,090,000	\$1,260,000
General Obligation Sewer Refunding Bonds (3/15/89)	265,000	320,000	370,000	420,000	465,000
General Obligation Water and Sewer Refunding Bonds (11/1/92)	285,000	555,000	810,000	1,060,000	1,290,000
<b>Total</b>	<b>\$1,110,000</b>	<b>\$1,615,000</b>	<b>\$2,100,000</b>	<b>\$2,570,000</b>	<b>\$3,015,000</b>

EXHIBIT "A"

**Debt Ratios**

FY Ended September 30	General Obligation Debt	General Obligation Debt to Assessed Value
2000	\$1,110,000	3.57%
1999	1,615,000	5.16
1998	2,100,000	6.58
1997	2,570,000	8.98
1996	3,015,000	10.81

**Overlapping/Underlying General Obligation Indebtedness**

(as of April, 2001)

County	1990 Population	Current Assessed Valuation	General Obligation Bonded Debt	General Obligation Bonded Debt Per Capita
Forrest County	68,314	\$373,709,735	\$26,195,000	\$383.44

School Districts	Current Assessed Valuation	Total General Obligation Bonded Debt
Petal Separate School District <sup>6</sup>	\$85,553,428	\$380,000

<sup>6</sup> General obligation debt issued by the City, for and on behalf of the Petal Separate School District, not subject to the debt limitation of the City. See "Outstanding General Obligation Bonded Debt Not Subject to Debt Limits" on page A-14 herein.

**EXHIBIT "A"**

**APPENDIX B**

**NOTICE OF BOND SALE**



EXHIBIT "A"

**NOTICE OF BOND SALE**  
**\$1,200,000**  
**GENERAL OBLIGATION BONDS**  
**SERIES 2001**  
**OF**  
**CITY OF PETAL, MISSISSIPPI**

Sealed proposals will be received by the Mayor and Board of Aldermen of the City of Petal, Mississippi (the "Governing Body" of the "City"), in its meeting place in the City Hall of the City until the hour of 11:00 o'clock a.m. on the 17<sup>th</sup> day of May, 2001, at which time said bids will be publicly opened and read, for the purchase in its entirety, at not less than par and accrued interest to the date of delivery thereof, of an issue of One Million Two Hundred Thousand Dollars (\$1,200,000) principal amount General Obligation Bonds, Series 2001, of the City (the "Bonds").

The Bonds will be dated June 1, 2001, will be delivered in the denomination of Five Thousand Dollars (\$5,000) each, or integral multiples thereof up to the amount of a single maturity, will be numbered from one upward; will be issued in fully registered form; and will bear interest from the date thereof at the rate or rates offered by the successful bidder in its bid, payable on June 1 and December 1 in each year (each an "Interest Payment Date"), commencing June 1, 2002. The Bonds will mature serially on June 1 in each year and in the principal amounts as follows:

<u>YEAR</u>	<u>AMOUNT</u>
2002	\$55,000
2003	60,000
2004	60,000
2005	65,000
2006	70,000
2007	70,000
2008	75,000
2009	80,000
2010	80,000
2011	85,000
2012	90,000
2013	95,000
2014	100,000
2015	105,000
2016	110,000

EXHIBIT "A"

Bonds maturing on June 1, 2009, and thereafter, are subject to redemption prior to their stated dates of maturity, either in whole or in part, in inverse order of maturity and by lot within a maturity on June 1, 2008, or on any Interest Payment Date thereafter, at par, plus accrued interest to the date of redemption.

The City will appoint the Paying and Transfer Agent for the Bonds after receiving the recommendation of the successful bidder. The Paying and Transfer Agent shall be a bank or trust company located within the State of Mississippi. The Paying Agent and/or Transfer Agent shall be subject to change by order of the Governing Body under the conditions and in the manner provided in the Bond Resolution under which the Bonds are issued.

The successful bidder must deliver to the Transfer Agent within thirty (30) days of the date of sale, or at such other later date as may be designated by the City, the names and addresses of the Registered Owners of the Bonds and the denominations in which the Bonds of each maturity are to be issued. If the successful bidder fails to submit such information to the Transfer Agent by the required time, one bond may be issued for each maturity in the full amount maturing on that date registered in the name of the successful bidder.

Both principal of and interest on the Bonds will be payable by check or draft mailed on the Interest Payment Date to Registered Owners of the Bonds as of the 15th day of the month preceding the maturity date for such principal or interest payment at the addresses appearing in the registration records of the City maintained by the Transfer Agent. Payment of principal at maturity shall be conditioned on the presentation and surrender of the Bonds at the principal office of the Transfer Agent.

The Bonds will be transferable only upon the records of the City maintained by the Transfer Agent.

The Bonds shall not bear a greater overall maximum interest rate to maturity than eleven percent (11%) per annum, and shall mature in the amounts and on the dates hereinabove set forth; no Bond shall bear more than one (1) rate of interest; each Bond shall bear interest from its date to its stated maturity date at the interest rate or rates specified in the bid; all Bonds of the same maturity shall bear the same rate of interest from date to maturity. The lowest interest rate specified shall not be less than seventy percent (70%) of the highest interest rate specified; each interest rate specified must be an even multiple of one-eighth of one percent (1/8 of 1%) or one-tenth of one percent (1/10 of 1%) and a zero rate cannot be named. The interest rate for any one maturity shall not exceed eleven percent (11%) per annum.

The Bonds will be general obligations of the City payable as to principal and interest out of and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon the taxable property within the geographical limits of the City. The City will levy annually a special tax upon all taxable property within the geographical limits of the City adequate and sufficient to provide for the payment of the principal of and the interest on the Bonds as the same falls due.

EXHIBIT "A"

The City will designate the Bonds as qualified tax-exempt obligations within the meaning and for the purposes of Section 265(b)(3) of the Code.

Proposals should be addressed to the Mayor and Board of Aldermen and should be plainly marked "Proposal for General Obligation Bonds, Series 2001, of the City of Petal, Mississippi," and should be filed with the Clerk of the City on or prior to the date and hour hereinabove named.

Each bid must be accompanied by a cashier's check, certified check, or exchange, issued or certified by a bank located in the State of Mississippi, payable to the City of Petal, Mississippi, in the amount of Twenty Four Thousand Dollars (\$24,000) as a guaranty that the bidder will carry out its contract and purchase the Bonds if its bid be accepted. If the successful bidder fails to purchase the Bonds pursuant to its bid and contract, then the amount of such good faith check shall be retained by the City as liquidated damages for such failure. No interest will be allowed on the amount of the good faith deposit. All checks of unsuccessful bidders will be returned immediately on award of the Bonds. All proposals shall remain firm for three hours after the time specified for the opening of proposals and an award of the Bonds, or rejection of proposals, will be made by the City within said period of time.

The award, if any, will be made to the bidder complying with the terms of sale and offering to purchase the Bonds at the lowest net interest cost to the City. The net interest cost will be determined by computing the aggregate interest on the Bonds over the life of the issue at the rate or rates of interest specified by the bidder, less premium offered, if any. It is requested that each proposal be accompanied by a statement of the net interest cost (computed to six decimal places), but such statement will not be considered a part of the proposal.

The Governing Body reserves the right to reject any and all bids submitted and to waive any irregularity or informality.

The obligation of the purchaser to purchase and pay for the Bonds is conditioned on the delivery, at the time of settlement of the Bonds, of the following: (1) the approving legal opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Bond Counsel, to the effect that the Bonds constitute valid and legally binding obligations of the City payable from and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon all the taxable property within the geographical limits of the City and to the effect that the interest on the Bonds is exempt from Federal and Mississippi income taxes under existing laws, regulations, rulings and judicial decisions with such exceptions as shall be required by the Internal Revenue Code of 1986; and (2) the delivery of certificates in form and tenor satisfactory to Bond Counsel evidencing the proper execution and delivery of the Bonds and receipt of payment therefor, including a statement of the City, dated as of the date of such delivery, to the effect that there is no litigation pending or, to the knowledge of the signer or signers thereof, threatened relating to the issuance, sale and delivery of the Bonds. A copy of said approving legal opinion will appear on or accompany the Bonds.

Delivery of the Bonds is expected to be made within sixty (60) days after the aforesaid date of sale of the Bonds at a place to be designated by the purchaser and without cost to the purchaser.

EXHIBIT "A"

Simultaneously with the delivery of the Bonds, the purchaser shall furnish to the City a certificate, in form acceptable to Bond Counsel, stating that: (i) it purchased the Bonds as an investment for its own account and not with a view toward distribution or resale in the capacity of a bond house, broker, or intermediary; or (ii) pursuant to a bona fide public offering of all of the Bonds, it sold a substantial amount (ten percent (10%), or more, in par amount) of each maturity of the Bonds to the public (excluding bond houses, brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below the initial public offering prices set forth in such certificate. The purchaser shall also furnish a certificate, in form acceptable to Bond Counsel, setting forth the yield on the Bonds and issue price thereof, calculated in accordance with the requirements of the Code.

It is anticipated that CUSIP identification numbers will be printed on the Bonds unless specifically declined by the purchaser, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for the Bonds in accordance with the terms of the purchase contract. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the City; the CUSIP Service Bureau charge for the assignment of said numbers shall be the responsibility of and shall be paid for by the purchaser.

While Bond Counsel has determined that the City is exempt from the continuing disclosure requirements of Securities and Exchange Commission Rule 15c2-12, as amended ("Rule 15c2-12"), the City hereby covenants that pursuant to the Small Issuer Exemption under Rule 15c2-12(d)(2), as amended, of the Securities and Exchange Commission, the City will deliver or cause to be delivered, commencing with the fiscal year of the City ending after January 1, 2001, (i) to each person requesting same, financial information and operating data relating to the City, including audited financial statements of the City, and (ii) in a timely manner, to each "nationally recognized municipal securities information repository," within the meaning of Rule 15c2-12, and certain other entities described in Rule 15c2-12 (said repositories and other entities are collectively referred to as the "Repositories"), notice of any events specified in Rule 15c2-12(b)(5)(i)(c), relating to the Bonds and the City, if the City deems such events to be material as set forth under Rule 15c2-12. If applicable, anyone requesting the aforementioned information under Rule 15c2-12, should contact the City Clerk, City Hall, 119 West 8<sup>th</sup> Avenue, Petal, Mississippi 39645, Telephone Number: (601) 545-1776.

The Preliminary Official Statement, dated April 17, 2001, has been "deemed final" as of such date by the City with permitted omissions, subject to change without notice and to completion or modification in a final Official Statement (the "Official Statement"). The City will make available to the successful bidder a reasonable number of Official Statements within seven (7) business days (excluding Saturdays, Sundays and national holidays) of the award of the Bonds. The successful bidder shall conform to the requirements of Securities Exchange Act 15c2-12 ("SEC Rule 15c2-12"), including an obligation, if any, to update the Official Statement and shall bear all costs relating thereto. During the period from the delivery of the Official Statement to and including the date which is twenty-five (25) days following the end of the underwriting period for the Bonds (as described below) the City shall notify the successful bidder if any event of which it has knowledge shall occur which might or would cause the Official Statement, as then supplemented or amended,

EXHIBIT "A"

to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

The successful bidder shall file the Official Statement with a nationally recognized municipal securities information repository (a "Repository") at the earliest practicable date after the date of delivery of the Bonds. The end of the underwriting period shall mean the earlier of (a) the date of the Closing unless the City has been notified in writing to the contrary by the Representative of the successful bidder on or prior to such date, or (b) the date on which the "end of the underwriting period" for the Bonds has occurred under SEC Rule 15c2-12. The successful bidder shall notify the City of the date which is the "end of the underwriting period" within the meaning of the SEC Rule 15c2-12.

By order of the Mayor and Board of Aldermen of the City of Petal, Mississippi, on April 17, 2001.

/s/ Priscilla Daniel  
CITY CLERK

**PUBLISH: May 4 and 11, 2001**

**EXHIBIT "A"**

**APPENDIX C**

**BUDGETS**

EXHIBIT "A"

**ADOPTED BUDGET FOR FISCAL YEAR 2000-2001**

EXHIBIT "A"

**AMENDED BUDGET FOR FISCAL YEAR 1999-2000**



EXHIBIT "A"

APPENDIX D

AUDIT

EXHIBIT "A"

**FINANCIAL STATEMENT FOR FISCAL YEAR  
ENDED SEPTEMBER 30, 1999**

EXHIBIT "A"

APPENDIX E

FORM OF LIMITED CONTINUING DISCLOSURE AGREEMENT

EXHIBIT "A"

**LIMITED CONTINUING DISCLOSURE AGREEMENT**

This Limited Continuing Disclosure Agreement (the "Agreement") is executed and delivered by the City of Petal, Mississippi ("the "Issuer") in connection with issuance of its \$1,200,000 City of Petal, Mississippi General Obligation Bonds, Series 2001 (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Mayor and Board of Aldermen (the "Governing Body") of the City on April 17, 2001 (the "Bond Resolution").

**Section 1. Purpose of the Agreement.** This Agreement is being executed and delivered by the Issuer for the benefit of the Bondholders and the beneficial owners of the Bonds and in order to assist the Dissemination Agent and Paying Agent in complying with the S.E.C. Rule 15c2-12(b)(5).

**Section 2. Definitions.** Capitalized terms not otherwise defined in this Agreement shall have the meaning assigned in the Bond Resolution. In addition the following capitalized terms shall have the following meanings:

(a) "Dissemination Agent" shall mean the person serving from time to time in the capacity of the Issuer's City Clerk.

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

(c) "MSRB" shall mean the Municipal Securities Rulemaking Board.

(d) "National Repository" shall mean any nationally recognized municipal securities information repository for purposes of the rule.

(e) "Official Statement" shall mean any the Official Statement dated May 17, 2001, relating to the issuance by the Issuer of the Bonds.

(f) "Paying Agent" shall mean \_\_\_\_\_, \_\_\_\_\_, Mississippi a banking corporation.

(g) "Repository" shall mean each national repository and each state repository.

(h) "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.

(i) "State Repository" shall mean any public or private repository or entity designated by the State of Mississippi as a state repository for the purpose of the Rule. As of the date of this Limited Continuing Disclosure Agreement, no State Repository has been so established or designated by the State of Mississippi.

**Section 3. Limited Agreement.** The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to any person upon request or at least annually to the State Repository, if any, financial information and operating data (collectively

EXHIBIT "A"

referred to as "Annual Financial Information") with respect to the Issuer of the type contained in the Official Statement under the Appendices A, C and D.

The Issuer reserve the right to modify from time to time the specified types of information provided in the format of the presentation of such information, to the extent necessary or appropriate in the judgment of the Issuer; provided that the Issuer agrees that any such modification will be done in a manner consistent with the Rule.

**Section 4. Dissemination Agent.** The Issuer agrees that the Issuer's City Clerk shall be designated as the Issuer's contact person and shall be vested with authority to provide the information and data referred to in Section 3 and the notices referred to in Section 5. The name, address and telephone number of the initial Dissemination Agent is as follows:

City Clerk  
City Hall  
119 West 8<sup>th</sup> Avenue  
Petal, MS 39465  
Telephone Number: 601-545-1776

**Section 5. Reporting of Listed Events.** This Section 5 shall govern the giving of notices of the occurrence of any of the following Listed Events, to the extent they are applicable:

1. Principal and interest payment delinquencies;
2. Nonpayment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax exempt status of the Bonds;
7. Modification to rights of holders of the Bonds;
8. Bond calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Bonds;
11. Rating changes; and
12. Failure by the Issuer to provide the notice of the occurrence of a Listed Event.

A. Whenever the Issuer obtains knowledge of the occurrence of a Listed Event, the Issuer shall as soon as possible determine if such event will constitute material information for holders of the Bonds, provided, that any event under Items 8. or 9. in this Section 5 will always be deemed to be material.

B. If the Issuer determines that knowledge of the occurrence of a Listed Event would be material, the Issuer shall promptly file a notice of such occurrence with each Repository with a copy to the Paying Agent. Notwithstanding the foregoing, notice of Listed Events described in Items 8. and 9. in this Section 5 need not be given under this subsection any earlier than the notice (if any) of the underlying event as given to the holders of affected Bonds pursuant to the Bond Resolution.

**Section 6. Termination of Reporting Obligation.** The Issuer's obligations under this Agreement shall terminate upon the defeasance, prior redemption or payment in full of all the Bonds.

EXHIBIT "A"

**Section 7. Amendment: Waiver.** Notwithstanding any other provision of this Agreement the Issuer may amend this Agreement and any provisions of this Agreement may be waived, if such amendment or waiver is supported by opinion of counsel, expert and federal securities laws, to the effect that such amendment or waiver would not, in and of itself, cause the Agreements herein to violate the Rule if such amendment or waiver had been effected on the date hereof, but taking into account any subsequent change in or official interpretation of the Rule.

**Section 8. Additional Information.** Nothing in this Agreement shall be deemed to prevent the Issuer from dissemination of any other information, using the means of dissemination set forth in the Agreement or any other means of communication, in addition to that which is required by this Agreement. If the Issuer chooses to disclose any information or date or notice of occurrence of a Listed Event in addition to that which is specifically required by this Agreement, the Issuer shall have no obligation under this Agreement to update such information or include it in any future report or notice of occurrence of a Listed Event.

**Section 9. Default.** In the event of a failure of the Issuer to comply with any provision of this Agreement, any Bondholder or beneficial owner may take such action as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligation under this Agreement. A default under this Agreement shall be not be deemed an event of default unto the Bond Resolution, and the sole remedy under this Agreement in the event of any failure of the Issuer to comply with this Agreement shall be an action to compel performance.

**Section 10. Duties, Immunities and Liabilities of Dissemination Agent.** The Dissemination Agent shall have only such duties as specifically set forth in this Agreement, and the Issuer agrees to indemnify and save the Dissemination Agent harmless against any loss, expense and liabilities which he or she may incur arising out of or in the exercise of performance of the powers and duties hereunder, including the costs and expenses (including attorney fees) of defending against any claim of liability. The obligation of the Issuer under this section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

**Section 11. Beneficiaries.** This Agreement shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Paying Agent, the Bondholders and the beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

DATE: \_\_\_\_\_, 2001.

CITY OF PETAL, MISSISSIPPI

By: \_\_\_\_\_  
Jack Gay, Mayor

ATTEST:

\_\_\_\_\_  
Priscilla Daniel, City Clerk

EXHIBIT "A"

APPENDIX F

FORM OF OPINION OF BOND COUNSEL

EXHIBIT "A"

**[FORM OF OPINION OF BOND COUNSEL]**

Mayor and Board of Aldermen  
City of Petal, Mississippi

Dear Sirs:

We have acted as Bond Counsel for the City of Petal, Mississippi (the "City"), in connection with the issuance of the City of Petal, Mississippi, General Obligation Bonds, Series 2001, dated June 1, 2001, in the total authorized aggregate amount of \$1,200,000 (the "Bonds").

The Bonds bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Bonds and in the resolution adopted by the Mayor and Board of Aldermen of the City authorizing their issuance (the "Bond Resolution").

We have acted as Bond Counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the laws of the State of Mississippi, and with respect to the exemption of interest on the Bonds from federal and Mississippi income taxation. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the certified transcript of proceedings described in the following paragraph. We have relied on the authenticity, truthfulness and completeness set forth in such documents, instruments and certificates. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds.

In our capacity as Bond Counsel, we have participated in the preparation of and have examined a certified transcript of proceedings pertaining to the Bonds which contains copies of certain proceedings of the City, customary certificates of officers, agents and representatives of the City and other public officials and other matters relating to the authorization and issuance of the Bonds including a certification of the City prepared pursuant to Section 1.148-2(b)(2)(i) of the United States Treasury Regulations (the "Non-Arbitrage Certificate"). We have also examined executed Bond No. R-1 of this issue.

Based on such examination, it is our opinion that:

1. The transcript of proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the laws of the State of Mississippi presently in effect, that the Bonds constitute valid and legally binding obligations of the City, that the Bonds are payable from and secured by an irrevocable pledge of the avails of a direct and continuing tax to be levied annually without limitation as to time, rate or amount upon all the taxable property within the geographical limits of the City.

2. Under existing law, regulations and court decisions, as presently interpreted and construed, Bond Counsel is of the opinion, interest on the Bonds is exempt from all present taxes imposed by the State of Mississippi and any county, municipality or other political subdivision of the State of Mississippi, except for inheritance, estate and transfer taxes.



EXHIBIT "A"

3. Interest on the Bonds is not included in gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds is not treated as a preference item in calculating the alternative minimum tax that may be imposed on individuals and corporations. Such interest, however, is includable in the "adjusted current earnings" of a corporation for purposes of computing the alternative minimum tax and the environmental tax imposed on corporations.

4. The Code imposes an alternative minimum tax with respect to individuals and corporations on alternative minimum taxable income. A 20 percent alternative corporate minimum tax is imposed on corporations (other than S corporations, regulated investment companies, real estate investment trusts or real estate mortgage investment conduits, as such terms are defined in the Code). Interest on the Bonds is not treated as a preference item in calculating alternative minimum taxable income. The Code provides, however, that a corporation's alternative minimum taxable income is increased by 75 percent of the excess (if any) of (i) the "adjusted current earnings" of a corporation over (ii) its alternative minimum taxable income (determined without regard to this adjustment and the alternative tax net operating loss deduction). Interest on tax-exempt obligations, including the interest on the Bonds, would generally be included in computing a corporation's "adjusted current earnings". Accordingly, a portion of any interest on the Bonds received or accrued by a corporate registered owner will be included in computing such corporation's alternative minimum taxable income for such year.

5. For taxable years beginning before January 1, 1996, Section 59A of the Code imposes an environmental tax of 0.12 percent on the excess, with certain modifications, of a corporation's alternative minimum taxable income, over \$2,000,000. The environmental tax imposed by Section 59A of the Code is imposed independently from the alternative minimum tax on corporations and is deductible from gross income. Interest on the Bonds is included in alternative minimum taxable income for purposes of the environmental tax, to the extent reflected in the adjustment for "adjusted current earnings".

The Mayor and Board of Aldermen, acting for and on behalf of the City, has covenanted in the Bond Resolution that it will not make any use of the gross proceeds of the Bonds or amount that may be treated as proceeds of the Bonds or do or take or omit to take any other action that would cause: (i) the Bonds to be "arbitrage bonds" as such term is defined in Section 148(a) of the Code and the Regulations promulgated thereunder; (ii) the interest on the Bonds to be included in the gross income of the registered owners for federal income taxation purposes; or (iii) the interest on the Bonds to be treated as an item of tax preference under Section 57(a)(5) of the Code. Failure of the City to comply with such covenants could result in the interest on the Bonds being subject to federal income tax from the date of issue.

In rendering the foregoing opinion, Bond Counsel has assumed the continuing compliance by the City with the tax covenants and representations in the Bond Resolution and the representations in the Non-Arbitrage Certificate. These requirements relate to, *inter alia*, the use and investment of the gross proceeds of the Bonds and rebate to the United States Treasury of specified arbitrage earnings, if any. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of

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issuance of the Bonds have resulted in a failure of the City to comply with its covenants. Failure of the City to comply with such covenants could result in the interest on the Bonds becoming subject to federal income tax from the date of issue.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or to carry the Bonds.

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

Section 1375 of the Code imposes a tax on the "excess net passive investment income" of S corporations that have Subchapter C earnings and profits at the close of the taxable year, if more than twenty-five percent (25%) of the gross receipts of such S corporations is passive investment income. Interest on the Bonds is included in the calculation of excess net passive income.

Section 265 of the Code denies a deduction for interest paid on borrowed funds to purchase or carry tax-exempt obligations. In addition, under rules used by the Internal Revenue Service for determining when borrowed funds are considered used for the purpose of purchasing or carrying particular assets, the purchase of obligations may be considered to have been made with borrowed funds even though the borrowed funds are not directly traceable to the purchase of such obligations.

Owners of the Bonds should consult their own tax advisors as to the applicability and effect on their federal income taxes of the alternative minimum tax, the environmental tax, the branch profits tax and the tax on passive investment income of corporations, as well as the applicability and effect of any other collateral federal income tax consequences.

Very truly yours,

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