

BE IT REMEMBERED THAT THERE WAS BEGUN AND HELD THE REGULAR MEETING OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI ON JANUARY 17, 2006 AT 7:00 P.M. IN THE COURTROOM OF SAID CITY.

THOSE PRESENT	MAYOR CARL SCOTT
ATTORNEY	THOMAS W TYNER
ALDERMEN	KAY FAIRLEY JAMES MOORE STEVE STRINGER LIESA WEAVER
OTHERS PRESENT	B C LEWIS ANN CLARK TONY READY BUDDY REYNOLDS STACY THOMPSON TOMMY CORLEY CHIEF LEE SHELBOURN VIRGINIA MOORE AND MANY MORE

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

THE INVOCATION WAS OFFERED BY BRO. BEN SKIPPER.

THE PLEDGE OF ALLEGIANCE WAS RECITED.

WHEREAS, MAYOR SCOTT PRESENTED THE AGENDA WITH THE FOLLOWING CHANGES:

- IX. GENERAL BUSINESS
 - 21. REQUEST TO REAPPOINT ANN COLEMAN TO THE PETAL SCHOOL BOARD FOR A TERM TO EXPIRE MARCH 2011.
 - 22. REQUEST TO PAY ESTIMATE #2 TO SCI, INC FOR DEBRIS AND TREE REMOVAL.
- X. SEMINARS & TRAVEL
 - 8. OMIT
 - 9. OMIT
 - 11. REQUEST FOR MAYOR CARL SCOTT TO JOIN THE MS ECONOMIC DEVELOPMENT COUNCIL AND TO ATTEND THE CONFERENCE IN JACKSON, MS FEBRUARY 8-10, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE AGENDA WITH THE FOREGOING CHANGES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE MINUTES OF THE REGULAR MEETING OF JANUARY 3, 2006, THE SPECIAL MEETING OF JANUARY 6, 2006 AND THE SPECIAL MEETING OF JANUARY 11, 2006

THEREUPON, ALDERMAN MOORE MADE A MOTION THAT THE MINUTES OF THE REGULAR MEETING OF JANUARY 3, 2006, THE SPECIAL MEETING OF JANUARY 6, 2006 AND THE SPECIAL MEETING OF JANUARY 11, 2006 BE ADOPTED AS WRITTEN. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER

ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT CALLED FOR PUBLIC COMMENT; THERE WAS NONE.

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REJECT THE BIDS ON CITY HALL, RECREATION DEPARTMENT, CIVIC CENTER, AND FIRE STATION #2 THAT WAS RECEIVED ON JANUARY 3, 2006.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO REJECT THE BIDS ON CITY HALL, RECREATION DEPARTMENT, CIVIC CENTER, AND FIRE STATION #2 THAT WAS RECEIVED ON JANUARY 3, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO ACCEPT THE BID FROM CENTRAL PIPE SUPPLY FOR AUTOMATED METER READER.

SEE EXHIBIT "A"

CENTRAL PIPE SUPPLY BID

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ACCEPT THE BID FROM CENTRAL PIPE SUPPLY FOR THE AUTOMATED METER READER. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A RECOMMENDATION FROM STREET SUPERVISOR, LARRY BYRD, TO TERMINATE DENNIS HAWK FOR FAILURE TO REPORT TO WORK

THEREUPON, ALDERMAN MOORE MADE A MOTION TO ACCEPT THE RECOMMENDATION FROM STREET SUPERVISOR, LARRY BYRD, TO TERMINATE DENNIS HAWK FOR FAILURE TO REPORT TO WORK EFFECTIVE JANUARY 5, 2006. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REINSTATE THE FIREWORKS DISPLAY AT RELAY PARK IN CELEBRATION OF INDEPENDENCE DAY.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE THE CITY TO HOLD FIREWORKS DISPLAYS AT RELAY PARK IN CELEBRATION OF INDEPENDENCE DAY OR ANY OTHER ACTIVITY. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESOLUTION TO ADOPT THE \$8,500,000 SPECIAL OBLIGATION SERIES 2006 (PETAL WATER AND SEWER BOND).

SEE EXHIBIT "B"

RESOLUTION

RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI (THE "CITY") APPROVING THE FORM OF AND THE EXECUTION OF AN OFFICIAL FORM OF PROPOSAL AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE SALE BY THE MISSISSIPPI DEVELOPMENT BANK (THE "BANK") OF ITS SPECIAL OBLIGATION BONDS, SERIES 2006 (PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT), IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000) TO PROVIDE FUNDS FOR A LOAN BETWEEN THE CITY AND THE BANK PURSUANT TO THE LOAN AGREEMENT SECURED BY A PROMISSORY NOTE (PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT) IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000) (THE "NOTE"); AND APPROVING THE FORM OF AND EXECUTION OF, AS APPLICABLE, THE LOAN AGREEMENT, THE NOTE, THE INDENTURE OF TRUST, THE PRELIMINARY OFFICIAL STATEMENT, THE OFFICIAL FORM OF PROPOSAL, THE BOND PURCHASE AGREEMENT, AND THE TAX INTERCEPT AGREEMENT (ALL AS HEREIN DEFINED)

THEREUPON, ALDERMAN MOORE MADE A MOTION TO ADOPT THE FOREGOING RESOLUTION. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF SCOTT CRAFT AS PART TIME FIREFIGHTER

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE RESIGNATION LETTER OF SCOTT CRAFT FROM THE FIRE DEPARTMENT EFFECTIVE JANUARY 17, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF STEPHEN MOONEY AS PART TIME FIREFIGHTER

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE RESIGNATION LETTER OF STEPHEN MOONEY FROM THE FIRE DEPARTMENT EFFECTIVE JANUARY 17, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF ADRIANNE BARHAM AS PART TIME FIREFIGHTER

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE RESIGNATION LETTER OF ADRIANNE BARHAM FROM THE FIRE DEPARTMENT EFFECTIVE JANUARY 17, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF CHARLES SMITH AS PART TIME FIREFIGHTER

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE RESIGNATION LETTER OF CHARLES SMITH FROM THE FIRE DEPARTMENT EFFECTIVE JANUARY 17, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF TERRY LAWSON AS PART TIME FIREFIGHTER

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ACCEPT THE RESIGNATION LETTER OF TERRY LAWSON FROM THE FIRE DEPARTMENT EFFECTIVE JANUARY 17, 2006. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE AUDIT FROM PINE BELT REGIONAL SOLID WASTE MANAGEMENT AUTHORITY FOR FISCAL YEAR 2005

SEE EXHIBIT "C"

PINE BELT REGIONAL SOLID WASTE AUDIT

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ACCEPT THE AUDIT FROM PINE BELT REGIONAL SOLID WASTE MANAGEMENT AUTHORITY FOR FISCAL YEAR 2005. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING PROOFS OF PUBLICATION:

- A. ADVERTISEMENT FOR BIDS-LIGHTING IMPROVEMENTS AT CITY PARK
- B. ADVERTISEMENT FOR BIDS-VIDEO INSPECTION OF SEWER SYSTEM
- C. ORDINANCE 2005(4-1)

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION THAT THE FOREGOING PROOFS OF PUBLICATION BE ACCEPTED AND FILED. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FOR A ZONING HEARING TO BE SET FOR BRYAN WADE LOCATED AT 1015 HWY 42E.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO SET THE ZONING HEARING FOR JANUARY 31, 2006 AT 7:00 P.M. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE PRIVILEGE LICENSE REPORT FOR THE MONTH OF DECEMBER 2005

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ACCEPT THE PRIVILEGE LICENSE FOR THE MONTH OF DECEMBER 2005. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE REVENUE AND EXPENDITURES REPORT FOR THE MONTH OF DECEMBER 2005.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ACCEPT THE REVENUE AND EXPENDITURE REPORT FOR THE MONTH OF DECEMBER 2005. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE RESIGNATION LETTER OF DUSTIN MCMULLAN FROM THE POLICE DEPARTMENT

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ACCEPT THE LETTER OF RESIGNATION FROM DUSTIN MCMULLAN OF THE POLICE DEPARTMENT EFFECTIVE JANUARY 5, 2006. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO ADVERTISE FOR QUOTES ON CITY PROPERTY AND VEHICLE INSURANCE.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO AUTHORIZE THE CITY CLERK TO ADVERTISE FOR QUOTES ON CITY PROPERTY AND VEHICLE INSURANCE. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO CHANGE THE BOARD MEETING OF JULY 4, 2006 DUE TO FALLING ON A HOLIDAY.

THEREUPON, ALDERMAN MOORE MADE A MOTION TO CHANGE THE BOARD MEETING OF TUESDAY, JULY 4, 2006 TO THURSDAY, JULY 6, 2006 AT 7:00 P.M. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND TERESA BRADY \$62.80 FOR OVERPAYMENT OF WATER BILL

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO REFUND TERESA BRADY \$62.80 FOR OVERPAYMENT OF WATER BILL. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REFUND KENNY CAMPBELL \$599.00 FOR SEWER CHARGES AT 203 LYNN RAY ROAD, WHICH DOES NOT HAVE ACCESS TO SEWER

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO REFUND KENNY CAMPBELL \$599.00 FOR SEWER CHARGES AT 203 LYNN RAY ROAD, WHICH DOES NOT HAVE ACCESS TO SEWER. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM MACHELLE BROWN OF THE FAMILY Y TO REFUND \$121.33 FOR THE SALES TAX THAT WAS PAID OUT TO THE CITY OF PETAL WATER DEPARTMENT AND TAKE THEM OFF OF PAYING SALES TAX.

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO AUTHORIZE THE CITY CLERK TO REFUND THE FAMILY Y \$121.33 FOR PAYING SALES TAX WHEN THEY ARE EXEMPT. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO PURCHASE AN AD IN THE 2006 PETAL NEWS PETAL PROFILE.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO PURCHASE A HALF PAGE AD AT COST OF \$250.00 FOR THE 2006 PETAL NEWS PETAL PROFILE. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO REAPPOINT ANN COLEMAN TO THE PETAL SCHOOL BOARD FOR A TERM TO EXPIRE MARCH 2011.

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO REAPPOINT ANN COLEMAN TO THE PETAL SCHOOL BOARD FOR A TERM TO EXPIRE MARCH 2011. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "RECUSED"

ALDERMAN LIESA WEAVER

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO PAY ESTIMATE #2 TO SCI, INC FOR TREE REMOVAL AND DEBRIS IN AMOUNT OF \$871,761.50.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE THE MAYOR TO EXECUTE THE ESTIMATE #2 FOR PAYMENT TO SCI, INC IN AMOUNT OF \$871,761.50. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM FIRE CHIEF RICHARD BRYANT FOR JUSTIN BELIVEAU TO ATTEND THE STATE FIRE ACADEMY IN JACKSON, MS FEBRUARY, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE JUSTIN BELIVEAU TO ATTEND TH STATE FIRE ACADEMY IN JACKSON, MS FEBRUARY 2006 AND TO PAY HIS EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM FIRE CHIEF RICHARD BRYANT FOR MICHAEL PALMER TO ATTEND THE STATE FIRE ACADEMY IN JACKSON, MS JANUARY, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE MICHAEL PALMER TO ATTEND TH STATE FIRE ACADEMY IN JACKSON, MS FEBRUARY 2006 AND TO PAY HIS EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM FIRE CHIEF RICHARD BRYANT FOR LANDON FORDHAM TO ATTEND THE STATE FIRE ACADEMY IN JACKSON, MS JANUARY, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE LANDON FORDHAM TO ATTEND THE STATE FIRE ACADEMY IN JACKSON, MS JANUARY 2006 AND TO PAY HIS EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM CHIEF LEE SHELBOURN FOR SGT BRENT BARFIELD TO ATTEND THE FIELD SOBRIETY INSTRUCTOR CLASS IN VICKSBURG, MS FEBRUARY 20-24, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE SGT BRENT BARFIELD TO ATTEND THE FIELD SOBRIETY INSTRUCTOR CLASS IN VICKSBURG, MS FEBRUARY 20-24, 2006 AND TO PAY HIS EXPENSES. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM CHIEF LEE SHELBOURN FOR SGT HARRIS TAPP TO ATTEND THE FIELD SOBRIETY INSTRUCTOR CLASS IN VICKSBURG, MS FEBRUARY 20-24, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE SGT HARRIS TAPP TO ATTEND THE FIELD SOBRIETY INSTRUCTOR CLASS IN VICKSBURG, MS FEBRUARY 20-24, 2006 AND TO PAY HIS EXPENSES. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM CHIEF LEE SHELBOURN FOR SGT TAMMY MOORE TO ATTEND THE DOMESTIC VIOLENCE & SEXUAL ASSAULT OF ELDERLY AND/OR INDIVIDUALS WITH DISABILITIES SCHOOL IN MEMPHIS, TN JANUARY 17-18, 2006.

THEREUPON, ALDERMAN MOORE MADE MOTION TO AUTHORIZE SGT TAMMY MOORE TO ATTEND THE DOMESTIC VIOLENCE & SEXUAL ASSAULT OF ELDERLY AND/OR INDIVIDUALS WITH DISABILITIES SCHOOL IN MEMPHIS, TN JANUARY 17-18, 2006 AND TO PAY HER EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FROM CHIEF LEE SHELBOURN FOR OFFICER CARLA BOUNDS TO ATTEND THE DOMESTIC VIOLENCE & SEXUAL ASSAULT OF ELDERLY AND/OR INDIVIDUALS WITH DISABILITIES SCHOOL IN MEMPHIS, TN JANUARY 17-18, 2006.

THEREUPON, ALDERMAN MOORE MADE MOTION TO AUTHORIZE OFFICER CARLA BOUNDS TO ATTEND THE DOMESTIC VIOLENCE & SEXUAL ASSAULT OF ELDERLY AND/OR INDIVIDUALS WITH DISABILITIES SCHOOL IN MEMPHIS, TN JANUARY 17-18, 2006 AND TO PAY HER EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST FOR CITY CLERK TO ATTEND THE 36TH ANNUAL MUNICIPAL CLERKS CONFERENCE IN VICKSBURG, MS MARCH 29-31, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ATTEND THE 36TH ANNUAL MUNICIPAL CLERK'S CONFERENCE IN VICKSBURG, MS MARCH 29-31, 2006 AND TO PAY HER EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO JOIN THE MS ECONOMIC DEVELOPMENT COUNCIL AND TO ATTEND THE MEDC WINTER CONFERENCE 2006 IN JACKSON, MS FEBRUARY 8-10, 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO AUTHORIZE MAYOR CARL SCOTT TO JOIN THE MS ECONOMIC DEVELOPMENT COUNCIL IN AMOUNT OF \$150.00 AND TO ATTEND THE MEDC WINTER CONFERENCE 2006 IN JACKSON, MS FEBRUARY 8-10, 2006 AND TO PAY HIS EXPENSES. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER HIRING CHARLIE BASS II

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY, UPON THE RECOMMENDATION OF CHIEF LEE SHELBOURN, TO HIRE A MOTORCYCLE OFFICER IN THE POLICE DEPARTMENT.

IT IS HEREBY ORDERED THAT CHARLIE WAYNE BASS II BE HIRED AS A MOTORCYCLE OFFICER IN THE POLICE DEPARTMENT EFFECTIVE FEBRUARY 1, 2006 AT A RATE OF \$26,100.00 ANNUALLY.

SO ORDERED ON THIS THE 17TH DAY OF JANUARY, A.D., 2006.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDER HIRING CHRISTOPHER SEAL.

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY, UPON THE RECOMMENDATION OF CHIEF LEE SHELBOURN, TO HIRE A MOTORCYCLE OFFICER IN THE POLICE DEPARTMENT.

IT IS HEREBY ORDERED THAT CHRISTOPHER SEAL BE HIRED AS A MOTORCYCLE OFFICER IN THE POLICE DEPARTMENT EFFECTIVE FEBRUARY 1, 2006 AT A RATE OF \$28,100.00 ANNUALLY.

SO ORDERED ON THIS THE 17TH DAY OF JANUARY, A.D., 2006.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO HIRE PART TIME FIREFIGHTER.

ORDER

WHEREAS, THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI DO HEREBY DEEM IT NECESSARY, UPON THE THE RECOMMENDATION OF CHIEF RICHARD BRYANT, TO HIRE A PART TIME FIREFIGHTER IN THE FIRE DEPARTMENT.

IT IS HEREBY ORDERED THAT DON SNYDER BE HIRED AS A PART TIME FIREFIGHTER AT A RATE OF \$8.50 PER HOUR EFFECTIVE FEBRUARY 1, 2006.

SO ORDERED ON THIS THE 17TH DAY OF JANUARY, A.D. 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING ORDER. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO HIRE PART TIME
FIREFIGHTER.

ORDER

WHEREAS, THE MAYOR AND BOARD OF
ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI
DO HEREBY DEEM IT NECESSARY, UPON THE
THE RECOMMENDATION OF CHIEF RICHARD
BRYANT, TO HIRE A PART TIME FIREFIGHTER
IN THE FIRE DEPARTMENT.

IT IS HEREBY ORDERED THAT MICHAEL
GUY BE HIRED AS A PART TIME FIREFIGHTER AT A
RATE OF \$8.50 PER HOUR EFFECTIVE FEBRUARY 1,
2006.

SO ORDERED ON THIS THE 17TH DAY OF
JANUARY, A.D. 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING
ORDER. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO HIRE POLICE OFFICER.

ORDER

WHEREAS, THE MAYOR AND BOARD OF
ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI
DO HEREBY DEEM IT NECESSARY, UPON THE
THE RECOMMENDATION OF CHIEF LEE SHELBOURN,
TO HIRE A POLICE OFFICER.

IT IS HEREBY ORDERED THAT LEONARD
FULLER BE HIRED AS A POLICE OFFICER AT A
RATE OF \$28,100.00 ANNUALLY EFFECTIVE
FEBRUARY 1, 2006.

SO ORDERED ON THIS THE 17TH DAY OF
JANUARY, A.D. 2006.

THEREUPON, ALDERMAN WEAVER MADE A MOTION TO ADOPT THE FOREGOING
ORDER. ALDERMAN FAIRLEY SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO HIRE LABORER IN THE
WATER DEPARTMENT.

ORDER

WHEREAS, THE MAYOR AND BOARD OF
ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI
DO HEREBY DEEM IT NECESSARY, UPON THE

THE RECOMMENDATION OF RALPH EDDLEMON,
TO HIRE A LABORER IN THE WATER DEPARTMENT.

IT IS HEREBY ORDERED THAT RYAN EASLEY
BE HIRED AS A LABORER IN THE WATER DEPARTMENT
AT A RATE OF \$8.00 PER HOUR EFFECTIVE JANUARY 24,
2006.

SO ORDERED ON THIS THE 17TH DAY OF
JANUARY, A.D. 2006.

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING
ORDER. ALDERMAN WEAVER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED A REQUEST TO HIRE LABORER IN THE
WATER DEPARTMENT.

ORDER

WHEREAS, THE MAYOR AND BOARD OF
ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI
DO HEREBY DEEM IT NECESSARY, UPON THE
THE RECOMMENDATION OF RALPH EDDLEMON,
TO HIRE A LABORER IN THE WATER DEPARTMENT.

IT IS HEREBY ORDERED THAT ANTHONY EVANS
BE HIRED AS A LABORER IN THE WATER DEPARTMENT
AT A RATE OF \$7.00 PER HOUR EFFECTIVE JANUARY 24,
2006.

SO ORDERED ON THIS THE 17TH DAY OF
JANUARY, A.D. 2006.

THEREUPON, ALDERMAN FAIRLEY MADE A MOTION TO ADOPT THE FOREGOING
ORDER. ALDERMAN STRINGER SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

WHEREAS, MAYOR SCOTT PRESENTED THE FOLLOWING ORDINANCE.

SEE EXHIBIT "D"

ORDINANCE 1974(3-1)

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADOPT THE FOREGOING
ORDINANCE. ALDERMAN MOORE SECONDED THE MOTION.

THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

THEREUPON, ALDERMAN STRINGER MADE A MOTION TO ADJOURN. ALDERMAN WEAVER SECONDED THE MOTION.

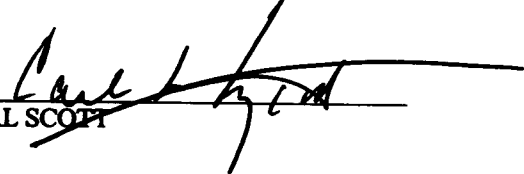
THOSE PRESENT AND VOTING "AYE"

ALDERMAN KAY FAIRLEY
ALDERMAN JAMES MOORE
ALDERMAN LIESA WEAVER
ALDERMAN STEVE STRINGER

THOSE PRESENT AND VOTING "NAY"

NONE

THEREBEING NO FURTHER BUSINESS, THE REGULAR MEETING OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI WAS ADJOURNED ON THIS THE 17TH DAY OF JANUARY, A.D., 2006.


CARL SCOTT

(SEAL)

ATTEST:


JEAN ISHEE
CITY CLERK

EXHIBIT "A"

City of Petal

Bid Schedule for water meters with pit transponders per specs.

- 5/8 x 3/4 Meter with encoder register and transponder
- 1" Meter with encoder register and transponder
- 1 1/2" Meter with encoder register and transponder
- 2" Meter with encoder register and transponder
- 3" Turbo Meter with encoder register and transponder
- 4" Turbo Meter with encoder register and transponder
- 6" Turbo Meter with encoder register and transponder
- 5/8" encoder register and transponder to fit Badger meter
- 1" encoder register and transponder to fit Badger meter
- 1 1/2" encoder register and transponder to fit Badger meter
- 2" encoder register and transponder to fit Badger meter

Drive-by package including Hardware,
software, & training

159⁰⁰
224⁰⁰
333⁵⁵
429⁵⁵

680⁰⁰
885⁰⁰
2189⁰⁰

119⁵⁰
119⁵⁰
129⁰⁰
129⁰⁰

8000⁰⁰

240

2583

2873

343,343.50

? \$351,323.50

CENTRAL PIPE SUPPLY, INC.
101 WARE ROAD
P. O. BOX 5470
PEARL, MISSISSIPPI 39288-5470
(601) - 939-3322

Willie Collum

Willie Collum
SALES

Tuesday @ 5:00

CITY OF PETAL
MINUTE BOOK
EXHIBIT "B"

RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI (THE "CITY") APPROVING THE FORM OF AND THE EXECUTION OF AN OFFICIAL FORM OF PROPOSAL AND A BOND PURCHASE AGREEMENT IN CONNECTION WITH THE SALE BY THE MISSISSIPPI DEVELOPMENT BANK (THE "BANK") OF ITS SPECIAL OBLIGATION BONDS, SERIES 2006 (PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT), IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000) TO PROVIDE FUNDS FOR A LOAN BETWEEN THE CITY AND THE BANK PURSUANT TO THE LOAN AGREEMENT SECURED BY A PROMISSORY NOTE (PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT) IN THE PRINCIPAL AMOUNT OF NOT TO EXCEED EIGHT MILLION FIVE HUNDRED THOUSAND DOLLARS (\$8,500,000) (THE "NOTE"); AND APPROVING THE FORM OF AND EXECUTION OF, AS APPLICABLE, THE LOAN AGREEMENT, THE NOTE, THE INDENTURE OF TRUST, THE PRELIMINARY OFFICIAL STATEMENT, THE OFFICIAL FORM OF PROPOSAL, THE BOND PURCHASE AGREEMENT, AND THE TAX INTERCEPT AGREEMENT (ALL AS HEREIN DEFINED).

WHEREAS, the Mayor and Board of Aldermen of the City of Petal, Mississippi (the "Governing Body" of the "City"), acting for and on behalf of the City, does hereby find, determine and adjudicate as follows:

1. The City is authorized under the provisions of Miss. Code Ann. § 31-25-1 et seq., as amended (the "Act"), to borrow in such amounts as it may find necessary and proper in order to provide funds for improving, repairing and extending the combined water and sewer system (the "System") of the City of Petal, Mississippi (the "Construction Project").

2. The Governing Body of the City, acting for and on behalf of the said City, on September 6, 2005, adopted a resolution entitled "A RESOLUTION OF THE MAYOR AND BOARD OF ALDERMEN OF THE CITY OF PETAL, MISSISSIPPI (THE "CITY"), DECLARING THE INTENTION OF THE CITY TO ISSUE COMBINED WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2006, IN A TOTAL AMOUNT OF NOT TO EXCEED FIFTEEN MILLION DOLLARS (\$15,000,000) FOR THE PURPOSE OF IMPROVING, REPAIRING, AND EXTENDING THE COMBINED WATER AND SEWER SYSTEM OF THE CITY OF PETAL, MISSISSIPPI; AND DIRECTING PUBLICATION OF NOTICE OF SUCH INTENTION" (the "Intent Resolution").

3. As required by law and as directed by the aforesaid resolution the Intent Resolution was published once a week for at least three (3) consecutive weeks in the *Petal News*, a newspaper published in and of general circulation in the City and qualified under the provisions of Section 13-3-31, Mississippi Code of 1972, as amended, the first publication having been made not more than ten (10) days prior to October 17, 2005 and more than ten (10) days prior to October 18, 2005, said Intent Resolution being published in said newspaper on September 15, 22 and 29 and October 6, 2005, as evidenced by the publisher's affidavit heretofore presented and on file with the City.

Jackson 1112903v.1

and the City (the "Loan Agreement"), the Note, the Indenture of Trust, to be dated the date of delivery of the Series 2006 Bonds, between the Bank and Hancock Bank, Gulfport, Mississippi (the "Trustee") (the "Indenture"), the Tax Intercept Agreement, to be dated the date of delivery of the Series 2006 Bonds, between the City and the Bank, and acknowledged by the Trustee (the "Tax Intercept Agreement") and the Official Form of Proposal (the "Official Form of Proposal") and/or the Bond Purchase Agreement (the "Bond Purchase Agreement"), by and among the Bank, the City and the purchaser of the Series 2006 Bonds.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY, ACTING FOR AND ON BEHALF OF THE CITY, AS FOLLOWS:

SECTION 1. The Governing Body of the City does hereby approve the negotiation of or solicitation of proposals for the sale of the Series 2006 Bonds by the Financial Advisor, the City and Bond Counsel, acting for and on behalf of the Bank. Based on the recommendation of the Financial Advisor and Bond Counsel, the Mayor is hereby authorized to execute the Official Form of Proposal and/or the Bond Purchase Agreement for the sale by the Bank of the Series 2006 Bonds with such changes, insertions and omissions as may be approved by such officer, said execution being evidence of such approval provided that the parameters in the following sentence are met. The Governing Body hereby agrees to approve the sale of the Series 2006 Bonds by the Bank pursuant to the terms and conditions of the Official Form of Proposal and/or the Bond Purchase Agreement subject to the approval of the Mayor of the following: (1) a net interest cost of not more than 5.25% for the Series 2006 Bonds; (2) approval by the Bank of the Official Form of Proposal and/or the Bond Purchase Agreement for the sale of the Series 2006 Bonds evidenced by the execution of the Official Form of Proposal and/or the Bond Purchase Agreement by the Executive Director of the Bank; (3) term of the Series 2006 Bonds of not to exceed 25 years; (4) bond size for the Series 2006 Bonds of not to exceed \$8,500,000; (5) receipt of a good faith check in the amount of 2% of the amount of each of the Series 2006 Bonds which requirement for a good faith check may be waived by the Executive Director; and (6) terms and provisions of the Series 2006 Bonds in compliance with the Act.

SECTION 2. The Loan Agreement, including the form of the Note, is hereby approved, and the Mayor and City Clerk are hereby authorized and directed to execute said Loan Agreement and Note on behalf of the City. All provisions of the Loan Agreement, including the Note, when executed as authorized herein, shall be incorporated herein, and shall be deemed to be a part of this resolution fully and to the same extent as if separately set out verbatim herein, which said Loan Agreement and Note shall be in substantially the form attached hereto as EXHIBIT A, with such completions, changes, insertions and modifications as shall be approved by the officers executing and delivering the same.

SECTION 3. The form of the Indenture as submitted to this meeting and made a part of this resolution as though set forth in full herein shall be, and the same hereby is, approved in substantially the form as attached hereto as EXHIBIT B with such completions, changes, insertions and modifications as shall be approved by the Mayor and City Clerk prior to execution and delivery by the Mississippi Development Bank and the Trustee in connection with the Loan to the City of the proceeds of the Series 2006 Bonds.

SECTION 4. The Preliminary Official Statement, the Official Form of Proposal and the Bond Purchase Agreement for utilization in the sale of the Series 2006 Bonds are hereby

4. On October 18, 2005, the Governing Body adopted a resolution (the "No Protest Resolution") stating that no petition signed by twenty percent (20%) of the qualified electors of said City objecting to and protesting against such loan nor any other objection of any kind or character against the loan described in the aforesaid Intent Resolution had been filed or presented by the qualified electors of said City on or before October 17, 2005 and authorized the loan.

5. Pursuant to a resolution adopted by the Governing Body on December 20, 2005 (the "Refunding Resolution"), the City approved a loan with the Bank to refund the outstanding maturities of the City's Combined Water and Sewer System Revenue Bonds, Series 1990, dated February 1, 1990, issued in the original principal amount of \$825,000 (the "1990 Bonds").

6. The Intent Resolution, the No Protest Resolution and the Refunding Resolution of the Governing Body as described above, meet the requirements of the Act and are acceptable to the Bank with respect to the issuance of the Note (as defined herein) pursuant to this resolution to provide funds for the Construction Project and to current refund the City's outstanding 1990 Bonds (the "Refunding Project").

7. The City is now authorized and empowered by the provisions of the Act, to borrow funds by entering into the hereinafter described Loan.

8. It is necessary, proper and economically feasible that the City borrow money by entering into the Loan, as hereinafter defined, with the Bank secured by the Note pursuant to the Act for the purposes herein stated and under the procedures hereinafter set forth and as provided by law to provide funds for the Project.

9. It is in the best interest of the City for the Bank to issue its not to exceed \$8,500,000 Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project), to be dated the date of delivery thereof (the "Series 2006 Bonds"), for the purpose of making a loan (the "Loan") to the City under the terms and provisions of the Loan Agreement secured by the Note for the purpose of providing funds for (i) the Construction Project, (ii) the Refunding Project, (iii) paying for costs of issuance of the Series 2006 Bonds and the Note, and (iv) funding a debt service reserve fund for the Series 2006 Bonds.

10. The Governing Body desires (i) to authorize the negotiation of or solicitation of proposals for the sale of the Series 2006 Bonds by Government Consultants, Inc., Jackson, Mississippi, Financial Advisor to the Bank (the "Financial Advisor"), the City and Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi (the "Bond Counsel"), acting on behalf of the Bank; (ii) to approve the form of and distribution of the preliminary official statement (the "Preliminary Official Statement") in connection with the sale of the Series 2006 Bonds; (iii) to approve the form of and authorize the execution of the Official Form of Proposal and/or the Bond Purchase Agreement, both as hereinafter defined, by the Mayor and City Clerk, acting for and on behalf of the Governing Body of the City, for the sale of the Series 2006 Bonds, subject to approval by the Bank and certain other conditions as hereinafter set forth; and (iv) to approve the payment of costs of issuance expenses.

11. The Governing Body finds it necessary to approve the form of and execution of, as applicable, the Loan Agreement, to be dated the date of delivery thereof, between the Bank

approved and ratified in substantially the form attached hereto as EXHIBIT C, EXHIBIT D and EXHIBIT E, respectively. The Mayor is hereby authorized and directed to approve the final Official Statement on behalf of the Governing Body with such changes from the Preliminary Official Statement as he may approve, and, the Governing Body hereby authorizes and ratifies, the distribution of said Preliminary Official Statement, the Official Form of Proposal, the Bond Purchase Agreement and said final Official Statement and the use thereof by the Financial Advisor and Bond Counsel in connection with the sale of the Series 2006 Bonds.

SECTION 5. The Tax Intercept Agreement, between the City and the Bank, is hereby approved, and the Mayor and City Clerk are hereby authorized and directed to execute said Tax Intercept Agreement on behalf of the City. All provisions of the Tax Intercept Agreement, when executed as authorized herein, shall be incorporated herein, and shall be deemed to be a part of this resolution fully and to the same extent as if separately set out verbatim herein, which said Tax Intercept Agreement shall be in substantially the form attached hereto as EXHIBIT F, with such completions, changes, insertions and modifications as shall be approved by the officers executing and delivering the same.

SECTION 6. The Governing Body hereby authorizes the Financial Advisor, Bond Counsel and/or officers of the City to prepare and/or execute all documents necessary to provide for the securities to be purchased with the proceeds of the Loan.

SECTION 7. Hancock Bank, Gulfport, Mississippi, is hereby approved by the City to serve as trustee under the Indenture (the "Trustee").

SECTION 8. Upon receiving the recommendation of the Financial Advisor to the Bank, Bond Counsel and Counsel to the City, the Mayor is hereby authorized and directed to make all final determinations necessary to prepare the Preliminary Official Statement, the Official Form of Proposal, the Bond Purchase Agreement, the Indenture of Trust, the Loan Agreement, the Note, and the Tax Intercept Agreement, for the sale of the Series 2006 Bonds, including the date of sale, the dated date of the Series 2006 Bonds, the final principal amount of the Series 2006 Bonds, the maturity schedule relating to the Series 2006 Bonds, the redemption terms of the Series 2006 Bonds and any other terms thereof; provided, however, that all such determinations shall be made subject to approval by the Executive Director of the Bank, to be evidenced by the execution of the Official Form of Proposal and/or Bond Purchase Agreement for the sale of the Series 2006 Bonds, by the Mayor, acting for and on behalf of the City, pursuant to this resolution and the Executive Director of the Bank, acting for and on behalf of the Bank, pursuant to a resolution adopted by the Bank on December 14, 2005.

SECTION 9. If the Bank executes a commitment for the provision of municipal bond insurance and/or a debt service reserve surety bond for the Series 2006 Bonds and any additional documents and certificates which are required by any provider of such municipal bond insurance and/or debt service reserve surety bond selected to provide credit enhancement in connection with the issuance of the Series 2006 Bonds, the Mayor is hereby authorized to approve any changes, insertions and omissions as may be required by the provider of the municipal bond insurance and/or debt service reserve surety bond to the Indenture, the Loan Agreement, the Note, the Tax Intercept Agreement, or the Preliminary Official Statement as are approved by the Executive Director of the Bank evidenced by his execution of the commitment for said municipal

CITY OF PETAL
MINUTE BOOK 25
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bond insurance and/or debt service reserve surety bond and other additional documents and certificates for each of the Series 2006 Bonds.

SECTION 10. The Mayor and City Clerk are hereby authorized and directed to sign requisitions and perform such other acts as may be necessary to authorize the Trustee to pay on the Closing Date of the Series 2006 Bonds the costs of issuance of said Series 2006 Bonds and the Note; provided, however, total costs of issuance for said Series 2006 Bonds and the Note (excluding the underwriter's discount and excluding the premiums for municipal bond insurance and the debt service reserve surety bond and the original issue discount) shall not exceed an aggregate amount of \$200,000.

SECTION 11. The Mayor and the City Clerk be, and they are hereby authorized and directed for and on behalf of the Governing Body, to take any and all such action as may be required by the City to carry out and to give effect to the aforesaid documents authorized pursuant to this resolution and to execute all papers, documents, certificates and other instruments that may be required for the carrying out of the authority conferred by this resolution in evidence said authority, including the approval of the final Official Statement in with the Series 2006 Bonds.

SECTION 12. For cause, this resolution shall be in full force and effect from the date

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

Alderman Kay Fairley	voted: <u>AYE</u>
Alderman David Clayton	voted: <u>N/A</u>
Alderman Steve Stringer	voted: <u>AYE</u>
Alderman Liesa Weaver	voted: <u>AYE</u>
Alderman James Moore	voted: <u>AYE</u>

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 17th day of January, 2006.


MAYOR

ATTEST:


CITY CLERK

EXHIBIT "B"

LOAN AGREEMENT
BETWEEN
MISSISSIPPI DEVELOPMENT BANK
AND
THE CITY OF PETAL, MISSISSIPPI
ACKNOWLEDGED AND ACCEPTED BY:
HANCOCK BANK
GULFPORT, MISSISSIPPI
SECURED BY:
§
PROMISSORY NOTE
(PETAL, MISSISSIPPI COMBINED WATER
AND SEWER SYSTEM PROJECT)
DATED AS _____, 2006

The interest of the Mississippi Development Bank in this Loan Agreement, except for certain rights retained by the Issuer pursuant to Section 4.6 hereof, has been assigned to Hancock Bank, Gulfport, Mississippi, as Indenture Trustee.

This instrument was drafted by:

BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC
Attorneys At Law
17th Floor, AmSouth Plaza
218 East Capitol Street
Post Office Box 22567
Jackson, MS 39215-2567

EXHIBIT A
FORM OF LOAN AGREEMENT AND NOTE

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CITY OF PETAL
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EXHIBIT "B"

LOAN AGREEMENT

This LOAN AGREEMENT, dated as of 3/29/2006 (the "Loan Agreement"), is by and between the MISSISSIPPI DEVELOPMENT BANK, a public body corporate and politic of the State of Mississippi (the "State"), exercising essential public functions (the "Bank" or "Issuer") and organized under the provisions of Mississippi Code of 1972, Sections 31-25-1 et seq. (as from time to time amended, the "Act"), and the CITY OF PETAL, MISSISSIPPI, a political subdivision organized and validly existing under the Constitution and laws of the State of Mississippi (the "City").

RECITALS:

- A. The Issuer is authorized by the provisions of the Act, to, among other things, loan money to local governmental units for any purposes set forth under the Act and to finance such assistance to such local governmental units by the issuance of revenue bonds.
- B. The Issuer is further authorized to issue revenue bonds for the purpose of providing funds to pay all or a part of the cost of providing the aforementioned loans to local governmental units; and to pledge or assign any money, rents, charges, fees or other revenues and any proceeds derived from the loans with such local governmental units.
- C. The Issuer has duly authorized as a project under the Act the financing of the Series 2006 Project (as hereinafter defined).
- D. The Issuer has duly authorized the issuance, as provided in the Indenture (as hereinafter defined), of its Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) (the "Series 2006 Bonds") pursuant to the Act in the maximum aggregate principal amount of \$_____ in order to loan the proceeds thereof to the City to provide for the financing of the Project, as hereinafter defined, pursuant to this Loan Agreement secured by a promissory note whereby the amount of payments to be made to the Issuer by the City under the promissory note shall be sufficient to pay the principal of, premium, if any, and interest on the Series 2006 Bonds as and when the same shall become due and payable.
- E. The Series 2006 Bonds are to be issued pursuant to and secured by an indenture of trust (the "Indenture") dated even date herewith, by and between the Issuer and the Indenture Trustee (as hereinafter defined).
- F. The Issuer shall loan the proceeds of the Series 2006 Bonds to the City pursuant to the terms and provisions of this Loan Agreement authorized, executed and delivered by the City.
- G. To further secure the payment of the Series 2006 Bonds pursuant to this Loan Agreement, the City has authorized, executed and delivered a promissory note, which promissory note and this Loan Agreement (except certain rights retained by the Issuer) the Issuer has assigned or will assign to the Indenture Trustee.

H. To further secure the payment of the Series 2006 Bonds, the City will pledge (i) the Net Revenues, as hereinafter defined, of the combined water and sewer system (the "System") of the City, and (ii) certain Tax Monies.

NOW, THEREFORE, KNOW ALL MEN BY THESE PRESENTS, THIS LOAN AGREEMENT WITNESSETH:

That the parties hereto, intending to be legally bound hereby and in consideration of the mutual covenants hereinafter contained, do hereby agree as follows:

ARTICLE I

DEFINITIONS, EXHIBITS AND MISCELLANEOUS

SECTION 1.1. Definitions.

The terms used herein, unless the context hereof shall require otherwise, shall have the following meanings, and any other terms defined in Section 1.01 of the Indenture (as set forth in EXHIBIT A and incorporated herein by reference) shall have the same meanings when used herein as assigned them in the Indenture, unless the context or use thereof indicates another or different meaning or intent.

Act: Sections 31-25-1 et seq. of the Mississippi Code of 1972, as amended and supplemented;

Additional Charges: the payments required by Section 4.4 of this Loan Agreement;

Administrative Expenses: the reasonable and necessary fees, costs or expenses incurred or payable by the City to the Issuer pursuant to this Loan Agreement or the Indenture, including compensation and expenses paid to or incurred by the Indenture Trustee or any paying agent under this Loan Agreement or the Indenture;

Amortized Value: when used with respect to securities purchased at a premium above or a discount below par, the value as of any given date obtained by dividing the total amount of the premium or the discount at which such securities were purchased by the number of days remaining to maturity of such securities at the time of such purchase and by multiplying the amount so calculated by the number of days having passed from the date of such purchase; and (i) in the case of securities purchased at a premium, by deducting the product thus obtained from the purchase price and (ii) in the case of securities purchased at a discount, by adding the product thus obtained to the purchase price;

Annual Budget: the budget or amended budget in effect as provided in or adopted pursuant to Section 6.9 hereof;

Authorized City Representative: any person or persons at the time designated to act on the City by a written certificate, signed on behalf of the City by its Mayor or other duly Person and its Clerk or other authorized Person and furnished to the Issuer and the Trustee, containing the specimen signature of each such person;

Bank: the Mississippi Development Bank, a public body corporate and politic of the State of Mississippi, exercising essential public functions and organized under the provisions of the Act;

Basic Payments: the payments required by Section 4.2 of this Loan Agreement;

Bond Closing: the date on which there is delivery by the Issuer of, and payment for, the Bonds;

Bond Counsel: the firm of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, or any other firm of nationally recognized bond counsel experienced in tax exempt bond financing selected by the City and acceptable to the Issuer and the Indenture Trustee;

Bond Documents: the Indenture, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement and all other agreements, instruments, documents, notices of assignment, schedules, assignments, pledges, powers of attorney, leases, trust account agreements, certificates, consents, contracts, notices, and all other written matter and all amendments, modifications, supplements, extensions and restatements thereof and thereto, and all agreements, notes, documents or instruments delivered in substitution therefor, or in lieu thereof, whether heretofore, now, or hereafter executed by or on behalf of the City, or any other person which are delivered to the Indenture Trustee, Issuer or any participant with respect to the transactions contemplated in the Indenture;

Bondholder or Holder: the Person in whose name a Series 2006 Bond is registered in the Bond Register;

Bond Register: the registration records of the Bank kept by the Indenture Trustee to evidence the registration and transfer of the Series 2006 Bonds;

Callable 1990 Bonds: the Refunded Bonds maturing in the years 2007 through 2010, both inclusive;

Certificate: as the case may be, either (i) a signed document attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or (ii) a signed document setting forth matters to be determined by an Authorized City Representative pursuant to this Loan Agreement;

City: the City of Petal, Mississippi;

Code or Internal Revenue Code: the Internal Revenue Code of 1986, as amended, and all applicable Treasury Regulations promulgated thereunder;

Completion Certificate: the Certificate of Completion required by Section 3.4 hereof;

Completion Date: the date as set forth in the Completion Certificate required in Section 3.4 hereof;

Construction Project: all improvements, repairs and extensions of the City's System funded from a portion of the Loan Proceeds;

Consulting Engineer: a reputable engineer or firm of engineers experienced in conducting analyses, tests, and studies and in rendering reports, advice and opinions in the area of water and sewer utility facilities construction and planning, selected by the City and may be a certified engineer who is an employee of the City;

Contingent Fund: the Contingent Fund so designated which is created and established by Section 5.6 hereof;

Costs of the Construction Project: to the extent permitted by the Act and the Code and as applicable, whether incurred prior to or after the date of this Loan Agreement, (a) obligations of the Issuer or of the City incurred for labor, materials, machinery, equipment and other expenses and to architects, contractors, builders and materialmen in connection with the acquisition, construction, installation and equipping of the Construction Project and improvements thereto including, but not limited to, the cost of the acquisition of any land for the Construction Project; (b) the cost of contract or performance bonds or of other bonds and of insurance of all kinds that may be required or necessary prior to or during the course of construction, installation and equipping of the Construction Project; (c) all costs of architectural and engineering services, including the expenses of the Bank and the City for test boring, surveys, test and pilot operations, estimates, plans and specifications and preliminary investigations therefor, and for supervising construction, as well as for the performance of all other duties required by or as a result of the proper construction, installation and equipping of the Construction Project; (d) compensation and expenses of the Bank, and the Indenture Trustee, legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Series 2006 Bonds, which are not otherwise provided for under the terms of this Loan Agreement; (e) all other costs which the Bank or the City shall be required to pay under the terms of any contract or contracts for the acquisition (by purchase, lease or otherwise), construction, installation and equipping of the Construction Project; (f) any sums required to reimburse the Bank or the City for advances made by either of them for any of the above items, or for any other costs incurred and for work done by either of them, which are properly chargeable to the Construction Project being acquired, constructed, installed and equipped; (g) all Administrative Expenses; and (h) any other expenses or fees of the City, the Bank or the Indenture Trustee, which in the opinion of the City, the Issuer, or the Indenture Trustee respectively, are related to the Construction Project or the Series 2006 Bonds, including but not limited to, commitment and legal fees and the costs, fees and expenses of the Original Purchaser in connection with the initial sale and issuance of the Series 2006 Bonds;

Costs of the Refunding Project: to the extent permitted by the Act and the Code and as applicable, whether incurred prior to or after the date of this Loan Agreement, costs incurred in connection with the current refunding of the Refunded Bonds, including compensation and expenses of the Bank, and the Indenture Trustee, legal, accounting, financial and printing expenses, fees and all other expenses incurred in connection with the issuance of the Bonds, which are not otherwise provided for under the terms of this Loan Agreement and any other expenses or fees of the City, the Bank or the Indenture Trustee, which in the opinion of the City, the Issuer, or the Indenture Trustee respectively, are related to the Refunding Project or the

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portion of the Bonds issued for the Refunding Project and costs related thereto, including but not limited to, commitment and legal fees and the costs, fees and expenses of the Original Purchaser in connection with the initial sale and issuance of the Bonds issued for the Refunding Project and costs related thereto;

Costs of the Project: together the Costs of the Construction Project and the Costs of the Refunding Project;

Date of this Loan Agreement: as of _____, 2006;

Debt Service Fund: the Debt Service Fund so designated which is created and established by Section 5.4 hereof;

Debt Service Payment: the aggregate of the interest and principal payable on the Series 2006 Note and any Parity Indebtedness for the specific period designated under this Loan Agreement;

Debt Service Reserve Fund: collectively all the debt service reserve funds, including Accounts created thereunder, which are required for the Bonds issued under the Indenture, as it may be supplemented from time to time;

Debt Service Reserve Requirement: the lesser of the following: (i) of the maximum amount of principal and interest becoming due in the current or any future bond year (meaning each 1 year period beginning on July 2 of one year and ending on July 1 of the following year) on all Series 2006 Bonds then outstanding; (ii) 125% of average annual debt service on the Series 2006 Bonds; and (iii) 10% of the stated principal amount of the Series 2006 Bonds;

Depository: any bank, trust company or national banking association selected by the City and approved by the Indenture Trustee as a depository of moneys and securities held under the provisions of this Loan Agreement, and its successor or assign or successors or assigns;

Discharge Date: the date on which all Outstanding Series 2006 Bonds are discharged under Article IX of the Indenture;

Event of Default: any of the events set forth in Section 10.1;

Fiduciary or Fiduciaries: the Indenture Trustee, the paying agent, the Depository or any or all of them, as may be appropriate;

Fiscal Year: when used with respect to the City, a period beginning on October 1 in any year and ending on September 30 of the following year or such other twelve month period as may be adopted by the City in accordance with law;

Fund: any fund described in Article VI of the Indenture;

General Account: the account by that name created by Section 6.02 of the Indenture for the Series 2006 Bonds;

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Indenture: the Indenture of Trust by and between the Issuer and Indenture Trustee, as the same may from time to time be amended or supplemented as herein provided;

Indenture Trustee: Hancock Bank, Gulfport, Mississippi, or any successor trustee appointed, qualified and then acting as such under the provisions of the Indenture;

Independent Accountant: the Audit Department of the State of Mississippi or a certified public accountant or firm of certified public accountants registered and qualified to practice as such under the laws of the State of Mississippi and reasonably acceptable to the Indenture Trustee, and not regularly employed by the Issuer or the City, except to perform independent audits of the books and records of either or both of them or the System or other similar periodic reviews;

Inspecting Architect: such architect or engineer retained by City and approved by the Bank;

Interest Payment Date: each January 1 and July 1, commencing January 1, 2007, and ending on the date of payment in full of the Series 2006 Bonds;

Internal Revenue Code or Code: the Internal Revenue Code of 1986, as amended, and all applicable Treasury Regulations;

Investment Securities: includes all securities, instruments and the like in which the City is authorized to invest its funds under applicable law, including the Act;

Issuance Expenses: any and all costs and expenses relating to the issuance, sale and delivery of the Series 2006 Bonds, and the execution and delivery of this Loan Agreement, the Indenture and the Series 2006 Note, including, but not limited to, all fees and expenses of legal counsel, financial consultants, feasibility consultants and accountants, the initial fees and expenses of the Indenture Trustee, any fee to be paid to the Issuer, the preparation and printing of this Loan Agreement, the Series 2006 Note, the Indenture, the Tax Intercept Agreement, any preliminary official statement and final official statement, the Series 2006 Bonds and all other related closing documents, and all other expenses relating to the issuance, sale and delivery of the Series 2006 Bonds required to be paid from the proceeds of the Series 2006 Bonds and any other costs which are treated as "issuance costs" within the meaning of Section 147(g) of the Code;

Issuer: the Bank;

Loan: the loan of Net Proceeds of the Series 2006 Bonds by the Issuer to the City described in Section 4.1 of this Loan Agreement;

Loan Agreement: this Loan Agreement by and between the Issuer and the City, as the same may from time to time be amended or supplemented as provided herein and in the Indenture;

Loan Agreement Fund or Loan Agreement Funds: one or more of the special funds created and established pursuant to this Loan Agreement;

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Loan Proceeds: the Net Proceeds of the sale of the Series 2006 Bonds and investment earnings thereon held by the City in the Loan Agreement Funds;

Net Bond Proceeds: proceeds from the sale of the Series 2006 Bonds at the public offering price including accrued interest, if any, from the dated date of the Series 2006 Bonds to the date of delivery thereof, including interest earnings thereon;

Net Proceeds: Net Bond Proceeds, including any interest earnings thereon, less (i) capitalized interest, if any, (ii) such Net Bond Proceeds used to pay or reimburse for the payment of Issuance Expenses and any other neutral costs and (iii) funds used to fund the Debt Service Reserve Fund;

Net Revenues: gross revenues of the System less Operating Expenses for the operation and maintenance of the System;

1990 Bonds: the City's Combined Water and Sewer System Revenue Bonds, Series 1990, dated February 1, 1990, issued in the original principal amount of \$825,000 and presently outstanding in the principal amount of \$325,000;

1990 Bonds Paying Agent: BancorpSouth Bank, Jackson, Mississippi;

Note Payments: together the amounts paid or required to be paid, from time to time, for principal and interest on the Series 2006 Note held by the Indenture Trustee pursuant to the Indenture;

Note Year: the period from Closing Date through July 1, 2006, and thereafter each twelve (12) month period from each July 2 to and including July 1 of the following year, beginning with the period ending July 1, 2007;

Operating Expenses: the City's operation and maintenance expenses in connection with the System which include the following: expenses for operation, maintenance, repairs, ordinary replacement and ordinary reconstruction of the System and shall include, without limiting the generality of the foregoing, administrative expenses, salaries for employees, utilities, labor, material, supplies and equipment necessary for the operation and maintenance of the System, and transportation cost from the delivery point to the System, or alternative delivery point, insurance premiums, legal, engineering and other consulting expenses, payments to pension, retirement, group life insurance, health and hospitalization funds, or other employee benefit funds, and any other expenses required to be paid by the City and applicable in the circumstances, and the expenses, liabilities and compensation of the Fiduciaries required to be paid under this Loan Agreement, all to the extent properly attributable to the City and its System;

Operation and Maintenance Fund: means the Operation and Maintenance Fund so designated and created and established by Section 5.5 hereof;

Original Purchaser: _____, as the original purchaser of the Series 2006 Bonds;

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Outstanding: all Series 2006 Bonds which have been authenticated and delivered by the Indenture Trustee under the Indenture, including Series 2006 Bonds held by the Bank, except:

- (1) Series 2006 Bonds cancelled after purchase in the open market or because of payment at or redemption prior to maturity;
- (2) Series 2006 Bonds deemed paid under Article IX of the Indenture; and
- (3) Series 2006 Bonds in lieu of which other Series 2006 Bonds have been authenticated under Section 3.05, 3.06 or 3.10 of the Indenture;

Parity Indebtedness: indebtedness of the City, the payments of which are secured by a lien on System Revenues on a parity with the lien securing the Series 2006 Note, but excluding the Series 2006 Note;

Persons: an individual, a corporation, an association, a joint stock company, a business trust, a partnership, a joint venture, an unincorporated organization, or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof;

Plans and Specifications: the plans and specifications for the construction of the Construction Project prepared by the Architect, as the same may be modified and amended from time to time;

Project: providing funds for the Construction Project, Refunding Project and Issuance

Project Documents: collectively (a) the Bond Documents, (b) the Plans and Specifications, and (c) the agreement between the Architect and City;

Project Equipment: (a) any and all fixtures or tangible personal property now or hereafter attached or affixed to the Construction Project, and (b) any additions to or replacements of and substitutions for any of the foregoing;

Project Fund: the Project Fund so designated which is created and established by Section 5.2 hereof;

Redemption Date: when used with respect to any Series 2006 Bond to be redeemed shall mean the date on which it is to be redeemed pursuant to the Indenture;

Redemption Price: when used with respect to any Series 2006 Bond to be redeemed shall mean the price at which it is to be redeemed pursuant to the Indenture;

Refunded Bonds: the 1990 Bonds maturing in the years 2007 through 2010, both inclusive;

Refunding Project: providing funds for the refunding of the Refunded Bonds and the early redemption of the Callable 1990 Bonds at a redemption price of par;

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EXHIBIT "B"

Reserve Fund Credit Facility: an irrevocable and unconditional letter of credit, insurance policy or surety bond, the terms of which have been approved by the City and the Bank, issued by a bank or other financial institution, which is acceptable to the City and the Bank having a long-term credit rating of "A" or better, as determined by Standard & Poor's Ratings Group. The credit facility names the Indenture Trustee as the beneficiary thereunder; provided, that any such credit facility must (a) be renewable or extendable on an annual basis; (b) have an initial term of not less than three (3) years; (c) provide that the bank or other financial institution providing such credit facility must notify the Indenture Trustee and the City, no less than thirty (30) days in advance of the expiration of the credit facility of its intention not to renew or extend such credit facility; (d) permit the Indenture Trustee to make a drawing thereunder to fund the Debt Service Reserve Fund no later than five (5) business days prior to the earlier of (1) the expiration date of such credit facility and (2) the date the proceeds of such drawing will be needed to fund the Debt Service Reserve Fund;

Revenue Fund: means the Revenue Fund so designated and created and established by Section 5.3 hereof;

Series 2006 Bonds: the \$_____ Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) issued pursuant to the Indenture;

Series 2006 Note: the \$_____ Promissory Note (Petal, Mississippi Combined Water and Sewer System Project), dated _____, 2006, of the City to the Bank, attached hereto as EXHIBIT B;

State: the State of Mississippi;

System: the combined water and sewer system of the City and all related improvements and equipment, together with all additions to, replacements of and substitutions for any of the foregoing which may be made as permitted or required by the Bank (which includes the Construction Project), but excluding any property released as authorized by the Bank;

System Revenues: all revenues derived from the System or a pledge of income or revenues, funds or monies of the City from any source whatsoever, including intercept payments from the State Tax Commission for the purpose of meeting any deficiency in the payment of the Series 2006 Note and any amounts due under the Loan Agreement as authorized by the Section 31-25-28, Mississippi Code of 1972, as amended;

Tax Certificate: the City's Tax Certificate delivered as of the Bond Closing for the Series 2006 Bonds and the execution and delivery of the Series 2006 Note;

Tax Intercept Agreement: the Tax Intercept Agreement, dated as of _____, 2006, by and between the City and the Bank described in Section 4.8 to this Loan Agreement securing the Series 2006 Bonds;

Term of this Loan Agreement: the period of time commencing on the date of this Loan Agreement and terminating on the final maturity date of the Series 2006 Bonds or upon earlier termination of this Loan Agreement under Section 9.2, whichever date occurs sooner;

Transferred Funds: those funds transferred by the City from the funds and accounts of the Refunded Bonds to the 1990 Bonds Paying Agent for the refunding of the Refunded Bonds and redemption of the Callable 1990 Bonds; and

Treasury Regulations: all proposed, temporary or permanent federal income tax regulations then in effect and applicable.

SECTION 1.2. Exhibits.

The following Exhibits are attached to and by reference made a part of this Loan Agreement:

- (1) EXHIBIT A: DEFINITIONS FROM INDENTURE; and
- (2) EXHIBIT B: FORM OF SERIES 2006 NOTE.

SECTION 1.3. City's Acts.

Where the City is permitted or required to do or accomplish any act or thing hereunder, the City may cause the same to be done or accomplished by a third party selected by the City with the same force and effect as if done or accomplished by the City.

SECTION 1.4. Rules of Interpretation.

(a) The words "herein" and "hereof" and "hereunder" and words of similar import, without reference to any particular section or subdivision, refer to this Loan Agreement as a whole rather than to any particular section or subdivision of this Loan Agreement.

(b) References in this Loan Agreement to any particular article, section or subdivision hereof are to the designated article, section or subdivision of this Loan Agreement as originally executed.

(c) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles; and all computations provided for herein shall be made in accordance with generally accepted accounting principles consistently applied and applied on the same basis as in prior years.

(d) The Table of Contents and titles of articles and sections herein are for convenience only and are not a part of this Loan Agreement.

(e) Unless the context hereof clearly requires otherwise, the singular shall include the plural and vice versa and the masculine shall include the feminine and vice versa.

(f) Articles, sections, subsections and clauses mentioned by number only are those so numbered which are contained in this Loan Agreement.

(g) For purposes of this Loan Agreement and the Indenture, a petition in bankruptcy deemed dismissed only if either (1) the petition is dismissed by order of a court of

competent jurisdiction and no further appeal rights exist from such order or (2) the City notifies the Indenture Trustee that such a dismissal has occurred.

(h) Any opinion of counsel required hereunder shall be a written opinion of such counsel.

ARTICLE II

REPRESENTATIONS OF ISSUER AND CITY

SECTION 2.1. Representations by the Issuer.

The Issuer makes the following representations as the basis for the undertakings on the part of the City herein contained:

(1) The Issuer is a public body corporate and politic of the State of Mississippi, exercising essential public functions and organized under the provisions of the Act;

(2) The Issuer has full power and authority to enter into the transactions contemplated by this Loan Agreement, the Indenture and the other Bond Documents to which it is a party and to perform its obligations hereunder and thereunder;

(3) The Issuer is not in default under any provisions of the laws of the State material to the performance of its obligations under this Loan Agreement;

(4) The Issuer has been duly authorized to execute and deliver this Loan Agreement, the Indenture and the assignment of the Series 2006 Note to the Indenture Trustee and by proper action has duly authorized the execution and delivery hereof and thereof and as to the Issuer, this Loan Agreement, the Indenture, the assignment of the Series 2006 Note to the Indenture Trustee and the other Bond Documents to which it is a party are valid and legally binding and enforceable in accordance with their terms, except to the extent that the enforceability thereof may be limited (a) by bankruptcy, reorganization, or similar laws limiting the enforceability of creditors' rights generally or (b) by the availability of any discretionary equitable remedies;

(5) The loan of the Net Proceeds of the Series 2006 Bonds for the Project as provided by this Loan Agreement, will further the purposes of the Act, to wit: to assist local governmental units in obtaining financing for those purposes set forth under the Act in furtherance of its governmental purpose;

(6) Under existing statutes and decisions no taxes on income or profits are imposed on the Issuer;

(7) There is not pending any suit, action or proceeding against the Issuer before or by any court, arbitrator, administrative agency or other governmental authority which materially and adversely affects the validity, as to the Issuer, of this Loan

Agreement or the Indenture, any of its obligations hereunder or thereunder or any of the transactions contemplated hereby or thereby; and

(8) No public official of the Issuer has either a direct or indirect financial interest in this Loan Agreement nor will any public official either directly or indirectly benefit financially from this Loan Agreement.

SECTION 2.2. Representations and Warranties of the City.

The City represents, covenants and warrants as follows:

- (1) The City is a political subdivision of the State of Mississippi duly organized and validly existing under the Constitution and the laws of the State of Mississippi and the City is a local governmental unit within the meaning of the Act;
- (2) The execution, delivery and performance by the City of this Loan Agreement, the Tax Intercept Agreement and the Series 2006 Note and each of the other Bond Documents to which it is a party are (i) within the City's governmental powers, and (ii) have been duly authorized by all necessary actions of the governing body of the City;
- (3) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the City of this Loan Agreement, the Tax Intercept Agreement, the Series 2006 Note and the other Bond Documents to which the City is a party;
- (4) The design and plan of the Construction Project comprises an authorized purpose within the meaning of the Act; and it is presently intended and reasonably expected that the City will operate the Construction Project and the System throughout the term of this Loan Agreement in the normal conduct of the City's governmental functions;
- (5) To the best of the City's knowledge, as of the date hereof, the use of the Construction Project as designed and proposed to be operated complies, in all material respects, with all presently applicable development, pollution control, water conservation and other laws, regulations, rules and ordinances of the federal government and the State of Mississippi and the respective agencies thereof and the political subdivisions in which the Construction Project is located;
- (6) The Net Proceeds of the Series 2006 Bonds, together with any other funds to be contributed to the Project by the City or otherwise in accordance with this Loan Agreement, will be sufficient to pay the Costs of the Project;
- (7) The City has reviewed and approved the provisions of the Indenture;
- (8) To the best of City's knowledge, no public official of the City has either a direct or indirect financial interest in this Loan Agreement nor will any public official either directly or indirectly benefit financially from this Loan Agreement;

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(9) This Loan Agreement, the Tax Intercept Agreement, the Series 2006 Note and the other Bond Documents to which the City is a party are legal, valid and binding obligations of the City, and are enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws relating to or limiting creditors' rights or equitable principles generally;

(10) There is no pending action or proceeding before any court, governmental agency or arbitrator against or directly involving the City and, to the best of the City's knowledge, there is no threatened action or proceeding affecting the City or any of its assets before any court, governmental agency or arbitrator (i) which, in any case, may materially and adversely affect the financial condition or operations of the City or the System, (ii) which seeks to restrain or would otherwise have a material adverse effect on the transactions contemplated herein, or (iii) which would affect the validity or enforceability of this Loan Agreement, the Tax Intercept Agreement, the Series 2006 Note or the other Bond Documents;

(11) None of the assets of the System are subject to any lien except for Permitted Encumbrances;

(12) The City is not in default in the payment or performance of any of its obligations or in the performance of any mortgage, indenture, lease, contract or other agreement, instrument or undertaking to which it is a party or by which it or any of its assets may be bound, which default would have a material and adverse effect on the governmental functions, operations, assets or condition, financial or otherwise, of the City or the System, either individually or taken as a whole. No Event of Default hereunder or under the Series 2006 Note or any other Bond Document has occurred and is continuing. The City is not in default under any order, award or decree of any court, arbitrator, or governmental authority binding upon or affecting it or by which any of its assets may be bound or affected which default would have a material adverse effect on the governmental functions, operations, assets or condition, financial or otherwise, of the City or the System, either individually or taken as a whole, and no such order, award or decree adversely affects the ability of the City to carry on its governmental functions as currently conducted or the ability of the City to perform its obligations under this Loan Agreement, the Tax Intercept Agreement, the Series 2006 Note and the other Bond Documents to which it is a party;

(13) The City is not a party to any contract or agreement or subject to any restriction which materially and adversely affects its governmental functions, its property or assets, or financial condition. The City is not a party to, or otherwise subject to any provision contained in, any instrument evidencing indebtedness of the City, any agreement relating thereto or any other contract or agreement (including their charters) which restricts or otherwise limits the incurring of the indebtedness to be represented by this Loan Agreement, the Series 2006 Note and the other Bond Documents;

(14) The City is in compliance with all laws, orders, regulations and ordinances of all federal, foreign, state and local governmental authorities binding upon or affecting

the governmental functions, operation or assets of the City or the System, except for laws, orders, regulations and ordinances the violation of which would not, in the aggregate, have a material and adverse effect on the City's or System's financial condition;

(15) There is no fact known to the City which materially adversely affects or in the future may (so far as the City can now foresee) materially adversely affect the property, assets or financial condition of the City or the System which has not been set forth in this Loan Agreement, the Series 2006 Note or in the other Bond Documents, prior to the date hereof in connection with the transactions contemplated hereby;

(16) The City hereby incorporates herein and makes each of the representations and warranties contained in the other Bond Documents to which it is a party, operative and applicable for the benefit of lender and the Indenture Trustee as if the same were set forth at length herein;

(17) All roads, easements and other necessary modes of ingress and egress to the Construction Project necessary for the full utilization of the Construction Project for its intended purposes or for the construction of the Construction Project have been completed or obtained or will be completed prior to commencement of construction of the improvements to the Construction Project in accordance with the Plans and Specifications; and

(18) The City has not received notice of, and has no knowledge of, (i) any proceedings, whether actual, pending or threatened, for the taking under the power of eminent domain or any similar power or right, of all or any portion of the Construction Project; or (ii) any damage to or destruction of any portion of the Construction Project; or (iii) any zoning, building, fire or health code violations in respect of the Construction Project which have not heretofore been corrected.

SECTION 2.3. Survival.

The foregoing representations, covenants and warranties of the City shall be continuing and shall survive the execution and delivery of this Loan Agreement, the Tax Intercept Agreement, the Series 2006 Note and the other Bond Documents. The disbursement of Loan Proceeds from the Project Fund by the City shall constitute a certification by the City that the aforesaid representations, covenants and warranties are true and correct in all material respects as of the date of such disbursement.

ARTICLE III

APPLICATION OF LOAN PROCEEDS; REFUNDING PROJECT; AND THE CONSTRUCTION PROJECT

SECTION 3.1. Application of Loan Proceeds; Refunding Project; and Construction Project.

(a) Simultaneously with the delivery of the Series 2006 Bonds by the Indenture Trustee, the Net Proceeds of the Series 2006 Bonds will be transferred by the Indenture Trustee,

as the assignee for the Mississippi Development Bank under the Loan Agreement and the Series 2006 Note, as follows for the Refunding Project and the Construction Project:

(1) Transfer of \$_____ to the 1990 Bonds Paying Agent to provide funds for the Refunding Project; and

(2) \$_____ in Net Proceeds of the Series 2006 Bonds shall be paid to the City for deposit in the Project Fund to be held by the City for the Construction Project.

(b) **Refunding Project.** The proceeds of the Loan transferred to the 1990 Bonds Paying Agent, together with certain Transferred Funds of the Refunded Bonds in the amount of \$_____ remitted by the City to the 1990 Bonds Paying Agent will be sufficient to effectuate the refunding of the Refunded Bonds and the optional redemption of the Callable 1992 Bonds on February 1, 2006 at a redemption price of par.

(c) **Construction Project.** At or prior to delivery of the Bonds, but in all events prior to any disbursement of Loan Proceeds from the Project Fund, if requested, the City shall submit all Plans and Specifications, architect's agreements and construction contracts to the Indenture Trustee. The City shall construct and equip or cause to be constructed and equipped the Construction Project substantially in accordance with the Plans and Specifications. The City shall obtain all approvals requisite to the construction and installation of the Construction Project, and shall construct and install the Construction Project in compliance with all federal, state and local laws and regulations; provided, however, no such law or laws and regulations shall discriminate against the City. Upon completion of the Construction Project, the City will furnish to the Indenture Trustee and the Bank, if requested, copies of all required permits and authorizations authorizing the occupancy and use of the Construction Project for the purposes contemplated by the City. The City will take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts, including the correction of any defective work. Any amounts recovered as damages, refunds adjustments or otherwise in connection with the foregoing (a) if the City has corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid to the City or (b) if the City has not corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid into the Project Fund unless recovered after delivery of the Completion Certificate and full disposition of the Project Fund in accordance with Section 3.4, in which case they shall be paid into the General Account under the Indenture.

SECTION 3.2. Completion of Construction.

The City shall construct and install the Construction Project with all reasonable dispatch and shall cause the Construction Project to be completed on or before the Completion Date.

SECTION 3.3. Payment for Construction Project.

(a) Payments of Costs of the Construction Project by the City, including Costs of the Construction Project expended or incurred as of the time of delivery of the Series 2006 Bonds, shall be made from time to time by the City out of the Project Fund upon presentation to the City

(with copies to be furnished to the Issuer upon its request) of invoices or statements from a contractor, vendor or other payee or other document reasonably acceptable to the City.

(b) Construction costs may have to be paid in advance of work or while work is in progress, but prior to acceptable completion. The City may at its discretion make payments for such construction costs based on its reliance with respect to the acceptable completion of such work.

(c) Money in the Project Fund, except as otherwise provided herein, shall be used solely for making disbursements by the City for payment of the Costs of the Construction Project as provided in this Article.

SECTION 3.4. Completion of Construction Project.

The completion of the Construction Project shall be evidenced to the Indenture Trustee (and the Issuer upon its request) by a certificate of completion (the "Completion Certificate") signed by an Authorized City Representative to the effect that, except for amounts retained by the City for the payment of Costs of the Construction Project not then due and payable, which shall be retained as provided in Section 3.5, the Construction Project has been constructed and installed and substantially completed as of a date stated in such Completion Certificate to the City's satisfaction and in substantial accordance with the Plans and Specifications, and is suitable client for its purposes.

e Completion Certificate shall specify the date as of which construction of the on Project was substantially completed. Notwithstanding the foregoing, the on Certificate shall state that it is given without prejudice to any rights the Issuer or the City may have against third parties which may exist at the date of such Completion Certificate or which may subsequently come into being. If additional payments out of the Project Fund are then required, such payments shall be delivered by the City in the form specified in Section 3.3(a).

Upon receipt of the items specified in this Section and in Section 3.3, the City shall pay to the City or any payee designated by the City the amount requested, including any amount withheld pursuant to this Section 3.4.

SECTION 3.5. Disposition of Surplus Funds.

If any moneys remain in the Project Fund (excluding moneys earned on investments made pursuant to the Indenture) after the Completion Date and after payment of all costs then due and payable, such moneys (except for amounts retained in the Project Fund for payment of Costs of the Construction Project incurred but not then due and payable, which amounts shall, notwithstanding anything to the contrary contained in Section 3.4 hereof, be disbursed by the City on the terms and conditions set forth in Section 3.3 hereof) shall be used to redeem a portion of the principal of the Series 2006 Bonds at par in the manner provided in the Indenture. Any portion of such monies not so applied to the redemption of the Series 2006 Bonds shall be deposited in the General Account. Interest earned from investments in the Project Fund are to be used by the City for the Construction Project and to the extent not needed for the Construction Project will be used by the City to pay interest on Series 2006 Bonds accrued during and

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following the construction of the Construction Project until fully utilized, and not to redeem Series 2006 Bonds.

SECTION 3.6. Insufficient Series 2006 Bond Proceeds.

If the moneys in the Project Fund including interest earned thereon, are not sufficient to pay fully the complete Cost of the Construction Project, the City will nonetheless complete the Construction Project and will, at its sole expense, pay all such additional expenses as may be necessary to complete the Construction Project substantially in accordance with the Plans and Specifications and shall equip it for operation. The Issuer does not make any warranty, either express or implied, that the moneys which will be paid into the Project Fund and which, under the provisions of this Loan Agreement, will be available for payment of the Costs of the Construction Project, will be sufficient to pay all such costs. If after exhaustion of the moneys in the Project Fund, including the interest earned thereon, the City pays any portion of the Costs of the Construction Project, it shall not be entitled to any reimbursement therefor from the Issuer, the Indenture Trustee or the Bondholders, nor shall it be entitled to any diminution or postponement of the Basic Payments or Additional Charges payable hereunder and under the Series 2006 Note.

SECTION 3.7. Payment of Costs by City.

The City agrees that it will provide any and all money required for the prompt and full payment of:

(1) All legal (including Bond Counsel and counsel to the City, the Issuer and the Indenture Trustee), financial advisor and accounting fees and expenses, administrative and rating agency fees (if any), printing and engraving costs and other expenses incurred and to be incurred with respect to (i) the authorization, sale and issuance of the Series 2006 Bonds, or (ii) the preparation of this Loan Agreement, the Indenture, the Series 2006 Note, the Tax Intercept Agreement and all other documents necessary to the Bond Closing or required by this Loan Agreement or the Indenture;

(2) Premiums on all insurance; and

(3) All reasonable fees and expenses of the Indenture Trustee and paying agent under the Indenture.

SECTION 3.8. Issuance of Series 2006 Bonds.

The Issuer has contracted for the sale of the Series 2006 Bonds authorized by the Indenture, and the City has and does approve the terms of the Indenture. Forthwith upon execution of this Loan Agreement and the Indenture, or as soon thereafter as practicable, the Issuer will execute the Series 2006 Bonds and cause them to be authenticated by the Indenture Trustee and delivered to the Original Purchaser in accordance with the Original Purchaser's bid for the purchase of the Series 2006 Bonds upon payment of the purchase price and filing with the Indenture Trustee of the opinion of Bond Counsel as to the legality of the Series 2006 Bonds and the furnishing of all other documents required by this Loan Agreement and the Indenture to be

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furnished before delivery. The Issuer will then cause the proceeds of the Series 2006 Bonds to be transmitted to the Indenture Trustee.

ARTICLE IV

THE LOAN, BASIC PAYMENTS AND ADDITIONAL CHARGES

SECTION 4.1. The Loan.

The Issuer agrees, upon the terms and conditions herein specified, to lend to the City the Net Proceeds received by the Issuer from the sale of the Series 2006 Bonds, by causing such Net Proceeds to be deposited with the Indenture Trustee for disposition as provided herein and in the Indenture. The amount of the Loan shall also be deemed to include any "discount" or any other amount by which the aggregate price at which the Issuer sells the Series 2006 Bonds to the Original Purchaser is less than the aggregate principal amount of the Series 2006 Bonds. The obligation of the Issuer to make the Loan shall be deemed fully discharged upon so depositing the Net Proceeds of the Series 2006 Bonds with the Indenture Trustee as set forth herein.

SECTION 4.2. Basic Payments.

Subject to the provisions for prepayment set forth in Section 9.2, the City agrees to pay the Loan as follows:

(1) The City shall pay to the Indenture Trustee for the account of the Issuer an amount equal to the aggregate principal amount of the Series 2006 Bonds Outstanding and, as interest on its obligation to pay such amount, an amount equal to interest on the Series 2006 Bonds, such amounts to be due (A) semiannually as to interest on January 1 and July 1 of each year, commencing January 1, 2007, in the amounts and in the manner provided in the Indenture for the payment of interest on the Series 2006 Bonds on such dates and (B) annually as to principal, on July 1 of each year, commencing July 1, 2007, to and including July 1, 2026 in an amount equal to the principal scheduled to become due on such Interest Payment Date, all in order that the Issuer can cause amounts to be deposited in the General Account of the General Fund for the payment of the principal of, premium, if any, and interest on the Series 2006 Bonds, whether at maturity, upon redemption, upon purchase or otherwise; provided, however, that the obligation of the City to make any such payment hereunder shall be reduced by the amount of any reduction under the Indenture of the amount of the corresponding payment required to be made by the Issuer thereunder.

The City shall remit to the Indenture Trustee for deposit into the General Account of the General Fund under the Indenture (i) all amounts due under the Series 2006 Note and required for the payment of the principal of and the interest due on the Outstanding Series 2006 Bonds at least five (5) days prior to any Interest Payment Date, and (ii) the amounts required for the payment of the purchase or Redemption Price including accrued interest on Outstanding Series 2006 Bonds being redeemed or purchased for retirement, in each such case, such amounts shall be applied by the Indenture Trustee to such payments.

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(2) On the first day of June and December each year, commencing December 1, 2006, and ending June 1, 2026, the City shall provide to the Indenture Trustee a certificate executed by an Authorized City Representative, if, and only if, the City has determined that there are insufficient Net Revenues of the System to make the payments due under this Sections 4.2 and/or Section 4.4(3); however, such certificate is not required if it is determined that there are sufficient legally available Net Revenues of the System to make the payment due on the next Interest Payment Date.

SECTION 4.3. Pledge of Net Revenues of the System.

The principal of and interest on the Series 2006 Note and other amounts due under the Loan Agreement shall be payable solely from Net Revenues of the System. Such an amount of the Net Revenues of the System as will provide for the payments due under the Series 2006 Note and the Loan Agreement, as the same shall become due, is hereby irrevocably pledged to said purpose. The Series 2006 Note or the Loan Agreement does not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation or provision, and the taxing power of the City is not pledged to the payment of the obligations under the Loan Agreement or the Series 2006 Note, either as to principal or interest. However, the Act and the Loan Agreement provide for the intercept of local taxes of the City by the Mississippi State Tax Commission if the Net Revenues of the System are deficient to make the payments due under the Series 2006 Note and the Loan Agreement.

SECTION 4.4. Additional Charges.

The City agrees to pay as additional charges, when due, each and all of the following:

(1) all Issuance Expenses;

(2) to or upon the order of the Indenture Trustee, upon demand, all fees and charges of the Indenture Trustee for services rendered under the Indenture and all fees and charges of the paying agent, registrars, legal counsel, accountants, engineers, public agencies and others incurred in the performance on request of the Indenture Trustee of services required under the Indenture for which the Indenture Trustee and such other persons are entitled to payment or reimbursement; provided that after payment in full thereof the City may, without creating a default hereunder, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than the Indenture Trustee's fees for ordinary services as set forth in the Indenture, paying agency fees and any fees or charges of public agencies;

(3) to the Issuer and the Indenture Trustee, the Administrative Expenses, and all other reasonable expenses incurred by the Issuer and the Indenture Trustee in relation to the Construction Project and the Refunding Project which are not otherwise required to be paid by the City under the terms of this Loan Agreement and all indemnity payments required to be made under Section 8.4;

(4) any and all out-of-pocket costs and expenses (including, without limitation, the reasonable fees and expenses of any counsel, accountants, appraisers or other professionals) incurred by the Indenture Trustee or the Issuer at any time, in

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connection with (a) the preparation, negotiation and execution of this Loan Agreement, the Indenture, the Tax Intercept Agreement, the Series 2006 Note and all other Bond Documents, any amendment of or modification of this Loan Agreement, the Indenture, the Tax Intercept Agreement, the Series 2006 Note or the other Bond Documents (including in connection with any sale, transfer, or attempted sale or transfer of any interest herein to a participant or assignee); (b) any litigation, contest, dispute, suit, proceeding or action, whether instituted by the Issuer, the Indenture Trustee, the City or any other person in any way relating to the Construction Project, the Refunding Project, the Series 2006 Note, the other Bond Documents, or the City's affairs; (c) any attempt to enforce any rights of the Indenture Trustee or the Issuer against the City or any other person which may be obligated to the Indenture Trustee and/or Issuer by virtue of the Loan Agreement, the Series 2006 Note, the other Bond Documents or any other Construction Project or Refunding Project related document; (d) any action to protect, collect, sell, liquidate or otherwise dispose of the System, including the Construction Project; and (e) performing any of the obligations relating to or payment of any obligations of the City hereunder in accordance with the terms hereof or any other Bond Document;

(5) if there is on deposit in the Debt Service Reserve Fund an amount less than the Debt Service Reserve Requirement as of any Interest Payment Date based on the Indenture Trustee's valuation under Section 6.08 of the Indenture, the City will pay directly to the Indenture Trustee an amount for deposit into the Debt Service Reserve Fund which, when added to the amount on deposit in the Debt Service Reserve Fund, equals the Debt Service Reserve Requirement, such payment to be made within thirty (30) days after the applicable Interest Payment Date; and

(6) upon notice by the Indenture Trustee that any event described in the last paragraph of Section 6.08 of the Indenture has occurred, the City will make or cause to be made the required payments to replenish the Debt Service Reserve Fund within five (5) days of such notice; provided, however, said payment may be made from proceeds of a drawing under a Reserve Fund Credit Facility.

SECTION 4.5. City's Obligations Unconditional.

The City will not suspend or discontinue any Basic Payments or Additional Charges, and will perform and observe all of its other agreements in this Loan Agreement, and, except as expressly permitted in Section 9.2, will not terminate this Loan Agreement for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Construction Project, the taking of the Construction Project by condemnation or otherwise, the lawful prohibition of the City's use of the Construction Project, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of this Loan Agreement or the Series 2006 Note, or lack of right, power or authority of the Issuer to enter into this Loan Agreement, eviction by paramount title, commercial frustration of purpose, bankruptcy or insolvency of the Issuer or the Indenture Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State of Mississippi or any political subdivision thereof, or failure of the Issuer to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with

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this Loan Agreement or the Series 2006 Note, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Basic Payments and other amounts payable by the City hereunder shall be paid in full when due without any delay or diminution whatever.

SECTION 4.6. Assignment of Issuer's Rights.

As security for the payment of the Series 2006 Bonds, the Issuer will pledge the amounts payable hereunder and under the Series 2006 Note, and assign, without recourse or liability, to the Indenture Trustee, the Issuer's rights under this Loan Agreement (except certain rights retained by the Issuer) and under the Series 2006 Note. The rights pledged and assigned by the Issuer hereunder will include the right to receive payments hereunder (except the right to receive payments, if any, under Sections 4.4, 6.8, 8.4, 10.5, 11.8 and 11.11 hereof) and the Issuer hereby directs the City to make said payments directly to the Indenture Trustee. The City herewith assents to such assignment and will make payments under this Loan Agreement directly to the Indenture Trustee without defense or setoff by reason of any dispute between the City and the Indenture Trustee.

SECTION 4.7. City's Remedies.

Nothing contained in this Article shall be construed to release the Issuer from the performance of any of its agreements herein, and if the Issuer should fail to perform any such agreements, the City may institute such action against the Issuer as the City may deem necessary to compel the performance so long as such action for specific performance shall not violate the City's agreements in Section 4.5 or diminish or delay the amounts required to be paid by the City pursuant to Section 4.2 of this Loan Agreement. The City acknowledges however and agrees that any pecuniary obligation of the Issuer created by or arising out of this Loan Agreement shall be payable solely out of the proceeds derived from this Loan Agreement or the sale of the Series 2006 Bonds upon a default by the City or otherwise.

SECTION 4.8. Agreement Withholding City Monies to Satisfy Delinquent Payments.

As provided for in the Act, the City and the Issuer have entered into and the Indenture Trustee has accepted the Tax Intercept Agreement, whereby the City has covenanted, agreed and authorized the Mississippi State Tax Commission or any other State agency, department or commission to (1) withhold all or any part of any monies which the City is entitled to receive from time to time pursuant to any law and which is in possession of the Mississippi State Tax Commission or any other State agency, department or commission (the "Tax Monies"), and (2) pay same over to the Indenture Trustee (as assignee for the Bank) to satisfy any delinquent payment (the "Delinquent Payment") under Sections 4.2 and/or 4.4(5) of this Loan Agreement. If on the first day of each June and December, beginning December 1, 2006, the Indenture Trustee has been notified pursuant to Section 4.2(2) herein that there are insufficient Net Revenues of the System to make the deposits required to provide the payments under Sections 4.2 and/or 4.4(5) of this Loan Agreement, the Issuer has authorized and directed the Indenture Trustee under the Tax Intercept Agreement to file the Tax Intercept Agreement and a statement of deficiency setting forth the amount of any Delinquent Payment with the Mississippi State Tax

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Commission or any other State agency, department or commission, thereby directing the Mississippi State Tax Commission or any other State agency, department or commission to pay any Tax Monies directly to the Indenture Trustee on behalf of the Issuer to satisfy any Delinquent Payment, all as permitted under the Act. In any event if the City fails to make timely payments under the Loan Agreement and the Series 2006 Note as provided in Sections 4.2(1) and/or 4.4(5) hereof, the Indenture Trustee is hereby further directed to file the Tax Intercept Agreement with the Mississippi State Tax Commission and take further action to recover Tax Monies under the Tax Intercept Agreement. The Indenture Trustee is hereby directed to pay any Tax Monies into the General Account of the General Fund to be applied in accordance with Section 6.05 of the Indenture, except for any Delinquent Payment under Section 4.4(5) which shall be applied in accordance with the provisions thereof.

ARTICLE V

ESTABLISHMENT OF CERTAIN LOAN AGREEMENT FUNDS, APPLICATION THEREOF AND SECURITY THEREFOR

SECTION 5.1. Establishment of Loan Agreement Funds.

The following Loan Agreement Funds (the "Loan Agreement Funds") are hereby created and established as Loan Agreement Funds to be held by the City in connection with the Series 2006 Note:

- (1) Project Fund;
- (2) Debt Service Fund;
- (3) Revenue Fund;
- (4) Operation and Maintenance Fund; and
- (5) Contingent Fund.

The amounts in all such Loan Agreement Funds shall be held by the City. Monies held by the City shall be deposited with one or more depositories in accordance with applicable law. All monies or securities deposited with the Indenture Trustee or any Depository or received by the City pursuant to Loan Agreement shall be held in trust and applied only in accordance with the provisions hereof and shall be considered trust funds for the purposes of this Loan Agreement.

The City may establish within any Loan Agreement Fund held by the City such accounts as shall be designated by this Loan Agreement or in the written instructions of an Authorized City Representative and shall in like manner establish within any account such sub-accounts for the purposes of such accounts as shall be so designated.

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SECTION 5.2. Project Fund.

(a) There shall be deposited into the Project Fund, the amounts required to be so deposited by the provisions of Section 3.1 hereof. There may also be paid into the Project Fund, at the option of the City, any monies received by the City from any other source, unless required to be otherwise applied as provided by this Loan Agreement. All earnings on the investment of monies in the Project Fund shall be accumulated therein for the purposes set out in this Section 5.2.

(b) Except as otherwise provided in this Section, amounts in the Project Fund shall be applied only to pay the Costs of the Construction Project, Insurance Expenses, to reimburse the City for certain expenditures and for the payment of any indebtedness incurred by the City for such purposes.

(c) To the extent that the amounts in any other Loan Agreement Fund are insufficient or unavailable therefor, amounts on deposit in the Project Fund may be applied to pay the Series 2006 Note when due, but only in the event that there shall have been filed with the Indenture Trustee (1) a Certificate of an Authorized City Representative in form and substance satisfactory to the Indenture Trustee stating (i) that the Net Revenues expected to be received thereafter together with such other specified amounts as are expected to be made available therefor by the City will be sufficient to pay in full all Outstanding Series 2006 Bonds when and as the same shall become due in accordance with their terms, (ii) that such payment will not result in a violation of the provisions of Section 8.5 hereof, and (iii) in reasonable detail, the basis for such certification, and (2) an Opinion of Counsel satisfactory to the Indenture Trustee that such payment will not result in a violation of any applicable existing law.

(d) At any time, the City may apply amounts in the Project Fund to the prepayment of the Series 2006 Note in accordance with its terms and the provisions of Section 9.2 hereof, but only to the extent that such amounts are not required to be retained therein for the purpose of meeting any existing obligations of the City as evidenced by the Certificate of an Authorized City Representative.

SECTION 5.3. Revenue Fund.

All System Revenues excluding Tax Monies shall be set aside as collected by the City and shall be deposited into the Revenue Fund to be utilized for the purposes of accounting for the System Revenues. Monies in said fund shall not be subject to lien or attachment by any creditor of the City, and shall be allocated and deposited by an Authorized City Representative to the extent available in the following order of preference in the following separate and special funds, without further direction of or action by the City:

(1) On the first day of each month and prior to making any withdrawal pursuant to subsection (2) hereof, the City shall withdraw from the Revenue Fund and deposit to the credit of the several Loan Agreement Funds the following amounts in the following order of priority:

FIRST, amounts shall be withdrawn from the Revenue Fund and deposited to the credit of the Operation and Maintenance Fund sufficient to pay Operating

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Expenses during such calendar month in accordance with the Annual Budget and in the event that the aggregate amounts deposited into such fund during the preceding months shall have been insufficient to pay all expenses, an amount sufficient to repay such deficiencies.

SECOND, an amount equal to one-sixth (1/6th) or such applicable fraction necessary to provide the interest due on the Outstanding Series 2006 Bonds on the next succeeding Interest Payment Date and one-twelfth (1/12th) or such applicable fraction necessary to provide the next installment of principal becoming due on the Series 2006 Bonds shall be withdrawn and deposited to the credit of the Debt Service Fund; provided however, that the obligation of the City to make any such deposit to the Debt Service Fund shall be reduced by the amount of any reduction under the Indenture of the amount of any corresponding payment required to be made by the Bank thereunder.

THIRD, there shall be withdrawn and deposited with the Indenture Trustee for deposit by the Indenture Trustee to the credit of the Debt Service Reserve Fund for the Series 2006 Bonds, the amount, if any, required to be paid into the Debt Service Reserve Fund in order to ensure that the amount on deposit therein equals the Debt Service Reserve Requirement as established by the provisions of the Loan Agreement and the Indenture.

FOURTH, any excess System Revenues, excluding Tax Monies, not otherwise required for any of the above Loan Agreement Funds shall be paid into the Contingent Fund.

For purposes of calculating the amounts required to be withdrawn and deposited to the credit of the Debt Service Fund pursuant to the Second item above, the City shall take into account the earnings on the investment of such Loan Agreement Fund on the day before any Interest Payment Date, which investment earnings shall be valued by the City, and the amount required to be withdrawn and deposited to the credit of the Debt Service Fund pursuant to the Second item above for the month next succeeding any such six-month period shall be reduced by the amount of such earnings.

(2) Any amount remaining in the Revenue Fund after making all payments and deposits required by subsection (1) hereof including any deficiency in payments required hereunder for prior months shall be paid to the Contingent Fund and used as provided in Section 5.6.

If directed by the Issuer, by the first day of each month, the City shall provide to the Indenture Trustee a Certificate executed by an Authorized City Representative stating (a) that the necessary deposits to the funds as required under this Section 5.3 for the preceding month have been made; (b) the amount of such deposit to each fund as required by this Section 5.3 for the preceding month; and (c) the current balance of each fund as of the end of the preceding month.

SECTION 5.4. Debt Service Fund.

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Pursuant to the terms and conditions of this Loan Agreement, the City shall pay out of the Debt Service Fund to the Indenture Trustee for deposit in the General Account of the General Fund under the Indenture for any Outstanding Series 2006 Bonds the amounts required for the payment of the principal of and the interest due on the Outstanding Series 2006 Bonds five (5) days prior to such Interest Payment Date and the amounts required for the payment of the purchase or Redemption Price of plus accrued interest on Outstanding Series 2006 Bonds being redeemed or purchased for retirement, and in each such case, such amounts shall be applied by the Indenture Trustee to such payments.

SECTION 5.5. Operation and Maintenance Fund.

In addition to amounts required to be deposited in the Operation and Maintenance Fund pursuant to Section 5.3(1) hereof, there may also be deposited in the Operation and Maintenance Fund, at the option of the City, any other moneys of the City, unless required to be otherwise applied as provided by this Loan Agreement. Moneys in the Operation and Maintenance Fund shall be applied by the City to the payment of Operating Expenses as they accrue in accordance with the Annual Budget. Any amount in such Loan Agreement Fund in excess of the amount required to make the aforesaid payments may be transferred and deposited to any other Loan Agreement Fund or Loan Agreement Funds pursuant to the priorities established in Section 5.3 hereof.

SECTION 5.6. Contingent Fund.

Funds in the Contingent Fund may be transferred to the Operation and Maintenance Fund at the discretion of the City to cover any deficiency therein or for any expenditure as a result of an unforeseen circumstance.

SECTION 5.7. Investment of Moneys Held by Any Fiduciary.

(a) Moneys in all Loan Agreement Funds shall be invested to the fullest extent possible in Investment Securities, provided that the maturity date or the date on which such Investment Securities may be redeemed at the option of the holder thereof shall coincide as nearly as practicable with (but in no event later than) the date or dates on which moneys in the Loan Agreement Funds for which the investments were made will be required for the purpose thereof.

(b) Amounts credited to a Loan Agreement Fund may be invested, together with amounts credited to one or more other Loan Agreement Funds in the same Investment Security or Investment Securities, provided that (i) each such investment complies in all respects with the provisions of subsection (a) hereof as they apply to each Loan Agreement Fund for which the joint investment is made and (ii) the Fiduciary or the City maintains separate records for each Loan Agreement Fund and such investments are accurately reflected therein.

(c) Any Fiduciary may make any investment permitted by this Section 5.7 through its own investment department.

(d) In computing the amount in any Loan Agreement Fund, obligations purchased as an investment of moneys therein shall be valued at par or, if purchased at other than par, at their Amortized Value, in either event inclusive of accrued interest.

(e) The income or interest earned by or increment to, all Loan Agreement Funds due to the investment thereof shall be retained, transferred or paid as follows:

(1) Earnings of the Project Fund shall be retained therein and applied toward the purposes set forth in Section 5.2 hereof.

(2) Earnings of the Revenue Fund shall be applied as necessary to payments and allocations required by Section 5.3 in the order of priority set forth therein.

(3) Earnings of the Debt Service Fund shall be retained therein and applied toward the purposes set forth in Section 5.4.

(4) Earnings of the Operation and Maintenance Fund shall be retained therein and applied as necessary to reduce any subsequent payments and allocations required by Section 5.3 to the Operation and Maintenance Fund pursuant to the Annual Budget.

(5) Earnings on funds in the Contingent Fund shall be retained therein and applied as set forth in Section 5.6 herein.

(f) The City or any Fiduciary shall sell at the best price obtainable, or present for redemption, any obligation purchased by it as an investment whenever it shall be necessary in order to provide moneys to meet any payment or transfer from the Loan Agreement Fund for which such investment was made.

SECTION 5.8. Liability of Fiduciaries for Investments.

A Fiduciary shall not be liable or responsible for the making of any investment authorized by the provisions of this Article V in the manner provided in this Article V or for any loss resulting from any such investment so made, except for its own gross negligence or willful misconduct.

ARTICLE VI

PROJECT COVENANTS

SECTION 6.1. Affirmative Covenants of the City.

Until the termination date and thereafter until no amount is due or owing to the Issuer hereunder, the City shall comply with each of the covenants, undertakings and agreements set forth in this Article VI unless the Indenture Trustee and Issuer shall otherwise consent in writing with consent may be withheld in their sole and absolute discretion.

SECTION 6.2. Construction Project and System Operation and Maintenance.

(a) The City shall at all times operate, or cause to be operated, the System property and in accordance with all applicable state and federal regulations with good operating procedures applicable to all similar facilities and in a sound, efficient and economical manner so as to ensure that capacity is available, and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the System may be properly and advantageously conducted, and, if any useful part of the System is damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use.

(b) The City shall have the right to make, amend, and enforce reasonable rules and regulations necessary for the operations of the System which are not inconsistent with the terms, rights, and obligations under this Loan Agreement or the Act.

(c) The City shall pay all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Construction Project and the System, or upon any part thereof or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all valid requirements of any municipal or governmental authority relative to any part of the Construction Project and the System, and shall not create or suffer to be created any lien or charge upon the Construction Project and the System or any part thereof, or upon the System Revenues therefrom, except the pledge and lien created by this Loan Agreement for the payment of the Series 2006 Note. The City shall pay or cause to be paid, or will make adequate provisions to satisfy and discharge within sixty (60) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects which, if unpaid, might by law become a lien upon the Construction Project or any part thereof or on the Net Revenues. Nothing in this Section contained shall require the City to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate legal proceedings.

(d) The City shall employ a Consulting Engineer, whose duties shall be to make any certificates and perform any other acts required or permitted of the Consulting Engineer as may be required by the City or as otherwise provided under this Loan Agreement and to supervise the construction of the Construction Project. If requested by the Bank or Indenture Trustee, copies of the reports of the Consulting Engineer and of the advice, recommendations and estimates made as hereinabove provided shall be filed by the City with the Indenture Trustee.

(e) The City shall at all times maintain with responsible insurers all such insurance as is customarily maintained with respect to water and sewer system facilities of like character against loss of or damage to the Construction Project and System and against loss of System Revenues and against public and other liability to the extent reasonably necessary to protect the interests of the City and the Bondholders. If any useful part of the Construction Project or System shall be damaged or destroyed, the City shall, as expeditiously as may be possible, commence and diligently prosecute the repair or replacement of the damaged property so as to

restore the same to use. The proceeds of any such insurance shall be payable to the City and (except for proceeds of use and occupancy insurance) shall be applied to the necessary costs involved in such repair and replacement and, to the extent not so applied, shall (together with proceeds of any such use and occupancy insurance) be deposited in the Redemption Account of the General Fund held by the Indenture Trustee and applied as a prepayment of the Series 2006 Note pursuant to the Loan Agreement. In the event that the costs of such repair and replacement of the damaged property exceed the proceeds of such insurance available for payment of the same, moneys in the Contingent Fund shall be used to the extent necessary for such purposes.

The City shall pay all expenses of the operation and maintenance of the System, including, but without limitation, adequate insurance thereon and insurance against all liability for injury to persons or property arising from the operation thereof, and all taxes and special assessments levied upon or with respect to the System and the Construction Project and payable during the Term of this Loan Agreement.

SECTION 6.3. Transfer of City's Interest in the Construction Project and/or the System.

The City shall not:

- (1) directly or indirectly sell, assign, transfer, convey, lease or dispose of the Construction Project and/or the System, or any part thereof or any interest or estate therein, whether legal, equitable, beneficial or possessory including, but not limited to, (i) any conveyance into trust or (ii) any conveyance, sale or assignment of the beneficial interest in any trust holding title to the Construction Project and/or the System; or
- (2) subject or permit the Construction Project and/or the System or any portion thereof or interest therein (whether legal, equitable, beneficial or otherwise) or estate in any thereof (including the right to receive the revenues therefrom) directly or indirectly, to any mortgage, deed of trust, lien, claim, security interest, encumbrance or right.

SECTION 6.4. Covenants in Bond Documents.

The City shall keep and perform all covenants and agreements set forth in the Indenture and each and every other Bond Document, which covenants are incorporated herein by reference as if fully set forth herein.

SECTION 6.5. Conduct of Governmental Operations.

The City shall maintain its existence as a political subdivision organized and validly existing under the Constitution and laws of the State of Mississippi. The City shall maintain in full force and effect all licenses, bonds, leases, contracts and other rights necessary to the operation of the System, and will comply and cause the Construction Project and the System to comply with all applicable laws and regulations of any federal, state or local governmental authority, except for such laws and regulations, the violation of which would not, in the aggregate, have a material adverse effect on the City's or System's financial condition or the results of the operations of the System.

SECTION 6.6. Payment of Indebtedness.

The City shall pay any indebtedness for which it is liable when due and shall not permit any default to occur under any document evidencing or securing any such indebtedness.

SECTION 6.7. Performance of Obligations.

The City shall observe and perform its obligations under this Loan Agreement, the Series 2006 Note, the other Bond Documents and the other agreements relating to the transaction contemplated hereby to which it is a party or by which it is bound and shall not suffer or permit any default or Event of Default to exist hereunder or thereunder. The City shall use its good faith efforts to cause the other parties to the other Bond Documents to deliver notices and documents required to be delivered to the Issuer and cause such parties to observe and perform those obligations and covenants contained in the Bond Documents required to be observed and performed thereunder.

SECTION 6.8. Environmental Indemnity.

Without limitation on any other provision hereof or in the other Bond Documents, the City hereby agrees to indemnify and hold the Indenture Trustee and the Issuer harmless from and against any and all losses, liabilities, damages, injuries, costs, expenses and claims of any kind whatsoever (including, without limitation, any losses, liabilities, damages, injuries, costs, expenses or claims asserted or arising under any of the following (collectively, "Environmental Laws"): the Comprehensive Environmental Response, Compensation, and Liability Act, or any other federal, state or local statute, law, ordinance, code, rule, regulation, order or decree, now or hereafter in force, regulating, relating to, or imposing liability or standards of conduct concerning any hazardous material paid, incurred, suffered by or asserted against the Issuer and/or the Indenture Trustee as a direct or indirect result of any of the following, regardless of whether or not caused by, or within the control of, the City: (i) the presence of any hazardous material on or under, or the escape, seepage, leakage, spillage, discharge, emission, discharging or release of any hazardous material at (A) the Construction Project and/or the System, or any part of either of them, (B) any other real property in which the City holds any estate or interest whatsoever (including, without limitation, any property owned by a land trust the beneficial interest in which is owned, in whole or in part, by the City), or (C) an off-site location if the liability or obligation relates to the prior generation or use of hazardous material at the System, or (ii) any liens against the Construction Project and/or the System, or any part of either of them, permitted or imposed by any Environmental Laws, or any actual or asserted liability or obligations of the City or under any Environmental Laws, or (iii) any actual or asserted liability or obligations of the Issuer under any Environmental Law relating to the System or the City's, or any predecessors' possession, use or activities at or relating to the System. Notwithstanding any other provision of this Loan Agreement, the covenants, indemnities and obligations provided for in this subparagraph shall be continuing and shall survive the payment, performance, satisfaction, discharge, cancellation, termination and release of the other obligations of the City under this Loan Agreement.

Without limitation on any other provision hereof, the City shall use and maintain the Construction Project and the System or cause the Construction Project and the System to be used and maintained in accordance and compliance with all applicable Environmental Laws.

SECTION 6.9. Annual Budget.

The City shall, if requested, not less than sixty (60) days before the beginning of any Fiscal Year, prepare and file with the Indenture Trustee its Annual Budget showing estimated Operating Expenses, debt service and System Revenues for the System for such Fiscal Year. The City shall prepare such Annual Budget for the System on the basis of monthly requirements so that it will be possible to determine from such budget the estimated Operating Expenses for each month of the Fiscal Year. Such Annual Budget may set forth such additional material as the City may determine and may be amended during the Fiscal Year if determined necessary by the City or as a result of unforeseen circumstances.

SECTION 6.10. Limitations on Operating Expenses.

The City shall not incur Operating Expenses in any year in excess of the reasonable and necessary amount thereof and shall not expend any amount or incur any indebtedness for maintenance, repair and operation in excess of the amounts provided for Operating Expenses in the Annual Budget, if any, then in effect. Nothing in this Section contained shall limit the amount which the City may expend for Operating Expenses in any Fiscal Year, provided any amounts expended therefor in excess of the Annual Budget shall be received from the Contingent Fund or some other source other than System Revenues.

SECTION 6.11. Rates and Charges.

(a) The City shall with respect to all direct or indirect connection with, and all use and services of, the System and the Construction Project, make, impose, charge and collect service rates, charges and other fees in accordance with the Section 21-27-23, Mississippi Code of 1972, as amended.

(b) Except as provided in subsection (c) below, the schedule of rates, charges and fees for services furnished by the System and the Construction Project will not be revised so as to result in a decrease of System Revenues.

(c) The schedule of rates, charges and fees referred to in subsection (b) of this Section will not be reduced unless:

- (1) the amount then on deposit in the Debt Service Reserve Fund shall not be less than an amount equal to the Debt Service Reserve Requirement required to be on deposit therein pursuant to the Indenture; and
 - (2) the Net Revenues for the preceding Fiscal Year shall be certified by an Independent Accountant to have been not less than one hundred five percent (105%) of the Debt Service Payments on the Series 2006 Note, and payments, if any, required to be made to the credit of the Debt Service Reserve Fund for the Series 2006 Bonds.
- (d) No later than sixty (60) days after the end of each Fiscal Year, the rates, charges and fees established for the System and the Construction Project will be reviewed by the City and will be adjusted whenever necessary or proper so that the Net Revenues in each Fiscal Year will not be less than one hundred five percent (105%) of the Debt Service Payments on the

Series 2006 Note and the payments, if any, required to be made to the credit of the Debt Service Reserve Fund for the Series 2006 Bonds and all other required fund allocations and other payments provided for in this Loan Agreement and the Series 2006 Note; provided, however, the City may make rate increases at any time during the Fiscal Year if such increases in rates are necessary to pay debt service.

(e) If requested by the Bank or Indenture Trustee, copies of every schedule of charges, rates and fees and revisions thereof, prescribed or adopted by the City shall be promptly filed with the Indenture Trustee.

SECTION 6.12. Accounts and Periodical Reports and Certificates.

(a) The City shall keep or cause to be kept proper records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the System and the Construction Project or under this Loan Agreement and which, together with all other records of the City including insurance policies, shall at all reasonable times be subject to the inspection of the Indenture Trustee, the Bank or the Holder or Holders of not less than five percent (5%) in principal amount of the Series 2006 Bonds then Outstanding or their attorneys duly authorized in writing.

(b) The City shall annually, if requested, within one hundred and twenty (120) days after the close of each Fiscal Year, file with the Bank and the Indenture Trustee an Annual Report for said Fiscal Year, accompanied by an Independent Accountant's Certificate as to the examination of the financial statements therein (describing such statements as fairly presenting the information set forth therein in conformity with generally accepted accounting principles and the provisions of this Loan Agreement), relating to the System and the Construction Project and including statements in reasonable detail of: (i) the financial condition as of the end of such Fiscal Year and income and expenses for such Fiscal Year, (ii) the number of users of the System and the Construction Project for such Fiscal Year and of the service charges, annual charges and other revenues collected in such Fiscal Year, (iii) Operating Expenses and the rates or service charges for such Fiscal Year and (iv) with respect to each Loan Agreement Fund created by or set forth in this Loan Agreement and held by the City, the receipts therein and disbursements therefrom during such Fiscal Year and the amounts held therein at the end of such Fiscal Year.

SECTION 6.13. Sale or Encumbrance.

No part of the Construction Project or the System shall hereafter be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of, except that the City may sell, exchange or lease at any time and from time to time any property or facilities constituting part of the Construction Project or the System and not useful or necessary in the construction, reconstruction or operation thereof or the costs of which have been paid from sources other than the proceeds of the Series 2006 Note, but any proceeds of any such sale or exchange received and not used to replace the property so sold or exchanged shall be deposited and treated in all respects as System Revenues, and any proceeds of any such lease received shall be deposited as System Revenues. However, the City shall have the right to enter into equipment leases which relate to the Construction Project or the System whereby the equipment under each such individual lease is the sole collateral pledged to repay the lease.

SECTION 6.14. Indebtedness and Liens.

Except as set forth in Section 6.16 herein, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Series 2006 Note secured by a pledge of or other lien or charge on the Net Revenues and shall not create or cause to be created any liens or charge on such Net Revenues or on any amounts held by any Fiduciary under this Loan Agreement; but this Section shall not prevent the City from issuing notes payable from the proceeds of bonds or notes or other obligations of the City for the purposes of the City payable out of, or secured by a pledge of, Net Revenues to be derived on and after such date as the pledge of the Net Revenues provided herein and the Series 2006 Note shall be discharged and satisfied as provided in Section 9.2, or from issuing bonds or notes or other obligations for the purposes of the City which are payable out of or secured by the pledge of amounts available therefor pursuant to Section 5.3(c) and which recite on their face that such pledge of said amount is and shall be in all respects subordinate to the provisions of this Loan Agreement and the Series 2006 Note and the lien and pledge, if any, created by this Loan Agreement and the Series 2006 Note.

SECTION 6.15. Competitive Facilities.

The City shall not hereafter construct, acquire or operate, or permit, or, to the extent permitted by law, consent to the construction, acquisition or operation of, any plants, structures, facilities or properties which may compete or tend to compete with the System or the Project; except that nothing in this Loan Agreement contained shall prevent the City from giving its permission or consent to the construction, acquisition or preparation in the Project by the System or the Construction Project by a Person of facilities for the provision of services which the City shall determine are not economically feasible for it to construct or acquire at such time, but which, if constructed or acquired by the City, would carry out the purposes of the City and the Construction Project and such facilities pursuant to the terms of such permission or consent will become a part of the Construction Project upon notice to such person by the City, either (i) without any cost to or payment by the City, or (ii) upon payment of such amount or cost as the City shall determine to be proper in the circumstances.

SECTION 6.16. Issuance of Parity Indebtedness or Subordinate Indebtedness.

(a) The City shall not issue Parity Indebtedness unless:

(1) prior to such issuance, for any additional Parity Indebtedness, the Accounts in the Debt Service Reserve Fund contained in the Indenture shall contain the respective amounts then required to be on deposit therein;

(2) no default or Event of Default shall have occurred and be continuing under this Loan Agreement, the Series 2006 Note or under the Indenture; and

(3) the Net Revenues available for debt service payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such additional Parity Indebtedness is issued are certified by an Independent Accountant to have been at least equal to one hundred five percent (105%) of the highest annual Debt Service Payments in any succeeding Note Year on the Series 2006 Note and any Parity Indebtedness (including the Parity Indebtedness proposed to be issued); or in lieu of the

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foregoing formula, if a new schedule of rates, fees and charges for services, facilities and commodities of the System shall have been adopted, and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Net Revenues available for debt service payments would have at least equaled one hundred five percent (105%) of the highest annual Debt Service Payments in any succeeding Note Year on the Series 2006 Note and any other Parity Indebtedness (including the Parity Indebtedness proposed to be issued).

(b) The City also reserves the right to issue indebtedness secured by liens on and pledges or revenues and proceeds subject and subordinate to the lien securing Parity Indebtedness.

SECTION 6.17. Enforcement of Collections.

(a) The City will diligently enforce and collect all fees, rentals or other charges for the services and facilities of the System, and take all steps, actions and proceedings for the enforcement and collection of such fees, rentals or other charges which shall become delinquent to the full extent permitted or authorized by the laws of the State.

(b) The City will, to the full extent permitted by law, under reasonable rules and regulations, shut off and discontinue the supplying of the services and facilities of the System for the non-payment of fees, rentals or other charges for said services, and will not restore said services until all delinquent charges, together with interest and reasonable penalties, have been paid in full.

ARTICLE VII

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 7.1. Damage and Destruction.

If there are any Outstanding Series 2006 Bonds when the Construction Project and/or the System is damaged or destroyed by fire or other casualty, the City shall restore the Construction Project and/or the System to the condition which existed immediately prior to the casualty, damage or destruction or exercise its right to prepay as set forth in Section 9.2.

ARTICLE VIII

CITY'S COVENANTS

SECTION 8.1. Covenants for the Benefit of the Indenture Trustee and the Bondholders.

The City recognizes the authority of the Issuer to assign its interest in and pledge monies receivable under this Loan Agreement (other than certain payments required to be made to the Issuer under Sections 4.4, 6.8, 8.4, 10.5, 11.8 and 11.11) to the Indenture Trustee as security for the payment of the principal of and interest and redemption premiums, if any, on the Series 2006 Bonds, and the payment of all fees and expenses of the Indenture Trustee; and hereby agrees to

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be bound by, and joins with the Issuer in the grant of a security interest to the Indenture Trustee in any rights and interest the City may have in sums held in the Funds described in Article VI pursuant to the terms and conditions of the Indenture, all as to secure payment of the Series 2006 Bonds. Each of the terms and provisions of this Loan Agreement is a covenant for the use and benefit of the Indenture Trustee and the Holders of the Series 2006 Bonds, so long as any thereof shall remain Outstanding; but upon payment in full of the Series 2006 Bonds in accordance with Article IX of the Indenture and of all fees and charges of the Indenture Trustee and paying agent, all references in this Loan Agreement to the Series 2006 Bonds, the Holders thereof and the Indenture Trustee shall be ineffective, and neither the Indenture Trustee nor the Holders of any of the Series 2006 Bonds shall thereafter have any rights hereunder, save and except those that shall have theretofore vested or that arise from provisions hereunder which survive termination of this Loan Agreement.

SECTION 8.2. Inspection and Access.

The City agrees that the Issuer, the Indenture Trustee and their duly authorized agents shall have the right at all reasonable times to examine and inspect the Construction Project and the System and all books and records of the City related thereto and for that purpose to enter upon the Construction Project and the System after notice, and shall also have such right of access thereto as may be reasonably necessary to cause the Construction Project and the System to be properly maintained in accordance with Article VI.

SECTION 8.3. Certificate of Compliance and Other Reports.

The City will at the request of the Indenture Trustee, and at the City's expense, furnish to the Indenture Trustee and Issuer at such times and in such form as the Indenture Trustee may reasonably require a copy of reports containing such information as is necessary to comply with any lawful reporting or continuing registration requirements imposed by any agency of the State of Mississippi under the Act, the Mississippi Blue Sky Laws or any other applicable state law as it now exists or may hereafter be amended or any agency of any other state in which the Series 2006 Bonds have been sold, or such information as necessary to comply with federal securities law.

SECTION 8.4. Indemnification.

The City will, to the fullest extent permitted by law, protect, indemnify and save the Issuer and Indenture Trustee and their elected and appointed officials, board members, officers, agents, and employees and any person who controls the Issuer or Indenture Trustee within the meaning of the Securities Act of 1933, harmless from and against all liabilities, losses, damages, costs, expenses (including attorneys' fees and expenses of the Issuer), taxes, causes of action, suits, claims, demands and judgments of any nature arising from:

(1) any injury to or death of any person or damage to property in or upon the Construction Project or the System or growing out of or connected with the use, non-use, condition or occupancy of the Construction Project, the System or any part thereof, including any and all acts or operations relating to the acquisition or installation of property or improvements. The foregoing indemnification obligations shall not be limited

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in any way by any limitation on the amount or type of damages, compensation or benefits payable by or for the City, customers, suppliers or affiliated organizations under any Workers' Compensation Acts, Disability Benefit Acts or other employee benefit acts;

(2) violation of any agreement, provision or condition of this Loan Agreement, the Series 2006 Bonds or the Indenture except a violation by the Issuer;

(3) violation by the City of any contract, agreement or restriction relating to the Construction Project or the System which shall have existed at the commencement of the Term of this Loan Agreement or shall have been approved by the City;

(4) violation by the City of any law, ordinance, court order or regulation affecting the Construction Project, the System or any part thereof or the ownership, occupancy or use thereof;

(5) any statement or information relating to the expenditure of the proceeds of the Series 2006 Bonds contained in the "Tax Certificate" or similar document furnished by the City to the Issuer which, at the time made, is misleading, untrue or incorrect in any material respect; and

(6) any untrue statement or alleged untrue statement of a material fact contained in any offering material relating to the sale or remarketing of the Series 2006 Bonds (as from time to time amended or supplemented) or arising out of or based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary in order to make the statements therein not misleading, or failure to properly register or otherwise qualify the sale of the Series 2006 Bonds or failure to comply with any licensing or other law or regulation which would affect the manner whereby or to whom the Series 2006 Bonds could be sold.

Promptly after receipt by the Issuer or any such other indemnified person, as the case may be, of notice of the commencement of any action with respect to which indemnity may be sought against the City under this Section, such person will notify the City in writing of the commencement thereof, and, subject to the provisions hereinafter stated, the City shall assume the defense of such action (including the employment of counsel, who shall be counsel reasonably satisfactory to the Issuer, or such other person as the case may be, and the payment of expenses). Insofar as such action shall relate to any alleged liability with respect to which indemnity may be sought against the City, the Issuer or any such other indemnified person shall have the right to employ separate counsel in any such action and to participate in the defense thereof, but the fees and expenses of such counsel shall not be at the expense of the City unless the employment of such Counsel has been specifically authorized by the City. The City shall not be liable to indemnify any person for any settlement of any such action effected without its consent.

The provisions of this Section 8.4 shall survive the payment and discharge of the Series 2006 Bonds.

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SECTION 8.5. Tax Covenants.

(a) In order to maintain the exclusion from gross income for Federal income tax purposes of interest on the Series 2006 Bonds, and for no other purpose, the City covenants to comply with each applicable requirement of the Code. In furtherance of the covenant contained in the preceding sentence, the City agrees to comply with the Tax Certificate executed by the City on the date of the issuance and delivery of the Series 2006 Bonds, as such Tax Certificate may be amended from time to time.

(b) The City covenants and agrees with the Indenture Trustee and the Bondholders that the City shall not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Series 2006 Bonds, would cause the Series 2006 Bonds to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141(a) and 148(a), respectively, of the Code, or any successor provisions.

(c) The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2006 Bonds pursuant to Section 148(f) of the Code from amounts available therefor.

(d) Upon the authentication and delivery of the Series 2006 Bonds, the City shall furnish to the Indenture Trustee certificates of the Authorized City Representative of the City to the effect that, on the basis of the facts, estimates and circumstances in existence on the date of such authentication and delivery, it is not expected that the proceeds of the Series 2006 Bonds will be used in a manner that would cause such Series 2006 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Treasury Regulations thereunder, and in such certificates the City shall set forth such facts and circumstances which may be in brief and summary terms, and shall state that to the best of the knowledge and belief of such Authorized City Representative, there are no other facts or circumstances that would materially change the expectations expressed in such certificate.

(e) Notwithstanding any other provisions of this Loan Agreement to the contrary, so long as necessary in order to maintain the exclusion from gross income for Federal income tax purposes under Section 103(a) of the Code of interest on the Series 2006 Bonds, the covenants contained in this Section 8.5 shall survive the payment of the Series 2006 Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 9.2 of this Loan Agreement and Article IV of the Indenture, respectively.

ARTICLE IX

CITY'S OPTIONS

SECTION 9.1. Assignment and Transfer.

The City shall not transfer, convey or assign any interest in the Construction Project, except in accordance with Section 6.3 hereof.

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SECTION 9.2. Prepayment of the Series 2006 Note and Termination of the Loan Agreement.

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(a) Unless an Event of Default has occurred and is continuing, the City shall have the option to direct the Indenture Trustee to call for redemption prior to maturity the Outstanding Series 2006 Bonds, in whole or in part, as provided in Section 4.01(a) of the Indenture. The Series 2006 Bonds to be redeemed shall be redeemed at a price equal to their principal amount plus accrued interest as set forth in Section 4.01(a) of the Indenture upon not less than thirty (30) but no more than forty-five (45) days prior written notice. The Series 2006 Bonds are also subject to redemption from funds transferred from the Loan Account to the Redemption Account under the Indenture, funds transferred from the Project Fund to the Redemption Account upon completion of the Construction Project and payment of all costs of the Construction Project or from proceeds received upon the sale or prepayment prior to the stated maturity of the Series 2006 Note upon a default under the Series 2006 Note, and acceleration thereof, pursuant to Section 4.01(b) of the Indenture. In the event the Series 2006 Bonds are called for redemption in whole or in part under the Indenture, a Basic Payment shall be made by the City in the amount of principal plus accrued interest and all other fees due hereunder and under the Indenture to effectuate said redemption.

(b) If, after the City exercises its option to redeem all Series 2006 Bonds, no Series 2006 Bonds remain Outstanding, the Indenture is discharged, and the City has satisfied all of its obligations hereunder and under the Series 2006 Note, the Indenture Trustee and the Issuer shall execute and deliver to the City such instruments as the City reasonably determines are necessary to terminate this Loan Agreement. All further obligations of the City hereunder, except as set forth in Sections 8.4, 8.5 and 11.10, shall thereupon terminate.

(c) The City shall pay to the Indenture Trustee at least five (5) days prior to the Discharge Date, an amount equal to the Indenture Trustee's and paying agent's fees and expenses under the Indenture, accrued and to accrue until final payment and redemption of the Series 2006 Bonds and all other advances, fees, costs and expenses reasonably incurred and to be incurred on or before the termination date by the Indenture Trustee and paying agent under the Indenture and by the Issuer under this Loan Agreement.

(d) On the termination date, a closing shall be held at the principal office of the Indenture Trustee, or any other office mutually agreed upon.

Upon termination of this Loan Agreement as provided for in this Section 9.2, the Issuer will cause the Indenture Trustee to deliver a release of the Indenture and the estate created by this Loan Agreement and the Series 2006 Note, and all further obligations of the City hereunder, except under Sections 6.8, 8.4, 8.5, 10.5, 11.8 and 11.11, shall thereupon terminate, provided, however, that the City shall also remain obligated to pay or reimburse the Issuer and Indenture Trustee for the payment of all other fees, costs and expenses unaccounted for in the sum paid in accordance with subsection (c) above and reasonably incurred before or subsequent to such closing in connection with the Series 2006 Bonds.

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SECTION 9.3. Direction of Investments.

Except during the continuance of an Event of Default, the City shall have the right during the Term of this Loan Agreement to direct the Indenture Trustee to invest or reinvest all monies held for the credit of the Funds established by Article VI of the Indenture in such securities as are authorized by law for such funds, subject, however, to the further conditions of Article VIII of the Indenture.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES

SECTION 10.1. Events of Default.

Any one or more of the following events is an Event of Default under this Loan Agreement, and the term "Event of Default," wherever used herein, means any one of the following events, whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

- (1) if the City shall fail to pay any Basic Payments due under this Loan Agreement;
- (2) if there is a declaration or proceeding in bankruptcy regarding the City;
- (3) if the City shall fail to pay any Additional Charges on or before the date that the payment is due and shall continue to be in arrears for five (5) days after the due date thereof;
- (4) if the City shall fail to observe and perform or shall breach any other covenant, condition or agreement on its part under this Loan Agreement for a period of fifteen (15) days after mailing of a notice to it by the Issuer or the Indenture Trustee, specifying such default or breach and requesting that it be remedied; and provided that if the failure stated in the notice cannot be corrected within fifteen (15) days, the Issuer and Indenture Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within said fifteen (15) days and is diligently pursued, for an additional thirty (30) days;
- (5) if the City shall be dissolved;
- (6) if any representation or warranty made by the City herein, or by an officer or representative of the City in any document or certificate furnished the Indenture Trustee or the Issuer in connection herewith or therewith or pursuant hereto or thereto, shall prove at any time to be, in any material respect, incorrect or misleading as of the date made; and/or
- (7) the occurrence of an event of default under any other Bond Document which is not cured within the time period provided therefor, if any.

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SECTION 10.2. Remedies.

(a) Whenever any Event of Default specified in Section 10.1(1) shall have happened and be continuing, the Indenture Trustee shall declare all the Basic Payments payable for the remainder of the Term of this Loan Agreement (an amount equal to that necessary to pay in full the Series 2006 Note and the interest thereon assuming acceleration of the Series 2006 Bonds under the Indenture and to pay all other indebtedness thereunder) to be immediately due and payable whereupon the same shall become immediately due and payable by the City to the Indenture Trustee, but only if the acceleration of payment of Series 2006 Bonds has been declared by the Indenture Trustee under Section 10.02 of the Indenture.

(b) Whenever any Event of Default shall have occurred and be continuing any one or more of the following remedial steps may also be taken to the extent permitted by law:

- (1) the Indenture Trustee or the Issuer may take whatever action at law or in equity may appear necessary or appropriate to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of the City, under this Loan Agreement, the Series 2006 Note or any related instrument; or to otherwise compensate the Issuer, Indenture Trustee or Bondholders for any damages on account of such Event of Default; and
- (2) the Issuer with prior notice to the Indenture Trustee (without the prior written consent of the Indenture Trustee if the Indenture Trustee is not enforcing the Issuer's right in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer) may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights of indemnification under Section 8.4 hereof and to collect all sums then due and thereafter to become due to the Issuer under Sections 4.4, 6.8, 8.4, 10.5, 11.8 and 11.11 of this Loan Agreement. Notwithstanding the foregoing, the Issuer is not precluded from exercising any of its rights reserved to it as set forth in this Section, even if the Indenture Trustee is exercising the rights of the Issuer hereunder.

SECTION 10.3. Disposition of Funds.

Any amounts collected pursuant to action taken under Section 10.2 (other than sums collected for the Issuer on account of its rights to indemnification and certain direct payments to be made to the Issuer under Sections 4.4, 8.4 and 10.5 hereof) shall be applied in accordance with the provisions of the Indenture.

SECTION 10.4. Nonexclusive Remedies.

No remedy herein conferred upon or reserved to the Issuer or Indenture Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the

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Issuer or the Indenture Trustee to exercise any remedy reserved to it in this Article, it shall not be necessary to give any notice, other than such notice as may be herein expressly required or be required by law.

SECTION 10.5. Attorneys' Fees and Expenses.

If an Event of Default shall exist under this Loan Agreement and the Issuer or the Indenture Trustee should employ attorneys or incur other expenses for the collection of any amounts due hereunder, or the enforcement of performance of any obligation or agreement on the part of the City, the City will upon demand pay to the Issuer or the Indenture Trustee the reasonable fees of such attorneys and such other expenses so incurred.

SECTION 10.6. Effect of Waiver.

In the event any agreement contained in this Loan Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

SECTION 10.7. Waiver of Stay or Extension.

The City covenants (to the extent that it may lawfully do so) that it will not at any time on, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any act, valuation, stay, or extension law wherever enacted, now or at any time hereafter in which may affect the covenants or the performance of this Loan Agreement; and the City covenants that it may lawfully do so hereby expressly waives all benefit or advantage of any such law, and covenants that it will not hinder, delay or impede the execution of any power herein granted to the Issuer or the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

SECTION 10.8. Issuer May File Proofs of Claim.

In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the City, the System or the Construction Project, the Indenture Trustee or the Issuer with the prior consent of the Indenture Trustee shall be entitled and empowered, by intervention in such proceeding or otherwise,

(1) to file and prove a claim and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Issuer and the Indenture Trustee (for themselves and on behalf of Bondholders) (including any claim for the reasonable compensation, expenses, disbursements and advances of the Issuer and Indenture Trustee, their agents and counsel) allowed in such judicial proceeding; and

(2) to collect and receive any monies or other property payable or deliverable on any such claims and to distribute the same.

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**CITY OF PETAL
MINUTE BOOK 25**

EXHIBIT "B"

SECTION 10.9. Restoration of Positions.

If the Issuer or the Indenture Trustee have instituted any proceeding to enforce any right or remedy under this Loan Agreement or the Series 2006 Note, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Issuer or the Indenture Trustee, then and in every such case the City and the Issuer shall, subject to any determination in the proceeding, be restored to the positions they held prior to commencement of such proceedings, and thereafter all rights and remedies of the Issuer shall continue as though no such proceeding had been instituted.

SECTION 10.10. Suits to Protect the Construction Project.

If the City shall fail to do so after thirty (30) days prior written notice from the Issuer or the Indenture Trustee, the Issuer shall have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Construction Project or any portion thereof, by any acts which may be unlawful or in violation of this Loan Agreement, and such suits and proceedings as the Issuer may deem expedient to protect its interests in the Construction Project or any portion thereof, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair or adversely affect the Construction Project or be prejudicial to the interests of the Bondholders.

SECTION 10.11. Performance by Third Parties.

The Issuer may permit third parties to perform any and all acts or take such action as may be necessary for and on behalf of the City to cure any Event of Default hereunder. The acceptance by the Issuer or the Indenture Trustee of any such performance by third parties shall not in any way diminish or absolve the City of primary liability hereunder.

SECTION 10.12. Exercise of the Issuer's Remedies by Indenture Trustee.

Whenever any Event of Default shall have happened and be subsisting the Indenture Trustee may, but except as otherwise provided in the Indenture shall not be obliged to, exercise any or all of the rights of the Issuer under this Article X.

ARTICLE XI

GENERAL

SECTION 11.1. Amounts Remaining in Funds and Loan Agreement Funds.

Except during the continuance of an Event of Default, any amounts remaining in the Funds created under Article VI of the Indenture and held by the Indenture Trustee, upon expiration or earlier termination of this Loan Agreement, as provided herein, and after adequate provision has been made for payment in full of the Series 2006 Bonds, in accordance with Article IX of the Indenture, any Additional Charges payable to the Indenture Trustee, the Bond Insurer and the Issuer, including paying agent's fees and expenses, and all other amounts

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required to be paid under this Loan Agreement, the Indenture and the other Bond Documents, shall forthwith be paid to the City by the Indenture Trustee except as provided in Section 3.08 of the Indenture and except for any monies appropriated by the State pursuant to Section 5.10 of the Indenture which will be paid to the State.

SECTION 11.2. Notices.

All notices, certificates or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given five (5) days following mailing when mailed by registered or certified mail or commercially expedited delivery service, with proper address as indicated below. The Issuer, the City and the Indenture Trustee may, by written notice given by each of them to the others, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Loan Agreement. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Issuer:	Mississippi Development Bank 735 Riverside Drive Suite 300 Jackson, Mississippi 39202 Attention: Executive Director
To the City:	Mayor or City Clerk City Hall City Hall, 119 West 8th Avenue Petal, MS 39465
To the Indenture Trustee:	Hancock Bank The Quarter Specialty Center 1855 Lakeland Drive, Suite Q-230 Jackson, MS 39216 Attention: Trust and Financial Services Group

SECTION 11.3. Binding Effect.

This Loan Agreement shall inure to the benefit of and shall be binding upon the Issuer and the City and their respective successors and assigns.

SECTION 11.4. Severability.

In the event any provisions of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

SECTION 11.5. Amendments, Changes, and Modifications.

Except as otherwise provided in this Loan Agreement or in the Indenture, subsequent to the date of the Series 2006 Bonds and before the lien of the Indenture is satisfied and

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discharged in accordance with its terms, this Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the written consent of the Indenture Trustee, the City and the Issuer.

SECTION 11.6. Execution Counterparts.

This Loan Agreement may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 11.7. Required Approvals.

Consents and approvals required by this Loan Agreement to be obtained from the City, the Issuer or the Indenture Trustee shall be in writing.

SECTION 11.8. Limitations on Issuer Liability.

It is understood and agreed by the City and the Holders that no covenant, provision or agreement of the Issuer herein or in the Series 2006 Bonds or in any other document executed by the Issuer in connection with the issuance, sale and delivery of the Series 2006 Bonds, or any obligation herein or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers or shall obligate the Issuer financially in any way except with respect to this Loan Agreement and the Series 2006 Note and the application of revenues therefrom and the proceeds of the Series 2006 Bonds. No failure of the Issuer, unless wrongful, to comply with any term, condition, covenant or agreement herein or therein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from this Loan Agreement and the Series 2006 Note or revenues therefrom or proceeds of the Series 2006 Bonds. No execution on any claim, demand, cause of action or judgment shall be levied upon or collected from the general credit, general funds or taxing powers of the Issuer. In making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to this Loan Agreement and the application of revenues hereunder as hereinabove provided. The Series 2006 Bonds constitute special obligations of the Issuer, payable solely from the Net Revenues of the System pledged to the payment thereof pursuant to this Loan Agreement and the Indenture, and do not now and shall never constitute an indebtedness or a loan of the credit of the Issuer, the State of Mississippi or any political subdivision thereof or a charge against general taxing powers within the meaning of any constitutional or statutory provision whatsoever. It is further understood and agreed by the City and the Holders that the Issuer shall incur no pecuniary liability hereunder and shall not be liable for any expenses related hereto. If, notwithstanding the provisions of this Section, the Issuer incurs any expense, or suffers any losses, claims or damages or incurs any liabilities, the City will indemnify and hold harmless the Issuer from the same and will reimburse the Issuer for any legal or other expenses incurred by the Issuer in relation thereto, and the Issuer shall indemnify, hold harmless and reimburse the Issuer shall survive delivery of and payment for the Series 2006 Bonds. All references to the Issuer under this Section 11.8 shall include its employees, directors, attorneys and/or agents as applicable.

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SECTION 11.9. Representations of City.

All representations made in this Loan Agreement by the City are based on the City's independent investigation of the facts and law, and accordingly no such representations are made in reliance upon any representations made or legal advice given by the Issuer, its Bond Counsel, or any of its appointed or elected officials, agents, officers or employees.

SECTION 11.10. Survivorship of Obligations.

All obligations of the City under Sections 6.8, 8.4, 8.5, 11.8 and 11.11 shall survive payment of the Series 2006 Bonds or earlier termination of this Loan Agreement.

SECTION 11.11. Administrative Fees, Attorneys' Fees and Costs.

The City shall reimburse the Issuer, upon demand, for all costs and expenses, including without limitation attorneys' fees, paid or incurred by the Issuer in connection with (i) the discussion, negotiation, preparation, approval, execution and delivery of the Series 2006 Bonds, the Indenture, this Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement and the documents and instruments related hereto or thereto; (ii) any amendments or modifications to any of the foregoing documents, instruments or agreements and the discussion, negotiation, preparation, approval, execution and delivery of any and all documents necessary or desirable to effect such amendments or modifications; (iii) the servicing and administration of the Loan during the term hereof or thereafter; and (iv) the enforcement by the Issuer during the term hereof or thereafter of any of the rights or remedies of the Issuer hereunder or under the foregoing documents, or any document, instrument or agreement related hereto or thereto, including, without limitation, costs and expenses of collection in the Event of Default, whether or not suit is filed with respect thereto.

SECTION 11.12. Release.

The City hereby acknowledges and agrees that the Issuer shall not be liable to the City, and hereby releases and discharges the Issuer from any liability, for any and all losses, costs, expenses (including attorneys' fees), damages, judgments, claims and causes of action, paid, incurred or sustained by the City as a result of or relating to any action, or failure or refusal to act, on the part of the Issuer, Indenture Trustee or any other party with respect to the Series 2006 Bonds, the Indenture, this Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement or the documents and transactions related hereto or thereto or contemplated hereby or thereby, including, without limitation, the exercise by the Indenture Trustee or any third party of any of its rights or remedies pursuant to any of such documents.

SECTION 11.13. Choice of Law; Venue.

This Loan Agreement has been delivered in Jackson, Mississippi. The provisions of this Loan Agreement and all rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Mississippi and to the extent they preempt such laws, the laws of the United States.

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THE CITY OF PETAL, MISSISSIPPI

(SEAL)

By: _____
Its: Mayor

ATTEST:

By: _____
Its: City Clerk

Signature page to the Loan Agreement, dated _____, 2006, by and between the Mississippi Development Bank and the City of Petal, Mississippi.

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CITY OF PETAL
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IN WITNESS WHEREOF, the Issuer and the City have caused this Loan Agreement to be executed by their duly authorized officers.

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MISSISSIPPI DEVELOPMENT BANK

EXHIBIT "B" (SEAL)

By: _____
Its: Executive Director

ATTEST:

By: _____
Its: Secretary

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ACKNOWLEDGED AND ACCEPTED BY:

HANCOCK BANK
GULFPORT, MISSISSIPPI

By: _____
Authorized Signatory

Signature Page to Loan Agreement dated as of _____, 2006, by and between the Mississippi Development Bank and the City of Petal, Mississippi.

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EXHIBIT "B"

EXHIBIT A
DEFINITIONS FROM INDENTURE

A-1

§
PROMISSORY NOTE
(PETAL, MISSISSIPPI COMBINED
WATER AND SEWER SYSTEM PROJECT)

Date: As of _____, 2006

The City of Petal, Mississippi, a political subdivision organized and validly existing under the Constitution and laws of the State of Mississippi ("City"), for value received, hereby promises to pay, in immediately available funds, to the order of the Mississippi Development Bank (the "Issuer") or its assigns, the aggregate principal sum equal to the outstanding principal amount of the Series 2006 Bonds (as hereinafter defined) outstanding up to a maximum principal amount of \$_____ together with interest on the unpaid principal balance thereof from the date hereof until fully and finally paid, premium, if any, together with all taxes levied or assessed on this Series 2006 Note or the debt evidenced hereby against the holder hereof and all other amounts payable by the City under the Loan Agreement (as hereinafter defined). This Series 2006 Note shall bear interest at the Interest Rate (as such terms are defined in the Indenture) on the Series 2006 Bonds except as otherwise provided hereunder.

This Series 2006 Note has been executed under and pursuant to a Loan Agreement dated as of ____, 2006, between the Issuer and the City (the "Loan Agreement") which Loan Agreement is incorporated herein in its entirety by reference. This Series 2006 Note is issued to evidence the obligation of the City under the Loan Agreement to repay the loan made by the Issuer to the City from the proceeds of its \$_____ Special Obligation Bonds, Series 2006 (Petal Mississippi Combined Water and Sewer System Project), dated ____, 2006 (the "Series 2006 Bonds"), together with interest thereon at the interest rate or rates as defined and set forth in the Indenture (as hereinafter defined), premium, if any, and all other amounts, fees, penalties, premiums, adjustments, expenses, counsel fees and other payments of any kind required to be paid by the City under the Loan Agreement. The Loan Agreement includes provisions permitting the City, at its election, to prepay this Series 2006 Note, in whole or in part, all as more particularly described in the Indenture. The Loan Agreement includes provisions permitting the Indenture Trustee, at the direction of the Bondholders, to require mandatory prepayment of this Series 2006 Note at certain times and under certain circumstances, all as set forth in the Indenture. In the event that the terms of this Series 2006 Note conflict with the terms of the Indenture or the Loan Agreement, the terms of the Indenture or the Loan Agreement shall control.

If the City shall fail to pay on the due date therefor, whether by acceleration or otherwise, any principal, premium, if any, or interest owing hereunder, then interest shall accrue on such unpaid amounts from the date due until and including the date on which such amounts are paid in full.

The Loan Agreement and this Series 2006 Note have been assigned to Hancock Bank, Gulfport, Mississippi, as Indenture Trustee (the "Indenture Trustee") pursuant to an Indenture of Trust, dated as of ____, 2006, by and between the Issuer and the Indenture Trustee (the "Indenture"). Such assignment is made as security for the payment of the Series 2006 Bonds

EXHIBIT B
FORM OF SERIES 2006 NOTE

B-1

issued by the Issuer pursuant to the Indenture and is subject to the reservation of certain unassigned rights of the Issuer under the Loan Agreement.

As provided in the Loan Agreement and subject to the provisions thereof, payments hereon are to be made at the principal office of the Indenture Trustee as shown in the Loan Agreement in an amount which, together with other moneys available therefor pursuant to the Indenture, will equal the amount payable as principal of, premium, if any, and interest on the Series 2006 Bonds outstanding on such due date.

The City shall make payments on this Series 2006 Note on the dates and in the amounts specified herein and in the Loan Agreement and in addition shall make such other payments as are required pursuant to the Loan Agreement, the Indenture and the Series 2006 Bonds. Upon the occurrence of an Event of Default, as defined in the Indenture or the Loan Agreement, the principal of, premium, if any, and interest on this Series 2006 Note may be declared immediately due and payable as provided in the Loan Agreement. Upon any such declaration the City shall pay all costs, disbursements, expenses and reasonable counsel fees of the Issuer and the Indenture Trustee in seeking to enforce their rights under the Loan Agreement and this Series 2006 Note.

The City waives diligence, demand, presentment for payment, notice of nonpayment, protest and notice of protest, notice of any renewals or extension of this Series 2006 Note, and all rights under any statute of limitations. Any delay on the part of the Issuer or the Indenture Trustee in exercising any right hereunder shall not operate as a waiver of any such right, and any waiver granted with respect to one default shall not operate as a waiver in the event of any subsequent or continuing default.

All notices, certificates or other communications hereunder shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered or certified mail or commercially expedited delivery service, with proper address as indicated below. The Issuer, the City and the Indenture Trustee may, by written notice given by each of them to the others, designate any address or addresses to which notices, certificates or other communications to them shall be sent when required as contemplated by this Series 2006 Note. Until otherwise provided by the respective parties, all notices, certificates and communications to each of them shall be addressed as follows:

To the Issuer: Mississippi Development Bank
735 Riverside Drive
Suite 300
Jackson, Mississippi 39202
Attn: Executive Director

To the City: Mayor or City Clerk
City Hall, 119 West 8th Avenue
Petal, MS 39465

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CITY OF PETAL
MINUTE BOOK 25

EXHIBIT "B"

To the Indenture Trustee:

Hancock Bank
The Quarter Specialty Center
1855 Lakeland Drive, Suite Q-230
Jackson, MS 39216
Attention: Trust and Financial Services Group

This Series 2006 Note has been delivered in Jackson, Mississippi. The provisions of this Series 2006 Note and all rights and obligations of the parties hereunder shall be governed by and construed in accordance with the laws of the State of Mississippi and to the extent they preempt such laws, the laws of the United States.

The City agrees that Indenture Trustee shall have the right to proceed against the City or its property in a court in any location to enable the Indenture Trustee to realize on such property, or to enforce a judgment or other court order entered in favor of Indenture Trustee. The City agrees that it shall not assert any permissive counterclaims in any proceeding brought in accordance with this provision by the Indenture Trustee or the Bank to realize on such property, or to enforce a judgment or other court order in favor of Indenture Trustee. The City waives any objection that it may have to the location of the court in which the Indenture Trustee has commenced a proceeding described in this paragraph.

IN WITNESS WHEREOF, the undersigned has caused this Series 2006 Note to be executed in its name and, if applicable, its corporate seal to be hereto affixed and attested to by its duly authorized officers all as of the day and year first above written.

THE CITY OF PETAL, MISSISSIPPI

By: _____
Title: Mayor

(SEAL)

ATTEST:

By: _____
Title: City Clerk

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ASSIGNMENT OF SERIES 2006 NOTE

FOR VALUE RECEIVED, the Mississippi Development Bank hereby assigns and transfers, without recourse, this Series 2006 Note to Hancock Bank of Gulfport, Mississippi, as Indenture Trustee under the Indenture herein mentioned, provided, however, that the rights pledged and assigned hereunder do not include unassigned rights reserved by the Mississippi Development Bank in Sections 4.4, 6.8, 8.4, 10.5, 11.8 or 11.11 of the Loan Agreement dated as of _____, 2006, between the Mississippi Development Bank and the City of Petal, Mississippi.

(SEAL) MISSISSIPPI DEVELOPMENT BANK

By: _____
Executive Director

ATTEST:

By: _____
Secretary

Jackson 1150052v.2

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EXHIBIT B

FORM OF INDENTURE OF TRUST

CITY OF PETAL
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INDENTURE OF TRUST

BETWEEN

MISSISSIPPI DEVELOPMENT BANK

AND

HANCOCK BANK
GULFPORT, MISSISSIPPI
AS TRUSTEE

DATED AS OF _____, 2006

RE:

§
MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2006
(PETAL, MISSISSIPPI COMBINED
WATER AND SEWER SYSTEM PROJECT)

This instrument was drafted by:
BUTLER, SNOW, O'MARA, STEVENS & CANNADA, PLLC
Attorneys At Law
17th Floor, AmSouth Plaza
210 East Capitol Street
Post Office Box 22567
Jackson, MS 39225-2567

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CITY OF PETAL
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EXHIBIT "B"

INDENTURE OF TRUST

This INDENTURE OF TRUST dated as of _____, 2006, is by and between the MISSISSIPPI DEVELOPMENT BANK, a public body corporate and politic of the State of Mississippi (the "State"), exercising essential public functions (the "Bank" or the "Issuer"), organized under the provisions of Mississippi Code of 1972, Sections 31-25-1 et seq. (as from time to time amended (the "Act")), and HANCOCK BANK, a state banking corporation duly organized, existing under the laws of the State of Mississippi and authorized to accept and execute trusts of the character herein with its principal corporate trust office in Gulfport, Mississippi, as Trustee (the "Trustee").

WITNESSETH

WHEREAS, the Bank is authorized and empowered by the provisions of the Act to issue Bonds for the purpose of entering into loan agreements with Local Governmental Units (all as defined herein and in the Act); and

WHEREAS, the execution and delivery of this Indenture of Trust (the "Indenture") have been in all respects duly and validly authorized by a resolution duly passed and approved by the Board of the Bank.

NOW, THEREFORE, THIS INDENTURE OF TRUST WITNESSETH:

GRANTING CLAUSES

The Bank, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the owners thereof, and for other good and valuable consideration, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and interest on the Bonds according to their tenor and effect and to secure the performance and observance by the Bank of all covenants expressed or implied herein and in the Bonds, does hereby grant, transfer, bargain, sell, convey, mortgage, assign and pledge, and grant a security interest in the rights, interests, properties, monies and other assets described in the following Granting Clauses to the Trustee and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Bank hereinafter set forth, such grant, transfer, bargaining, sale, conveyance, mortgage, assignment, pledge and security interest, as described in the following Granting Clauses.

GRANTING CLAUSE FIRST

All cash and securities now or hereafter held in the Funds and Accounts created or established under this Indenture (other than the Rebate Fund) and the investment earnings thereon (other than the Rebate Fund) and all proceeds thereof (except to the extent in the Rebate Fund or any amounts which are transferred from such Funds and Accounts from time to time in accordance with this Indenture).

GRANTING CLAUSE SECOND

The Loan Agreement and the Series 2006 Note acquired and held by the Trustee pursuant to this Indenture and the earnings thereon and all proceeds thereof.

GRANTING CLAUSE THIRD

All funds, accounts and moneys hereinafter pledged to the Trustee as security by the Bank to the extent of that pledge, including any Tax Monies received by the Trustee under Section 5.11 hereof.

TO HAVE AND TO HOLD all and singular the hereinafter defined Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever;

IN TRUST NEVERTHELESS, upon the terms and trust herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds except as otherwise expressly provided herein;

PROVIDED HOWEVER, that if the Bank shall pay or cause to be paid, or there shall otherwise be paid or made provision for payment of, the principal of and interest on the Bonds due or to become due thereon, at the times and in the manner mentioned in the Bonds, and shall pay or cause to be paid or there shall otherwise be paid or made provision for payment to the Trustee of all sums of money due or to become due according to the provisions hereof and shall otherwise comply with Article IX hereof, then this Indenture and the rights hereby granted shall cease, determine and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all said property, rights and interests, including, without limitation, the amounts hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Bank has agreed and covenanted, and does hereby agree and covenant, with the Trustee and with the respective owners, from time to time, of the Bonds, or any part thereof, as follows (subject, however, to the provisions of Sections 3.11 and 3.12 hereof):

ARTICLE I

DEFINITIONS AND RULES OF INTERPRETATION

SECTION 1.01 Definitions.

The following words and phrases shall have the following meanings unless the context otherwise requires:

"Accounts" means the accounts created pursuant to Article VI hereof.

"Act" means the provisions of Mississippi Code of 1972, Sections 31-25-1 et seq., as amended from time to time.

"Authorized Officer" means the President, Vice President, or Executive Director or Secretary of the Bank or such other person or persons who are duly authorized to act on behalf of the Bank.

"Bank" means the Mississippi Development Bank, a body corporate and politic exercising essential public functions, or any successor to its functions.

"Bankruptcy Code" means the Bankruptcy Reform Act of 1978, as amended from time to time.

"Bond Counsel" means an attorney or firm of attorneys approved by the City and the Bank that is nationally recognized in the area of municipal law and matters relating to the exclusion of interest on state and local government bonds from gross income under federal tax law, including particularly compliance with Section 149(f) of the Code.

"Bond Insurance Expense Account" means the account by that name created by Section 6.02 hereof for the Series 2006 Bonds.

"Bondholder" or "holder of Bonds" or "owner of Bonds" or any similar term means the registered owner of any Bond.

"Bonds" means the Series 2006 Bonds and any Refunding Bonds.

"Business Day" means any day, other than a Saturday or Sunday, on which the Trustee or the Petal City Hall is not closed and on which the payment system of the Federal Reserve System, New Orleans branch, is operational.

"City" means the City of Petal, Mississippi or any successor thereto.

"Code" means the Internal Revenue Code of 1986 in effect on the date of issuance of the Series 2006 Bonds, and the applicable regulations or rulings promulgated or proposed thereunder, and any successor thereto.

"Costs of Issuance" mean items of expense payable or reimbursable by or indirectly by the Bank and related to the authorization, sale and issuance of Bonds, execution and delivery of the Loan Agreement and the Series 2006 Note, which items of expense shall include, but not be limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, underwriters' discounts, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of Bonds, bond or reserve fund insurance premiums, credit enhancements or liquidity facility fees, and other costs, charges and fees in connection with the foregoing.

"Counsel" means an attorney duly admitted to practice law before the highest court of any state and approved by the Bank and the Trustee.

"Debt Service Reserve Fund" means collectively all the debt service reserve funds, including Accounts created thereunder, which are required for the Bonds issued under this Indenture, as it may be supplemented from time to time.

"Debt Service Reserve Requirement" means the lesser of the following: (i) the maximum amount of principal and interest becoming due in the current year or any future bond year (meaning each one year period beginning on July 2 and ending on July 1 the following year) on all Series 2006 Bonds then outstanding; (ii) 125% of average annual debt service on the Series 2006 Bonds; and (iii) 10% of the stated principal amount of the Series 2006 Bonds, which Debt Service Reserve Requirement may be funded with cash or a Reserve Fund Credit Facility.

"Default" means an event or condition the occurrence of which, with the lapse of time or the giving of notice or both, would become an Event of Default hereunder.

"Event of Default" means any occurrence or event specified in Section 10.01 hereof.

"Fees and Charges" means fees and charges established by the Bank from time to time pursuant to the Act which are payable by City.

"Fiscal Year" means the Bank's fiscal year being the twelve (12) month period from J 1 through the following June 30 or such other fiscal year as may be established by the Bank.

"Funds" means the funds created pursuant to Article VI hereof (other than the Rebate

"General Account" means the account by that name created by Section 6.02 hereof for the Series 2006 Bonds.

"General Fund" means the fund by that name created by Section 6.02 hereof.

"Governmental Obligations" means to the extent permitted by state law (a) direct obligations of the United States of America; (b) obligations guaranteed as to principal and interest by the United States of America or any federal agency whose obligations are backed by the full faith and credit of the United States of America, including but not limited to: Department of Housing and Urban Development, Export-Import Bank, Farmers Home Administration (or the successor thereto), Federal Financing Bank, Federal Housing Administration, Maritime Administration, Small Business Administration, which obligations include but are not limited to certificates or receipts representing direct ownership of future interest or principal payments on obligations described in clause (a) or in this clause (b) and which are held by a custodian in safekeeping on behalf of the holders of such receipts; (c) securities evidencing ownership interests in open-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, whose investments are limited to the obligations described in clauses (a) and (b) and to repurchase agreements fully collateralized by such obligations; and (d) obligations of any state of the United States or any political subdivision thereof, the full payment of principal of, premium, if any, and interest on which (i) is fully and unconditionally guaranteed or insured by the United States of America, or (ii) is provided for by an irrevocable deposit of the securities described in clause (i) to the extent such investments are permitted by law.

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"Indenture" means this Indenture of Trust, and all supplements and amendments hereto made into pursuant to Article XII hereof.

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"Interest Payment Date" means any date on which interest is payable on the Bonds, and for the Series 2006 Bonds, January 1 and July 1, commencing January 1, 2007.

EXHIBIT "B"

"Investment Securities" means any of the following to the extent such investments are permitted by law: (a) Obligations of any municipality of the State or the State or the United States of America rated at least "A" by Standard & Poor's or Moody's; (b) Obligations the principal and interest of which are fully guaranteed by the State or the United States of America; (c) Obligations of any corporation wholly owned by the United States of America; (d) Obligations of any corporation sponsored by the United States of America which are or may become eligible as collateral for advances to member banks as determined by the Board of Governors of the Federal Reserve System; (e) Obligations of insurance firms or other corporation whose investments are rated "AA" or better by recognized rating companies; (f) Certificates of deposit or time deposits of qualified depositories of the State as approved by the State Depository Commission, secured in such manner, if any, as the Bank shall determine; (g) Contracts for the purchase and sale of obligations of the type specified in items (a) through (e) above; (h) Repurchase agreements secured by obligations specified in items (a) through (e) above; or (i) Money market funds rated "AAM" or "AAM-G" or better by Standard & Poor's, the assets of which are required to be invested in obligations specified in items (a) through (i) above.

Any repurchase agreements set forth in (h) above shall be with (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by Standard & Poor's or Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by Standard & Poor's or Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by Standard & Poor's or Moody's, provided that:

(a) The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to Standard & Poor's to maintain an "A" rating in an "A" rated structured financing (with a market value approach);

(b) The Trustee or a third party acting solely as agent therefor or for the Bank (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

(c) The repurchase agreement shall state and an opinion of counsel shall be tendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

(d) All other requirements of Standard & Poor's in respect of repurchase agreements shall be met; and

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(e) The repurchase agreement shall provide that if during its term the provider's rating by either Moody's or Standard & Poor's is withdrawn or suspended or falls below "A" by Standard & Poor's or "A3" by Moody's, as appropriate, the provider must, at the direction of the Bank or the Trustee, within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Bank or Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by Standard & Poor's and Moody's, respectively.

"Loan Account" means the account by that name created by Section 6.02 hereof for the Series 2006 Bonds.

"Loan Agreement" means the Loan Agreement by and between the City and the Bank dated as of _____, 2006.

"Local Governmental Units" means (i) any county, municipality, utility district, regional solid waste authority, county cooperative service district or political subdivision of the State of Mississippi, (ii) the State of Mississippi or any agency thereof, (iii) the institutions of higher learning of the State of Mississippi, (iv) any education building corporation established for institutions of higher learning, or (v) any other governmental unit created under state law, such as the City.

"Moody's" shall mean Moody's Investors Service, a Delaware Corporation, its successors and assigns and, if dissolved or liquidated or if it no longer performs the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City (with the approval of the Bank), by written notice to the Trustee.

"Notice Address" means, with respect to the City, the City's address given in connection with the execution and delivery of the Loan Agreement and the Series 2006 Note to the Bank, and, with respect to the Bank, the Trustee and the Original Purchaser:

Bank: Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, Mississippi 39202
Attention: Executive Director

Trustee: Hancock Bank
The Quarter Specialty Center
1855 Lakeland Drive, Suite Q-230
Jackson, MS 39216
Attention: Trust and Financial Services Group

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Original
Purchaser:

Attention: _____

"Opinion of Bond Counsel" means an opinion by a nationally recognized firm experienced in matters relating to the tax exemption for interest payable on obligations of states and their instrumentalities and political subdivisions under federal law, and which is acceptable to the Bank and the Trustee.

"Opinion of Counsel" means a written opinion of Counsel addressed to the Trustee, for the benefit of the owners of the Bonds, who may (except as otherwise expressly provided in this Indenture) be Counsel to the Bank or Counsel to the owners of the Bonds and who is acceptable to the Trustee.

"Original Purchaser" means _____.

"Outstanding" or "Bonds Outstanding" means all Bonds which have been authenticated and delivered by the Trustee under this Indenture, including Bonds held by the Bank, except:

(a) Bonds canceled after purchase in the open market or because of payment at or redemption prior to maturity;

(b) Bonds deemed paid under Article IX hereof; and

(c) Bonds in lieu of which other Bonds have been authenticated under Section 3.05, 3.06 or 3.10 hereof.

"Positive Cash Flow Certificate" means a certificate prepared in accordance with Section 5.09 hereof by the Bank to the effect that immediately after the occurrence or non-occurrence of a specific action or omission, as appropriate, Revenues expected to be received, together with other moneys expected to be held in the Funds and Accounts under the Indenture (other than the Rebate Fund) and available therefor in accordance with Section 5.09 (a)(3) hereof, will at least be sufficient on each Interest Payment Date to provide payment of the principal and interest of the Outstanding Bonds due on such date and the payment of Program Expenses, if any.

"Principal Payment Date" means the maturity date or redemption date, if any, of any Bond.

"Program" means the program for entering into a loan with Local Governmental Units by the Bank pursuant to the Act.

"Program Expenses" means all of the fees and expenses of the Trustee, any expenses for preparing Positive Cash Flow Certificates under Section 5.09 hereof and costs of determining

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the amount rebatable, if any, to the United States of America under Section 6.11 hereof, all to the extent properly allocable to the Program and approved in writing by the Bank.

"Rebate Fund" means the fund by that name created by Section 6.02 hereof.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth day of the calendar month next preceding such Interest Payment Date.

"Redemption Account" means the account by that name created by Section 6.02 hereof for the Series 2006 Bonds.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption prior to maturity.

"Refunding Bonds" means Bonds issued pursuant to Sections 2.04 and 2.05 hereof and any Supplemental Indenture.

"Reserve Fund Credit Facility" means an irrevocable and unconditional letter of credit, insurance policy or surety bond, the terms of which have been approved by the City and the Bank, issued by a bank or other financial institution, which is acceptable to the City and the Bank, having a long-term credit rating of "A" or better, as determined by Standard & Poor's which credit facility names the Trustee as the beneficiary thereunder; provided, that any such credit facility must (a) be renewable or extendable on an annual basis; (b) have an initial term of not less than three (3) years; (c) provide that the bank or other financial institution providing such credit facility must notify the Trustee and the City, no less than sixty (60) days in advance of the expiration of the credit facility of its intention not to renew or extend such credit facility; and (d) permit the Trustee to make a drawing thereunder to fund the Debt Service Reserve Fund no later than five (5) Business Days prior to the earlier of (1) the expiration date of such credit facility and (2) the date the proceeds of such drawing will be needed to fund the Debt Service Reserve Fund.

"Revenues" means the Funds and Accounts and all income, revenues and profits of the Funds and Accounts referred to in the granting clauses hereof including, without limitation, all Series 2006 Note Payments, any Tax Monies and any additional amount paid to the Trustee under the Loan Agreement on the Series 2006 Note.

"Series 2006 Bonds" means the \$_____ Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) issued pursuant to Section 2.01 of this Indenture.

"Series 2006 Note" means the \$_____ Promissory Note (Petal, Mississippi Combined Water and Sewer System Project), dated _____, 2006, of the City to the Bank, attached as EXHIBIT B to the Loan Agreement.

"Series 2006 Note Interest Payment" means that portion of a Series 2006 Note Payments which represents the interest due or to become due on a Series 2006 Note held by the Trustee pursuant to this Indenture.

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"Series 2006 Note Payment" means together the amounts paid or required to be paid, from time to time, for principal and interest on a the Series 2006 Note held by the Trustee pursuant to this Indenture.

"Series 2006 Note Principal Payment" means that portion of a Series 2006 Note Payment which represents the principal due or to become due on the Series 2006 Note held by the Trustee pursuant to this Indenture.

"Series 2006 Project" means providing funds for (i) improving, repairing and expanding the combined water and sewer system of the City, (ii) current refunding the outstanding maturities of the City of Petal, Mississippi Combined Water and Sewer System Revenue Bonds, Series 1990, dated February 1, 1990, issued in the original principal amount of \$825,000, (iii) funding a debt service reserve fund for the Series 2006 Bonds, and (iv) paying the costs of issuance of the Series 2006 Bonds and the Series 2006 Note.

"Special Reserve Fund" means the fund by that name created by Section 6.02 hereof.

"Standard & Poor's" shall mean Standard & Poor's Ratings Group, a division of The McGraw Hill Companies, its successors and assigns and, if dissolved or liquidated or if it no longer performs the functions of a securities rating agency, "Standard & Poor's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the City (with the approval of the Bank), by written notice to the Trustee.

"State" means the State of Mississippi.

"Supplemental Indenture" means an indenture supplemental to or amendatory of this Indenture, executed by the Bank and the Trustee in accordance with Article XII hereof.

"Tax Intercept Agreement" means the Tax Intercept Agreement, dated _____, 2006, by and between the Bank and the City, and accepted by the Trustee, as further described in Section 5.11 hereof.

"Tax Monies" shall have the meaning given to it in Section 5.11 hereof.

"Trust Estate" means the property, rights, and amounts pledged and assigned to the Trustee pursuant to the granting clauses hereof.

"Trustee" means Hancock Bank of Gulfport, Mississippi, a State banking corporation organized and existing under the laws of the State of Mississippi, or any successor thereto hereunder.

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SECTION 1.02 Rules of Interpretation.

For all purposes of this Indenture, except as otherwise expressly provided or unless the context otherwise requires:

(a) "This Indenture" means this instrument as originally executed and as it may from time to time be supplemented or amended pursuant to the applicable provisions hereof.

(b) All references in this instrument to designated "Articles", "Sections" and other subdivisions are to the designated Articles, Sections and other subdivisions of this instrument as originally executed. The words "herein", "hereof", "hereunder", and "herewith" and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or other subdivision.

(c) The terms defined in this Article or elsewhere in this Indenture have the meanings assigned to them in this Article or elsewhere in this Indenture, as the case may be, and include the plural as well as the singular.

(d) All accounting terms not otherwise defined herein have the meanings assigned to them in accordance with generally accepted accounting principles.

(e) Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders.

(f) The headings or captions used in this Indenture are for convenience of reference only and shall not define or limit or describe any of the provisions hereof or the scope or intent thereof.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.01 Authorization and Issuance of Series 2006 Bonds.

(1) Series 2006 Bonds of the Bank to be known and designated as "Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project)" are hereby authorized to be issued. The aggregate principal amount of Series 2006 Bonds that may be issued, authenticated and Outstanding hereunder is limited to _____ Dollars (\$_____).

(2) There is hereby created by this Indenture, in the manner and to the extent provided herein, a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on all of the Series 2006 Bonds issued pursuant to this Indenture. The Series 2006 Bonds shall be payable solely from the Revenues. The State shall not be liable on the Series 2006 Bonds and the Series 2006 Bonds shall not be a debt, liability, pledge of the faith or loan of the credit of the State. The Series 2006 Bonds shall contain on the face thereof a statement to the effect that the Bank is obligated to pay the principal of the Series

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2006 Bonds, the interest and the redemption premium, if any, thereon only from the Revenues and that the State is not obligated to pay such principal, interest or redemption premium, if any, and that neither the faith and credit nor the taxing power of the State is pledged to the payment of the Series 2006 Bonds. In the Act, the State has pledged to and agreed with the holders of any Series 2006 Bonds that the State will not limit or alter the rights hereby vested in the Bank to fulfill the terms of any agreements made with the said Bondholders or in any way impair the rights and remedies of such holders until such Series 2006 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of Series 2006 Bonds are fully met and discharged. However, the Bank covenants and agrees in Section 5.10 hereof that it will, on or before January 1 of each year, request of the Governor of the State to appropriate and make available any amounts which may be necessary to restore any deficiency in the Debt Service Reserve Fund. All Series 2006 Bonds shall mature on or before July 1, 20____.

SECTION 2.02 Purpose and Disposition of Series 2006 Bonds.

The purpose for issuing the Series 2006 Bonds is to fund the Loan Account in order to provide funds to loan to the City, to fund the Debt Service Reserve Fund and to fund the Bond Insurance Expense Account of the General Fund to pay the Costs of Insurance for the Series 2006 Bonds and the Series 2006 Note. Upon the delivery of the Series 2006 Bonds and receipt of the net proceeds thereof, the Bank shall deliver to the Trustee proceeds of the Series 2006 Bonds in the amount of \$_____ (\$_____ per amount of Series 2006 Bonds plus a net original issue premium of \$_____) for deposit (i) into the Debt Service Reserve Fund, \$_____ ; (ii) into the Bond Insurance Expense Account of the General Fund, the sum of \$_____ to pay Costs of Insurance for the Series 2006 Bonds and the Series 2006 Note; and (iii) into the Loan Account, \$_____ of the net proceeds for use in loaning money to the City under the Loan Agreement, as secured by the Series 2006 Note.

SECTION 2.03 General Description of the Series 2006 Bonds.

The Series 2006 Bonds shall be issuable as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof. The Series 2006 Bonds shall be numbered from R-1 upward.

Each Series 2006 Bond shall carry an original date of its delivery and shall carry the date on which it is authenticated. If a Series 2006 Bond is authenticated on or prior to December 15, 2006 it shall bear interest from its date of delivery. Each Series 2006 Bond authenticated after December 15, 2006, shall bear interest from the most recent Interest Payment Date to which interest has been paid as of the date of authentication of such Series 2006 Bond unless such Series 2006 Bond is authenticated after a Record Date and on or before the next succeeding Interest Payment Date, in which event the Series 2006 Bond will bear interest from such next succeeding Interest Payment Date.

Interest on the Series 2006 Bonds shall be payable on January 1 and July 1 of each year, commencing January 1, 2007, until the Series 2006 Bonds are paid. Interest will be calculated using a three hundred sixty (360) day year based on twelve (12) sixty (60) day months.

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The Series 2006 Bonds shall mature on July 1 in the years and in the principal amounts, and shall bear interest at the rates per annum, all as set forth below:

YEAR	PRINCIPAL AMOUNT	INTEREST RATE	YEAR	PRINCIPAL AMOUNT	INTEREST RATE
2007	\$		2017	\$	
2008			2018		
2009			2019		
2010			2020		
2011			2021		
2012			2022		
2013			2023		
2014			2024		
2015			2025		
2016			2026		

SECTION 2.04 Provisions for Issuance of Bonds.

onds shall be executed by Authorized Officers of the Bank for issuance under this and delivered to the Trustee and thereupon shall be authenticated by the Trustee and vered to the Bank or to the purchasers thereof, as specified in a written order of the only upon the receipt by the Trustee of:

(a) An Opinion of Counsel dated as of the date of delivery thereof to the effect that (i) this Indenture and the performance by the Bank of its obligations hereunder, have been duly authorized, and this Indenture has been duly executed and delivered by the Bank and constitutes the legal, valid and binding agreement of the Bank, enforceable in accordance with its terms; (ii) the Bonds have been duly authorized, sold, executed and delivered by the Bank, and are valid and binding obligations of the Bank enforceable in accordance with their terms; and (iii) all resolutions and actions of the Bank relating to the documents in question and all related proceedings comply with all rules and regulations of the Bank and all approvals or other actions required to be obtained or taken by the Bank under the Act have been obtained or taken as required;

(b) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(c) A copy of the resolution adopted and approved by the Bank, authorizing the execution and delivery of this Indenture and the issuance and sale of such Bonds, certified by an Authorized Officer;

(d) A certificate of an Authorized Officer that upon delivery of and payment for such Bonds, the amount on deposit in the Debt Service Reserve Fund, including any amount to be deposited therein from the proceeds of such Bonds or from the acquisition of a Reserve Fund Credit Facility, will be equal to the Debt Service Reserve Requirement for the Debt Service Reserve Fund;

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(c) An Opinion of Bond Counsel dated as of the date of delivery thereof;

(f) A certificate of an Authorized Officer that the issuance of such Bonds will not violate any limitations in the Act or any other laws of the State as to the amount of Bonds that may be Outstanding from time to time;

(g) A certificate of an Authorized Officer that the Act has not been repealed or amended in a manner that would adversely affect the rights of owners of such Bonds; and

(h) Such further documents, moneys and securities as are required by the provisions of this Section 2.04 or Article VII hereof.

SECTION 2.05 Provisions for Issuance of Refunding Bonds.

(1) All or any part of one or more series of Refunding Bonds may be authenticated and delivered upon original issuance to refund all or any part of the Outstanding Bonds. Refunding Bonds shall be issued in a principal amount sufficient, together with other moneys available therefor, to accomplish such refunding and to make such deposits required by the provisions of the Act, this Section and by the Supplemental Indenture authorizing said Refunding Bonds.

(2) Refunding Bonds may be authenticated and delivered only upon receipt by the Trustee (in addition to the receipt by the Trustee of the documents required by Section 2.04 hereof) of:

(a) Irrevocable instructions to the Trustee, satisfactory to it, to give due notice of redemption of all the Bonds to be refunded on the redemption date specified in such instructions;

(b) Irrevocable instructions to the Trustee, satisfactory to it, to give notice provided for in Section 4.05 hereof to the owners of the Bonds being refunded; and

(c) Either (i) moneys in an amount sufficient to effect payment at the applicable Redemption Price or principal payment amount of the Bonds to be refunded or paid, respectively, together with accrued interest on such Bonds to the redemption or maturity date and all necessary and appropriate fees and expenses of the Trustee, which moneys shall be held by the Trustee or any one or more of the Trustees in a separate account irrevocably in trust for and assigned to the respective owners of the Bonds to be refunded or paid, or (ii) Governmental Obligations in such principal amounts, of such maturities, bearing such interest, and otherwise having such terms and qualifications, as shall be necessary to comply with the provisions of Article IX which Governmental Obligations shall be held in trust and used only as provided in said Article.

SECTION 2.06 Form of Bonds.

The Bonds and the Trustee's certificate of authentication to be endorsed on the Bonds are all to be in substantially the following form, with necessary and appropriate variations, omissions and insertions as are permitted or required by this Indenture:

(remainder of page intentionally left blank)

(FORM OF SERIES 2006 BOND)

(Front of Series 2006 Bond)

UNITED STATES OF AMERICA
STATE OF MISSISSIPPI
MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BOND, SERIES 2006
(PETAL, MISSISSIPPI COMBINED
WATER AND SEWER SYSTEM PROJECT)

NO. R-_____

Interest Rate	Maturity Date	Original Date	Date of Authentication	CUSIP

Registered Owner:

Principal Amount:

Mississippi Development Bank, a body corporate and politic, exercising essential public functions ("Bank") and organized under the laws of the State of Mississippi, for value received, hereby promises to pay to the Registered Owner specified above, or registered assigns, upon surrender hereof, the principal amount stated above in lawful money of the United States of America but solely from the sources referred to herein and not otherwise, on the Maturity Date specified above, unless this Series 2006 Bond, as hereinafter defined, shall be redeemable and shall previously have been called for redemption and payment of the redemption price made or provided for, and to pay interest on such principal amount in like money, but solely from said sources, from the interest payment date to which on the Date of Authentication hereof interest has been paid (unless this Series 2006 Bond is authenticated on or before December 15, 2006, then from its date of delivery thereof, or unless this Series 2006 Bond is authenticated after the 15th day of the month preceding the next succeeding interest payment date, then from such interest payment date or unless payment of the interest on this Series 2006 Bond is in default, then from such date when interest has been paid in full) at the Interest Rate per annum stated above, payable on each January 1 and July 1 (each an "Interest Payment Date"), commencing January 1, 2007, until payment of such principal amount shall have been made upon redemption or at maturity. The principal of this Series 2006 Bond is payable at the principal corporate trust office of Hancock Bank, as Trustee, in the City of Gulfport, Mississippi, or at the principal corporate trust office of any successor trustee appointed under the Indenture hereinafter mentioned; and payments of interest hereon will be made to the Registered Owner hereof (whose name appears on the registration records kept by the Trustee at the close of business on the fifteenth day of the month preceding such Interest Payment Date) by check mailed on the Interest Payment Date by the Trustee to such Registered Owner at his address as it appears on the registration records of the Bank kept by the Trustee or at such other address as is furnished to the Trustee in writing by such Registered Owner or at the written election of the Registered Owner

of \$1,000,000 or more in aggregate principal amount of Series 2006 Bonds delivered to the Trustee at least one Business Day prior to the Record Date (as defined in the Indenture) for which such election will be effective by wire transfer to the Registered Owner or by deposit into the account of the Registered Owner if such account is maintained by the Trustee.

This Series 2006 Bond and the other Series 2006 Bonds, and the interest payable hereon and thereon, are payable solely by the Bank from the Revenues (as defined herein) and other funds of the Bank pledged therefor under the Indenture, which Revenues and funds include the payments on the Series 2006 Note (as defined in the Indenture) purchased by the Bank and assigned to the Trustee. The Bank has no taxing power. This Series 2006 Bond and the other Series 2006 Bonds, both as to principal and interest, do not constitute a debt, liability or loan of the credit of the State of Mississippi ("State") or any political subdivision thereof under the constitution or statutes of the State or a pledge of the faith and credit or the taxing power of the State or any political subdivision thereof. The issuance of the Series 2006 Bonds under the provisions of the Act, as hereinafter defined, does not, directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Series 2006 Bonds do not now and shall never constitute a debt of the State or any political subdivision thereof within the meaning of the constitution or the statutes of the State and do not now and shall never constitute a charge against the credit of the State or any political subdivision thereof or a charge against the taxing power of the State or any political subdivision thereof. Neither the State nor any agent, attorney, member or employee of the State or of the Bank shall in any event be liable for the payment of the principal of, premium, if any, or interest on the Series 2006 Bonds or for the performance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Bank. Provided, however, that pursuant to Section 31-25-105 of the Act, the State Legislature may, upon proper certificate from the Bank to the Governor of the State, restore any deficiency which may exist in the Debt Service Reserve Fund created in the Indenture. However, the State Legislature is not and cannot be obligated to appropriate any such funds. No breach by the Bank of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any agent, employee, attorney or member of the State or of the Bank, or any charge upon their general credit or upon the taxing power of the State. In the Act, the State has pledged and agreed with the holders of any Series 2006 Bonds that the State will not limit or alter the rights hereby vested in the Bank to fulfill the terms of any agreements made with the said Bondholders or in any way impair the rights and remedies of such holders until such Series 2006 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of Series 2006 Bonds, are fully met and discharged.

This Series 2006 Bond is one of an authorized issue of bonds of the Bank known as Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) (the "Series 2006 Bonds") issued under and secured by an Indenture of Trust, dated as of _____, 2006 ("Indenture"), duly executed and delivered by the Bank to Hancock Bank, Gulfport, Mississippi, as Trustee ("Trustee"). The Series 2006 Bonds are limited in aggregate principal amount _____ Dollars (\$ _____). The Series 2006 Bonds are issued pursuant to Mississippi Code of 1972, Sections 31-25-1 et seq., as amended (the "Act"), to provide funds for a loan to the City secured

CITY OF PETAL MINUTE BOOK

EXHIBIT "B"

by the Series 2006 Note and the Loan Agreement (as hereinafter defined), to (i) provide funds to approve, repair and extend the combined water and sewer system of the City (the "Construction Project"); (ii) current refunding the outstanding maturities of the City of Petal, Mississippi Combined Water and Sewer System Revenue Bonds, Series 1990, issued in the original principal amount of \$825,000 (the "Refunding Project"); (iii) fund a debt service reserve fund for the Series 2006 Bonds; and (iii) to pay costs of issuing the Series 2006 Bonds and Series 2006 Note. The City is the City of Petal, Mississippi and the Series 2006 Note is the \$ _____ Promissory Note (Petal, Mississippi Combined Water and Sewer System Project) issued pursuant to a loan agreement by and between the City and the Bank, dated on _____, 2006 (the "Loan Agreement"). The Series 2006 Note will be paid from Net Revenues of the System including certain Tax Monies (as such terms are defined in the Loan Agreement) as same are secured by and described in the Loan Agreement and the Series 2006 Note. The net proceeds received by the City under the Loan Agreement for the Series 2006 Note will be used by the City to provide funds for the Construction Project and the Refunding Project.

The Series 2006 Bonds are all equally and ratably secured by and entitled to the protection of the Indenture on a parity one with another and with any Refunding Bonds which may be issued pursuant to Section 2.05 of the Indenture (collectively, the "Bonds"). To secure payment of principal of and interest on all the Series 2006 Bonds and performance of all other covenants of the Bank under the Indenture, the Bank, pursuant to the Indenture, has assigned and pledged to the Trustee, and has granted to the Trustee a security interest in, the Trust Estate (as defined in the Indenture), including all rights, title and interest of the Bank in and to all moneys and securities from time to time received and held by the Trustee under the Indenture and all income from the deposit, investment and reinvestment thereof except any moneys and securities held in the rebate fund established under the Indenture (all such money and funds and accounts referred to in the granting clauses of the Indenture are defined in the Indenture and are herein referred to as the "Revenues"). Reference is hereby made to the Indenture for a description of the rights, duties and obligations of the Bank, the Trustee and the owners of the Series 2006 Bonds, the terms and conditions upon which the Series 2006 Bonds are issued and the terms and conditions upon which the Series 2006 Bonds will be paid at or prior to their stated maturity, or will be deemed to be paid upon the making of provision for payment therefor. Copies of the Indenture are on file at the principal corporate trust office of the Trustee.

This Series 2006 Bond is transferable by the Registered Owner hereof in person or by his attorney duly authorized in writing at the principal corporate trust office of the Trustee, but only in the manner and subject to the limitations prescribed in the Indenture and upon surrender and cancellation of this Series 2006 Bond. This Series 2006 Bond may be transferred without cost to the Registered Owner except for any tax or governmental charge required to be paid with respect to the transfer. Upon such transfer a new Series 2006 Bond or Series 2006 Bonds of the same maturity and of authorized denomination or denominations for the same aggregate principal amount will be issued to the transferee in exchange therefor.

The Bank and the Trustee may deem and treat the Registered Owner hereof as the absolute owner hereof for the purpose of receiving payment of or on account of principal hereof and the interest due hereon and for all other purposes and neither the Bank nor the Trustee shall be affected by any notice to the contrary.

The Series 2006 Bonds are issuable as fully registered bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and upon payment of any taxes or governmental charges, Series 2006 Bonds may be exchanged for a like aggregate principal amount of Series 2006 Bonds of the same maturity of authorized denominations.

If the City directs the Bank to redeem any Series 2006 Bonds pursuant to Section 9.2 of the Loan Agreement, the Bank has agreed under the Indenture to accept redemption and redeem such Series 2006 Bonds in the following instances:

(a) The Series 2006 Bonds (or any portions thereof in integral multiples of \$5,000 each) which mature on or after July 1, 20____, are subject to optional redemption prior to their stated dates of maturity in whole or in part on July 1, 20____, and on any date thereafter at redemption prices (expressed as percentages of the principal amount thereof) set forth below plus accrued interest to the redemption date:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Price
July 1, 20____ through June 30, 20____	102%
July 1, 20____ through June 30, 20____	101
July 1, 20____ and thereafter	100

(b) The Series 2006 Bonds are also subject to extraordinary mandatory redemption prior to their stated dates of maturity in whole or in part, in inverse order of maturity, at any time, at a Redemption Price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are transferred from the Loan Account to the Redemption Account created in the Indenture, funds transferred from the Project Fund to the Redemption Account upon completion of the Construction Project and payment of all Costs of the Construction Project as provided in the Loan Agreement or otherwise deposited in the Redemption Account from proceeds received upon the sale or prepayment prior to maturity of the Series 2006 Note upon a default under the Series 2006 Note and acceleration thereof.

In the event less than all of the Series 2006 Bonds are to be redeemed, the principal amount and maturity to be redeemed shall be selected by the Bank, and the Trustee, at its sole discretion, shall select the Series 2006 Bonds to be redeemed by lot within a selected maturity, provided that Series 2006 Bonds shall be redeemed only in whole multiples of \$5,000.

In the event any of the Series 2006 Bonds are called for redemption as aforesaid, notice thereof identifying the Series 2006 Bonds to be redeemed will be given by mailing a copy of the redemption notice by registered or certified mail not less than sixty (60) days nor more than forty-five (45) days prior to the date fixed for redemption to the Registered Owner of the Series 2006 Bond to be redeemed at the address shown on the registration records kept by the Trustee. Failure to give such notice by mailing, or any defect therein with respect to any Series 2006 Bond, shall not affect the validity of any proceedings for the redemption of other Series 2006 Bonds. All Series 2006 Bonds so called for redemption will cease to bear interest on the specified redemption date, shall no longer be protected by the Indenture and shall not be deemed

to be Outstanding under the provisions of the Indenture, provided funds for their redemption are on deposit at the place of payment prior to the redemption date. All of the funds necessary to redeem the Series 2006 Bonds so called for redemption must be on deposit in the Series 2006 Redemption Account prior to the Trustee giving notice of said redemption under the Indenture.

The Registered Owner of this Series 2006 Bond shall have no right to enforce the provisions of the Indenture or to institute an action to enforce the covenants therein, or to take any action with respect to any event of default under the Indenture, or to institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture. In certain events, on the conditions, in the manner and with the effect set forth in the Indenture, the principal of all the Series 2006 Bonds issued under the Indenture and then Outstanding may become or may be declared due and payable before the stated maturity thereof, together with interest accrued thereon. Modifications or alterations of the Indenture, or of any supplements thereto, may be made to the extent permitted by, and in accordance with, the Indenture.

The Bank hereby certifies, recites and declares that all acts, conditions and things required by the constitution and statutes of the State, the Indenture, and resolutions of the Bank to exist, happen and be performed prior to the issuance of this Series 2006 Bond do exist, have happened and have been performed in due time, form and manner as required by the Act; that the issuance of the Series 2006 Bonds, together with all other obligations of the Bank, does not exceed or violate any constitutional or statutory limitation applicable to the Bank; and that the Revenues pledged to the payment of the principal of and interest on the Series 2006 Bonds, as the same become due, are designed to be sufficient in amount for that purpose.

This Series 2006 Bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Indenture until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Mississippi Development Bank has caused this Series 2006 Bond to be executed in its name and on its behalf by the facsimile or manual signature of its Executive Director and a facsimile or manual seal of its official seal to be hereunto impressed or imprinted hereon by any means and attested by the facsimile or manual signature of its Secretary.

MISSISSIPPI DEVELOPMENT BANK

By: _____
Executive Director

ATTEST:

By: _____
Secretary

CITY OF PETAL
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[Form of Certificate of Authentication]

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CERTIFICATE OF AUTHENTICATION

This Series 2006 Bond is one of the Series 2006 Bonds issued and delivered pursuant to the provisions of the within mentioned Indenture.

Date of Authentication: _____

HANCOCK BANK
as Trustee

By: _____
Authorized Signatory

[Form of Validation Certificate]

VALIDATION CERTIFICATE

STATE OF MISSISSIPPI

COUNTY OF HINDS

The undersigned Secretary of the Mississippi Development Bank does hereby certify that the within Series 2006 Bond has been validated and confirmed by Decree of the Chancery Court of the First Judicial District of Hinds County, Mississippi, rendered on the ____ day of _____, 2006.

Secretary

(SEAL)

[Form of Assignment]

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

(Please Insert Social Security or other Identifying Number of Assignee)

(Please print or typewrite name and address of Assignee)

the within Series 2006 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ Attorney, to transfer the within Series 2006 Bond on the records kept for registration thereof, with full power of substitution in the premises.

Dated: _____

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within Series 2006 Bond in every particular manner, without alteration or any change whatever.

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member of a nationally recognized signature guaranty program.

BY: _____

ARTICLE III

GENERAL TERMS AND PROVISIONS OF BONDS

SECTION 3.01 Medium, Form and Place of Payment.

The Bonds shall be payable, with respect to interest, principal and Redemption Price, in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts. Interest shall be payable by check mailed on the Interest Payment Date to the registered owners as of the Record Date. The Bank may provide for the payment of interest on Bonds to holders of \$1,000,000 or more by wire transfer or electronic funds transfer or by such other method as is acceptable to the Trustee and the Bondholder. Principal shall be payable at the principal corporate trust office of the Trustee upon presentation of the Bonds to be paid.

SECTION 3.02 Legends.

The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom, as determined by the Bank prior to the delivery thereof.

SECTION 3.03 Execution.

The Bonds shall be executed on behalf of the Bank with the manual or facsimile signature of its President or Vice President or Executive Director and shall have impressed or imprinted thereon, by facsimile or otherwise, the official seal of the Bank, which seal shall be attested by the manual or facsimile signature of the Executive Director or Secretary of the Bank. In case any officer of the Bank whose signature or whose facsimile signature shall appear on the Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile signature shall nevertheless be valid and sufficient for all purposes, the same as if such officer had remained in office until delivery. Any Bond may be executed and attested on behalf of the Bank by such officer as at the time of the execution of such Bonds shall be duly authorized or hold the proper office of the Bank although at the date borne by the Bonds or at the date of delivery of the Bonds such officer may not have been so authorized or have held such office.

SECTION 3.04 Authentication.

No Bond shall be valid or obligatory for any purpose or entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond substantially in the following form shall have been duly executed by the Trustee, and such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture:

CERTIFICATE OF AUTHENTICATION

This Series 2006 Bond is one of the Series 2006 Bonds issued and delivered pursuant to the provisions of the within mentioned Indenture.

Date of Authentication: _____

HANCOCK BANK
as Trustee

By: _____
Authorized Signatory

The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized representative or signatory of the Trustee, but it shall not be necessary that the same representative or signatory sign the certificate of authentication on all of the Bonds. The signature of the authorized representative or signatory of the Trustee shall be manual.

SECTION 3.05 Mutilated, Lost, Stolen or Destroyed Bonds.

If any Bond is mutilated, lost, stolen or destroyed, the Bank shall execute and the Trustee shall authenticate a new Bond or Bonds of the same maturity and denomination, as that mutilated, lost, stolen or destroyed; provided that in the case of any mutilated Bond, such Bond shall first be surrendered to the Trustee, and in the case of any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee, together with indemnity satisfactory to it. In the event any such Bond shall have matured or been called for redemption, instead of issuing and authenticating a duplicate Bond, the Trustee may pay the same without surrender thereof, provided, however, that in the case of a lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee together with indemnity satisfactory to it before any payment may be made. The Trustee may charge the owner of such Bond its reasonable fees and expenses in connection with replacing any Bonds mutilated, lost, stolen or destroyed. Any Bond issued pursuant to this Section 3.05 shall be deemed part of the original series of the Bonds in respect of which it was issued and a contractual obligation of the Bank replacing the obligation evidenced by such mutilated, lost, stolen or destroyed Bond.

SECTION 3.06 Registration, Transfer and Exchange of Bonds; Persons Treated as Owners.

The Bank shall cause records for the registration and for the transfer of the Bonds to be kept by the Trustee at its principal corporate trust office, and the Trustee is hereby constituted and appointed the bond registrar of the Bank. At reasonable times and under reasonable regulations established by the Trustee, said records may be inspected and prepared by the Bank or by owners (or a designated representative thereof) of five percent (5%) or more in aggregate principal amount of the Bonds then Outstanding.

CITY OF PETALUMA MINUTE BOOK

EXHIBIT "B"

Upon surrender for transfer of any Bond at the principal corporate trust office of the Trustee, duly endorsed by, or accompanied by a written instrument or instruments of transfer in form satisfactory to the Trustee and duly executed by the registered owner or his attorney duly authorized in writing, the Bank shall execute and the Trustee shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of the same maturity for a like aggregate principal amount. The Bonds may be transferred or exchanged without cost to the Bondholders except for any tax or governmental charge required to be paid with respect to the transfer or exchange. The execution by the Bank of any Bond of any denomination shall constitute full and due authorization of such denomination and the Trustee shall thereby be authorized to authenticate and deliver such Bond.

The Trustee shall not be required (a) to register, transfer or exchange any Bond during a period of fifteen (15) days next preceding mailing of a notice of redemption of any Bonds, or (b) to register, transfer or exchange any Bonds selected, called or being called for redemption prior to their stated maturity in whole or in part after mailing notice of such call has been made.

The person in whose name a registered Bond shall be registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of principal and interest thereon, shall be made only to or upon the order of the registered owner thereof or his legal representative, but such registration may be changed as hereinabove provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

All Bonds delivered upon any transfer or exchange shall be valid obligations of the Bank, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

SECTION 3.07 Destruction of Bonds.

Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture or upon payment of the principal amount or interest represented thereby or for replacement pursuant to Section 3.05 hereof, such Bond shall be canceled and destroyed by the Trustee and a counterpart of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Bank.

SECTION 3.08 Nonpresentation of Bonds.

In the event any Bond shall not be presented for payment when the principal thereof comes due, either at maturity, or at the date fixed for redemption thereof, or otherwise, if funds sufficient to pay such Bond shall have been made available to the Trustee for the benefit of the owner thereof, all liability of the Bank to the owner thereof for the payment of such Bond shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such funds for four (4) years, for the benefit of the owner of such Bond, without liability for interest thereon to such owner, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on his part under this Indenture or on, or with respect to, said Bond.

Any money so deposited with and held by the Trustee not so applied to the payment of Bonds within four (4) years after the date on which the same shall become due shall be subject to applicable laws of the State of Mississippi concerning escheat and unclaimed property and shall be repaid by the Trustee to the Bank and thereafter the Bondholders shall be entitled to look only to the Bank for payment, and then only to the extent of the amount so repaid, and the Bank shall not be liable for any interest thereon to the Bondholders and shall not be regarded as a trustee of such money.

SECTION 3.09 Other Obligations Payable from Revenues.

The Bank shall grant no liens or encumbrances on or security interests in the Trust Estate (other than those created by this Indenture), and, except for the Bonds, shall issue no bonds or other evidences of indebtedness payable from the Trust Estate.

SECTION 3.10 Temporary Bonds.

Until the definitive Bonds are ready for delivery, the Bank may execute, in the same manner as is provided in Section 3.03, and, upon the request of the Bank, the Trustee shall authenticate and deliver, one or more temporary Bonds, which shall be fully registered. Such temporary Bonds shall be subject to the same provisions, limitations and conditions as the definitive Bonds and shall be substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in the denomination of \$5,000 or any integral multiples thereof authorized by the Bank, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Bank at its own expense shall prepare and execute and, upon the surrender of such temporary Bonds shall deliver in exchange therefor definitive Bonds, of the same aggregate principal amount and maturity as the temporary Bonds surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds issued pursuant to this Indenture.

If the Bank shall authorize the issuance of temporary Bonds in more than one denomination, the owner of any temporary Bond or Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount and maturity of any other authorized denomination or denominations, and thereupon the Bank shall execute and the Trustee, in exchange for the temporary Bond or Bonds so surrendered and upon payment of the taxes and charges provided for in Section 3.06, shall authenticate and deliver a temporary Bond or Bonds of like aggregate principal amount and maturity in such other authorized denomination or denominations as shall be requested by such owner. All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith canceled by the Trustee.

SECTION 3.11 Limitations on Obligations of Bank.

The Bonds, together with interest thereon, shall be limited obligations of the Bank but payable solely from Revenues and shall be a valid claim of the respective owners thereof only against the Funds and Accounts, other than the Rebate Fund and any Accounts created thereunder, established hereunder and the Series 2006 Note acquired by the Trustee, all of which are hereby assigned and pledged hereunder for the equal and ratable payment of the Bonds and

shall be used for no other purpose than the payment of the Bonds, except as may be otherwise expressly authorized in this Indenture. The Bonds do not constitute a debt or liability of the State or of any political subdivision thereof under the constitution of the State or a pledge of the faith and credit of the State or any political subdivision thereof, but shall be payable solely from the Revenues and funds pledged therefor in accordance with this Indenture. The issuance of the Bonds under the provisions of the Act does not directly, indirectly or contingently, obligate the State or any political subdivision thereof to levy any form of taxation for the payment thereof or to make any appropriation for their payment and such Bonds and the interest payable thereon do not now and shall never constitute a debt of the State or any political subdivision thereof within the meaning of the constitution of the State or the statutes of the State and do not now and shall never constitute a charge against the credit or taxing power of the State or any political subdivision thereof. Neither the State nor any agent, attorney, member or employee of the State or of the Bank, shall in any event be liable for the payment of the principal of, and premium, if any, or interest on the Bonds or damages, if any, for the nonperformance of any pledge, mortgage, obligation or agreement of any kind whatsoever which may be undertaken by the Bank. No branch by the Bank of any such pledge, mortgage, obligation or agreement may impose any liability, pecuniary or otherwise, upon the State or any of the State's or the Bank's agents, members, attorneys, and employees or any charge upon the general credit of the State or a charge against the taxing power of the State or any political subdivision thereof. In the Act, the State has pledged to and agreed with the holders of any Series 2006 Bonds that the State will not limit or alter the rights hereby vested in the Bank to fulfill the terms of any agreements made with the said Bondholders or in any way impair the rights and remedies of such holders until such Series 2006 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of Series 2006 Bonds are fully met and discharged.

SECTION 3.12 Immunity of Officers and Directors.

No recourse shall be had for the payment of the Bonds or for any claim based thereon or upon any obligation, covenant or agreement in this Indenture contained against any past, present or future officer, member, director, agent or employee of the Bank or any officer, member, director, trustee, agent or employee of any successor entities thereto, as such, either directly or through the Bank or any successor entities, under any rule of law or equity, statute or constitution or by the enforcement of any assessment or penalty or otherwise, and all such liability of any such officers, members, directors, trustees, agents, or employees as such, is hereby expressly waived and released as a condition of and consideration for the execution of this Indenture and issuance of such Bonds.

ARTICLE IV

REDEMPTION OF BONDS PRIOR TO MATURITY

SECTION 4.01 Privilege of Redemption and Redemption Prices and Terms for Series 2006 Bonds.

If the City directs the Bank to redeem any of the Series 2006 Bonds pursuant to Section 9.2 of the Loan Agreement, the Bank agrees to accept such direction and shall redeem such Series 2006 Bonds in the following instances:

(a) **Optional Redemption of Series 2006 Bonds.** The Series 2006 Bonds (or any portions thereof in integral multiples of \$5,000 each) which mature on or after July 1, 20__, are subject to optional redemption prior to their stated dates of maturity in whole or in part on July 1, 20__, and on any date thereafter at redemption prices (expressed as percentages of the principal amount thereof) set forth below plus accrued interest to the redemption date:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Price
July 1, 20__ through June 30, 20__	102%
July 1, 20__ through June 30, 20__	101
July 1, 20__ and thereafter	100

(b) **Extraordinary Mandatory Redemption.** The Series 2006 Bonds are also subject to extraordinary mandatory redemption prior to their stated dates of maturity in whole or in part, in inverse order of maturity, at any time, at a Redemption Price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are transferred from the Loan Account to the Redemption Account created in the Indenture, funds transferred from the Project Fund to the Redemption Account upon completion of the Construction Project and payment of all Costs of the Construction Project as provided in the Loan Agreement, or otherwise deposited in the Redemption Account from proceeds received upon the sale or prepayment prior to maturity of the Series 2006 Note upon a default under the Series 2004 Note, and acceleration thereof.

SECTION 4.02 Redemption at the Election or Direction of the Bank.

In the case of any redemption of Bonds, the Bank shall give written notice to the Trustee of its election or direction so to redeem, of the redemption date, of the principal amounts of the Bonds of each maturity to be redeemed (which maturities and principal amounts thereof to be redeemed shall be determined by the Bank in its sole discretion, subject to any limitations with respect thereto contained in the Act or this Indenture) and of the moneys to be applied to the payment of the Redemption Price. Such notice shall be given at least sixty (60) but no more than forty-five (45) days prior to the redemption date. At least one (1) Business Day prior to the Trustee giving the notice of redemption as provided in Section 4.05 hereof, the Trustee, if it holds the moneys to be applied to the payment of the Redemption Price, or otherwise the Bank,

ARTICLE V

GENERAL COVENANTS

SECTION 5.01 Payment of Principal and Interest.

The Bank covenants and agrees that it will promptly pay the principal of and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in said Bonds according to the true intent and meaning thereof, provided that the principal and interest are payable by the Bank solely from Revenues and any other funds or assets of the Bank hereinafter pledged to the Trustee as security by the Bank to the extent of that pledge.

SECTION 5.02 Performance of Covenants by the Bank.

The Bank covenants and agrees that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Indenture, in any and every Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining thereto. The Bank covenants and agrees that it is duly authorized under the constitution and laws of the State, including particularly the Act, to issue the Bonds authorized hereby and to execute this Indenture and to pledge the Revenues and all other property hereby pledged in the manner and to the extent herein set forth; that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture has been duly and effectively taken, and that the Bonds in the hands of the owners thereof are and will be valid and enforceable limited obligations of the Bank according to the terms thereof and hereof.

SECTION 5.03 Instruments of Further Assurance.

The Bank covenants and agrees that the Trustee may defend its rights to the payment of the Revenues for the benefit of the owners of the Bonds against the claims and demands of all persons whomsoever. The Bank covenants and agrees that it will do, execute, acknowledge and deliver, or cause to be done, executed, acknowledged and delivered, such indentures supplemental hereto and such further acts, instruments and transfers as the Trustee may reasonably require for the better assuring, pledging, pledging, assigning and confirming unto the Trustee all and singular the rights assigned hereby and the amounts and other property pledged hereby to the payment of the principal of and interest on the Bonds.

SECTION 5.04 Covenants Concerning Program.

(1) In order to provide for the payment of the principal, premium, if any, and interest on the Bonds and Program Expenses, the Bank shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act, the provisions of Indenture and sound banking practices and principles, to the extent necessary to provide for payment of the Bonds (a) do all such acts and things as shall be necessary to receive and Revenues (including enforcement of the prompt collection of all arrears on the Series Note), and (b) diligently enforce, and take all steps, actions and proceedings reasonably in the judgment of the Bank to protect its rights with respect to or to maintain any insurance on the Series 2006 Note and the Loan Agreement and to enforce all terms, covenants

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shall pay to the Trustee an amount in cash which, in addition to other moneys, if any, available therefor held by such Trustee, will be sufficient to redeem on the redemption date at the Redemption Price thereof, together with interest accrued to the redemption date, all of the Bonds to be redeemed. If all of the funds necessary to redeem the Series 2006 Bonds so called for redemption are not on deposit in the Series 2006 Redemption Account, the Trustee shall not give the notice of redemption provided for in Section 4.05 hereof.

SECTION 4.03 Selection of Bonds to be Redeemed.

If less than all of the Bonds are to be redeemed, the Bonds shall be redeemed only in whole multiples of \$5,000. For purposes of redemption, each \$5,000 of principal shall be considered as a Bond. If less than all of the Bonds shall be called for redemption, the principal amount and maturity of the particular Bonds to be redeemed shall be selected by the Bank and the Trustee shall select the particular Bonds to be redeemed by lot within a maturity in such manner as the Trustee may determine.

SECTION 4.04 Redemption Payments.

At least one (1) Business Day prior to the Trustee giving any notice of redemption under Section 4.05 hereof, funds shall be deposited with the Trustee in an amount sufficient to pay the Redemption Price of the Bonds or portions thereof called, together with accrued interest thereon to the redemption date. The Trustee is hereby authorized and directed to apply such funds to the payment of such Bonds. If proper notice of redemption by mailing has been given as provided in Section 4.05 and sufficient funds for redemption shall be on deposit with the Trustee as aforesaid, interest on the Bonds or portions thereof thus called shall no longer accrue after the date fixed for redemption. No payment shall be made by the Trustee upon any Bond or portion thereof called for redemption until such Bond or portion thereof shall have been delivered for payment or cancellation or the Trustee shall have received the items required by Section 3.05 hereof with respect to any mutilated, lost, stolen or destroyed Bond.

SECTION 4.05 Notice of Redemption.

Notice of the call for any redemption, identifying the Bonds to be redeemed, shall be given by the Trustee by mailing a copy of the redemption notice by registered or certified mail at least sixty (60) days but not more than forty-five (45) days prior to the date fixed for redemption to the Original Purchaser and to the registered owner of each Bond to be redeemed at the address shown on the registration records. Failure to give such notice by mailing to any Bondholder or any defect in such notice, shall not affect the validity of any proceeding for the redemption of any other Bonds.

SECTION 4.06 Cancellation.

All Bonds which have been redeemed shall not be reissued but shall be canceled and destroyed by the Trustee in accordance with Section 3.07 hereof.

and conditions of the Series 2006 Note and Loan Agreement including the collection, custody and prompt application of all payments and deposits required by the terms of the Series 2006 Note and the Loan Agreement for the purposes for which they were made.

(2) Whenever necessary in order to provide for the payment of debt service on the Series 2006 Bonds, the Bank shall commence appropriate remedies with respect to the Series 2006 Note and Loan Agreement which are in default.

SECTION 5.05 Possession and Inspection of Series 2006 Note and Loan Agreement.

The Trustee covenants and agrees to retain or cause its agent to retain possession of the Series 2006 Note and the Loan Agreement and a copy of the transcript or documents related thereto and release them only in accordance with the provisions of this Indenture. The Bank and the Trustee covenant and agree that all records and documents in their possession relating to the Series 2006 Note and the Loan Agreement shall at all times be open to inspection by such accountants or other agencies or persons as the Bank or the Trustee may from time to time designate.

SECTION 5.06 Accounts and Reports.

The Bank covenants and agrees to keep proper records and accounts (separate from all other records and accounts) in which complete and correct entries shall be made of its transactions relating to the Program, the Series 2006 Note and the Funds and Accounts established by this Indenture. Such records, and all other records and papers of the Bank, and such Funds and Accounts shall at all reasonable times be subject to the inspection of the Trustee and the owners of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding or their representatives duly authorized in writing.

The Trustee covenants and agrees to provide to the Bank, if requested by the Bank, prior to the last day of January, 2007 and the end of each six-month period thereafter, commencing with the period ending July 31, 2007, a statement of the amount on deposit in each Fund and Account as of the first day of that month and of the total deposits to and withdrawals from each Fund and Account during the preceding six-month or applicable period.

The reports, statements and other documents (other than Bondholder lists) required to be furnished to or by the Trustee pursuant to any provision of this Indenture shall be provided to the owners of an aggregate of not less than five percent (5%) in principal amount of the Bonds then Outstanding who file or have filed a written request therefor with the Trustee with any such costs of such documents to be paid by the Bondholder.

SECTION 5.07 Bank Covenants with Respect to the Series 2006 Note and Loan Agreement.

(1) The Bank covenants and agrees that it will not permit or agree to any material change in the Series 2006 Note or the Loan Agreement unless the Bank supplies the Trustee with a Positive Cash Flow Certificate which gives effect to such action.

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(2) The Bank covenants and agrees that it will enforce or authorize the enforcement of all remedies available to owners or holders of the Series 2006 Note and the Loan Agreement, unless the Bank provides the Trustee with a Positive Cash Flow Certificate which gives effect to the Bank's failure to enforce or to authorize the enforcement of such remedies; provided, however, that decisions as to the enforcement of remedies shall be within the sole discretion of the Trustee.

(3) The Bank covenants and agrees that it will not sell or dispose of the Series 2006 Note unless the Bank provides to the Trustee a Positive Cash Flow Certificate which gives effect to such action.

SECTION 5.08 Monitoring Investments.

The Bank covenants and agrees to regularly review the investments held by the Trustee in the Funds and Accounts for the purpose of assuring that the Revenues derived from such investments are sufficient to provide, with other anticipated Revenues, the debt service on Outstanding Bonds.

SECTION 5.09 Positive Cash Flow Certificates.

(1) At any time that the provisions of this Indenture shall require that a Positive Cash Flow Certificate be prepared concerning anticipated Revenues and payments on the Bonds, such certificate shall be prepared by a nationally recognized firm of independent accountants acceptable to the Trustee in accordance with this Section 5.09. Such certificate shall set forth:

- (a) the Revenues expected to be received on the Series 2006 Note financed or expected to be financed with proceeds of Outstanding Bonds;
- (b) all other Revenues, including the interest to be earned and other income to be derived from the investment of the Funds and Accounts (other than the Rebate Fund) and the rate or yields used in estimating such amounts;
- (c) all moneys expected to be in the Funds and Accounts (other than the Rebate Fund and, with respect to the Debt Service Reserve Fund, only to the extent provided in paragraph (d) hereof);
- (d) the amount, if any, expected to be withdrawn from the Debt Service Reserve Fund, but only if the amount on deposit in the Debt Service Reserve Fund is expected to at least equal the Debt Service Reserve Requirement immediately after such withdrawal and such withdrawal is permitted by this Indenture;
- (e) the principal and interest due on all Bonds expected to be Outstanding during such Fiscal Year; and
- (f) the amount, if any, of Program Expenses expected to be paid from the Revenues.

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Trustee (on behalf of the Bank) to satisfy any delinquent payment (the "Delinquent Payment") under Sections 4.2 and/or 4.4(5) of the Loan Agreement. If on the first day of June and December of each year, commencing December 1, 2006, there are insufficient Net Revenues (as defined in the Loan Agreement) to make the payments under Sections 4.2 and/or 4.4(5) of the Loan Agreement, the Bank has authorized and directed the Trustee under the Tax Intercept Agreement to file the Tax Intercept Agreement and a statement of deficiency setting forth the amount of any Delinquent Payment with the Mississippi State Tax Commission or any other State agency, department or commission, thereby directing the Mississippi State Tax Commission or any other State agency, department or commission to pay any Tax Monies directly to the Trustee on behalf of the Bank to satisfy any Delinquent Payment, all as permitted under the Act. In any event if the City fails to make timely payments under the Loan Agreement and the Series 2006 Note as provided in Sections 4.2(1) and/or 4.4(5) of the Loan Agreement, the Trustee is hereby further directed to file the Tax Intercept Agreement with the Mississippi State Tax Commission and take further action to recover Tax Monies under the Tax Intercept Agreement. The Trustee is hereby directed to pay any Tax Monies deposited into the General Account of the General Fund to be applied in accordance with Section 6.05 hereof except for any Delinquent Payment under Section 4.4(5) of the Loan Agreement which shall be applied in accordance with the provisions thereof.

SECTION 5.12 Covenants Concerning Preservation of Tax Exemption.

The Bank hereby covenants and agrees to take all qualifying actions and to not fail to take any qualifying actions which are necessary in order to protect and preserve the exclusion from gross income for federal income tax purposes of the interest on the Bonds. For this purpose, the Bank shall approve and deliver to the Trustee a memorandum of compliance concerning the provisions of the Code necessary to protect and preserve such exclusion. Such memorandum of compliance may only be amended from time to time upon the receipt by the Trustee of an opinion of Bond Counsel to the effect that the amendment of the memorandum of compliance by the Bank will not adversely affect the exclusion of interest on the Bonds from gross income of the holders thereof for federal income tax purposes.

ARTICLE VI

REVENUES AND FUNDS

SECTION 6.01 Source of Payment of Bonds.

The Bonds and all payments by the Bank hereunder are limited obligations of the Bank payable solely out of the Trust Estate as authorized by the constitution and statutes of the State, including particularly the Act and this Indenture, as provided herein.

SECTION 6.02 Creation of Funds.

There are hereby created by the Bank and ordered established the following funds to be held by the Trustee: (a) the General Fund; (b) the Debt Service Reserve Fund; (c) the Special Reserve Fund and (d) the Rebate Fund. There is hereby created and established in the General Fund a "General Account," "Bond Issuance Expense Account," "Redemption Account," and

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(2) In making any Positive Cash Flow Certificate, the accountant or firm of accountants may contemplate the payment or redemption of Series 2006 Bonds for the payment or redemption of which amounts have been set aside in the Redemption Account. The issuance of the Bonds, the making of transfers from one Fund to another and the deposit of amounts in any Fund from any other source may only be contemplated in a Positive Cash Flow Certificate to the extent that such issuance, deposit or transfer has occurred prior to or will occur substantially simultaneously with the delivery of such Positive Cash Flow Certificate. The accountant or firm of accountants shall also supply supporting schedules appropriate to show the sources and applications of funds used, identifying particular amounts to be transferred between Funds, amounts to be applied to the redemption or payment of Bonds and amounts to be used to provide for Costs of Issuance for the Bonds. The amount of the existing Series 2006 Note, existing Investment Securities and existing cash shall be the amounts as of the last day of the month preceding the month in which the Positive Cash Flow Certificate is delivered but shall be adjusted to give effect to scheduled payments of principal and interest on the Series 2006 Note, actual payments or proceeds with respect to Investment Securities and actual expenditures of cash expected by the Bank through the end of the then current month.

SECTION 5.10 Bank's Certificate of Debt Service Reserve Fund Deficiency.

(1) The Trustee shall give the Bank notice by December 1 in any year in which Bonds are Outstanding if the Debt Service Reserve Fund is not funded with an amount equal to the Debt Service Reserve Requirement. As provided in the Act, the Bank covenants and agrees that it will, on or before January 1, of each year, make and deliver to the Governor of the State a certificate, stating the sum, if any, required to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement. In computing any deficiency, the Bank shall also take into account any transfer from the Debt Service Reserve Fund to the General Account which is necessary to make the applicable payment provided for in Sections 6.06 hereof. The Bank covenants and agrees that it will immediately take all further action required or allowed under Section 31-25-105, Mississippi Code of 1972, as amended, from time to time, to certify to the Governor of the State and the State Legislature any deficiency in the Debt Service Reserve Fund.

(2) At such time as monies have been appropriated and made available by the State under this Section 5.10, the Bank shall immediately request that such monies be transferred to the Trustee to be deposited in the Debt Service Reserve Fund pursuant to this Indenture. Any monies appropriated by the State Legislature for the purposes of replenishing the Debt Service Reserve Fund shall be deposited into the Debt Service Reserve Fund upon receipt by the Trustee and invested and used in accordance with the terms and conditions of this Indenture.

SECTION 5.11 Agreement Withholding City Monies to Satisfy Delinquent Payments.

As provided for in the Act, the City and the Bank have entered into and the Trustee has accepted a Tax Intercept Agreement whereby the City has covenanted, agreed and authorized the Mississippi State Tax Commission or any other State agency, department or commission to (1) withhold all or any part of any monies which the City is entitled to receive from time to time pursuant to any law and which is in possession of the Mississippi State Tax Commission or any other State agency, department or commission (the "Tax Monies"), and (2) pay same over to the

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"Loan Account." Upon the written request of the Bank, the Trustee shall establish and maintain hereunder such additional Funds, Accounts or subaccounts as the Bank may specify from time to time to the extent that in the judgment of the Trustee the establishment of such Fund or Account is not to the material prejudice of the Trustee or the Bondholders.

SECTION 6.03 Deposit of Net Proceeds of Bonds.

- (1) The Trustee shall deposit the proceeds (net of any Original Purchaser's discount and original issue discount, if any) from the sale of the Series 2006 Bonds in the manner provided in Section 2.02 hereof.
- (2) The Trustee shall deposit the proceeds of any Refunding Bonds in the manner provided in the Supplemental Indenture authorizing the issuance thereof.

SECTION 6.04 Deposit of Revenues and Other Receipts.

Upon receipt of any Revenues or other receipts (except the proceeds of the Bonds and moneys received upon sale or prepayment prior to maturity of the Series 2006 Note), the Trustee shall deposit such amounts into the General Account.

SECTION 6.05 Operation of General Account in the General Fund.

The Trustee shall deposit in the General Account of the General Fund all monies and funds required to be deposited therein pursuant to the provisions of this Article VI. The Trustee shall invest such funds in the General Account in accordance with Article VIII hereof and shall make the following payments from the General Account on the specified dates and, if there are not sufficient funds to make all the payments required, with the following order of priority:

- (a) On or before sixty (60) days after each anniversary of the issuance of the Series 2006 Bonds, the amounts to be transferred to the Rebate Fund;
- (b) On or before three (3) Business Days next preceding each Interest Payment Date, to the Trustee such amount as shall be necessary to pay the principal and interest coming due on the Series 2006 Bonds on such Interest Payment Date;
- (c) As soon as funds become available, to the Debt Service Reserve Fund sufficient amounts to assure that there is on deposit therein the Debt Service Reserve Requirement;
- (d) At such times as shall be necessary, to pay Program Expenses; and
- (e) After making such deposits in subsections (a) through (d) above, the Trustee shall make a determination of the amounts reasonably expected to be received in the form of Series 2006 Note Payments in the succeeding twelve (12) months and shall transfer to the Special Reserve Fund all monies in the General Account, which, together with such expected receipts for the succeeding twelve (12) months, are in excess of the amounts needed to pay principal and interest on the Series 2006 Bonds within the immediately succeeding twelve (12) month period; provided, however, any excess under

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this Subsection (e) shall be transferred to the City at the request of the City with the prior written consent of the Bank.

SECTION 6.06 Operation of the Redemption Account of the General Fund.

The Trustee shall deposit in the Redemption Account of the General Fund all moneys received upon the sale or prepayment prior to maturity of the Series 2006 Note and all other moneys required to be deposited therein pursuant to the provisions of Article VI hereof, shall invest such funds pursuant to Article VIII hereof and shall disburse the funds held in the Redemption Account to redeem Series 2006 Bonds. Such redemption shall be made pursuant to a redemption under the provisions of Article IV hereof. The Trustee shall pay the interest accrued on the Series 2006 Bonds so redeemed to the date of redemption from the General Account and the Redemption Price from the Redemption Account.

SECTION 6.07 Operation of the Loan Account of the General Fund.

The Trustee shall deposit in the Loan Account of the General Fund all moneys required to be deposited therein pursuant to the provisions of Section 2.02 and Article VI hereof, shall invest such funds pursuant to Article VIII hereof, and shall disburse the funds held in the Loan Account to provide a loan to the City under the terms and provisions of the Loan Agreement said as set forth in the Series 2006 Note all in accordance with the procedures established by a set forth in Article VII hereof upon the submission of the requisitions of the Bank signed or authorized Officer stating that all requirements with respect to such loan set forth in the have been or will be complied with. Any amounts remaining in the Loan Account years after the date of delivery of the Series 2006 Bonds shall be transferred to the Redemption Account.

SECTION 6.08 Operation of Debt Service Reserve Fund.

The Trustee shall deposit in the Debt Service Reserve Fund all moneys required to be deposited therein pursuant to Section 2.02 and Article VI hereof, shall invest such funds pursuant to Article VIII hereof, and, except as provided in this Section 6.08, shall disburse the funds held in the Debt Service Reserve Fund solely to the General Account for the payment of interest on and principal of the Series 2006 Bonds, and only in the event that moneys in the General Account are insufficient to pay principal of and interest on the Series 2006 Bonds after making all the transfers thereto required to be made under Section 6.06 (from the Redemption Account of the General Fund) and Section 6.09 (from the Special Reserve Fund) have been made. As of any Interest Payment Date, the Trustee shall value the investments in the Debt Service Reserve Fund at fair market value. If there is any deficiency in the Debt Service Reserve Fund as of any Interest Payment Date (after taking into account any debt service payment made on such Interest Payment Date), the Trustee shall provide written notice within five (5) Business Days to the City and City shall replenish the Debt Service Reserve Fund within sixty (60) days after the applicable Interest Payment Date as provided in the Loan Agreement. Pursuant to Section 10.01(j) hereof, failure to restore any deficiency in the Debt Service Reserve Fund to the Debt Service Reserve Requirement within 360 days after the end of the Fiscal Year during which a deficiency occurs is an Event of Default. Following each Interest Payment Date, the Trustee shall determine if any amounts in the Debt Service Reserve Fund are in excess of the Debt

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Service Reserve Requirement and shall transfer said excess amount to the General Account of the General Fund; provided, however, such amounts in excess of the Debt Service Reserve Requirement shall be paid to the City at the request of the City with the prior written approval of the Bank.

The City may, at any time, provide the Trustee with a Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money and investments in the Debt Service Reserve Fund equal to the amount available for drawing under such Reserve Fund Credit Facility; provided that such right of substitution shall be subject to the following conditions:

(a) The Trustee shall receive a certificate of the City to the effect that such substitution is in the best economic interests of the City stating the reasons therefor and stating how the amounts on deposit in the Debt Service Reserve Fund are to be applied; and

(b) The Trustee shall receive an opinion of counsel acceptable to the Trustee, in form and substance satisfactory to the Trustee, addressed to the Trustee, the Bank and the City as to the due authorization, execution, delivery and enforceability of the Reserve Fund Credit Facility in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of the Reserve Fund Credit Facility is not a domestic entity, an opinion of foreign counsel to the same effect in form and substance satisfactory to the Trustee; and

(c) The Trustee, the Bank and the City shall receive an opinion of nationally recognized counsel, in form and substance satisfactory to each of them, to the effect that substitution of such Reserve Fund Credit Facility and the proposed application to the amounts in the Debt Service Reserve Fund will not cause the interest on the Series 2006 Bonds to become includable in gross income for federal income taxation purposes; and

(d) The obligation of the Bank to reimburse the issuer of the Reserve Fund Credit Facility for any fees or expenses or claims or drawings under such Reserve Fund Credit Facility shall be subordinate to the payment of debt service on the Series 2006 Bonds under this Indenture; and

(e) The Reserve Fund Credit Facility must provide for a revolving feature under which the amount available for drawing thereunder will be reinstated to the extent of any reimbursement of drawings or claims paid; and

(f) The value of the assets (including the amount available for drawing under the Reserve Fund Credit Facility) held in the Debt Service Reserve Fund must equal the Debt Service Reserve Requirement for the Series 2006 Bonds immediately upon such substitution; and

(g) The approval of S&P.

If there shall be an insufficiency of funds in the General Account of the General Fund to make any required payment of principal of or interest on the Series 2006 Bonds and the Trustee is holding a Reserve Fund Credit Facility in lieu of funds in the Debt Service Reserve Fund, the

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Trustee shall make a drawing under the Reserve Fund Credit Facility in an amount equal to the lesser of (i) the amount then available for drawing under the Reserve Fund Credit Facility, or (ii) the amount necessary to make up the insufficiency described above, which drawing shall be made in time to prevent the occurrence of an Event of Default under this Indenture; and the proceeds of such drawing shall be deposited into the Debt Service Reserve Fund for application as provided in this Indenture.

On the fifth (5th) Business Day prior to the expiration of any Reserve Fund Credit Facility, the Trustee shall make a drawing of the full amount available thereunder, and shall deposit the proceeds of such drawing into the Debt Service Reserve Fund; provided, however, that the Trustee shall not make a drawing if, not later than the fifth (5th) Business Day prior to the expiration of such Reserve Fund Credit Facility, a substitute Reserve Fund Credit Facility or money and/or Investment Securities equal to the Debt Service Reserve Requirement for the Debt Service Reserve Fund have been delivered to the Trustee for deposit in the Debt Service Reserve Fund.

If the Trustee receives notice that (1) the revolving reinstatement feature described above has been suspended or terminated, (2) the rating of the issuer of the Reserve Fund Credit Facility has fallen below "A" by S&P, (3) the issuer of the Reserve Fund Credit Facility has defaulted in its payment obligations thereunder, or (4) the Reserve Fund Credit Facility will not be extended or renewed, the Trustee shall immediately notify the City in writing, of the occurrence of such event and shall request that the City make or cause to be made the payments required to replenish the Debt Service Reserve Fund pursuant to this Indenture and the Loan Agreement, which payments may be made from the proceeds of a drawing under the Reserve Fund Credit Facility.

SECTION 6.09 Operation of Special Reserve Fund.

The Trustee shall deposit in the Special Reserve Fund all moneys required to be deposited therein pursuant to Article VI hereof and such other moneys as directed by the Bank, shall invest such funds pursuant to Article VIII hereof, and shall disburse the funds held in the Special Reserve Fund as follows in the following order of priority:

(a) On the second (2nd) Business Day next preceding each Interest Payment Date, to the General Account of the General Fund an amount sufficient to make the payments of principal and interest required to be made on such date after taking into account available funds on deposit in the General Account; and

(b) As soon as funds become available, to the Debt Service Reserve Fund sufficient amounts to assure that there is no deposit therein the Debt Service Reserve Requirement.

SECTION 6.10 Operation of Bond Issuance Expense Account of the General

The Trustee shall deposit in the Bond Issuance Expense Account of the General Fund the required to be deposited therein pursuant to Section 2.02 of this Indenture, shall invest

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such funds pursuant to Article VIII hereof and shall disburse the funds held in the Bond Issuance Expense Account as follows:

(a) Upon receipt of acceptable invoices, to pay the Costs of Issuance of the Series 2006 Bonds or to reimburse the Bank for amounts previously advanced for such costs; and

(b) On the date which is sixty (60) days after the date of issuance of the Series 2006 Bonds, any funds remaining in the Bond Issuance Expense Account shall be transferred to the General Account of the General Fund.

SECTION 6.11 Operation of the Rebate Fund.

The Trustee is authorized to establish and maintain, so long as any Series 2006 Bonds are Outstanding and are subject to a requirement that arbitrage profits be rebated to the United States of America, a separate fund to be known as the "Rebate Fund." The Trustee shall make information regarding the Series 2006 Bonds and investments hereunder available to the Bank and shall make deposits and disbursements from the Rebate Fund in accordance with the memorandum of compliance received from the Bank pursuant to Sections 5.12 and 8.02 hereof, shall invest the funds in the Rebate Fund as directed by the Bank pursuant to said memorandum of compliance and shall deposit income from such investments immediately upon receipt thereof in the Rebate Fund. Anything in this Indenture to the contrary notwithstanding, the provision of this Section may be superseded or amended by a new memorandum of compliance delivered by the Bank and accompanied by an opinion of Bond Counsel addressed to the Trustee to the effect that the use of the new memorandum of compliance will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2006 Bonds.

If a deposit to the Rebate Fund is required as a result of the computations made by the Bank pursuant to such memorandum of compliance, the Trustee shall upon receipt of direction from the Bank accept such payment for the benefit of the Bank and make transfers of moneys from the General Account to the Rebate Fund to comply with such direction. If amounts in excess of that required to be rebated to the United States of America accumulate in the Rebate Fund, the Trustee shall upon direction from the Bank transfer such amount to the General Account. Records of the determinations required by this Section and the investment instructions must be retained by the Trustee until six (6) years after the Series 2006 Bonds are no longer Outstanding.

Not later than sixty (60) days after July 1, 2010 and every five (5) years thereafter, the Trustee shall, upon written request of the Bank, pay to the United States of America ninety percent (90%) of the amount required to be on deposit in the Rebate Fund as of such payment date provided that direction from the Bank for transfer of such amount has been previously received by the Trustee pursuant to the provisions of this Section 6.11, and further provided that funds were available in the General Account to make such transfers as directed and one hundred percent (100%) of the amount on deposit in the Rebate Fund as of such payment date. Not later than sixty (60) days after the final retirement of the Series 2006 Bonds, the Trustee shall, upon written request of the Bank pay to the United States of America one hundred percent (100%) of the balance remaining in the Rebate Fund. Each payment required to be paid to the United States

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of America pursuant to this Section shall be filed with the Internal Revenue Service Center, Ogden, Utah 84201. Each payment shall be accompanied by a copy of the Form 8038-G originally filed with respect to the Series 2006 Bonds, if any, and a statement of the Bank summarizing the determination of the amount to be paid to the United States of America.

SECTION 6.12 Moneys to be Held in Trust.

All moneys required to be deposited with or paid to the Trustee for the account of any Fund or Account established under any provision of this Indenture shall be held by the Trustee in trust and applied in accordance with the provisions of this Indenture, except for moneys held pursuant to the Rebate Fund and any Accounts created thereunder and except for moneys deposited with or paid to the Trustee for the redemption of Bonds, notice of the redemption of which has been duly given, and shall, while held by the Trustee, constitute part of the Trust Estate and be subject to the security interest created hereby and shall not be subject to any lien or attachment by any creditor of the Bank.

SECTION 6.13 Amounts Remaining in Funds or Accounts.

Any amounts remaining in any Fund or Account of the Series 2006 Bonds after full payment of the Series 2006 Bonds and the fees, charges (including any required rebates to the United States of America) and expenses of the Trustee (and all other amounts due and owing hereunder) shall be distributed to the City, except as provided in Section 3.08 hereof and except for any monies appropriated by the State pursuant to Section 5.10 hereof, which will be paid to the State.

SECTION 6.14 Certain Verifications.

The Bank and/or the Trustee from time to time may cause a firm of independent certified public accountants of national standing or other nationally recognized experts to supply the Bank and the Trustee with such information as the Bank or the Trustee may request in order to determine in a manner reasonably satisfactory to the Bank and the Trustee all matters relating to (a) the sufficiency of projected cash flow receipts and disbursements with respect to the Funds and Accounts to pay the principal of and interest on the Bonds and Program Expenses; (b) the actuarial yields on the Outstanding Bonds as the same may relate to any data or conclusions necessary to verify that the Bonds are not arbitrage bonds within the meaning of Section 148 of the Code; (c) the yields on any obligations acquired and held by the Bank and/or the Trustee; and (d) the rebate calculation required by Section 6.11 hereof. The Bank and/or the Trustee from time to time may also obtain an Opinion of Bond Counsel concerning post-issuance compliance with any federal legislation applicable to the Bonds. The fees of such independent certified public accountants and Bond Counsel shall constitute reimbursable Program Expenses.

the City intends to meet an exception from rebate contained in Section 148(f)(4)(C) of the Code, it elects on or before the closing date to pay a penalty in lieu of rebate if such provisions are not met; and

- (j) an amortization schedule for debt service on the Series 2006 Bonds.

Upon receipt of all the documents as listed above, the Trustee shall pay the proceeds of the Loan directly to the City as specified in the directions received pursuant to subparagraph (a) above.

SECTION 7.03 Retention and Inspection of Documents.

All requisitions, certificates, transcripts, Opinions of Bond Counsel, Loan Agreement, Tax Intercept Agreement and the Series 2006 Note received by the Trustee, as required in this Article as conditions of payment may be relied upon by and shall be retained in the possession of the Trustee, subject at all times during normal business hours to the inspection of the Bank and, after written request received by the Trustee at least five (5) Business Days prior to the date of inspection, by any owner of at least five percent (5%) in principal amount of Outstanding Series 2006 Bonds. Any costs and expenses associated with such request shall be paid by the requesting Bondholder.

SECTION 7.04 Report.

The Bank shall require a report to be made by an officer or employee of the Trustee on behalf of the Trustee within sixty (60) days after the delivery of the Series 2006 Bonds covering all receipts and all disbursements made pursuant to the provisions of this Article VII in respect of the proceeds of the Series 2006 Bonds deposited in the Loan Account. Said report shall be supplemented at least once every sixty (60) days by the Trustee until all of the net proceeds of the Series 2006 Bonds deposited in the Loan Account shall have been expended. Each such report shall be mailed by the Trustee to the Bank.

ARTICLE VIII

INVESTMENT OF MONEYS

SECTION 8.01 General Provisions.

(1) Any moneys held as part of any Fund or Account created under or pursuant to Article VI hereof and the Rebate Fund shall be invested or reinvested by the Trustee as continuously as reasonably possible in such Investment Securities, as may be directed by the Bank (such direction to be confirmed in writing). All such investments shall at all times be a part of the Fund or Account in which the moneys used to acquire such investments had been deposited and, except as provided in Article VI, all income and profits on such investments, other than from moneys on deposit in the Rebate Fund or any Account created thereunder, shall be deposited as received in the General Account of the General Fund. The Trustee may make any and all such investments through its investment department or through the investment department of any financial institution which is an affiliate of the Trustee and may trade with itself or any of its affiliates in doing so. Moneys in separate Funds and Accounts for the Series

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ARTICLE VII

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LOAN SECURED BY SERIES 2006 NOTE

SECTION 7.01 Terms and Conditions of Loan.

The loan of funds to the City under the terms and provisions of the Loan Agreement secured by the Series 2006 Note shall be according to the terms and conditions of, and upon submission of the documents required by, this Article VII.

SECTION 7.02 Loan.

The Trustee shall provide the funds for the Loan to the City upon receipt by the Trustee of:

- (a) a written direction of the Bank signed by an Authorized Officer stating to whom the proceeds of the Loan are to be paid;
- (b) a certificate signed by an officer of the Bank, certifying that the City, pursuant to the Loan Agreement, has executed and delivered the Series 2006 Note to the Bank and is obligated to make the Series 2006 Note Payments and to pay all fees and charges required to be paid to the Bank under the Loan Agreement, and that to the knowledge of such officer, such City is not in default under the payment terms or other material terms or provisions of any other obligations of that City;
- (c) a certified transcript of proceedings authorizing the issuance, execution and delivery of the Series 2006 Note, which transcript shall contain the certifications required by the Act and such other certifications and representations which are reasonable and appropriate as determined by the Bank or Trustee;
- (d) an Opinion of Bond Counsel in form satisfactory to the Bank stating that the Series 2006 Note and Loan Agreement constitute valid and binding obligations enforceable in accordance with their terms, subject to such enforcement limitations customarily contained in such opinions;
- (e) executed Series 2006 Note, registered as to both principal and interest to the Bank and delivered in accordance with the Act;
- (f) an opinion of counsel of the City in form satisfactory to the Bank stating that such City is a Local Governmental Unit within the meaning of the Act;
- (g) an executed Loan Agreement from the City;
- (h) an executed Tax Intercept Agreement;
- (i) a certificate from the City stating that either (i) the City is exempt from the rebate requirements of Section 148 of the Code, or (ii) the City is subject to the rebate requirement of Section 148 of the Code and will comply with such provisions, or (iii) if

2006 Bonds may be commingled for the purpose of investment or deposit. The Trustee and the Bank agree that all investments under the Indenture, and all instructions of the Bank to the Trustee with respect thereto shall be made in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal without causing any of the Series 2006 Bonds to be arbitrage bonds as defined in Section 148 of the Code. Any investment losses shall be charged to the Fund or Account in which moneys used to purchase such investment had been deposited. For so long as the Trustee is in compliance with the provisions of this Section 8.01, the Trustee shall not be liable for any investment losses. Moneys in any Fund or Account shall be invested in Investment Securities with a maturity date, or a redemption date determined by the owner of the Investment Securities at said owner's option, which shall coincide as nearly as practicable with times at which moneys in such Funds or Accounts will be required for the purposes thereof, except that the moneys, if any, on deposit in the Debt Service Reserve Fund shall be invested in Investment Securities having an average aggregate weighted term to maturity not greater than five (5) years. The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective Fund or Account whenever the cash balance therein is insufficient to pay the amounts contemplated to be paid therefrom at the time those amounts are to be paid. All investment income from the assets held in any Fund or Account, except for the Rebate Fund, will be added to the General Account of the General Fund; provided, however, that the investment income, if any, from assets held under the Debt Service Reserve Fund shall be retained in such Debt Service Reserve Fund to the extent of any deficiency in the Debt Service Reserve Requirement.

(2) The Bank (a) certifies to the owners of the Bonds from time to time Outstanding that moneys on deposit in any Fund or Account in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, are not intended to be used in a manner which will cause the interest on the Bonds to lose the exclusion from gross income for federal income tax purposes, and (b) covenants with the owners of the Bonds from time to time Outstanding that, so long as any of the Bonds remain Outstanding, moneys on deposit in any Fund or Account established in connection with the Bonds, whether or not such moneys were derived from the proceeds of the sale of the Bonds or from any other source, will not be used in any manner which will cause the interest on the Bonds to become subject to federal income taxation.

SECTION 8.02 Arbitrage Restrictions; Bonds to Remain Tax Exempt.

(1) The Bank shall provide the Trustee with a memorandum of compliance for the investments on the Funds and Accounts which shall govern the investment of the Funds and Accounts and the application of Section 6.11 hereof.

(2) Without limiting subsection (2) of Section 8.01 hereof, the Bank further covenants and agrees that it will not take any action or fail to take any action with respect to the investment of the proceeds of any Bonds, or with respect to the investment or application of any payments under the Series 2006 Note or any other agreement or instrument entered into in connection therewith or with the issuance of the Bonds, including but not limited to the obligation, if any, to rebate certain funds to the United States of America, which would result in constituting any Bonds arbitrage bonds within the meaning of such term as used in Section 148 of the Code. The Bank further agrees that it will not act in any other manner which would

adversely affect the exclusion from gross income tax for federal income tax purposes of the interest on any Bonds.

ARTICLE IX

DISCHARGE OF INDENTURE

Except as provided in this Article IX, if payment or provision for payment is made to the Trustee of the principal of and interest due and to become due on the Bonds at the times and in the manner stipulated therein, and there is paid or caused to be paid to the Trustee all sums of money due and to become due according to the provisions hereof, and all other amounts due hereunder have been paid in full, then these presents and the Trust Estate and rights hereby granted shall cease, terminate and be void, whereupon the Trustee shall cancel and discharge the lien of this Indenture, and execute and deliver to the Bank such instruments in writing as shall be requisite to cancel and discharge the lien hereof, and release, assign and deliver unto the Bank any and all estate, right, title and interest in and to any and all rights assigned or pledged to the Trustee hereby or otherwise subject to the lien of this Indenture, except moneys or securities held by the Trustee for the payment of the principal of and interest on the Bonds.

Any Bond shall be deemed to be paid within the meaning of this Indenture when (a) if the principal of such Bond and interest thereon to the due date thereof (whether such be by reason of maturity or upon redemption as provided in this Indenture or either (i) shall have been made or caused to have been made in accordance with the hereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee, in trust and exclusively for such payment, (A) moneys sufficient to make such payment or (B) Governmental Obligations maturing as to principal and interest in such amounts and at such times, without consideration of any reinvestment thereof, as will insure the availability of sufficient moneys to make such payment, or (C) a combination of such moneys and Governmental Obligations, and (b) all necessary and proper fees and expenses of the Trustee pertaining to the Bonds, including the amount, if any, required to be rebated to the United States of America, with respect to which such deposit is made, shall have been paid or deposited with the Trustee.

Notwithstanding the foregoing, in the case of Bonds which by their terms may be redeemed prior to their stated maturity, no deposit under the immediately preceding paragraph shall be deemed a payment of such Bonds as aforesaid until the Bank shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions:

- (a) stating the date when the principal of each such Bond is to be paid, whether at maturity or on a redemption date (which shall be any redemption date permitted by this Indenture);
- (b) to call for redemption pursuant to this Indenture any Bonds to be redeemed prior to maturity pursuant to (a) hereof; and
- (c) to mail, as soon as practicable, in the manner prescribed by Article IV hereof, a notice to the owners of such Bonds that the deposit required by (a) of the

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ARTICLE X

DEFAULT PROVISIONS AND REMEDIES OF TRUSTEE AND BONDHOLDERS

SECTION 10.01 Defaults; Events of Default.

If any of the following events occurs, it is hereby defined as and declared to be and to constitute an "Event of Default":

- (a) Default in the due and punctual payment of any interest on any Bond; or
- (b) Default in the due and punctual payment of the principal or redemption premium, if any, of any Bond whether at the stated maturity thereof or on any date fixed for redemption; or
- (c) Failure of the Bank to remit to the Trustee within the time limits prescribed herein any moneys which are required by be so remitted; or
- (d) Default in the performance or observance of any other of the covenants, agreements or conditions on the part of the Bank contained in this Indenture or in the Bonds and failure to remedy the same within the time provided in, and after notice thereof pursuant to, Section 10.10 hereof; or
- (e) Any warranty, representation or other statement by or on behalf of the Bank contained in this Indenture or in any instrument furnished in compliance with or in reference to this Indenture is false or misleading, when made, in any material respect, and failure to remedy the same within the time provided in, and after notice thereof pursuant to, Section 10.10 hereof; or
- (f) A petition is filed against the Bank under any bankruptcy, reorganization, arrangement, insolvency, readjustment of debt, dissolution or liquidation law of any jurisdiction whether now or hereafter in effect and is not dismissed within sixty (60) days after such filing; or
- (g) The Bank files a petition in voluntary bankruptcy or seeking relief under any provisions of any bankruptcy, reorganization, arrangement, insolvency, adjustment of debt, dissolution or liquidation law of any jurisdiction whether now or hereafter in effect, or consents to the filing of any petition against it under such law; or
- (h) The Bank is generally not paying its debts as such debts become due, or becomes insolvent or bankrupt or makes an assignment for the benefit of creditors, or a liquidator or trustee of the Bank or any of its property is appointed by court order or takes possession of such property and such order remains in effect or such possession continues for more than sixty (60) days; or
- (i) Default in the due and punctual payment of any interest or principal on the Series 2006 Note; or

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preceding paragraph has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and ~~settling~~ the maturity or redemption date upon which moneys are to be available for the payment of the principal of or redemption price, if applicable, on said Bonds as specified in subparagraph (a) of this paragraph.

Any moneys so deposited with the Trustee as provided in this Article may at the direction of the Bank also be invested and reinvested in Governmental Obligations, maturing in the amounts and times as hereinbefore set forth, and all income from all Governmental Obligations in the hands of the Trustee pursuant to this Article which is not required for the payment of the Bonds and interest thereon with respect to which such moneys shall have been so deposited, shall be deposited in the General Account, as and when collected for use and application as are other moneys deposited in such Account.

No such deposit under this Article shall be made or accepted hereunder and no use made of any such deposit unless the Trustee shall have received an Opinion of Bond Counsel to the effect that such deposit and use would not cause any of the Bonds to be treated as arbitrage bonds within the meaning of Section 148 of the Code. Moreover, no such deposit shall be deemed a payment of such Bonds unless the Trustee shall have received a verification from an accountant or firm of accountants appointed by the Bank and acceptable to the Trustee verifying the sufficiency of the deposit to pay the principal of, premium, if any, and interest on the Bonds to the due date, whether such due date be by reason of maturity or upon redemption.

Notwithstanding any provision of any other Article of this Indenture which may be contrary to the provisions of this Article, all moneys or Governmental Obligations set aside and held in trust pursuant to the provisions of this Article for the payment of Bonds (including interest thereon but excluding any amounts set aside for rebate to the United States of America) shall be applied to and used solely for the payment of the particular Bonds (including interest thereon) with respect to which such moneys or obligations have been so set aside in trust.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or Governmental Obligations in the necessary amount to pay or redeem all Outstanding Bonds as aforesaid (whether upon or prior to their stated maturity or the redemption date of such Bonds), provided that if such Bonds are to be redeemed prior to the stated maturity thereof, notice of such redemption shall have been given as hereinabove provided, or provisions satisfactory to the Trustee shall have been made for the giving of such notice, and compliance with the other payment requirements hereof, this Indenture may be discharged in accordance with the provisions hereof but the limited liability of the Bank in respect of such Bonds shall continue provided that the owners thereof shall thereafter be entitled to payment only out of the moneys or Governmental Obligations deposited with the Trustee as aforesaid.

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- (j) The Bank fails to restore Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement within three hundred sixty (360) days after the end of the Fiscal Year of the Bank during which a deficiency occurs; or

- (k) The Bank for any reason shall be rendered incapable of fulfilling its obligations under this Indenture; or

- (l) There is an event of default under the Loan Agreement.

SECTION 10.02 Remedies: Rights of Bondholders.

Upon the occurrence of an Event of Default, the Trustee shall notify the owners of all Bonds then Outstanding of such Event of Default by registered or certified mail, and will have the following rights and remedies:

- (a) The Trustee may pursue any available remedy at law or in equity or by statute to enforce the payment of the principal of and interest on the Bonds then Outstanding, including enforcement of any rights of the Bank or the Trustee under the Series 2006 Note or Loan Agreement.
- (b) The Trustee may by action or suit in equity require the Bank to account as if it were the trustee of an express trust for the holders of the Bonds and may take such action with respect to the Series 2006 Note and the Loan Agreement as the Trustee deems necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Series 2006 Note and Loan Agreement.
- (c) Upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

- (d) The Trustee may declare the principal of and accrued interest on all Bonds to be due and payable immediately in accordance with this Indenture and the Act, by notice to the Bank and the Attorney General of the State.

Upon the occurrence of an Event of Default, if requested so to do by the holders of twenty-five percent (25%) or more in aggregate principal amount of all Bonds then Outstanding and if indemnified as provided in Section 11.01(k) hereof, the Trustee shall be obligated to exercise such one or more of the rights, remedies and powers conferred by this Section as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bondholders.

No right or remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bondholders) is intended to be exclusive of any other right or remedy, but each and every such right or remedy shall be cumulative and shall be in addition to any other right or remedy given to Trustee or to the Bondholders hereunder or now or hereafter existing at law or

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in equity or by statute. The assertion or employment of any right or remedy shall not prevent the concurrent or subsequent assertion or employment of any other right or remedy.

No delay or omission to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or shall be construed to be a waiver of any such Event of Default or acquiescence therein, and every such right or remedy may be exercised from time to time and as often as may be deemed expedient.

No waiver of any Event of Default hereunder, whether by the Trustee or by the Bondholders, shall extend to or shall affect any subsequent Event of Default or shall impair any rights or remedies consequent thereon.

SECTION 10.03 Rights of Bondholders to Direct Proceedings.

Anything in this Indenture to the contrary notwithstanding, but subject to Section 15.01 hereof, the owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of this Indenture, or for the appointment of a receiver or any other proceedings hereunder; provided that such direction shall not be otherwise than in accordance with the provisions of law and of this Indenture.

SECTION 10.04 Appointment of Receivers.

Upon the occurrence of an Event of Default, and upon the filing of a suit or other commencement of judicial proceedings to enforce any rights of the Trustee and of the Bondholders under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate and of the Revenues, issues, earnings, income, products and profits thereof, pending such proceedings with such powers as the court making such appointment shall confer.

SECTION 10.05 Application of Moneys.

All moneys received by the Trustee pursuant to any right or remedy given or action taken under the provisions of this Article (including moneys received by virtue of action taken under provisions of the Series 2006 Note or Loan Agreement) shall, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by Trustee and any other moneys owed to Trustee hereunder, be deposited in the General Account of the General Fund and all moneys in such Account shall be applied as follows:

(a) Unless the principal of all the Bonds shall have become due and payable, all such moneys shall be applied for each applicable series of Bonds:

FIRST - To the payment to the persons entitled thereto of all installments of interest then due on the Bonds, including interest on any past due principal of any Bond at the rate borne by such Bond, in the order of the maturity of the

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installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment, the Bonds shall be paid ratably, according to the amounts due on such installments, to the persons entitled thereto, without any discrimination or privilege; and

SECOND - To the payment to the persons entitled thereto of the unpaid principal of any of the Bonds which shall have become due either at maturity or pursuant to a call for redemption (other than Bonds called for redemption for the payment of which other moneys are held pursuant to the provisions of this Indenture), in the order of their due dates, and, if the amount available shall not be sufficient to pay in full the principal of Bonds due on any particular date, together with such interest, then to such payment ratably, according to the amount of principal due on such date, to the persons entitled thereto without any discrimination or privilege; and

THIRD - To be held for the payment to the persons entitled thereto as the same shall become due of the principal of and interest on the Bonds which may then become due either at maturity or upon call for redemption prior to maturity and, if the amount available shall not be sufficient to pay in full the principal of and interest on Bonds due on any particular date, such payment shall be made ratably according to the amount of principal and interest due on such date to the persons entitled thereto without any discrimination or privilege.

(b) If the principal of all the Bonds shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon the Bonds, without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Whenever moneys are to be applied pursuant to the provisions of this Section, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such dates shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and shall not be required to make payment of principal to the owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Whenever all principal of and interest on all Bonds have been paid under the provisions of this Section and all expenses and charges of the Trustee have been paid and all other amounts due hereunder and under the Loan Agreement and the Series 2006 Note have been paid in full,

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any balance remaining in the General Account of the General Fund shall be paid as provided in Article VI hereof.

SECTION 10.06 Remedies Vested in the Trustee.

All rights of action (including the right to file proof of claims) under this Indenture or under any of the Bonds may be enforced by the Trustee without the possession of any of the Bonds or the production thereof in any trial or other proceeding related thereto and any such suit or proceeding instituted by the Trustee shall be brought in its name as Trustee without the necessity of joining as plaintiffs or defendants any owners of the Bonds, and any recovery of judgment shall be for the equal and ratable benefit of the owners of all the Outstanding Bonds.

SECTION 10.07 Rights and Remedies of Bondholders.

No owner of any Bond shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of this Indenture or for the execution of any trust hereof or for the appointment of a receiver or any other remedy hereunder, unless (a) a Default has occurred, (b) such Default shall have become an Event of Default and the owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding shall have made written request to the Trustee and shall have offered it reasonable opportunity either to proceed to exercise the remedies hereinbefore granted or to institute such action, suit or proceeding in its own name, (c) such owners of Bonds have offered to the Trustee indemnity as provided in Section 11.01(k) hereof, and (d) the Trustee has refused, or for sixty (60) days after receipt of such request and offer of indemnification, has failed to exercise the remedies hereinbefore granted, or to institute such action, suit or proceeding in its own name; and such request and offer of indemnity are hereby declared in every case at the option of Trustee to be conditions precedent to the execution of the powers and trusts of this Indenture, and to any action or cause of action for the enforcement of this Indenture, or for the appointment of a receiver or for any other remedy hereunder; it being understood and intended that no one or more owners of the Bonds shall have any right in any manner whatsoever to affect, disturb or prejudice the lien of this Indenture by its, his, her or their action or to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit of the owners of all Bonds then Outstanding. However, nothing contained in this Indenture shall affect or impair the right of any Bondholder to enforce the payment of the principal of and interest on any Bond at and after the maturity thereof, or the limited obligation of the Bank to pay the principal of and interest on each of the Bonds issued hereunder to the respective owners thereof at the time and place, from the source and in the manner expressed in the Bonds.

SECTION 10.08 Termination of Proceedings.

In case the Trustee or any owner of any Bonds shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and with regard to the property herein

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subject to this Indenture, and all rights, remedies and powers of the Trustee and the owners of Bonds shall continue as if no such proceedings had been taken.

SECTION 10.09 Waivers of Events of Default.

The Trustee may at its discretion waive any Event of Default hereunder and its consequences, and shall do so upon the written request of the owners of (a) more than sixty-six and two-thirds percent (66 2/3%) in aggregate principal amount of all the Bonds then Outstanding in respect of which an Event of Default in the payment of principal or interest exists, or (b) more than fifty percent (50%) in aggregate principal amount of all Bonds then Outstanding in the case of any other Event of Default; provided, however, that there shall not be waived (x) any Event of Default in the payment of the principal of any Outstanding Bond at the date of maturity specified therein, or (y) any Event of Default in the payment when due of the interest on any Outstanding Bond unless prior to such waiver all of the interest or all of the payments of principal when due, as the case may be, with interest on overdue principal at the rate borne by such Bond, and all expenses of the Trustee in connection with such Event of Default shall have been paid or provided for, or (z) any Event of Default for nonpayment of Program Expenses; and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such Event of Default shall have been discontinued or abandoned or determined adversely, then and in every such case the Bank, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other Event of Default, or impair any rights consequent thereon.

SECTION 10.10 Notice of Defaults under Section 10.01(d) or (e); Opportunity of the Bank to Cure Such Defaults.

Anything herein to the contrary notwithstanding, no Default under Section 10.01(d) or (e) hereof shall constitute an Event of Default until actual notice of such Default by registered or certified mail shall be given to the Bank by the Trustee or the owners of not less than twenty-five percent (25%) in aggregate principal amount of all Bonds then Outstanding and the Bank shall have had sixty (60) days after receipt of such notice to correct the Default or cause the Default to be corrected, and shall not have corrected the Default or caused the Default to be corrected within the applicable period; provided, however, if the Default be such that it is correctable but cannot be corrected within the applicable period, it shall not constitute an Event of Default if corrective action is instituted by the Bank within the applicable period and diligently pursued until the Default is corrected. If a Default is cured under this Section 10.10, then it will not constitute an Event of Default.

With regard to any alleged Default for which notice is given to the Bank under the provisions of this Section, the Bank hereby grants to the Trustee full authority for the account of the Bank to perform any covenant or obligation the failure of performance which is alleged in said notice to constitute an Event of Default, in the name and stead of the Bank with full power to do any and all things and acts to the same extent that the Bank could do and perform any such things and acts with power of substitution.

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SECTION 11.01 Acceptance of the Trusts.

The Trustee hereby accepts the trusts and duties imposed upon it by this Indenture, and agrees to perform said trusts and duties with the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after the curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default has occurred (which has not been cured or waived) the Trustee shall exercise the rights and powers vested in it by this Indenture in accordance with the standard specified above.

(b) The Trustee may execute any of the trusts or powers hereof and perform any of its duties by or through attorneys, agents, receivers or employees but shall not be answerable for the conduct of the same if appointed in accordance with the standard specified above, and shall be entitled to advice of its counsel concerning all matters of its hereof and the duties hereunder, and may in all cases pay such reasonable compensation to all such attorneys, agents, receivers and employees as may reasonably be employed in connection with the trusts hereof. The Trustee may act upon the opinion or advice of any attorney or firm of attorneys (who may be the attorney or firm of attorneys for the Bank), approved by the Trustee in the exercise of reasonable care. The Trustee shall not be responsible for any loss or damage resulting from any action or non-action in good faith in reliance upon such opinion or advice.

(c) The Trustee shall not be responsible for any recital herein or in the Bonds, other than the Certificate of Authentication required by Section 3.04 hereof, or for the validity of the execution by the Bank of this Indenture or of any supplements hereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby.

(d) The Trustee shall not be accountable for the use of any Bonds authenticated or delivered hereunder. The Trustee may become the owner of Bonds secured hereby with the same rights which it would have if not the Trustee and Bonds owned by the Trustee shall be deemed Outstanding unless canceled pursuant to the provisions hereof.

(e) The Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram or other paper or document reasonably believed to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee shall not withhold unreasonably its consent, approval or action to any reasonable request of the Bank. Any action taken by the Trustee pursuant to this

not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(m) The Trustee for all purposes of this Indenture shall be deemed to be aware of any Event of Default in the payment of principal or interest on any of the Bonds.

SECTION 11.02 Fees, Charges and Expenses of the Trustee.

The Trustee shall be entitled to prompt payment and reimbursement upon demand for reasonable fees for its services rendered hereunder and all advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. The Trustee shall be entitled to payment and reimbursement for the reasonable fees and charges of the Trustee as paying agent and registrar for the Bonds but only as hereinabove provided. Upon any Event of Default, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment on account of principal of or interest on any Bond upon the Trust Estate for the foregoing fees, charges and expenses incurred by it, respectively.

SECTION 11.03 Intervention by the Trustee.

In any judicial proceeding to which the Bank is a party and which in the opinion of the Trustee and its Counsel has a substantial bearing on the interests of the owners of the Bonds, the Trustee may intervene on behalf of the Bondholders, and shall do so if requested in writing by the owners of at least twenty-five percent (25%) of the aggregate principal amount of Bonds then Outstanding upon receiving indemnification satisfactory to the Trustee.

SECTION 11.04 Successor Trustee.

Any corporation or association into which the Trustee may be converted or merged, or with which it may be consolidated, or to which it may sell or transfer its corporate trust business and assets as a whole or substantially as a whole, or any corporation or association resulting from any such conversion, sale, merger, consolidation or transfer to which it is a party ("Reorganization"), ipso facto shall be and become successor Trustee hereunder, if legally qualified to serve as such, and vested with all of the title to the Trust Estate and all the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any instrument or any further act, deed or conveyance on the part of any of the parties hereto, anything herein to the contrary notwithstanding; provided that within sixty (60) days of the effective date of such Reorganization, the Bank may object to such corporation or association becoming successor Trustee by filing written notice of such objection with the Trustee and by mailing such notice to each Bondholder whereupon a successor or temporary Trustee shall be appointed in accordance with Section 11.07 hereof.

SECTION 11.05 Resignation by the Trustee.

The Trustee and any successor Trustee may at any time resign from the trusts hereby by sixty (60) days' written notice by registered or certified mail to the Bank and the owner of and as shown by the list of Bondholders required by this Indenture to be kept at the office

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Indenture upon the request of the Bank or consent of any person who at the time of making such request or giving such consent is the owner of any Bond, shall be conclusive and binding upon all future owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof.

(f) As to the existence or nonexistence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled in good faith to rely upon a certificate signed by an Authorized Officer as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default of which the Trustee has become aware shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or advisable, but shall in its discretion secure such further evidence deemed necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a certificate of an Authorized Officer of the Bank under its seal to the effect that a resolution in the form therein set forth has been adopted by the Bank as conclusive evidence that such resolution has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful default.

(h) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, engineers, accountants and representatives shall have the right to inspect any and all of the books, papers and records of the Bank pertaining to the Revenues and receipts pledged to the payment of the Bonds, and to take such memoranda from and in regard thereto as may be desired.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere in this Indenture contained, the Trustee shall have the right, but shall not be required, to demand, in respect of the authentication of any Bonds, the withdrawal of any cash, or any action whatsoever within the purview of this Indenture, any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, deemed desirable by the Trustee for the purpose of establishing the right of the Bank to the authentication of any Bonds, the withdrawal of any cash or the taking of any other action by the Trustee.

(k) Before taking any action referred to in Section 10.02, 10.03 or 10.07 hereof, the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful default, by reason of any action so taken.

(l) All moneys received by the Trustee shall, until used, applied or invested as herein provided, be held in trust for the purposes for which they were received but need

of the Trustee, and such resignation shall take effect upon the appointment of a successor Trustee in accordance with Section 11.07 and acceptance of such appointment by the successor Trustee.

SECTION 11.06 Removal of the Trustee.

The Trustee may be removed at any time with or without cause by an instrument or concurrent instruments in writing delivered to the Trustee and to the Bank and signed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding or their attorneys-in-fact duly authorized. Notice of the removal of the Trustee shall be given in the same manner as provided in Section 11.05 hereof with respect to the resignation of the Trustee. So long as no Event of Default or an event which, with the passage of time would become an Event of Default, shall have occurred and be continuing, the Trustee may be removed at any time for cause by resolution or other official action taken by the Bank with such action to be filed with the Trustee.

SECTION 11.07 Appointment of Successor Trustee by the Bondholders; Temporary Trustee.

In case the Trustee shall resign or be removed, or be dissolved, or shall be in course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in case it shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor may be appointed by the owners of a majority in aggregate principal amount of all Bonds then Outstanding, by an instrument or concurrent instruments in writing signed by such owners, or by their attorneys-in-fact duly authorized, a copy of which shall be delivered personally or sent by registered mail to the Bank. Nevertheless, in case of such vacancy the Bank by resolution may appoint a temporary Trustee to fill such vacancy. Within ninety (90) days after such appointment, the Bondholders may appoint a successor Trustee; and any such temporary Trustee so appointed by the Bank shall become the successor Trustee if no appointment is made by the Bondholders within such period, but in the event an appointment is made by the Bondholders, the temporary Trustee shall immediately and without further act be superseded by any Trustee so appointed by such Bondholders. Notice of the appointment of a temporary or successor Trustee shall be given in the same manner as provided by Section 11.05 hereof with respect to the resignation of a Trustee. Every such Trustee appointed pursuant to the provisions of this Section shall be a trust company or bank in good standing located in or incorporated under the laws of the State duly authorized to exercise trust powers and be subject to examination by federal or State authority, having a reported capital and surplus of not less than \$10,000,000, if there be such an institution willing, qualified and able to accept the trust upon reasonable or customary terms.

SECTION 11.08 Concerning Any Successor Trustee.

Every predecessor Trustee appointed hereunder shall execute, acknowledge and deliver to its or his predecessor and also to the Bank an instrument in writing accepting such appointment hereunder, and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the written request of the Bank, after the payment of all fees, charges and expenses which may be due and owing to such

predecessor pursuant to the provisions of Section 11.02 hereof, execute and deliver an instrument transferring to such successor Trustee all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities, moneys and other property or documents held by it as Trustee hereunder to its or his successor hereunder. Should any instrument in writing from the Bank be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Bank. The resignation of any Trustee and the instrument or instruments removing any Trustee and appointing a successor hereunder, together with all other instruments provided for in this Article, shall be filed or recorded by the successor Trustee in each recording office where this Indenture shall have been filed or recorded. Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee (or paying agent, if any) shall take effect until a successor shall be appointed.

SECTION 11.09 Successor Trustee as Trustee of Funds, Paying Agent and Registrar.

In the event of a change in the office of Trustee, the predecessor Trustee which has resigned or been removed shall cease to be Trustee of the funds provided hereunder and registrar and paying agent for principal of, premium, if any, and interest on the Bonds, and the successor Trustee shall become such Trustee, registrar and paying agent.

ARTICLE XII

SUPPLEMENTAL INDENTURES

SECTION 12.01 Supplemental Indentures not Requiring Consent of Bondholders.

The Bank and the Trustee may, without the consent of, or notice to, any of the Bondholders, enter into an indenture or indentures supplemental to this Indenture for any one or more of the following purposes:

- (a) To cure any ambiguity or formal defect or omission in this Indenture;
- (b) To grant to or confer upon the Trustee for the benefit of the Bondholders any additional benefits, rights, remedies, powers or authorities that may lawfully be granted to or conferred upon the Bondholders or the Trustee, or to make any change which, in the opinion of Bond Counsel, does not materially and adversely affect the interest of the owners of Outstanding Bonds and does not require unanimous consent of the Bondholders pursuant to Section 12.02 hereof;
- (c) To subject to this Indenture additional Revenues, properties or collateral;
- (d) To modify, amend or supplement this Indenture or any indenture supplemental hereto in such manner as to permit the qualification hereof and thereof under the Trust Indenture Act of 1939 or any similar federal statute hereafter in effect or to permit the qualification of the Bonds for sale under the securities laws of the United

Indenture as in this Section permitted and provided, this Indenture shall be and be deemed to be modified and amended in accordance therewith.

ARTICLE XIII

[RESERVED]

ARTICLE XIV

[RESERVED]

ARTICLE XV

MISCELLANEOUS

SECTION 15.01 Consents, etc., of Bondholders.

Any consent, request, direction, approval, objection or other instrument required by this Indenture to be signed and executed by the Bondholders may be in any number or concurrent writings of similar tenor and may be signed or executed by such Bondholders in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it or them under such request or other instrument, namely:

- (a) The fact and date of the execution by any person of any such writing may be proved (i) by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged before him the execution thereof, or (ii) by an affidavit of any witness to such execution.
- (b) The fact of ownership of Bonds and the amount or amounts, numbers and other identification of Bonds, and the date of holding the same shall be proved by the registration records of the Bank maintained by the Trustee pursuant to Section 3.06 hereof.

SECTION 15.02 Limitation of Rights.

With the exception of rights herein expressly conferred, nothing expressed or mentioned in or to be implied from this Indenture or the Bonds is intended or shall be construed to give to any person or company other than the parties hereto and the owners of the Bonds any legal or suitable right, remedy or claim under or in respect to this Indenture or any covenants, conditions and provisions herein contained; this Indenture and all of the covenants, conditions and

**CITY OF PETAL
MINUTE BOOK 25**

EXHIBIT "B"

States of America or of any of the states of the United States of America, and, if they so determine, to add to this Indenture or any indenture supplemental hereto such other terms, conditions and provisions as may be permitted by said Trust Indenture Act of 1939 or similar federal statute;

(e) To evidence the appointment of a separate or co-trustee or the succession of a new Trustee hereunder or the succession of a new registrar and/or paying agent; and

(f) In connection with issuance of Refunding Bonds.

SECTION 12.02 Supplemental Indentures Requiring Consent of Bondholders.

Exclusive of Supplemental Indentures provided for by Section 12.01 hereof and subject to the terms and provisions contained in this Section, and not otherwise, the owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding which are affected (exclusive of Bonds held by the Bank) shall have the right, from time to time, anything contained in this Indenture to the contrary notwithstanding, to consent to and approve the execution by the Bank and the Trustee of such other indenture or indentures supplemental hereto as shall be deemed necessary and desirable by the Trustee for the purpose of modifying, altering, amending, adding to or rescinding, in any particular manner, any of the terms or provisions contained in this Indenture or in any Supplemental Indenture; provided, however, that nothing in this Section contained shall permit, or be construed as permitting, without the consent of the owners of all then Outstanding Bonds, (a) an extension of the maturity of the principal of or the interest or redemption date on any Bond issued hereunder, or (b) a reduction in the principal amount of any Bond or change in the rate of interest or redemption premium, or (c) a privilege or priority of any Bond or Bonds over any other Bond or Bonds, or (d) a reduction in the aggregate principal amount of the Bonds required for consent to such Supplemental Indenture, or (e) the creation of any lien securing any Bonds other than a lien substantially securing all of the Bonds at any time Outstanding hereunder, or (f) any modification of the trusts, powers, rights, obligations, duties, remedies, immunities and privileges of the Trustee without the written consent of the Trustee.

If at any time the Bank shall request the Trustee to enter into any such Supplemental Indenture for any of the purposes set forth in this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such Supplemental Indenture to be mailed by registered or certified mail to each owner of a Bond at the address shown on the registration records maintained by the Trustee. Such notice shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that copies thereof are on file at the principal corporate trust office of the Trustee for inspection by all Bondholders. If, within sixty (60) days, or such longer period as shall be prescribed by the Bank, following the mailing of such notice, the owners of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such Supplemental Indenture (exclusive of Bonds held by the Bank) shall have consented to and approved the execution of such Supplemental Indenture as provided in Section 15.01 hereof, no owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Bank from executing the same or from taking any action pursuant to the provisions thereof. Upon the execution of any such Supplemental

provisions hereof being intended to be and being for the sole and exclusive benefit of the parties hereto and the owners of the Bonds.

SECTION 15.03 Severability.

If any provision of this Indenture shall be held or deemed to be or shall, in fact, be invalid, imperoperative or unenforceable, the same shall not affect any other provision or provisions herein contained or render the same invalid, imperoperative or unenforceable to any extent whatever.

SECTION 15.04 Notices.

Any notice, request, complaint, demand, communication or other paper shall be sufficiently given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed to the appropriate Notice Address. A duplicate copy of each notice required to be given hereunder by the Trustee or the Bank to the City or the Original Purchaser shall also be given to the other. The Bank or the Trustee may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

SECTION 15.05 Trustee as Paying Agent and Registrar

The Trustee is hereby designated and agrees to act as paying agent and registrar for and in respect to the Bonds.

SECTION 15.06 Payments Due on Saturdays, Sundays and Holidays.

In any case where the date of maturity of interest on or principal of the Bonds or the date fixed for redemption of any Bonds shall be in the city of payment a Saturday, Sunday or a legal holiday or a day on which banking institutions are authorized by law to close, then payment of interest or principal may be made on the next Business Day with the same force and effect as if made on the date of maturity or the date fixed for redemption.

SECTION 15.07 Counterparts.

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

SECTION 15.08 Receipt of Money or Revenues by Trustee.

The Trustee is an authorized agent of the Bank for purposes of receiving money and Revenues on behalf of the Bank.

It is not the intent of this Section 15.08, or any other Section of this Indenture, to create a power of attorney relationship between the Bank and the Trustee.

SECTION 15.09 Applicable Provisions of Law.

This Indenture shall be governed by and construed in accordance with the laws of the State.

(remainder of page intentionally left blank)

IN WITNESS WHEREOF, the Bank has caused this Indenture to be executed on its behalf by its Executive Director and the seal of the Bank to be hereunto affixed and duly attested by its Secretary and the Trustee, to evidence its acceptance of the trusts created hereunder, has caused this Indenture to be executed in its name by its duly authorized officers and its corporate seal to be hereunto affixed and duly attested, all as of the day and year first above written.

CITY OF PETALUMA
MINUTE BOOK 25
EXHIBIT "B"

MISSISSIPPI DEVELOPMENT BANK

By: _____
Executive Director

(SEAL)

ATTEST:

Secretary

Signature page of Indenture of Trust dated as of _____, 2006, by and between the Mississippi Development Bank and Hancock Bank, Gulfport, Mississippi, as Trustee.

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HANCOCK BANK
GULFPORT, MISSISSIPPI
as Trustee

By: _____
Authorized Signatory

(SEAL)

ATTEST:

Authorized Signatory

STATE OF MISSISSIPPI

COUNTY OF HINDS

Personally appeared before me, the undersigned authority in and for the said County and State, on this ____ day of _____, 2006, within my jurisdiction, the within named William T. Barry and _____, who acknowledged that they are the Executive Director and Secretary, respectively, of the Mississippi Development Bank, the Bank named in and which executed the foregoing Indenture of Trust, that the seal affixed to said instrument is the seal of the Bank, and that said instrument was signed, sealed, executed and delivered on behalf of said Bank by authority of its Board of Directors.

NOTARY PUBLIC

My Commission Expires: _____

[AFFIX NOTARIAL SEAL]

Signature page of Indenture of Trust dated as of _____, 2006, by and between Mississippi Development Bank and Hancock Bank, Gulfport, Mississippi, as Trustee.

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On the _____ day of _____, 2006, before me, a Notary Public in and for said County, personally appeared _____ and _____ to me personally known, who, being by me first duly sworn, did say that they are the _____ and _____, respectively, of Hancock Bank, Gulfport, Mississippi, the Trustee named in and which executed the foregoing Indenture, that the seal affixed to said instrument is the seal of the Trustee, and that said instrument was signed, sealed, executed and delivered on behalf of said Trustee by authority of its Board of Directors.

NOTARY PUBLIC

My Commission Expires:

[AFFIX NOTARIAL SEAL]

EXHIBIT "B"

Jackson 1114678v.2

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EXHIBIT C
FORM OF PRELIMINARY OFFICIAL STATEMENT

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2006

RATING: "Standard & Poor's" _____
(the "RATING" bond)

NEW ISSUE

In the opinion of Butler, Starn, O'Mara, Stevens & Canale, PLLC, Jackson, Mississippi, Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2006 Bonds is excludable from gross income for federal tax purposes pursuant to Section 113 of the Code (as defined herein). Such exclusion is conditioned on continuing compliance with certain tax covenants of the Bank and the City. In the opinion of Bond Counsel under existing laws, regulations, rulings and judicial decisions, interest on the Series 2006 Bonds is exempt from income taxation in the State of Mississippi. See "TAX MATTERS" herein and "APPENDIX B - FORM OF BOND COUNSEL OPINION" attached hereto.

MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2006
(PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT)

Date of Delivery

DUE: July 1, as shown on
inside of front cover

The Series 2006 Bonds (the "Series 2006 Bonds") will be dated the date of delivery thereof, and will bear interest from that date to their respective stated maturities in the amount and at the rate set forth on the inside of the front cover. The Series 2006 Bonds are issuable only as fully registered bonds, without coupons, in the denomination of \$5,000 or any integral multiple thereof. Interest on the Series 2006 Bonds is payable on January 1 and July 1 of each year, commencing January 1, 2007.

The Series 2006 Bonds are issued by the Bank for the principal purpose of providing a loan to the City of Petal, Mississippi, as more fully described in this Official Statement.

The Series 2006 Bonds are subject to extraordinary mandatory redemption, optional redemption and mandatory sinking fund redemption, as more fully described in this Official Statement under the caption "DESCRIPTION OF THE SERIES 2006 BONDS - Redemption."

The Series 2006 Bonds are payable solely out of the revenues and funds of the Bank pledged therefor under the Indenture, as more fully described herein. The Series 2006 Bonds do not constitute a debt, liability or loss of the credit of the State of Mississippi or any political subdivision thereof under the constitution and laws of the State of Mississippi or a pledge of the faith, credit and taxing power of the State of Mississippi or any political subdivision thereof. The sources of payment of, and security for, the Series 2006 Bonds are more fully described herein. The Bank has no taxing power.

The Series 2006 Bonds are offered subject to the final approval of the legality thereof by Butler, Starn, O'Mara, Stevens & Canale, PLLC, Jackson, Mississippi, Bond Counsel. Certain legal matters will be passed upon for the Bank by its counsel, Balch & Bingham LLP, Jackson, Mississippi, and for the City by Ashman, Tysner & Ruffin, LTD., Hattiesburg, Mississippi. Government Consultants, Inc., Jackson, Mississippi, serves as the Financial Advisor to the Bank in connection with the sale and issuance of the Series 2006 Bonds. The Series 2006 Bonds are expected to be available in definitive form for delivery on or about February 1, 2006.

The date of this Official Statement is _____, 2006.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. PROSPECTIVE INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

SERIES 2006 BONDS
MATURITY SCHEDULE

YEAR OF MATURITY	PRINCIPAL AMOUNT	INTEREST RATE	PRICE OR YIELD	YEAR OF MATURITY	PRINCIPAL AMOUNT	INTEREST RATE	PRICE OR YIELD
2007	\$ _____	_____ %	_____ %	2017	\$ _____	_____ %	_____ %
2008	_____	_____	_____	2018	_____	_____	_____
2009	_____	_____	_____	2019	_____	_____	_____
2010	_____	_____	_____	2020	_____	_____	_____
2011	_____	_____	_____	2021	_____	_____	_____
2012	_____	_____	_____	2022	_____	_____	_____
2013	_____	_____	_____	2023	_____	_____	_____
2014	_____	_____	_____	2024	_____	_____	_____
2015	_____	_____	_____	2025	_____	_____	_____
2016	_____	_____	_____	2026	_____	_____	_____

CITY OF PETAL
MINUTE BOOK 25

THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFERING OF ANY SECURITY OTHER THAN THE ORIGINAL OFFERING OF THE SERIES 2006 BONDS IDENTIFIED ON THE COVER HEREOF. NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATION OTHER THAN THAT CONTAINED IN THIS OFFICIAL STATEMENT, AND IF GIVEN OR MADE SUCH OTHER INFORMATION OR REPRESENTATION MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, AND THERE SHALL NOT BE ANY SALE OF THE SERIES 2006 BONDS BY ANY PERSON, IN ANY JURISDICTION IN WHICH IT IS UNLAWFUL TO MAKE SUCH OFFER, SOLICITATION OR SALE. THE INFORMATION AND EXPRESSION OF OPINIONS HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR THE SALE OF ANY OF THE SERIES 2006 BONDS SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THE INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

INFORMATION HEREIN HAS BEEN OBTAINED FROM THE BANK, THE CITY AND OTHER SOURCES BELIEVED TO BE RELIABLE, BUT THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION IS NOT GUARANTEED BY THE ORIGINAL PURCHASER.

UPON ISSUANCE, THE SERIES 2006 BONDS WILL NOT BE REGISTERED BY THE BANK UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR ANY STATE SECURITIES LAW, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SF TIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER NTAL ENTITY OR AGENCY, OTHER THAN THE BANK (TO THE EXTENT DESCRIBED WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL I OR APPROVED THE SERIES 2006 BONDS FOR SALE.

OFFICIAL STATEMENT IS NOT TO BE CONSTRUED AS A CONTRACT OR AGREEMENT BETWEEN THE BANK AND THE PURCHASERS OR HOLDERS OF THE SERIES 2006 BONDS. ALL ESTIMATES AND ASSUMPTIONS CONTAINED HEREIN ARE BELIEVED TO BE REASONABLE, BUT NO REPRESENTATION IS MADE THAT SUCH ESTIMATES OR ASSUMPTIONS ARE CORRECT OR WILL BE REALIZED.

IN CONNECTION WITH THIS OFFERING, THE ORIGINAL PURCHASER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES 2006 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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OFFICIAL STATEMENT

MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2006
(PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT)

INTRODUCTION

The purpose of this Official Statement, including its Appendices, is to set forth certain information concerning the issuance and sale by the Mississippi Development Bank (the "Bank" or "Issuer") of its Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project), to be dated the date of delivery thereof, issued in the aggregate principal amount of \$_____ (the "Series 2006 Bonds").

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and all appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Series 2006 Bonds to potential investors is made only by means of the entire Official Statement.

The Bank

The Bank was established in 1946 as a separate body corporate and politic of the State of Mississippi (the "State") for the public purposes set forth under the provisions of Sections 31-25-1 et seq., Mississippi Code of 1972, as amended (the "Act"). The Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power. The Bank is governed by a Board of Directors composed of nine members.

Pursuant to the Act, the purpose of the Bank is to assist "local governmental units," as defined in the Act to be (i) any county, municipality, utility district, regional solid waste authority, county cooperative service district, or political subdivision of the State of Mississippi, (ii) the State of Mississippi or any agency thereof, (iii) the institutions of higher learning of the State of Mississippi, (iv) any education building corporation established for institutions of higher learning, or (v) any other governmental unit created under State law, through programs of providing loans to such local governmental units under loan agreements between such local governmental units and the Bank. The City of Petal, Mississippi (the "City"), the entity described in "APPENDIX A - INFORMATION ON THE CITY", is such a local governmental unit.

Sources of Payment and Security for the Series 2006 Bonds

The Series 2006 Bonds will be issued under and secured by an Indenture of Trust, to be dated the date of delivery of the Series 2006 Bonds (the "Indenture"), by and between the Bank and Hancock Bank, Gulfport, Mississippi, as Trustee (the "Trustee"). The principal of, redemption premium, if any, and interest on any and all of the Series 2006 Bonds, together with any refunding bonds (the "Refunding Bonds") that may be authorized and issued by the Bank under the Indenture on a parity with the Series 2006 Bonds (collectively, the "Bonds"), are payable from those revenues and funds of the Bank which, together with the loan agreement (the "Loan Agreement") and the Series 2006 Note, as hereinafter defined, delivered by the City, as defined and described herein, are pledged pursuant to the Indenture for the benefit of the owners of the Series 2006 Bonds without priority. The faith, credit and taxing power of the State are not pledged to the payment of the principal of, premium, if any, and interest on any of the

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Series 2006 Bonds. The Series 2006 Bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or of any political subdivision thereof, including the City. The Bank has no taxing power and has only those powers and sources of revenue set forth in the Act. The Series 2006 Bonds are issued and secured separately from any other obligations issued by the Bank.

The Series 2006 Bonds are secured by the pledge of the Trust Estate established under the Indenture (the "Trust Estate"), defined to be (i) all cash and securities in the funds and accounts established by the Indenture (except the Robate Fund, as described herein) (the "Funds" and "Accounts") and the investment earnings thereon and all proceeds thereof, (ii) the Loan Agreement and the Series 2006 Note and payments due thereunder and the earnings thereon and the proceeds thereof, and (iii) all funds, accounts and moneys hereinafter pledged to the Trustee as security by the Bank, including Tax Monies, as hereinafter defined. All Series 2006 Bonds will be secured equally and ratably by all of the foregoing. The sources of payment for the Series 2006 Bonds are further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS," and "APPENDIX C - FORM OF INDENTURE OF TRUST."

The principal of and interest on the Series 2006 Note are payable out of certain revenues as hereinafter defined. The Loan, as hereinafter defined, will be provided from the proceeds of the Series 2006 Bonds. The sources of payment on the Series 2006 Note is further described under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS" and "APPENDIX D - FORM OF LOAN AGREEMENT."

The Indenture provides that in order to further secure the payment of principal of and interest on the Series 2006 Bonds, the Bank will establish thereunder a Debt Service Reserve Fund (the "Debt Service Reserve Fund"), and maintain therein an amount (the "Debt Service Reserve Requirement") equal to the lesser of the following: (i) the maximum amount of principal and interest becoming due in the current or any future bond year on all Series 2006 Bonds then outstanding; (ii) 125% of average annual debt service on the Series 2006 Bonds; and (iii) 10% of the stated principal amount of the Series 2006 Bonds, which Debt Service Reserve Requirement may be funded with cash or a Reserve Fund Credit Facility. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - Debt Service Reserve Fund" for further discussion of the Debt Service Reserve Fund.

The Act provides that the State Legislature may appropriate to the Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the President of the Board of Directors of the Bank on or prior to January 1 of any year, as may be necessary to restore the Debt Service Reserve Fund to an amount equal to its Debt Service Reserve Requirement. The Indenture further requires such certification to be made by the Bank to the Governor on or before January 1 of any year in which the amount in the Debt Service Reserve Fund is less than an amount equal to the Debt Service Reserve Requirement. However, nothing in the security provisions or in any other provision of the Act creates a debt or an obligation on the part of the State to make any payments or appropriations to or for the use of the Bank. See the captions "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - State Appropriations Mechanism" and "RISKS TO THE OWNERS OF THE SERIES 2006 BONDS."

Purposes of the Series 2006 Bonds

The Series 2006 Bonds are being issued to provide funds to provide a loan (the "Loan") to the City under the Loan Agreement secured by the Series 2006 Note, as hereinafter defined, to provide funds to (i) improve, repair and extend the combined water and sewer system of the City (the "System") (the "Construction Project"); (ii) current refund the outstanding maturities of the City of Petal, Mississippi Combined Water and Sewer System Revenue Bonds, Series 1990, dated February 1, 1990, issued in the

original principal amount of \$825,000 (the "1990 Bonds") (the "Refunding Project"); (iii) fund the Debt Service Reserve Fund for the Series 2006 Bonds; and (iv) pay for costs of issuance of the Series 2006 Bonds and the Series 2006 Note. Items (i) through (iv) are hereinafter referred to as the "Series 2006 Project."

Authority for Issuance

The Series 2006 Bonds are issued pursuant to the provisions of the Act and the Indenture.

Description of the Series 2006 Bonds

Redemption. The Series 2006 Bonds are subject to optional redemption, extraordinary mandatory redemption and mandatory sinking fund redemption, as more fully described under the caption "DESCRIPTION OF THE SERIES 2006 BONDS - Redemption" herein.

Denominations. The Series 2006 Bonds will be issued in denominations of \$5,000 or any integral multiple thereof.

Registration, Transfers, and Exchanges. The Series 2006 Bonds will be issued only as fully registered bonds, in denominations of \$5,000, or any integral multiple thereof. So long as any of the Series 2006 Bonds are Outstanding, the Bank shall maintain with the Trustee records for the registration and transfer of the Series 2006 Bonds. The Trustee is appointed registrar for the Series 2006 Bonds, in which capacity the Trustee shall register in such records and permit to be transferred thereon, under such reasonable regulations as may be prescribed, any Series 2006 Bond entitled to registration or transfer.

Payments. Interest on the Series 2006 Bonds is payable on January 1 and July 1 of each year (each an "Interest Payment Date"), commencing January 1, 2007. Principal of the Series 2006 Bonds will be payable at the principal corporate trust office of Trustee on each July 1, commencing July 1, 2007, in the principal amounts and in the years as set forth on the inside of the front cover. Interest will be payable by check or draft mailed on the Interest Payment Date by the Trustee to the registered owners of the Series 2006 Bonds at the addresses appearing in the registration records held by the Trustee as of the close of business on the date which shall be the 15th day of the month (whether or not a Business Day) preceding each Interest Payment Date.

For a more complete description of the Series 2006 Bonds and the bond documentation pursuant to which the Series 2006 Bonds are being issued, see the captions "DESCRIPTION OF THE SERIES 2006 BONDS," "REVENUES, FUNDS AND ACCOUNTS UNDER THE INDENTURE," and "OPERATION OF FUNDS AND ACCOUNTS UNDER THE INDENTURE," in this Official Statement.

Tax Exemption

In the opinion of bond counsel, under existing laws, regulations, rulings, and judicial decisions, interest on the Series 2006 Bonds is excludable from gross income for federal tax purposes, with such exclusion conditioned upon continuing compliance with certain tax covenants of the Bank and the City, and under existing laws, regulations, rulings, and judicial decisions, interest on the Series 2006 Bonds is exempt from income taxation of the holders thereof in the State of Mississippi. Interest on the Series 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes; however, it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. For a more complete description of such opinion and certain other tax consequences incident to the ownership of the Series 2006 Bonds, see the captions "TAX MATTERS" in

this Official Statement. See "APPENDIX E - FORM OF BOND COUNSEL OPINION" for the proposed form of bond counsel opinion.

Professionals Involved in the Offering

Hancock Bank, Gulfport, Mississippi, will act as Trustee under the Indenture for the Series 2006 Bonds. Government Consultants, Inc., Jackson, Mississippi, is employed as financial advisor (the "Financial Advisor") to the Bank with respect to the Series 2006 Bonds. Certain proceedings in connection with the issuance of the Series 2006 Bonds are subject to the approval of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel. The purchaser of the Series 2006 Bonds shall receive the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, to the effect that, based upon their participation in the preparation of the Official Statement, no facts have come to their attention which would lead them to believe that the Official Statement (except for financial statements and other financial and statistical data contained therein, as to which they will express no opinion or belief) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Certain legal matters will be passed upon for the City by Antman, Tysar & Ruffin, LTD., Hattiesburg, Mississippi. Certain legal matters will be passed upon for the Bank by Balch & Bingham LLP, Jackson, Mississippi. See the caption "LEGAL MATTERS" and "MISCELLANEOUS" in this Official Statement.

Offering and Delivery of the Series 2006 Bonds

The Series 2006 Bonds are being offered by competitive proposal and will be awarded to the bidder submitting the best proposal (the "Original Purchaser") and are subject to the final approval of the legality thereof by Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel. The Series 2006 Bonds are expected to be available in definitive form for delivery on or about February 1, 2006.

Risks to the Owners of the Series 2006 Bonds

There are certain risks involved in the ownership of the Series 2006 Bonds which should be considered by prospective purchasers thereof. The ability of the Bank to pay principal of, redemption premium, if any, and interest on the Series 2006 Bonds depends primarily upon the receipt by the Bank of note payments (the "Note Payments") from the City which is obligated under the Loan Agreement and the Series 2006 Note to make such payments to the Bank, together with investment earnings on certain amounts in the Funds and Accounts defined in and established under the Indenture. There can be no representation or assurance that the City will realize sufficient rates, charges, or other revenues to make the required Note Payments. See the caption, "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS." In addition, the State Legislature may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund; however, the State Legislature is not and cannot be obligated to appropriate any such funds. Further, factors beyond the control of the Bank may make it difficult or impossible for the State Legislature to appropriate sufficient funds in a timely fashion to replenish any deficiency in the Debt Service Reserve Fund. Failure of the Bank and/or the City to comply with certain tax covenants may also adversely affect the exempt status of the interest on all of the Series 2006 Bonds. See the caption "RISKS TO THE OWNERS OF THE SERIES 2006 BONDS" in this Official Statement.

Other Information

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

Copies of other documents and information are available, upon request, and upon payment to the Bank of a charge for copying, mailing, and handling, from William T. Barry, Executive Director, Mississippi Development Bank, 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, telephone (601) 355-6232.

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those 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, and there shall not be any sale of the Series 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein has been obtained from the Bank and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Bank since the date hereof.

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follows in this Official Statement a description of the security and sources of payment for 1/6 Bonds, the purposes and operation of the Bank's program to be financed out of the Series 2006 Bonds, the Bank, and summaries of certain provisions of the Series 2006 Bonds, the Indenture, the Loan Agreement, and certain provisions of the Act. All discussions of the Act, the Indenture and the Loan Agreement are qualified in their entirety by reference to the Act, copies of which are available from the Bank, and the Indenture and the Loan Agreement, the forms of which are set forth in "APPENDIX C - FORM OF INDENTURE OF TRUST" and "APPENDIX D - FORM OF LOAN AGREEMENT", hereto and all discussions of the Series 2006 Bonds are qualified in their entirety by reference to the definitive form and the information with respect to the Series 2006 Bonds contained in the Indenture. Certain information relating to the City, as defined herein, is set forth in "APPENDIX A - INFORMATION ON THE CITY", certain information relating to the System is included as "APPENDIX B - INFORMATION ON THE SYSTEM", the form of the Indenture is set forth in "APPENDIX C - FORM OF INDENTURE OF TRUST", the form of the Loan Agreement is set forth in "APPENDIX D - FORM OF LOAN AGREEMENT", the proposed form of opinion of Bond Counsel with respect to the Series 2006 Bonds is set forth in "APPENDIX E - FORM OF BOND COUNSEL OPINION", the form of the continuing disclosure agreement of the Bank and City is set forth in "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT", and the audited financial statements of the City are set forth in "APPENDIX G - CITY OF PETAL, MISSISSIPPI AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004 AND BUDGETS FOR FISCAL YEARS ENDING SEPTEMBER 30, 2005 AND 2006." Each of the APPENDICES to this Official Statement is an integral part of this Official Statement and should be read in its entirety by any and all owners or prospective owners of the Series 2006 Bonds.

Capitalized terms not defined herein shall have the definitions set forth in "APPENDIX C - FORM OF INDENTURE OF TRUST" and "APPENDIX D - FORM OF LOAN AGREEMENT."

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CITY OF PETAL SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS
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The Series 2006 Bonds are payable only out of, and are secured by the pledge of, the Trust Estate. The Indenture creates a continuing pledge of and lien upon the Trust Estate to secure the full and final payment of the principal of, premium, if any, and interest on all of the Series 2006 Bonds. The Series 2006 Bonds do not constitute a debt, liability or loan of the credit of the State or any political subdivision thereof under the constitution of the State or a pledge of the faith, credit and taxing power of the State or any political subdivision thereof. The Bank has no taxing power. The sources of payment of, and security for, the Series 2006 Bonds are more fully described below.

Under the Indenture, the Series 2006 Bonds are secured by the assignment to the Trustee of the Series 2006 Note and all Note Payments, as described herein. In addition, the Indenture pledges to the payment of the Series 2006 Bonds all proceeds of the Trust Estate, including without limitation all cash and securities held in the Funds and Accounts created by the Indenture, except for the Rebate Fund, together with investment earnings thereon and proceeds thereof (except to the extent transferred to the Rebate Fund or from such Funds and Accounts under the Indenture), and all other funds, accounts and moneys hereinafter to be pledged by the Bank to the Trustee as security under the Indenture, to the extent of any such pledge, including the Tax Monies.

The Loan Agreement and the Series 2006 Note

From the proceeds of the Series 2006 Bonds, the Bank intends to loan funds to the City under the Loan Agreement to be secured by the Series 2006 Note. The Bank will assign to the Trustee under the Indenture the proceeds of the Loan Agreement and will assign the Series 2006 Note and the Note Payments of the City to the Trustee, all as described in "THE LOAN AGREEMENT AND SERIES 2006 NOTE" herein and in "APPENDIX D - FORM OF LOAN AGREEMENT" attached hereto.

Provisions for Payment of the Note Payments

The Series 2006 Note will be an obligation of the City payable solely from the moneys, rights and interests pledged under the Loan Agreement as set forth in the immediately succeeding paragraph. The Series 2006 Note will never constitute a general obligation of the City or, within the meaning of any constitutional or statutory limitation, a debt, liability, or obligation of the State or any political subdivision of the State other than the City, and neither the full faith and credit nor taxing power of the State or any political subdivision thereof is pledged to the payment of such principal, premium, if any, and interest. The City has not pledged the levy of any taxes for the repayment of the Series 2006 Note. The Series 2006 Note initially issued under the Loan Agreement shall be issued for the purposes of providing funds for the Construction Project, the Refunding Project, funding the Debt Service Reserve Fund for the Series 2006 Bonds and paying related costs of issuance for the Series 2006 Bonds and the Series 2006 Note.

Pursuant to the terms of the Loan Agreement, the City has pledged for the payment of principal of and interest on the Series 2006 Note and other amounts due under the Loan Agreement the Net Revenues, as hereinafter defined, of the System subject to the prior payment of the reasonable and necessary expenses of operating and maintaining said System. The City has covenanted in the Loan Agreement to make, impose, charge and collect service rates, charges and other fees in sufficient amount to provide for the payment of principal of and interest on the Series 2006 Note and other amounts due under the Loan Agreement and the cost of operation and maintenance of the System. In addition, the Act and the Loan Agreement provide for the intercept of local taxes from the Mississippi State Tax Commission if the City

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is deficient in its payments due under the Loan Agreement and the Series 2006 Note. See "THE LOAN AGREEMENT AND THE SERIES 2006 NOTE - Agreement Withholding City Monies to Satisfy Delinquent Payments" herein.

The execution and delivery of the Loan Agreement and the Series 2006 Note shall be authorized by a resolution of the City adopted pursuant to the Act. The Series 2006 Note shall be titled "Series 2006 Promissory Note (Petal, Mississippi Combined Water and Sewer Project)." See "APPENDIX D - THE FORM OF THE LOAN AGREEMENT" for further description of the Loan Agreement and the Series 2006 Note.

Debt Service Reserve Fund

The Act authorizes and the Indenture requires the Bank to establish and maintain the Debt Service Reserve Fund in which there is to be deposited or transferred:

(a) All proceeds of Series 2006 Bonds required to be deposited in the Debt Service Reserve Fund by the terms of the Indenture or any supplemental indenture or resolution of the Bank with respect to the proceeds of Series 2006 Bonds, established under the Indenture in the amount of the Debt Service Reserve Requirement which is the lesser of the (i) the maximum amount of principal and interest becoming due in the current or any future bond year (meaning each one year period beginning on July 2 of one year and ending on July 1 of the following year) on all Series 2006 Bonds then Outstanding; (ii) 125% of average annual debt service on the Series 2006 Bonds; and (iii) 10% of the stated principal amount of the Series 2006 Bonds, which Debt Service Reserve Requirement may be funded with cash or the Reserve Fund Credit Facility;

(b) All money required to be transferred to the Debt Service Reserve Fund from another Fund or Account under the Indenture;

(c) All money paid by the City for deposit to the Debt Service Reserve Fund as provided in the Loan Agreement;

(d) All money appropriated by the State for replenishment of the Debt Service Reserve Fund; and

(e) Any other available money or funds that the Bank may decide to deposit in the Debt Service Reserve Fund.

Except as provided by the Indenture, moneys in the Debt Service Reserve Fund will be held and applied to the payment of the principal of and interest on the Series 2006 Bonds in cases where sufficient funds are not available in other Funds and Accounts for such payments.

The City may, at any time, provide the Trustee with a Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money and investments in the Debt Service Reserve Fund equal to the amount available for drawing under such Reserve Fund Credit Facility; provided that such right of substitution shall be subject to the following conditions:

(a) The Trustee shall receive a certificate of the City to the effect that such substitution is in the best economic interests of the City stating the reasons therefor and stating the amounts on deposit in the Debt Service Reserve Fund are to be applied; and

(b) The Trustee shall receive an opinion of counsel acceptable to the Trustee, in form and substance satisfactory to the Trustee, addressed to the Trustee, the Bank and the City as to the due authorization, execution, delivery and enforceability of the Reserve Fund Credit Facility in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of the Reserve Fund Credit Facility is not a domestic entity, an opinion of foreign counsel to the same effect in form and substance satisfactory to the Trustee; and

(c) The Trustee, the Bank and the City shall receive an opinion of nationally recognized counsel, in form and substance satisfactory to each of them, to the effect that substitution of such Reserve Fund Credit Facility and the proposed application to the amounts in the Debt Service Reserve Fund will not cause the interest on the Series 2006 Bonds to become includable in gross income of the holders thereof for federal income taxation purposes; and

(d) The obligation of the City to reimburse the issuer of the Reserve Fund Credit Facility for any fees or expenses or claims or drawings under such Reserve Fund Credit Facility shall be subordinate to (i) the payment of debt service on the Series 2006 Note under the Loan Agreement, (ii) the obligation of the City to replenish the Debt Service Reserve Fund under the Loan Agreement, and (iii) any other payments payable by the City under the Loan Agreement and the Series 2006 Note; and

(e) The Reserve Fund Credit Facility must provide for a revolving feature under which the amount available for drawing thereunder will be reinstated to the extent of any reimbursement of drawings or claims paid; and

(f) The value of the assets (including the amount available for drawing under the Reserve Fund Credit Facility) held in the Debt Service Reserve Fund must equal the Debt Service Reserve Requirement for the Series 2006 Bonds immediately upon such substitution; and

(g) The approval of Standard & Poor's Ratings Group.

If there shall be an insufficiency of funds in the General Account of the General Fund to make any required payment of principal of or interest on the Series 2006 Bonds and the Trustee is holding a Reserve Fund Credit Facility in lieu of funds in the Debt Service Reserve Fund, the Trustee shall make a drawing under the Reserve Fund Credit Facility in an amount equal to the lesser of (a) the amount then available for drawing under the Reserve Fund Credit Facility, or (b) the amount necessary to make up the insufficiency described above, which drawing shall be made in time to prevent the occurrence of an Event of Default under the Indenture; and the proceeds of such drawing shall be deposited into the Debt Service Reserve Fund for application as provided in the Indenture.

On the fifth (5th) Business Day prior to the expiration of any Reserve Fund Credit Facility, the Trustee shall make a drawing of the full amount available thereunder, and shall deposit the proceeds of such drawing into the Debt Service Reserve Fund; provided, however, that the Trustee shall not make a drawing if, not later than the fifth (5th) Business Day prior to the expiration of such Reserve Fund Credit Facility, a substitute Reserve Fund Credit Facility or money and/or investment securities equal to the Debt Service Reserve Requirement for the Debt Service Reserve Fund have been delivered to the Trustee for deposit in the Debt Service Reserve Fund.

If the Trustee receives notice that (a) the revolving reinstatement feature described above has been suspended or terminated, (b) the rating of the issuer of the Reserve Fund Credit Facility has fallen below "A" by S&P, (c) the issuer of the Reserve Fund Credit Facility has defaulted in its payment obligations thereunder, or (d) the Reserve Fund Credit Facility will not be extended or renewed, the

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Trustee shall immediately notify the City in writing, of the occurrence of such event and shall request that the City make or cause to be made the payments required to replenish the Debt Service Reserve Fund pursuant to the Indenture and the Loan Agreement, which payments may be made from the proceeds of a drawing under the Reserve Fund Credit Facility.

Reserve Fund Credit Facility means an irrevocable and unconditional letter of credit, insurance policy or surety bond, the terms of which have been approved by the City and the Bank, issued by a bank or other financial institution, which is acceptable to the City and the Bank, having a long-term credit rating of "A" or better, as determined by S&P which credit facility names the Trustee as the beneficiary thereunder; provided, that any such credit facility must (a) be renewable or extendable on an annual basis; (b) have an initial term of not less than three (3) years; (c) provide that the bank or other financial institution providing such credit facility must notify the Trustee and the City, no less than thirty (30) days in advance of the expiration of the credit facility of its intention not to renew or extend such credit facility; (d) permit the Trustee to make a drawing thereunder to fund the Debt Service Reserve Fund no later than five (5) Business Days prior to the earlier of (i) the expiration date of such credit facility and (ii) the date the proceeds of such drawing will be needed to fund the Debt Service Reserve Fund.

Special Reserve Fund

The Indenture provides for the creation of the Special Reserve Fund. The Trustee shall deposit in the Special Reserve Fund all moneys required to be deposited therein pursuant to the Indenture and such other moneys as directed by the Bank, shall invest such funds pursuant to the terms of the Indenture and shall disburse the funds held in the Special Reserve Fund as follows in the following order of priority: (a) on the second (2nd) Business Day prior to each Interest Payment Date, to the General Account of the General Fund amounts sufficient to make the payments of principal and interest required to be made on such date after taking into account available funds on deposit in the General Account of the General Fund; and (b) to the Debt Service Reserve Fund sufficient amounts to assure that there is on deposit therein the Debt Service Reserve Requirement for the Series 2006 Bonds.

State Appropriations Mechanism

The Act provides that in order to assure the maintenance of an amount equal to the Debt Service Reserve Requirement in the Debt Service Reserve Fund, the State Legislature may appropriate to the Bank for deposit in the Debt Service Reserve Fund any sum, required by the Act to be certified by the Bank on or before January 1 of any year to the Governor and then required by the Act to be transmitted by a request from the Governor to the State Legislature, as necessary to restore the Debt Service Reserve Fund to the Debt Service Reserve Requirement. However, nothing in these provisions or any other provision of the Act creates a debt or liability of the State to make any payments or appropriations to or for the use of the Bank. There can be no representation or assurance (i) that the request by the Governor transmitted to the Legislature stating the amount of a deficiency in the Debt Service Reserve Fund would be taken up for any or for early consideration by the State Legislature, or (ii) that upon consideration of any such request, the State Legislature would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State Legislature determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date.

As required by the State Constitution, the regular session of the State Legislature begins on the Tuesday after the first Monday of January each year unless sooner convened by the Governor of the State. Such sessions shall be limited to a period of 125 calendar days every fourth year and 90 calendar days for every other regular session. Provided further that the House of Representatives, by resolution with the Senate concurring therein, and by a two-thirds (2/3) vote of those present and voting in each house, may extend such limited session for a period of thirty (30) days with no limit on the number of extensions to

State Appropriations Mechanism

The State Legislature may determine to appropriate funds to the extent of any deficiency in the Debt Service Reserve Fund (see the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - State Appropriations Mechanism"). However, the State Legislature is not and cannot be obligated to appropriate any such funds. Moreover, the State Legislature meets for only a portion of each year unless extended by a special session called by the Governor, and there can be no representation or assurance (i) that a request from the Governor, stating the amount of a deficiency in the Debt Service Reserve Fund, would be taken up for any or for early consideration by the State Legislature, or (ii) that upon consideration of any such request, the State Legislature would determine to appropriate funds to reduce or eliminate such deficiency, or (iii) that in the event the State Legislature determined to make such an appropriation, the amounts thus appropriated would be forthcoming as of any particular date. In no event can or will the Series 2006 Bonds be deemed to be a debt or obligation of the State. See the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - Debt Service Reserve Fund."

Tax Covenants

The Bank has covenanted under the Indenture to use its best efforts to comply with all actions required to assure the continuing exclusion of interest on the Series 2006 Bonds from gross income of the holders thereof for federal income tax purposes. Failure by the Bank to comply with such covenants could cause the interest on the Series 2006 Bonds to be taxable retroactive to the date of issuance of the Series 2006 Bonds. In the Loan Agreement, the City has made certain covenants regarding the preservation of the tax-exempt status of the interest on the Series 2006 Bonds. The interest on the Series 2006 Bonds could become taxable in the event that the City fails to comply with certain of such covenants, including without limitation the covenant to rebate or cause to be rebated, if necessary, to the United States government all arbitrage earnings with respect to the Series 2006 Bonds under certain circumstances and the covenant to take all actions and to refrain from such actions as may be necessary to prevent the Series 2006 Bonds from being deemed to be "private activity bonds" under the Code. Such an event could adversely affect the exempt status of the interest on all of the Series 2006 Bonds retroactive to the date of issuance. See the caption "TAX MATTERS."

Rating

There is no assurance that the rating assigned to the Series 2006 Bonds at the time of issuance (see "RATING" herein) will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the Series 2006 Bonds. If and when a Bondholder elects to sell a Series 2006 Bond prior to maturity, there is no assurance that a market will have been established, maintained and in existence for the purchase and sale of the Series 2006 Bonds, and there is no assurance as to the purchase price which a buyer would be willing to pay.

Remedies; Litigation; Bankruptcy

The remedies available to the Trustee, to the Bank or to the owners of the Series 2006 Bonds upon an Event of Default under the Indenture or under the terms of the Loan Agreement and the Series 2006 Note are in many respects dependent upon judicial actions which are often subject to discretion and delay.

In the event the City were to become a debtor under the Bankruptcy Code, payments under the Loan Agreement and the Series 2006 Note may be stayed or under certain circumstances may be subject to avoidance or disgorgement and the interest of the Trustee in such payments may not extend to

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each session. Because the State Legislature meets for only a portion of each year, there can be no representation or assurance that the State Legislature could, if it were to do so, take timely action upon a certificate from the Bank in order to provide funds to avoid a default in the payment of principal of or interest on the Series 2006 Bonds.

Under the Act, the State has pledged to and agreed with the holders of any Series 2006 Bonds that the State will not limit or alter the rights hereby vested in the Bank to fulfill the terms of any agreements made with the said Bondholders or in any way impair the rights and remedies of such holders until such Series 2006 Bonds, together with the interest thereon, with interest on any unpaid installments of interest, and all costs and expenses in connection with any action or proceeding by or on behalf of such holders of Series 2006 Bonds, are fully met and discharged.

RISKS TO THE OWNERS OF THE SERIES 2006 BONDS

General

The Series 2006 Bonds will be payable solely from the payments to be made by the Bank under the Indenture. Pursuant to the Indenture, such payments are limited to be made from payments due from the City under the Loan Agreement and the Series 2006 Note, and if necessary, certain Tax Monies, as hereinafter defined. Purchasers of the Series 2006 Bonds are advised of certain risk factors with respect to the Series 2006 Bonds.

In addition, purchasers of the Series 2006 Bonds are advised of certain additional information in connection with the System as set forth in "APPENDIX B - INFORMATION ON THE SYSTEM." Such information is relative to the ability of the City to make payments under the Loan Agreement and the Series 2006 Note sufficient to provide debt service on the Series 2006 Bonds.

Note Payments

The ability of the Bank to pay principal of, redemption premium, if any, and interest on the Series 2006 Bonds depends primarily upon the receipt by the Bank of the Note Payments from the City which is obligated under the Loan Agreement to make such payments to the Bank, together with earnings on the amounts in the Funds and Accounts sufficient to make such payments. Except for the Debt Service Reserve Fund and except for the intercept of local taxes (the "Tax Monies") (See "THE LOAN AGREEMENT AND THE SERIES 2006 NOTE - Agreement Withholding City Monies to Satisfy Delinquent Payments" herein), there is no Fund which is required to contain amounts to make up for any deficiencies in the event of one or more defaults by the City in making such Note Payments, and there is no source from which the General Fund will be replenished except the Note Payments and investment income on moneys in the Funds and Accounts. While the City covenants to fix rates and charges of the System sufficient to pay all obligations, there can be no representation or assurance that the City will realize sufficient Net Revenues from the System to meet financial projections. Financial projections for a period of 2006 to 2010 regarding the System are contained in "APPENDIX B - INFORMATION ON THE SYSTEM". The realization of sufficient Net Revenues can be subject to, among other things, future economic and demographic conditions, and other conditions which are variable and not certain of predictions. For a description of the City and its Series 2006 Note, see "APPENDIX A - INFORMATION ON THE CITY" and "APPENDIX D - FORM OF LOAN AGREEMENT." For a description of procedures for providing for the payment of the Series 2006 Note, see the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - Provisions for Payment of the Series 2006 Note." For a description of revenue projections for the System, see "APPENDIX B - INFORMATION ON THE SYSTEM."

payments required after the commencement of such bankruptcy case or within 90 days prior thereto. Under existing constitutional and statutory law and judicial decisions, including 11 U.S.C. Section 100 et seq., as amended and supplemented from time to time (the "United States Bankruptcy Code"), the remedies provided in the Indenture and under the Loan Agreement and the Series 2006 Note may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America.

Furthermore, if a bankruptcy court concludes that the Trustee has "adequate protection," it may enter orders affecting the security of the Trustee, including orders providing for the substitution, subordination and sale of the security of the Trustee. In addition, a reorganization plan may be adopted even though it has not been accepted by the Trustee if the Trustee is provided with the benefit of its original lien or the "adequately equivalent." Thus, in the event of the bankruptcy of the City, the amount realized by the Trustee may depend on the bankruptcy court's interpretation of "adequately equivalent" and "adequate protection" under the then existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Loan Agreement, the Series 2006 Note or related documents that make bankruptcy and related proceedings by the City an Event of Default hereunder. All of these events would adversely affect the payment of debt service on the Series 2006 Bonds.

Limitations on Enforceability of Security Interests

The pledge of the Net Revenues granted by the City pursuant to the Loan Agreement may be limited by a number of factors, including the ability to collect revenues of the System from the customers thereof. In the event of any default by the City under the Loan Agreement, the Trustee may not be able to require System customers to make payments directly to the Trustee. Under current law, such a pledge and assignment as attempted to be effected by the Loan Agreement may be further limited by the following: (a) statutory laws; (b) rights arising in favor of the United States of America or any agency thereof; (c) prohibitions against assignment set forth in federal statutes; (d) constructive trusts, equitable liens or other rights which might be imposed or conferred by any state or federal court in the exercise of equitable jurisdiction; (e) federal bankruptcy laws affecting Net Revenues earned by the City within 90 days preceding and after any official institution of bankruptcy, liquidation or reorganization proceedings by or against the City; (f) rights of third parties in revenues converted to cash and not in the possession of the Trustee; and (g) those sales, liens and/or pledges made by the City as permitted under the Loan Agreement. If an Event of Default does occur, it is uncertain that the Trustee could successfully obtain an adequate remedy at law or in equity.

Possible Claims of Third-Party Creditors

On February 2, 1990, the United States District Court for the District of Columbia held in *Martens v. Hadley Memorial Hospital*, 729 F. Supp. 1391 (D.D.C. 1990), that a judgment creditor of a beneficiary of the proceeds of tax exempt revenue bonds could satisfy its judgment from moneys held by a trustee in a debt service reserve fund pledged to secure the revenue bonds. The Court held that absent a default under the loan agreement pursuant to which the revenue bond proceeds were loaned to the borrower and the acceleration of the obligations under the loan agreement, the Trustee bank holding the debt service reserve fund could not prevent the judgment creditor from attaching the debt service reserve fund to satisfy the judgment. If the principles of the *Martens* case were applied by a court having

jurisdiction over the Bank, there is risk that judgment creditors of the Bank could attach the funds securing the Series 2006 Bonds, including in particular, the Debt Service Reserve Fund.

DESCRIPTION OF THE SERIES 2006 BONDS

General Description

The Series 2006 Bonds are issuable under the Indenture as fully registered bonds in the denomination of \$5,000 or any integral multiple thereof.

The Series 2006 Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside of the front cover page of this Official Statement. Interest on the Series 2006 Bonds will be payable semiannually on each January 1 and July 1 of each year, commencing January 1, 2007. Interest will be calculated on the basis of a 360-day year consisting of twelve thirty-day months.

Each Series 2006 Bond will be dated the date of delivery thereof. If any Series 2006 Bond is authenticated on or prior to December 15, 2006, it will bear interest from its date of delivery. Each Series 2006 Bond authenticated after December 15, 2006, will bear interest from the most recent date on which interest was payable and has been paid on or prior to the date of authentication of such Series 2006 Bond, unless such Series 2006 Bond is authenticated after the fifteenth day of the month preceding an Interest Payment Date (the "Record Date") and on or prior to the next following Interest Payment Date, in which case the Series 2006 Bond will bear interest from such following Interest Payment Date.

principal of the Series 2006 Bonds will be payable upon maturity or redemption at the corporate trust office of the Trustee in Gulfport, Mississippi, upon presentation of the Series 2006 Bonds and interest on the Series 2006 Bonds will be paid by check of the Trustee dated the due date and mailed or delivered on or before the Business Day prior to each Interest Payment Date to the registered owners of record as of the close of business on the most recent Record Date or, at the written election of the registered owner of \$1,000,000 or more in aggregate principal amount of Series 2006 Bonds delivered to the Trustee at least one Business Day prior to the Record Date for which such election will be effective, by wire transfer to the registered owner or by deposit into the account of the registered owner if such account is maintained by the Trustee.

Redemption

Redemption Generally. If the City directs the Bank to redeem the Series 2006 Bonds in accordance with the Loan Agreement, the Bank has agreed under the Indenture to accept redemption and to redeem the Series 2006 Bonds in accordance with the Indenture.

Optional Redemption. The Series 2006 Bonds (or any portions thereof in integral multiples of \$5,000 each) which mature on or after July 1, 2007, are subject to optional redemption prior to their stated dates of maturity in whole or in part on July 1, 2007, and on any date thereafter at redemption prices (expressed as percentages of the principal amount thereof) set forth below plus accrued interest to the redemption date:

CITY OF PETAL
MINUTE BOOK 25

Period During Which Redeemed
(Both Dates Inclusive)

Redemption Price
365

July 1, 2007, through June 30, 2008
July 1, 2008, through June 30, 2009
July 1, 2009, and thereafter

102%
101
100

EXHIBIT "B"

Extraordinary Mandatory Redemption. The Series 2006 Bonds are also subject to extraordinary mandatory redemption prior to their stated dates of maturity in whole or in part, at any time, in inverse order of maturity, at a Redemption Price equal to the principal amount thereof plus accrued interest to the redemption date, from and to the extent that moneys are transferred from the Loan Account to the Redemption Account created in the Indenture, funds are transferred from the Project Fund to the Redemption Account upon completion of the Construction Project and payment of all Costs of the Construction Project, as provided in the Loan Agreement, or otherwise deposited in the Redemption Account from proceeds received upon the sale or prepayment prior to maturity of the Series 2006 Note upon a default under the Series 2006 Note, and acceleration thereof.

The Bank intends to expend fully and expeditiously all amounts in the Loan Account promptly after the date of delivery of the Series 2006 Bonds for providing funds for the Loan to the City under the Loan Agreement secured by the Series 2006 Note. However, in the event and to the extent that funds deposited in the Loan Account from the proceeds of the Series 2006 Bonds are not used for such Loan, and the Bank determines not to provide funds for the Loan to the City, moneys may be deposited in the Redemption Account, and used for extraordinary mandatory redemption at any time. In the event that less than all of the Series 2006 Bonds are to be redeemed under the provisions for extraordinary mandatory redemption in the Indenture, the principal amount and the maturity of the Series 2006 Bonds to be redeemed will be selected in integral multiples of \$5,000 by lot by the Trustee.

Notice of Redemption. Notice of the call for any redemption, identifying the Series 2006 Bonds (or any portions thereof in integral multiples of \$5,000 each) to be redeemed, will be given by the Trustee at least thirty (30) days but not more than forty-five (45) days prior to the date fixed for redemption by mailing a copy of the redemption notice by registered or certified mail to the registered owner of each Series 2006 Bond to be redeemed at the address shown on the registration records and to the Original Purchaser of the Series 2006 Bonds. Failure to mail such notice to any particular owner of Series 2006 Bonds, or any defect in the notice mailed to any such owner of Series 2006 Bonds, will not affect the validity of the call for the redemption of any other Series 2006 Bonds.

Redemption Payments. Prior to the date fixed for redemption, there must be on deposit with the Trustee sufficient funds to pay the redemption price of the Series 2006 Bonds called, together with accrued interest on the Series 2006 Bonds to the redemption date. After the redemption date, if proper notice of redemption by mailing has been given and sufficient funds have been deposited with the Trustee, interest will cease to accrue on the Series 2006 Bonds that have been called.

APPLICATION OF THE PROCEEDS
OF THE SERIES 2006 BONDS

The proceeds of sale of the Series 2006 Bonds which is equal to \$ _____ will be applied as follows:

SOURCES OF FUNDS

Series 2006 Bonds Proceeds.....\$
Total Sources of Funds.....\$

USES OF FUNDS

For deposit in the Bond Issuance Expense Account of the
General Fund for payment of a portion of the
costs of issuing the Series 2006 Bonds and Series 2006 Note\$
For deposit to the Debt Service Reserve Fund
For deposit in the Loan Account of the
General Fund for the Loan to the
City to fund the Project Fund to be
Held by the City under the Loan Agreement
in the amount of \$ _____ and to fund the Refunding
Project in the amount of \$ _____
Total Uses of Funds.....\$

THE MISSISSIPPI DEVELOPMENT BANK

General

The Bank was created in 1986 and is organized and existing under and by virtue of the Act as a separate body corporate and politic for the public purposes set forth in the Act. The Bank is not an agency of the State, is separate from the State in its corporate and sovereign capacity and has no taxing power.

The Bank is granted under the Act the power to borrow money and issue its bonds in such principal amounts as it shall deem necessary to provide funds to accomplish a public purpose or purposes of the State provided for under the Act, including the making of loans to local governmental units, such as the City, by entering into a loan agreement with such local governmental units secured by a promissory note.

Organization and Membership of the Bank

The Bank is governed by a nine (9) member Board of Directors. The members of the Board of Directors are elected by the members of the Mississippi Business Corporation (the "MBFC") at the time and place fixed by the MBFC's by-laws. Appointments are for terms of one year. The members of the Board of Directors are as follows:

Name	Occupation	Term
Mack H. Brewer	Retired Finance Manager Summit, Mississippi	7/1/05 - 6/30/06
Richard Devoe	Certified Public Accountant Oxford, Mississippi	7/1/05 - 6/30/06
William L. Freeman, Jr.	Bank Senior Vice President Newton, Mississippi	7/1/05 - 6/30/06

Joanna P. Heidel	Business Consultant Vioksburg, Mississippi	7/1/05 - 6/30/06
Nancy V. King	Businesswoman Jackson, Mississippi	7/1/05 - 6/30/06
Dana M. Lott	Businesswoman Madison, Mississippi	7/1/05 - 6/30/06
Richard Robertson	Insurance Company Vice- President Jackson, Mississippi	7/1/05 - 6/30/06
William D. Sones	Bank President & CEO Brookhaven, Mississippi	7/1/05 - 6/30/06
Billy F. Thornton, Jr.	Power Company Executive Gulfport, Mississippi	7/1/05 - 6/30/06

The operations of the Bank are administered by William T. Berry, Executive Director. Mr. Berry is a 1972 graduate of the University of Mississippi with a degree in Business.

Prior Bonds of Bank

The purpose of the Bank is to foster and promote, in accordance with the Act, the provision of adequate markets and facilities for the borrowing of funds for public purposes by (i) any county, municipality, utility district, regional solid waste authority, county cooperative service district or political subdivision of the State of Mississippi, (ii) the State of Mississippi or any agency thereof, (iii) the institutions of higher learning of the State of Mississippi, (iv) any education building corporation established for institutions of higher learning, or (v) any other governmental unit created under state law. The Bank has previously issued and still has outstanding the following bonds (see end of chart for * footnote):

Bond Description	Issue Date	Original Principal	Outstanding Balance
Special Obligation Bonds, Series 1996 (Adams County, Mississippi Hospital Revenue Refunding Bonds Project)	September 1, 1996	\$16,220,000	\$11,055,000
Special Obligation Bonds, Series 1996 (Okfuskee County, Mississippi Hospital Revenue Refunding Bonds Project)	November 15, 1996	5,620,000	725,000
Taxable Special Obligation Bonds, Series 1997 (City of Jackson, Mississippi Project)*	October 15, 1997	49,790,000	22,815,000
Special Obligation Bonds, Series 1997 (DeSoto County, Mississippi Convention Center Project)	November 1, 1997	27,825,000	1,830,000
Special Obligation Bonds, Series 1997A (Diamond Lakes Utilities and Improvements District Project)*	December 1, 1997	18,600,000	14,100,000
Taxable Special Obligation Bonds, Series 1997B (Diamond Lakes Utilities and Improvements District Project)*	December 1, 1997	5,100,000	4,100,000

Special Obligation Bonds, Series 1998 (Panola County, Mississippi Hospital Revenue Bonds Project)	June 1, 1998	21,420,000	19,045,000
Special Obligation Bonds, Series 1998 (Meridian Community College Student Housing Facility Refunding Bonds Project)	July 1, 1998	3,280,000	2,450,000
Special Obligation Refunding Bonds, Series 1998 (Three Rivers Solid Waste Management Authority Project)	July 1, 1998	8,120,000	5,305,000
Special Obligation Revenue Bonds, Series 1998 (West Point, Mississippi Combined Water and Sewer System Project)	September 1, 1998	8,500,000	7,395,000
Special Obligation Bonds, Series 1998 (City of D'Iberville, Mississippi Combined Water and Sewer System Revenue Refunding Bonds)	September 1, 1998	6,700,000	5,770,000
Special Obligation Bonds, Series 1998 (Hancock County, Mississippi Library Project)	September 1, 1998	1,300,000	980,000
Special Obligation Taxable Water and Sewer Bonds, Series 1998 (Robinsonville-Commerce Utility District Project)*	December 1, 1998	16,575,000	13,760,000
Special Obligation Revenue Bonds, Series 1998 (Municipal Gas Authority of Mississippi Natural Gas Supply Project)	December 1, 1998	72,915,000	33,700,000
Special Obligation Bonds, Series 1998 (City of Meridian, Mississippi, Combined Water and Sewer System Project)	December 1, 1998	5,300,000	4,825,000
Special Obligation Bonds, Series 1999A (Tupelo, Mississippi Fairground Project)	February 1, 1999	14,680,000	12,825,000
Taxable Special Obligation Bonds, Series 1999B (Tupelo, Mississippi Fairgrounds Project)	February 1, 1999	8,600,000	7,140,000
Special Obligation Bonds, Series 1999A (Capital Projects and Equipment Acquisition Program)	May 27, 1999	90,800,000	90,000,000
Special Obligation Bonds, Series 1999B (Capital Projects and Equipment Acquisition Program)	May 27, 1999	3,600,000	3,600,000
Special Obligation Bonds, Series 1999 (Sensatobia, Mississippi Combined Water, Sewer and Gas System Project)	June 1, 1999	5,000,000	4,095,000
Special Obligation Bonds, Series 1999 (Culkin Water District Water System Project)	August 1, 1999	4,650,000	3,320,000
Special Obligation Bonds, Series 1999 (Richland, Mississippi Municipal Building Project)	August 1, 1999	3,000,000	2,390,000
Special Obligation Bonds, Series 1999 (Flowood, Mississippi Revenue Refunding Bond Project)	November 1, 1999	4,725,000	4,290,000
Special Obligation Bonds, Series 1999 (Natchez, Mississippi Convention Center Project)	December 1, 1999	12,600,000	11,225,000
Special Obligation Bonds, Series 2000 (Southaven, Mississippi Recreation Facilities Project)	March 1, 2000	6,000,000	5,385,000
Special Obligation Bonds, Series 2000 (Harrison County, Mississippi General Obligation Bond Project)*	June 22, 2000	10,000,000	8,700,000

ITY OF PET MINUTE BOO EXHIBIT "B"

Special Obligation Bonds, Series 2000 (DeSoto County, Mississippi Convention Center Project)	May 1, 2000	7,175,000	1,670,000
Special Obligation Bonds, Series 2000 (DeSoto County, Mississippi General Obligation Public Improvement Bond Project)*	October 24, 2000	18,000,000	15,900,000
Special Obligation Bonds, Series 2000 (Harrison County, Mississippi General Obligation Jail Bond Project)*	October 25, 2000	3,500,000	3,040,000
Taxable Special Obligation Bonds, Series 2000 (Municipal Gas Authority of Mississippi Natural Gas Supply Project)	November 1, 2000	125,455,000	74,960,000
Special Obligation Bonds, Series 2001 (Madison County, Mississippi General Obligation Road and Bridge Bond Project)*	January 1, 2001	23,500,000	22,025,000
Special Obligation Bonds, Series 2001 (Harrison County, Mississippi Public Improvement Project)*	January 3, 2001	7,500,000	6,990,000
Special Obligation Bonds, Series 2001A (Capital Projects and Equipment Acquisition Program)*	March 6, 2001	125,000,000	125,000,000
Special Obligation Bonds, Series 2001B (Capital Projects and Equipment Acquisition Program)	March 6, 2001	6,400,000	6,400,000
Special Obligation Bonds, Series 2001A (Indianola, Mississippi Combined Water and Sewer System Refunding Project)	March 1, 2001	2,515,000	1,875,000
Special Obligation Bonds, Series 2001A (Indianola, Mississippi Combined Water and Sewer System Project)	March 1, 2001	9,400,000	8,705,000
Special Obligation Bonds, Series 2001 (Hancock County, Mississippi Bond Beach Project)	April 1, 2001	2,100,000	1,770,000
Special Obligation Bonds, Series 2001 (Canton, Mississippi Electric System Project)	April 1, 2001	3,000,000	2,410,000
Special Obligation Bonds, Series 2001 (Oshkosh, Mississippi Electric System Project)	June 28, 2001	3,705,000	3,120,000
Special Obligation Bonds, Series 2001A (Madison County, Mississippi Abandon-Madison County Hospital Project)	August 1, 2001	1,605,000	1,485,000
Taxable Special Obligation Bonds, Series 2001B (Madison County, Mississippi Abandon-Madison County Hospital Project)	August 1, 2001	3,395,000	3,195,000
Special Obligation Bonds, Series 2001 (Hann, Louisiana, Mississippi Recreation Facilities Project)	October 1, 2001	7,000,000	6,500,000
Special Obligation Bonds, Series 2001 (Oxford, Mississippi Multi-Purpose/Recreation Facilities Project)	November 1, 2001	5,000,000	4,465,000
Special Obligation Bonds, Series 2001 (Meridian, Mississippi Combined Water and Sewer System Project)	November 29, 2001	3,100,000	2,850,000
Special Obligation Bonds, Series 2002 (Harrison County, MS Correctional Facilities Authority Revenue Bonds Refunding Project)*	April 30, 2002	8,300,000	7,435,000

Taxable Special Obligation Bonds, Series 2002A (Hattiesburg, Mississippi Water and Sewer Improvements Project)	May 1, 2002	2,950,000	2,500,000
Special Obligation Bonds, Series 2002B (Hattiesburg, Mississippi Water and Sewer Improvements Project)	May 1, 2002	450,000	380,000
Special Obligation Bonds, Series 2002 (Pearl River County, MS Limited Obligation Hospital Improvements Bond Project)	May 1, 2002	4,500,000	4,400,000
Taxable Special Obligation Bonds, Series 2002 (Madison County, MS Hospital Refunding Project)*	June 4, 2002	12,000,000	9,100,000
Special Obligation Bonds, Series 2002A (Bolivar County, Mississippi Correctional Facility Refunding Project)	June 1, 2002	6,405,000	6,215,000
Special Obligation Bonds, Series 2002B (Bolivar County, Mississippi Correctional Facility Refunding Project)	June 1, 2002	2,210,000	2,145,000
Taxable Special Obligation Refunding Bonds, Series 2002 (Tupelo, Mississippi Convention Center Refunding Project)*	August 13, 2002	11,690,000	11,245,000
Special Obligation Bonds, Series 2002 (Boonville, Mississippi Combined Water, Sewer and Solid Waste Disposal System Project)	August 1, 2002	8,000,000	7,505,000
Special Obligation Bonds, Series 2002A (Harrison County Wastewater and Solid Waste Management District Wastewater Treatment Revenue Bonds Project)	August 15, 2002	35,000,000	34,065,000
Special Obligation Bonds, Series 2002B (Harrison County Wastewater and Solid Waste Management District Wastewater Treatment Revenue Refunding Bonds Project)	August 15, 2002	8,590,000	8,405,000
Special Obligation Bonds, Series 2002 (Jackson, Mississippi Water and Sewer System Revenue Bond Project)*	September 1, 2002	50,000,000	47,570,000
Special Obligation Bonds, Series 2002 (Batesville, Mississippi Public Improvements Project)	September 30, 2002	7,250,000	6,765,000
Special Obligation Bonds, Series 2002 (Los Osos School District General Obligation Capital Improvements Bond Project)*	September 1, 2002	19,630,000	19,230,000
Special Obligation Bonds, Series 2002 (Oktibbeha County, Mississippi Limited Tax and Hospital Revenue Bonds Project)	November 1, 2002	16,500,000	15,665,000
Special Obligation Bonds (West Rankin Metropolitan Sewer Authority Project), Series 2002	December 1, 2002	6,000,000	5,730,000
Special Obligation Bonds, Series 2002 (Bilal, Mississippi Traffic Flow and Thoroughfare Improvement Plan Project)*	November 1, 2002	23,000,000	20,810,000

Taxable Special Obligation Bonds (Lumbia County, Mississippi Lumbia Memorial Hospital Project), Series 2003	January 1, 2003	4,000,000	3,735,000
Special Obligation Bonds, Series 2003 (Jackson, Mississippi General Obligation Bond Project)*	January 15, 2003	20,000,000	18,760,000
Special Obligation Bonds, Series 2003 (Madison County, Mississippi General Obligation Jail Bond Project)*	March 1, 2003	2,000,000	2,000,000
Special Obligation Bonds, Series 2003 (MSBBand Program - Harrison County, Mississippi General Obligation Refunding Bond Project)*	March 26, 2003	12,525,000	12,525,000
Taxable Special Obligation Bonds, Series 2003 (Canton, Mississippi Landfill Construction and Refunding Project)	May 30, 2003	2,275,000	1,435,000
Special Obligation Bonds, Series 2003 (MSBBand Program - Tunica County, Mississippi Recreational Facilities Project)	July 1, 2003	7,600,000	6,550,000
Special Obligation Bonds, Series 2003 (Southaven, Mississippi Recreation Facilities Project)	July 1, 2003	4,000,000	3,745,000
Special Obligation Bonds, Series 2003A (Meridian, Mississippi Combined Water and Sewer System Refunding Project)	July 15, 2003	7,590,000	6,400,000
Special Obligation Bonds, Series 2003 (MSBBand Program - Hattiesburg Community College District General Obligation Educational Facilities Bond Project)*	July 22, 2003	6,500,000	6,500,000
Special Obligation Bonds, Series 2003A (Meridian, Mississippi Performing Arts and Educational/Conference Center Parking Facilities Project)	July 31, 2003	5,500,000	5,150,000
Taxable Special Obligation Bonds, Series 2003B (Meridian, Mississippi Performing Arts and Educational/Conference Center Parking Facilities Project)	July 31, 2003	1,500,000	1,415,000
Special Obligation Bonds, Series 2003 (Adam County, Mississippi Precinctory Notes Refunding Project)	September 1, 2003	7,960,000	7,960,000
Special Obligation Bonds, Series 2003 (Pike County, Mississippi Pike County Memorial Hospital Project)*	October 1, 2003	1,500,000	1,385,000
Special Obligation Bonds, Series 2003 (MSBBand Program - DeSoto County, Mississippi General Obligation Refunding Bond Project)*	November 25, 2003	9,300,000	8,800,000
Taxable Special Obligation Bonds, Series 2003 (MSBBand Program - Madison County, Mississippi Taxable General Obligation MCEDA Refunding Bond Project)*	December 10, 2003	4,200,000	3,820,000
Special Obligation Bonds (City of Flowood, Mississippi Refunding Project), Series 2003	October 1, 2003	6,550,000	6,550,000

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EXHIBIT

Series of Bonds	Issuance Date	Original Principal Amount	Original Principal Amount
Special Obligation Bonds, Series 2003 (Tunica County, Mississippi General Obligation Public Improvement Bond Project)*	December 17, 2003	12,000,000	11,230,000
Special Obligation Bonds, Series 2003 (MSLoan Program - Harrison County, Mississippi 2003 Refunding Project)*	December 30, 2003	15,000,000	15,000,000
Special Obligation Bonds, Series 2004A (MSLoan Program - Mississippi Department of Corrections Walnut Grove Correctional Facility Refunding Project)	March 10, 2004	48,100,000	47,900,000
Special Obligation Bonds, Series 2004B (MSLoan Program - Mississippi Department of Corrections Marshall County Correctional Facility Refunding Project)	March 10, 2004	19,125,000	19,125,000
Special Obligation Bonds, Series 2004C (MSLoan Program - Delta Correctional Facility Refunding Project)	March 10, 2004	17,175,000	11,950,000
Special Obligation Bonds, Series 2004 Mississippi Recreation Facilities	March 1, 2004	4,500,000	4,360,000
Special Obligation Bonds, Series 2004 (Pineyune, Public Improvement Project)	April 15, 2004	3,500,000	3,390,000
Special Obligation Bonds, Series 2004 (Meridian, Mississippi Combined Water and Sewer System Project)	April 22, 2004	2,900,000	2,810,000
Special Obligation Bonds, Series 2004 (MSBond Program - Madison County, Mississippi General Obligation Refunding Bond Project)*	June 24, 2004	12,000,000	11,585,000
Special Obligation Refunding Bonds, Series 2004A (Singing River Hospital System)	August 5, 2004	53,200,000	52,800,000
Special Obligation Bonds, Series, 2004 (Mississippi Department of Rehabilitation Services Refunding Project)	August 25, 2004	7,215,000	7,215,000
Special Obligation Bonds, Series 2004 (Tunica County, Mississippi Refunding Bond Project)	August 31, 2004	11,000,000	10,560,000
Special Obligation Bonds, Series 2004 (Lauderdale County, Mississippi Performing Arts and Educational/Conference Center Project)	September 1, 2004	4,000,000	3,805,000
Special Obligation Bonds, Series 2004 (City of Clarkdale, Mississippi General Obligation Capital Improvements Bond Project)*	October 1, 2004	3,000,000	3,000,000
Special Obligation Bonds, Series 2004 (Jackson, Mississippi Water and Sewer System Revenue and Revenue Refunding Project)*	October 1, 2004	78,085,000	78,085,000
Special Obligation Bonds, Series 2004 (Clinton, Mississippi Recreation Facilities & Municipal Buildings Project)	November 1, 2004	7,750,000	7,750,000

Special Obligation Bonds, Series 2004 (Waveland, Mississippi General Obligation Public Improvement Bond Project)*	November 30, 2004	5,300,000	5,175,000
Special Obligation Bonds, Series 2004 (Jackson County, Mississippi General Obligation Capital Improvements Bond Project)*	December 1, 2004	10,000,000	10,000,000
Taxable Special Obligation Bonds, Series 2004 (Pearl, Mississippi Childre Road Urban Renewal Project)	December 1, 2004	7,500,000	7,290,000
Special Obligation Bonds, Series 2005 (Tunica County, Mississippi Highway Construction Project)*	January 6, 2005	45,000,000	45,000,000
Special Obligation Bonds, Series 2005 (Rankin County, Mississippi Public Improvement Project)	January 26, 2005	16,870,000	16,870,000
Special Obligation Bonds, Series 2005 (MSBond Program - Harrison County Mississippi General Obligation Colliseum/Convention Center Expansion and Refunding Project)*	February 2, 2005	68,000,000	68,000,000
Special Obligation Bonds, Series 2005 (Madison County, Mississippi Public Building Project)	February 9, 2005	3,500,000	3,500,000
Special Obligation Bonds, Series 2005 (Madison, Mississippi General Obligation Public Building Bond Project)*	February 9, 2005	3,500,000	3,500,000
Special Obligation Bonds, Series 2005 (Gulfport, Mississippi Combined Water and Sewer System Revenue Refunding Bond Project)	April 7, 2005	47,565,000	46,925,000
Special Obligation Bonds, Series 2005 (Hinds County, Mississippi General Obligation Public Improvements Bond Project)*	April 15, 2005	7,500,000	7,445,000
Revenue Notes (Mississippi Department of Transportation Commercial Paper Program) Series A (Tax-Exempt)*	May 6, 2005	20,000,000	20,000,000
Revenue Notes (Mississippi Department of Transportation Commercial Paper Program) Series B (Taxable)*		0	0
Special Obligation Bonds, Series 2005 (Municipal Gas Authority of Mississippi Natural Gas Supply Project) 2005 Series*	May 19, 2005	424,984,000	420,203,000
Special Obligation Variable Rate Refunding Bonds, Series 2005 (MSLoan Program-DeSoto County, Mississippi Convention Center Refunding Project)*	June 15, 2005	29,530,000	29,325,000

¹ Under the terms of the security documents for this Note issue, MDOT may draw up to \$100,000,000 in the aggregate; the first draw was \$20,000,000 in Series A and is due on 7/28/2006.

Taxable Special Obligation Bonds, Series 2005A (Jackson County, Mississippi General Obligation Bond Project)*	June 23, 2005	11,500,000	11,500,000
Taxable Special Obligation Bonds, Series 2005B (Jackson County, Mississippi General Obligation Refunding Bond Project)*	June 23, 2005	2,900,000	2,900,000
Taxable Special Obligation Bonds, Series 2005 (Lowndes County, Mississippi Taxable General Obligation Industrial Development Bond Project)*	July 13, 2005	12,000,000	12,000,000
Special Obligation Bonds, Series 2005 (Yalobusha County, Mississippi Yalobusha County Hospital and Nursing Home Project)*	July 18, 2005	2,725,000	2,725,000
Special Obligation Bonds, Series 2005A (MSLoan Program - Mississippi Department of Corrections East Mississippi Correctional Facility Refunding Project)*	July 25, 2005	29,760,000	29,760,000
Special Obligation Bonds, Series 2005B (MSLoan Program - Mississippi Department of Corrections Wilkinson County Correctional Facility Refunding Project)*	July 25, 2005	22,110,000	22,110,000
Special Obligation Bonds, Series 2005 (Monroe County, Mississippi General Obligation Jail Bond Project)*	August 31, 2005	5,340,000	5,340,000
Special Obligation Bonds, Series 2005 (Grenada, Mississippi Combined Water and Sewer System Project)	September 15, 2005	7,650,000	7,650,000
Special Obligation Bonds, Series 2005 (Harrison County, Mississippi Highway Construction Project)*	October 19, 2005	102,000,000	102,000,000
Special Obligation Bonds, Series 2005 (City of Laurel, Mississippi Highway Construction Project)*	October 19, 2005	32,000,000	32,000,000
Special Obligation Bonds, Series 2005 (Horn Lake, Mississippi Water and Sewer Systems Project)	December 1, 2005	12,750,000	12,750,000
Taxable Special Obligation Bonds, Series 2005 (Tupelo, Mississippi Urban Renewal Project)	December 29, 2005	5,000,000	5,000,000
TOTALS		\$2,344,003,000	\$2,119,313,000

* With the exception of these noted bond issues, which noted bond issues total \$1,353,313,000 in principal outstanding as of 1/1/06, all other the prior bonds of the Bank listed above, which bond issues total \$766,000,000 in principal outstanding as of 1/1/06, the State Legislature may determine to appropriate funds to the extent of any y in a reserve fund established for such prior bonds.

is presently considering the issuance under the Act of additional special obligation bonds for purposes authorized under the Act.

The faith, credit and taxing power of the State and the Bank are not pledged to the payment of the principal of, premium, if any, and interest on any of the bonds issued or planned for issuance by the Bank and all such bonds are not a debt, liability, loan of the credit or pledge of the faith and credit of the State or the Bank.

Operation of the Bank

The purpose of the Bank is to address the financing needs of a broad array of local governmental units (as defined in the Act) in accordance with the provisions of Act. The Bank has determined to provide the Loan to the City under the Loan Agreement secured by the Series 2006 Note out of the proceeds of the Series 2006 Bonds. Upon the approval of the sale of the Series 2006 Bonds to the Original Purchaser, the City will be obligated borrow funds from the Bank in accordance with the requirements of the Act and a resolution of the City approving the sale of the Series 2006 Bonds and the Loan with the Bank.

The Act provides that the execution and delivery of the Loan Agreement and execution and delivery of the Series 2006 Note by the City, must be accompanied by all documentation required by the Board of Directors of the Bank, including an approving Opinion of Bond Counsel for the Series 2006 Bonds. The Bank will be prepared to provide the funds for the Loan to the City promptly after the receipt of the proceeds of the Series 2006 Bonds by the Bank.

REVENUES, FUNDS AND ACCOUNTS UNDER THE INDENTURE

Creation of Funds and Accounts

The Indenture establishes the following special Funds and Accounts to be held by the Trustee:

- General Fund - comprised of the following:
 - General Account
 - Loan Account
 - Redemption Account
 - Bond Insurance Expense Account
- Debt Service Reserve Fund
- Special Reserve Fund
- Rebate Fund

Deposit of Net Proceeds of the Series 2006 Bonds, Revenues and Other Receipts

The Trustee will deposit the net proceeds from the sale of the Series 2006 Bonds as follows:

- To the Debt Service Reserve Fund, the sum of \$_____ in satisfaction of the Debt Service Reserve Requirement;

(b) To the Bond Issuance Expense Account of the General Fund, the amount of \$_____ to pay a portion of the costs of issuance of the Series 2006 Bonds and Series 2006 Note; and

(c) To the Loan Account of the General Fund, the sum of \$_____ to be used to provide the funds for the Loan to the City. The City will direct the Trustee to pay a portion of the Loan Proceeds in the amount of \$_____ to the 1990 Bonds Paying Agent, as hereinafter defined, which, together with certain Transferred Funds from the City in the amount of \$_____ will provide sufficient funds to effectuate the Refunding Project including the current refunding of the Refunded Bonds, as hereinafter defined, and the optional redemption of the Callable 1990 Bonds, as hereinafter defined. The City will deposit the remaining balance of the Loan Proceeds in the amount of \$_____ received from the Bank to the credit of the Project Fund held by the City to finance the costs of the Construction Project.

The Trustee will deposit Revenues, as defined in the Indenture, and other receipts (except the proceeds of the Series 2006 Bonds, interest earnings on any amounts in the Rebate Fund and moneys received by the Bank from the sale or prepayment prior to maturity of the Series 2006 Note) into the General Account of the General Fund, and will deposit any moneys received from the sale or prepayment prior to maturity of the Series 2006 Note into the Redemption Account of the General Fund. Note Payments due under the Series 2006 Note are required to be remitted to the Trustee for deposit in the General Account under the Indenture at least five (5) days prior to each Interest Payment Date to provide funds for the debt service payments on the Series 2006 Bonds. The Trustee will deposit the proceeds of any Refunding Bonds as provided in the supplemental Indenture authorizing the issuance of such Refunding Bonds.

OPERATION OF FUNDS AND ACCOUNTS UNDER THE INDENTURE

General Fund

General Account. The Trustee will disburse the amounts held in the General Account for the following purposes, and, in the event of insufficient funds to make all of such required disbursements, in the following order of priority:

- (a) On or before 30 days after each anniversary of the issuance of the Series 2006 Bonds, the amounts to be transferred to the Rebate Fund.
- (b) On or before three (3) Business Days prior to any Interest Payment Date, to the Trustee such amounts as may be necessary to pay the principal and interest coming due on the Series 2006 Bonds on such Interest Payment Date.
- (c) As soon as funds become available, to the Debt Service Reserve Fund sufficient amounts to meet the Debt Service Reserve Requirement.
- (d) As necessary and in accordance with the Indenture, such amounts as may be necessary to pay any Program Expenses of the Bank.
- (e) After making all required payments under subparagraphs (a) through (d) above, to the Special Reserve Fund, any amounts in excess of amounts needed to pay principal and interest on the Series 2006 Bonds within the following twelve months after taking into account currently available moneys in the General Account plus those amounts which the Trustee

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after the end of the Fiscal year during which a deficiency occurs in an Event of Default hereunder. See also the discussion of the Debt Service Reserve Fund under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - Debt Service Reserve Fund."

Amounts in the Debt Service Reserve Fund in excess of the Debt Service Reserve Requirement will be transferred to the General Account of the General Fund; provided, however, such amounts in excess of the Debt Service Reserve Requirement shall be paid to the City upon receipt of the prior written approval of the Bank.

The City may, at any time, provide the Trustee with a Reserve Fund Credit Facility to be substituted for all or a portion of the amount of money and investments in the Debt Service Reserve Fund equal to the amount available for drawing under such Reserve Fund Credit Facility; provided that such right of substitution shall be subject to certain conditions. See the discussion of the Debt Service Reserve Fund under the caption "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS - Debt Service Reserve Fund" for a description of such conditions.

Special Reserve Fund

The Trustee will disburse the funds held in the Special Reserve Fund as follows:

- (i) On the second Business Day prior to an Interest Payment Date, if there are not sufficient moneys in the General Account to pay the interest or principal coming due on the Series 2006 Bonds, to the General Account to the extent of such deficiency.
- (ii) As soon as funds become available, to the Debt Service Reserve Fund sufficient amounts to assure that there is on deposit therein the Debt Service Reserve Requirement.

Rebate Fund

Upon the direction of the Bank and in accordance with the memorandum of compliance provided by the Bank under the Indenture (the "Memorandum of Compliance"), the Trustee will deposit amounts for the benefit of the Bank from the General Account of the General Fund into the Rebate Fund and will deposit into the Rebate Fund all income from investments in the Rebate Fund. In the event and to the extent that amounts in the Rebate Fund exceed the amounts required to be rebated to the United States of America, the Trustee will transfer such excess amounts to the General Account of the General Fund upon the direction of the Bank in accordance with the Memorandum of Compliance.

Not more than sixty (60) days after July 1, 2010, and at intervals of every five (5) years thereafter, upon the written request of the Bank the Trustee will pay to the United States of America ninety percent (90%) of the amount required to be paid to the United States of America as of such payment date. Not later than sixty (60) days following the retirement of all of the Series 2006 Bonds, upon the written request of the Bank the Trustee will pay to the United States of America 100% of the amount to be paid to the United States of America. Each payment to the United States of America will be accompanied by a statement of the Bank summarizing the determination of the amount of such payment, together with copies of any reports originally filed with the Internal Revenue Service with respect to the Series 2006 Bonds.

With respect to the Rebate Fund, the Bank may direct the Trustee to proceed other than as set forth in the Indenture and described above by delivering to the Trustee a new Memorandum of Compliance accompanied by an Opinion of Bond Counsel to the effect that compliance with such

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reasonably expects to receive; provided, however, any excess under this (c) shall be transferred to the City at the request of the City with the prior written consent of the Bank

Bond Issuance Expense Account. Upon receipt of invoices or requisitions acceptable to the Trustee, the Trustee will disburse the amounts held in the Bond Issuance Expense Account for the payment or reimbursement of the costs related to the authorization, sale and issuance of the Series 2006 Bonds and the costs related to the issuance and delivery of the Series 2006 Note, including, but not limited to, printing costs, costs of reproducing documents, filing and recording fees, initial fees and charges of the Trustee, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation and safekeeping of the Series 2006 Bonds and other related costs, charges and fees. On the date which is sixty (60) days after the date of issuance of the Series 2006 Bonds, any amounts remaining in the Bond Issuance Expense Account will be transferred to the General Account.

Loan Account. Upon submission of duly authorized written certificate of an authorized officer of the Bank stating that all requirements for the Loan under the Act, the Indenture and the established policies of the Bank have been or will be met, the Trustee will disburse the amounts held in the Loan Account to the City as Loan Proceeds under the Loan Agreement. At the direction of the City, the Trustee, acting for and on behalf of the City, will remit a portion of the Loan proceeds to the 1990 Bonds Paying Agent, which together with certain Transferred Funds, as hereinafter defined, from the City will be sufficient for the current refunding of the Refunded Bonds.

Amounts remaining in the Loan Account after providing the Loan to the City shall be transferred to the Redemption Account for redemption of the Series 2006 Bonds (see the caption "THE SERIES 2006 BONDS - Redemption - Extraordinary Mandatory Redemption").

Redemption Account. The Trustee will deposit in the Redemption Account all moneys received upon the sale or prepayment prior to maturity of the Series 2006 Note upon a default under the Note and acceleration thereof, surplus funds from the Project Fund pursuant to the Loan Agreement and all other moneys required to be deposited therein pursuant to the provisions of the Indenture. Moneys in the Redemption Account shall be used to redeem Series 2006 Bonds. Such redemption shall be made pursuant to an extraordinary redemption under the provisions of Article IV of the Indenture. The Trustee shall pay the interest accrued on the Series 2006 Bonds so redeemed to the date of redemption from the General Account and the Redemption Price from the Redemption Account.

Debt Service Reserve Fund

Except for transfers to the General Account of the General Fund described below, the Trustee will disburse available funds held in the Debt Service Reserve Fund solely for the payment of principal and interest coming due on the Series 2006 Bonds, and only in the event and to the extent that moneys in the General Account and the Redemption Account, of the General Fund and from the Special Reserve Fund, are not sufficient to make such payments. In the event that moneys are withdrawn from the Debt Service Reserve Fund, pursuant to the Indenture and the Loan Agreement the City is obligated to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement. Any obligation of the Bank to restore any deficiency in the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement shall be a limited obligation of the Bank payable solely from Revenues as provided in the Indenture. If the City fails to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement, the Bank shall seek an appropriation from the State Legislature in the amount necessary to restore such Debt Service Reserve Fund to the Debt Service Reserve Requirement as provided in the Indenture. Pursuant to the Indenture, failure by the Bank to restore the Debt Service Reserve Fund to an amount equal to its Debt Service Reserve Requirement within 360 days

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Memorandum will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2006 Bonds.

Amounts Remaining in Funds or Accounts

Any amounts remaining in any Fund or Account after full payment of all of the Series 2006 Bonds Outstanding under the Indenture, all required rebates to the United States of America and the fees, charges and expenses of the Trustee will be distributed to the City, except as provided in Section 3.08 of the Indenture which deals with nonpayment of Series 2006 Bonds and except for any monies appropriated by the State pursuant to Section 5.10 of the Indenture which will be paid to the State.

Investment of Funds

Any moneys held as part of any Fund or Account created under or pursuant to Article VI of the Indenture and the Rebate Fund shall be invested or reinvested by the Trustee as continuously as reasonably possible in such investment Securities as may be directed by the Bank (such direction to be confirmed in writing). All such investments shall at all times be a part of the Fund or Account in which the moneys used to acquire such investments had been deposited and, except as provided in Article VI, all income and profits on such investments, other than from moneys on deposit in the Rebate Fund shall be deposited as received in the General Account of the General Fund; provided that investment income, if any, from assets held in the Debt Service Reserve Fund shall be retained in such Debt Service Reserve Fund to the extent of any deficiency in the Debt Service Reserve Requirement therein. The Trustee may make any and all such investments through its investment department or through the investment department of any financial institution which is an affiliate of the Trustee and may trade with itself or any of its affiliates in doing so. Moneys in separate Funds and Accounts of the Series 2006 Bonds may be commingled for the purpose of investment or deposit. The Trustee and the Bank agree that all investments under the Indenture, and all instructions of the Bank to the Trustee with respect thereto shall be made in accordance with prudent investment standards reasonably expected to produce the greatest investment yields while seeking to preserve principal without causing any of the Series 2006 Bonds to be arbitrage bonds as defined in Section 148 of the Code. Any investment losses shall be charged to the Fund or Account in which moneys used to purchase such investment had been deposited. For so long as the Trustee is in compliance with the provisions of Section 8.01 of the Indenture, the Trustee shall not be liable for any investment losses. Moneys in any Fund or Account shall be invested in Investment Securities with a maturity date, or a redemption date determined by the owner of the Investment Securities at said owner's option, which shall coincide as nearly as practicable with times at which moneys in such Funds or Accounts will be required for the purposes thereof except that the monies, if any, in the Debt Service Reserve Fund shall be invested in Investment Securities having an average aggregate weighted term to maturity not greater than five years. The Trustee shall sell and reduce to cash a sufficient amount of such investments in the respective Fund or Account whenever the cash balance therein is insufficient to pay the amounts contemplated to be paid therefrom at the time those amounts are to be paid. All investment income from the assets held in any Fund or Account, except for the Rebate Fund will be added to the General Account of the General Fund; provided that investment income, if any, from assets held in the Debt Service Reserve Fund shall be retained in that fund to the extent of any deficiency in the Debt Service Reserve Requirement therein.

The Bank (a) has certified in the Indenture to the owners of the Series 2006 Bonds from time to time Outstanding that moneys on deposit in any Fund or Account in connection with the Series 2006 Bonds, whether or not such moneys were derived from the proceeds of the sale of the Series 2006 Bonds or from any other sources, are not intended to be used in a manner which will cause the interest on the Series 2006 Bonds to lose the exclusion from gross income for federal income tax purposes and (b) has covenanted in the Indenture with the owners of the Series 2006 Bonds from time to time Outstanding that,

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THE LOAN AGREEMENT AND THE SERIES 2006 NOTE

General

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Construction Project, and shall construct and install the Construction Project in compliance with all federal, State and local laws and regulations; ~~provided however, no law or laws or regulations shall~~ ^{notwithstanding} any law or laws or regulations that may be enacted or amended after the date of the Indenture against the City. Upon completion of the Construction Project, the City will furnish to the Trustee and the Bank, if requested, copies of all required permits and authorizations authorizing the occupancy and uses of the Construction Project for the purposes contemplated by the City. The City will take such action and institute such proceedings as shall be necessary to cause and require all contractors and material suppliers to complete their contracts, including the correction of any defective work. Any amounts recovered as damages, refunds adjustments or otherwise in connection with such default or breach, shall be the City's corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid to the City or (b) if the City has not corrected, at its own expense, the matter which gave rise to such default or breach, shall be paid into the Project Fund ^{and the recovery of the Completion} ~~under the Completion~~ Certificate, as hereinafter defined, and full disposition of the Project Fund in accordance with Section 3.5 of the Loan Agreement, in which case they shall be paid into the General Account under the Indenture.

Application of Loan Proceeds

Completion of Construction

Payment for Construction Project

Construction costs may have to be paid in advance of work or while work is in progress, but prior to acceptable completion. The City may at its discretion make payments for such construction cost based on its reliance with respect to the acceptable completion of such work.

Money in the Project Fund, except as otherwise provided herein, shall be used solely for making disbursements by the City for payment of the Costs of the Construction Project as provided in the Loan Agreement.

Completion of Construction Project

The completion of the Construction Project shall be evidenced to the Trustee (and the Bank upon its request) by a certificate of completion (the "Completion Certificate") signed by an Authorized City Representative to the effect that, except for amounts retained by the City for the payment of Costs of the Construction Project not then due and payable, which shall be retained by the City as provided in the Loan Agreement, the Construction Project has been constructed and installed and substantially completed as of a date stated in such Completion Certificate to the City's satisfaction and in substantial accordance with the Plans and Specifications, and is suitable and sufficient for its purposes.

The Completion Certificate shall specify the date as of which construction of the Construction Project was substantially completed. Notwithstanding the foregoing, the Completion Certificate shall state that it is given without prejudice to any rights the Bank or the City may have against third parties which may exist at the date of such Completion Certificate or which may subsequently come into being.

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Upon receipt of the items specified in above and in Section 3.4 of the Loan Agreement, the City shall pay to the City or any payee designated by the City the amount requested, including any amount withheld pursuant to Section 3.5 of the Loan Agreement.

Disposition of Surplus Funds

Insufficient Loan Proceeds

The Loan

Payments Under the Loan Agreement

Subject to the provisions for prepayment set forth in Section 9.2 of the Loan Agreement, the City to pay the Loan as follows:

The City shall remit to the Trustee for deposit into the General Account of the General Fund under the Indenture (i) all amounts due under the Series 2006 Note and required for the payment of the principal of and the interest due on the Outstanding Series 2006 Bonds at least five (5) days prior to any Interest Payment Date, and (ii) the amounts required for the payment of the purchase or Redemption Price including accrued interest on Outstanding Series 2006 Bonds being redeemed or purchased for retirement, and in each such case, such amounts shall be applied by the Trustee to such payments.

(b) On the first day of June and December of each year, commencing December 1, 2006, and ending on June 1, 2026, the City shall provide to the Trustee a certificate executed by an Authorized City Representative, advising that there are insufficient legally available Net Revenues of the System to make the payments due on the next Interest Payment Date; however, such certificate is not required if it is determined that there are sufficient legally available Net Revenues of the System to make the payment due on the next Interest Payment Date.

Pledge of Net Revenues of the System

The principal of and interest on the Series 2006 Note and other amounts due under the Loan Agreement shall be payable solely from the gross revenues of the System less operating and maintenance expenses. Such an amount of the Net Revenues of the System as will provide for the payments due under the Series 2006 Note and the Loan Agreement, as the same shall become due, is hereby irrevocably pledged to said purpose. The Series 2006 Note or the Loan Agreement does not constitute an indebtedness of the City within the meaning of any constitutional or statutory restriction, limitation or provision, and the taxing power of the City is not pledged to the payment of the obligations under the Loan Agreement or the Series 2006 Note, either as to principal or interest. However, the Act and the Loan Agreement provide for the intercept of local taxes of the City by the Mississippi State Tax Commission if the Net Revenues of the System are deficient to make the payments due under the Series 2006 Note and the Loan Agreement (see "THE LOAN AGREEMENT AND SERIES 2006 NOTE - Agreement Withholding City Monies to Satisfy Delinquent Payment" herein).

Additional Charges

The City agrees to pay as additional charges, when due, each and all of the following:

(a) all Issuance Expenses;

(b) to or upon the order of the Trustee, upon demand, all fees of the Trustee for services rendered under the Indenture and all fees and charges of the paying agent, registrars, legal counsel, accountants, public agencies and others incurred in the performance on request of the Trustee of services

required under the Indenture for which the Trustee and such other persons are entitled to payment or reimbursement; provided that after payment in full thereof the City may, without creating a default under the Loan Agreement, contest in good faith the necessity or reasonableness of any such services, fees or expenses other than the Trustee's fees for ordinary services as set forth in the Indenture, paying agency fees and any fees or charges of public agencies;

(c) to the Bank and Trustee, the Administrative Expenses, and all other reasonable expenses incurred by the Bank and Trustee in relation to the Series 2006 Project which are not otherwise required to be paid by the City under the terms of the Loan Agreement and all indemnity payments required to be made under Section 8.4 of the Loan Agreement;

(d) any and all out-of-pocket costs and expenses (including, without limitation, the reasonable fees and expenses of any counsel, accountants, or other professionals) incurred by Trustee or the Bank at any time, in connection with (i) the preparation, negotiation and execution of the Loan Agreement, the Tax Intercept Agreement, as hereinafter defined, the Indenture, the Series 2006 Note, and all other Bond Documents, any amendment of or modification of the Loan Agreement, the Tax Intercept Agreement, the Indenture, the Series 2006 Note or the other Bond Documents (including in connection with any sale, transfer, or attempted sale or transfer of any interest in the Loan Agreement to a participant or assignee); (ii) any litigation, contest, dispute, suit, proceeding or action, whether instituted by Bank, the Trustee, the City or any other person in any way relating to the Construction Project, the Refunding Project, the Note, the other Bond Documents, or the City's affairs; (iii) any attempt to enforce any rights of the Trustee or the Bank against the City or any other person which may be obligated to the Trustee and/or the Bank by virtue of the Loan Agreement, the Series 2006 Note, the other Bond Documents or any other Series 2006 Project documents; (iv) any action to protect, collect, sell, liquidate or otherwise dispose of the System, including the Construction Project; and (v) performing any of the obligations relating to or payment of any obligations of the City under the Loan Agreement in accordance with the terms of the Loan Agreement or any other Bond Document;

(e) if there is on deposit in the Debt Service Reserve Fund an amount less than the Debt Service Reserve Requirement as of any Interest Payment Date based on the Trustee's valuation under Section 6.08 of the Indenture, the City will pay directly to the Trustee an amount for deposit into the Debt Service Reserve Fund which, when added to the amount on deposit in the Debt Service Reserve Fund equals the Debt Service Reserve Requirement, such payment to be made within thirty (30) days after the applicable Interest Payment Date; and

(f) upon notice by the Trustee that any event described in Section 6.08 of the Indenture has occurred, the City will make or cause to be made the required payments to replenish the Debt Service Reserve Fund within five (5) days of such notice which payment may be made from proceeds of the drawing under a Reserve Fund Credit Facility.

City's Obligations Unconditional

The City will not suspend or discontinue any Basic Payments or Additional Charges, and will perform and observe all of its other agreements in the Loan Agreement, and, except as expressly permitted in Section 9.2 of the Loan Agreement (regarding the City's option of prepayment), will not terminate the Loan Agreement for any cause, including but not limited to any acts or circumstances that may constitute failure of consideration, destruction or damage to the Construction Project, the taking of the Construction Project by condemnation or otherwise, the lawful prohibition of the City's use of the Construction Project, the interference with such use by any private person or corporation, the invalidity or unenforceability or lack of due authorization or other infirmity of the Loan Agreement or the Series 2006 Note, or lack of right, power or authority of the Bank to enter into the Loan Agreement, eviction by

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EXHIBIT "B"

any amount title, commercial frustration of purpose, bankruptcy or insolvency of the Bank or the Trustee, change in the tax or other laws or administrative rulings or actions of the United States of America or of the State of Mississippi or any political subdivision thereof, or failure of the Bank to perform and observe any agreement, whether express or implied or any duty, liability or obligation arising out of or connected with the Loan Agreement or the Series 2006 Note, or for any other cause whether similar or dissimilar to the foregoing, any present or future law to the contrary notwithstanding, it being the intention of the parties hereto that the Basic Payments and other amounts payable by the City under the Loan Agreement shall be paid in full when due without any delay or diminution whatever.

Assignment of Bank's Rights

As security for the payment of the Series 2006 Bonds, the Bank will pledge the amounts payable under the Loan Agreement and under the Series 2006 Note and assign, without recourse or liability, to the Trustee, the Bank's rights under the Loan Agreement (except certain rights retained by the Bank) and the Series 2006 Note. The rights pledged and assigned by the Bank under the Loan Agreement will include the right to receive payments under the Loan Agreement (except the right to receive payments, if any, under Sections 4.4, 6.8, 8.4, 10.5, 11.8 and 11.11 of the Loan Agreement) and the Bank hereby directs the City to make said payments directly to the Trustee. The City herewith assigns to such assignment and will make payments under the Loan Agreement directly to the Trustee without defense or setoff by reason of any dispute between the City and the Trustee.

Agreement Withholding City Monies to Satisfy Delinquent Payments

General. As provided for in the Act, the City and the Bank have entered into and the Trustee has accepted the Tax Intercept Agreement (the "Tax Intercept Agreement"), to be dated as of the date of delivery of the Series 2006 Bonds, whereby the City has covenanted, agreed and authorized the Mississippi State Tax Commission or any other State agency, department or commission to (1) withhold all or any part of any monies (the "Tax Monies")² which the City is entitled to receive from time to time pursuant to any law and which is in possession of the Mississippi State Tax Commission (the "MSTC") or any other state agency, department or commission created pursuant to State law, and (2) pay same over to the Bank to satisfy any delinquent payment (the "Delinquent Payment") under Sections 4.2(1) and/or 4.4(5) of the Loan Agreement. If on the first day of June and December of each year, beginning December 1, 2006, the Trustee has been notified pursuant to Sections 4.2(2) and/or 4.4(5) of the Loan Agreement that there are insufficient Net Revenues of the System to make the deposits required to provide the payments under Sections 4.2(1) and/or 4.4(5) of the Loan Agreement, the Bank has authorized and directed the Trustee under the Tax Intercept Agreement to file the Tax Intercept Agreement and a statement of deficiency setting forth the amount of any Delinquent Payment with the Mississippi State Tax Commission or any other State agency, department or commission, thereby directing the Mississippi State Tax Commission or any other State agency, department or commission to pay any Tax Monies directly to the Trustee on behalf of the Bank to satisfy any Delinquent Payment, all as permitted under the Act. In any event if the City fails to make timely payments under the Loan Agreement and the Series 2006 Note as provided in Sections 4.2 (1) and/or 4.4(5) of the Loan Agreement, the Trustee is hereby further directed to file the Tax Intercept Agreement with the Mississippi State Tax Commission and take further action to recover Tax Monies under the Tax Intercept Agreement. The Trustee is directed to pay any Tax Monies into the General Account of the General Fund to be applied in

² The City anticipates entering into an intercept agreement with the Bank prior to the issuance of the Bonds in connection with a loan from the Bank to the City under the Mississippi Development Bank Hurricane Katrina Loan Program which will make the Tax Intercept Agreement and the withholding of Tax Monies under the Loan Agreement subject to the prior lien of the intercept of Tax Monies under said intercept agreement.

accordance with Section 6.05 of the Indenture, except for any Delinquent Payment under Section 4.4(5) of the Loan Agreement which shall be applied in accordance with the provisions thereof.

City Sales Tax Revenues. The Tax Monies include any and all funds held by any State agency, commission or department which are to be distributed to the City pursuant to State law. Tax Monies include sales taxes, homestead ad valorem tax exemption reimbursements (See "EXHIBIT A - INFORMATION ON THE CITY - Homestead Exemption" hereto), and other miscellaneous items which may be due the City from the State from time to time. The largest portion of Tax Monies consists of sales tax revenues collected by the Mississippi State Tax Commission and which are, according to State law, remitted to the City on a monthly basis. For fiscal years (October 1 through September 30) 1999 - 2005, sales tax remittances to the City were:

Year	Total Amount Remitted
1997	\$1,026,346
1998	1,052,216
1999	1,127,379
2000	1,078,133
2001	1,086,171
2002	1,202,092
2003	1,344,245
2004	1,423,983
2005	1,551,481

Tax Monies Available for Intercept. If sales taxes collected in the City by the Mississippi State Tax Commission remain at historical rates, there should be at least \$1,210,230 annual sales tax revenues of the City which would be subject to and available for intercept by the Trustee on behalf of the Bank with which debt service on the Series 2006 Bonds could be paid.

Establishment of Loan Agreement Funds

The following funds (the "Loan Agreement Funds") are created and established as special trust funds under the Loan Agreement executed in connection with the Series 2006 Note:

- (i) Project Fund;
- (ii) Debt Service Fund;
- (iii) Revenue Fund;
- (iv) Operation and Maintenance Fund; and
- (v) Contingent Fund.

All funds created under the Loan Agreement as described above are to be hereinafter referred to as the Loan Agreement Funds.

The amounts in all such Loan Agreement Funds shall be held by the City. Monies held by the City shall be deposited with one or more Depositories in accordance with applicable law. All monies or securities deposited with the Trustee or any Depository or received by the City pursuant to Loan

Agreement shall be held in trust and applied only in accordance with the provisions hereof and shall be considered trust funds for the purposes of the Loan Agreement.

The City may establish within any Loan Agreement Fund such accounts as shall be designated by the Loan Agreement or in the written instructions of an Authorized City Representative and shall in like manner establish within any account such sub-accounts for the purposes of such accounts as shall be so designated.

Project Fund

There shall be deposited into the Project Fund the amounts required to be so deposited by the provisions of the Indenture. There may also be paid into the Project Fund, at the option of the City, any moneys received by the City from any other source, unless required to be otherwise applied as provided by the Loan Agreement. All earnings on the investment of moneys in the Project Fund shall be accumulated therein for the purposes set out in Section 5.2 of the Loan Agreement.

Except as otherwise provided in herein, amounts in the Project Fund shall be applied only to pay the Costs of the Construction Project, Insurance Expenses, to reimburse the City for certain expenditures and for the payment of any indebtedness incurred by the City for such purposes.

To the extent that the amounts in any other Loan Agreement Fund created under the Loan Agreement are insufficient or unavailable therefor, amounts on deposit in the Project Fund may be applied to pay the Series 2006 Note when due, but only in the event that there shall have been filed with the Trustee (a) a certificate of an Authorized City Representative in form and substance satisfactory to the Trustee stating (i) that the Net Revenues expected to be received thereafter together with such other specified amounts as are expected to be made available therefor by the City will be sufficient to pay in full all Outstanding Series 2006 Bonds when and as the same shall become due in accordance with their terms, (ii) that such payment will not result in a violation of the provisions of Section 8.5 of the Loan Agreement, and (iii) in reasonable detail, the basis for such certification, and (b) an Opinion of Counsel satisfactory to the Trustee that such payment will not result in a violation of any applicable existing law.

At any time, the City may apply amounts in the Project Fund to the prepayment of the Series 2006 Note in accordance with its terms and the provisions of Section 9.2 of the Loan Agreement, but only to the extent that such amounts are not required to be retained therein for the purpose of meeting any existing obligations of the City as evidenced by the certificate of an Authorized City Representative.

Revenues Fund

All System Revenues excluding Tax Monies shall be set aside as collected by the City and shall be deposited into the Revenues Fund to be utilized for the purpose of accounting for System Revenues. Monies in said fund shall not be subject to lien or attachment by any creditor of the City and shall be allocated and deposited by an Authorized City Representative to the extent available in the order of preference as set forth in the Loan Agreement without further direction of or action by the City.

Operation and Maintenance Fund

In addition to amounts required to be deposited in the Operation and Maintenance Fund pursuant to Section 5.3(1) of the Loan Agreement, there may also be deposited in the Operation and Maintenance Fund, at the option of the City, any other moneys of the City, unless required to be otherwise applied as provided by the Loan Agreement. Monies in the Operation and Maintenance Fund shall be applied by the City to the payment of Operating Expenses as they accrue in accordance with the Annual Budget.

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Contingent Fund

EXHIBIT "B" Conduct of Governmental Operations

Debt Service Fund

The City shall maintain its existence as a political subdivision organized and validly existing under the Constitution and laws of the State of Mississippi. The City shall maintain in full force and effect all licenses, bonds, leases, contracts and other rights necessary to the operation of the System, and will comply and cause the Construction Project and the System to comply with all applicable laws and regulations of any federal, state or local governmental authority, except those such laws and regulations, the violation of which would not, in the aggregate, have a material adverse effect on the City's or System's financial condition or the results of the operations of the System.

Rates and Charges

C tion Project Operation and Maintenance

(b) Except as provided in subsection (c) below, the schedule of rates, charges and fees for services furnished by the System and the Construction Project will not be revised so as to result in a decrease of System Revenues.

(c) The schedule of rates, charges and fees referred to in subsection (b) of this section will not be reduced unless:

(i) the amount then on deposit in the Debt Service Reserve Fund shall not be less than an amount equal to the Debt Service Reserve Requirement required to be on deposit therein pursuant to the Indenture; and

(ii) the Net Revenues for the preceding Fiscal Year shall be certified by an Independent Accountant to have been not less than one hundred five percent (105%) of all Debt Service Payments on the Series 2006 Note, and payments, if any, required to be made to the credit of the Debt Service Reserve Fund for the Series 2006 Bonds.

(d) No later than sixty (60) days after the end of each Fiscal Year, the rates, charges and fees established for the System and the Construction Project will be reviewed by the City and will be adjusted whenever necessary or appropriate so that the Net Revenues in each Fiscal Year will not be less than one hundred five percent (105%) of the aggregate of all Debt Service Payments on the Series 2006 Note and the payments on the Series 2006 Bonds, if any, required to be made to the credit of the Debt Service Reserve Fund for the Series 2006 Bonds and any other required Fund allocations and other payments provided for in the Loan Agreement and the Series 2006 Note; provided, however, the City may make rate increases at any time during the Fiscal Year if such increases in rates are necessary to pay debt service.

(e) If requested by the Bank or the Trustee, copies of every schedule of charges, rates and fees and revisions thereof, prescribed or adopted by the City shall be promptly filed with the Trustee.

The City shall not:

(a) directly or indirectly sell, assign, transfer, convey, lease or dispose of the Construction Project and/or the System, or any part thereof or any interest or estate therein, whether legal, equitable, beneficial or possessory including, but not limited to, (i) any conveyance into trust or (ii) any conveyance, sale or assignment of the beneficial interest in any trust holding title to the Construction Project and/or the System; or

(b) subject or permit the Construction Project and/or the System or any portion thereof or interest therein (whether legal, equitable, beneficial or otherwise) or estate in any thereof (including the right to receive the revenues therefrom) directly or indirectly, to any mortgage, deed of trust, lien, claim, security interest, encumbrance or right.

Sale or Encumbrance

No part of the Construction Project shall hereafter be sold, leased, mortgaged, pledged, encumbered or otherwise disposed of, except that the City may sell, lease or license at any time and from time to time any property or facilities constituting part of the Construction Project or the System and not useful or necessary in the construction, reconstruction or operation thereof or the costs of which have been paid from sources other than the proceeds of the Series 2006 Note, but any paid proceeds of any such sale or exchange received and not used to replace the property so sold or exchanged shall be paid to the Trustee and deposited and treated in all respects as System Revenues, and any proceeds of any such lease received shall be deposited as System Revenues. However, the City shall have the right to enter into equipment leases which relate to the Construction Project whereby the equipment under each such individual lease is the sole collateral pledged to repay the lease.

Indebtedness and Liens

Except as set forth in Section 6.16 of the Loan Agreement concerning the City's incurrence of parity indebtedness, the City shall not issue any bonds, notes or other evidences of indebtedness, other than the Series 2006 Note secured by a pledge of or other lien or charge on the Net Revenues and shall not create or cause to be created any liens or charge on such Net Revenues or on any amounts held by any Fiduciary under the Loan Agreement; but the City is not prevented by the terms of the Loan Agreement from issuing notes payable from the proceeds of bonds or notes or other obligations of the City for the purposes of the City payable out of, or secured by a pledge of, Net Revenues to be derived on and after such date as the pledge of the Net Revenues provided in the Loan Agreement and the Series 2006 Note shall be discharged and satisfied as provided in Section 9.2 of the Loan Agreement, or from issuing bonds or notes or other obligations for the purposes of the City which are payable out of or secured by the pledge of amounts available thereafter pursuant to Section 5.3(c) of the Loan Agreement and which recite on their face that such pledge of said amount is and shall be in all respects subordinate to the provisions of the Loan Agreement and the Series 2006 Note and the lien and pledge created by the Loan Agreement and the Series 2006 Note.

Issuance of Parity Indebtedness or Subordinate Indebtedness

(a) The City shall not issue Parity Indebtedness unless:

(i) prior to such issuance, for any additional Parity Indebtedness, the Debt Service Reserve Fund contained in the Indenture shall contain the respective amounts then required to be on deposit therein;

(ii) no default or Event of Default shall have occurred and be continuing under the Loan Agreement, the Series 2006 Note or under the Indenture; and

(iii) the Net Revenues available for Debt Service Payments for a period of twelve (12) consecutive months of the eighteen (18) months preceding the month in which such additional Parity Indebtedness is issued are certified by an Independent Accountant to have been at least equal to one hundred five percent (105%) of the highest annual Debt Service Payments in any succeeding Note Year on the Series 2006 Note and any Parity Indebtedness (including the Parity Indebtedness proposed to be issued); or in lieu of the foregoing formula, if a new schedule of rates, fees and charges for the services, facilities and commodities of the System shall have been adopted and an Independent Accountant shall certify that had such new rate schedule been in effect during the applicable period, the Net Revenues available for debt service payments

would have at least equaled one hundred five percent (105%) of the highest annual Debt Service Payments in any succeeding Note Year on the Series 2006 Note and any other Parity Indebtedness (including the Parity Indebtedness proposed to be issued).

(b) The City also reserves the right to issue indebtedness secured by liens on and pledges of revenues and proceeds subject and subordinate to the lien securing Parity Indebtedness.

Covenant for the Benefit of the Trustee and the Bondholders

The City recognizes the authority of the Issuer to assign its interest in and pledge monies receivable under the Loan Agreement (other than certain payments required to be made to the Issuer under Sections 4.4, 6.8, 8.4, 10.5, 11.8 and 11.11 of the Loan Agreement) to the Trustee as security for the payment of the principal of and interest and redemption premiums, if any, on the Series 2006 Bonds, and the payment of all fees and expenses of the Trustee; and hereby agrees to be bound by, and joins with the Issuer in the grant of a security interest to the Trustee in any rights and interest the City may have in sums held in the Funds described in Article VI of the Indenture pursuant to the terms and conditions of the Indenture to secure payment of the Series 2006 Bonds. Each of the terms and provisions of the Loan Agreement is a covenant for the use and benefit of the Trustee and the Holders of the Series 2006 Bonds, so long as any thereof shall remain Outstanding; but upon payment in full of the Series 2006 Bonds in accordance with Article IX of the Indenture and of all fees and charges of the Trustee and paying agent, all references in the Loan Agreement to the Series 2006 Bonds, the Holders thereof and the Trustee shall be ineffective, and neither the Trustee nor the Holders of any of the Series 2006 Bonds shall thereafter have any rights under the Loan Agreement, save and except those that shall have theretofore vested or that arise from provisions under the Loan Agreement which survive termination of the Loan Agreement.

Tax Covenants

(a) In order to maintain the exclusion from gross income for Federal income tax purposes of interest on the Series 2006 Bonds, and for no other purpose, the City covenants in the Loan Agreement to comply with each applicable requirement of the Code. In furtherance of the covenant contained in the preceding sentence, the City agrees in the Loan Agreement to comply with the Tax Certificate executed by the City on the date of the issuance and delivery of the Series 2006 Bonds, as such Tax Certificate may be amended from time to time.

(b) The City covenants and agrees with the Trustee and the Bondholders that the City shall not take any action or omit to take any action, which action or omission, if reasonably expected on the date of initial issuance and delivery of the Series 2006 Bonds, would cause the Series 2006 Bonds to be "private activity bonds" or "arbitrage bonds" within the meaning of Sections 141(a) and 148(a), respectively, of the Code, or any successor provisions.

(c) The City shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Series 2006 Bonds pursuant to Section 148(f) of the Code from amounts available therefor.

(d) Upon the authentication and delivery of the Series 2006 Bonds, the City shall furnish to the Trustee certificates of an Authorized City Representative to the effect that, on the basis of the facts, estimates and circumstances in existence on the date of such authentication and delivery, it is not expected that the proceeds of the Series 2006 Bonds will be used in a manner that would cause such Series 2006 Bonds to be "arbitrage bonds" within the meaning of Section 148(a) of the Code and Treasury Regulations thereunder, and in such certificates the City shall set forth such facts and circumstances which may be in brief and summary terms, and shall state that to the best of the knowledge

and belief of such Authorized City Representative, there are no other facts or circumstances that would materially change the expectations expressed in such certificate.

(c) Notwithstanding any other provisions of the Loan Agreement to the contrary, so long as necessary in order to maintain the exclusion from gross income for Federal income tax purposes under Section 103(a) of the Code of interest on the Series 2006 Bonds, the covenants contained in Section 8.5 of the Loan Agreement shall survive the payment of the Series 2006 Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Article IV of the Indenture.

Assignment and Transfer

The City shall not transfer, convey or assign any interest in the Construction Project, except in accordance with Section 6.3 of the Loan Agreement.

Prepayment of the Note and Termination of the Loan Agreement

Unless an Event of Default has occurred and is continuing, the City shall have the option to direct the Trustee to call for redemption prior to maturity the Outstanding Series 2006 Bonds, in whole or in part, as provided in Section 4.01(a) of the Indenture. The Series 2006 Bonds to be redeemed shall be redeemed at a price equal to their principal amount plus accrued interest as set forth in Section 4.01(a) of the Indenture upon not less than thirty (30) but no more than forty-five (45) days prior written notice. The Series 2006 Bonds are also subject to redemption from funds transferred from the Loan Account to the Redemption Account under the Indenture or transferred from the Project Fund to the Redemption Account or otherwise deposited in the Redemption Account from proceeds received upon the sale or prepayment prior to maturity of the Series 2006 Note upon a default under the Series 2006 Note, or acceleration thereof, pursuant to Section 4.01(b) of the Indenture. In the event the Series 2006 Bonds are called for redemption in whole or in part under the Indenture, a Basic Payment shall be made by the City in the amount of principal plus accrued interest and all other fees due under the Loan Agreement to effectuate said redemption.

Events of Default

Any one or more of the following events is an Event of Default under the Loan Agreement, and the term "Event of Default," wherever used in the Loan Agreement, means any one of the following events, whatever the reason for such default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body:

- (a) if the City shall fail to pay any Basic Payments due under the Loan Agreement;
- (b) if there is a declaration or proceeding in Bankruptcy regarding the City;
- (c) if the City shall fail to pay any Additional Charges on or before the date that the payment is due and shall continue to be in arrears for five (5) days after the due date thereof;
- (d) if the City shall fail to observe and perform or shall breach any other covenant, condition or agreement on its part under the Loan Agreement for a period of fifteen (15) days after mailing of a notice to it by the Issuer or the Trustee, specifying such default or breach and requesting that it be remedied; and provided that if the failure stated in the notice cannot be corrected within fifteen (15) days, the Issuer and Trustee will not unreasonably withhold their consent to an extension of such time if

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EXHIBIT "B"

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Action is instituted by the City with said fifteen (15) days and is diligently pursued, for an additional thirty (30) days;

if the City shall be dissolved;

(f) if any representation or warranty made by the City in the Loan Agreement, or by an officer or representative of the City in any document or certificate furnished the Trustee or the Issuer in connection herewith or therewith or pursuant hereto or thereto, shall prove at any time to be, in any material respect, incorrect or misleading as of the date made; and

(g) the occurrence of an event of default under any other Bond Document which is not cured within the time period provided therefor, if any.

Remedies

(a) Whenever any Event of Default specified in subsection (a) in the previous section, shall have happened and be continuing the Trustee shall declare all the Basic Payments payable for the remainder of the Term of the Loan Agreement (an amount equal to that necessary to pay in full the Series 2006 Note and the interest thereon assuming acceleration of the Series 2006 Bonds under the Indenture and to pay all other indebtedness thereunder) to be immediately due and payable whereupon the same shall become immediately due and payable by the City but only if the acceleration of payment of the Series 2006 Bonds has been declared by the Trustee under Section 10.02 of the Indenture;

(b) Whenever any Event of Default shall have occurred and be continuing any one or more of the following remedial steps may also be taken to the extent permitted by law:

(i) the Trustee or the Issuer may take whatever action at law or in equity may appear necessary or appropriate to collect all sums then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement, covenant, representation or warranty of the City, under the Loan Agreement, the Series 2006 Note or any related instrument; or to otherwise compensate the Issuer, Trustee or Bondholders for any damages on account of such Event of Default; and

(ii) the Issuer (without the prior written consent of the Trustee if the Trustee is not enforcing the Issuer's right in a manner to protect the Issuer or is otherwise taking action that brings adverse consequences to the Issuer) may take whatever action at law or in equity may appear necessary or appropriate to enforce its rights of indemnification under Section 8.4 of the Loan Agreement and to collect all sums then due and thereafter to become due to the Issuer under Sections 4.4, 6.8, 8.4, 10.5, 11.5 and 11.11 of the Loan Agreement. Notwithstanding the foregoing, the Issuer is not precluded from exercising any of its rights reserved to it as set forth in this section, even if the Trustee is exercising the rights of the Issuer under the Loan Agreement.

THE SERIES 2006 BONDS AS LEGAL INVESTMENTS

The Series 2006 Bonds shall be legal investments in which all public officers and public bodies of this State, its political subdivisions, all municipalities and municipal subdivisions, all insurance companies and associations, trust companies, savings banks and savings associations, investment companies and other persons carrying on a banking business, all administrators, guardians, executors, trustees and other fiduciaries, and all other persons whatsoever who are now or may hereafter be authorized to invest funds, including capital, in their control or belonging to them. The Series 2006 Bonds are also hereby made securities which may properly and legally be deposited with and received by

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all public officers and bodies of the State or any agency or political subdivisions of the State and all municipalities and public corporations for any purpose for which the deposit of bonds or other obligations of the State is now or may hereafter be authorized by law.

LITIGATION

There is not now pending or, to the Bank's knowledge, threatened any litigation restraining or enjoining the issuance, sale, execution or delivery of the Series 2006 Bonds or prohibiting the Bank from providing the Loan to the City with the proceeds of such Series 2006 Bonds or in any way contesting or affecting the validity of the Series 2006 Bonds, any proceedings of the Bank taken with respect to the issuance or sale thereof or the pledge or application of any moneys or security provided for the payment of the Series 2006 Bonds. Neither the creation, organization or existence of the Bank nor the title of any of the present Directors or other officers of the Bank to their respective offices is being contested.

There is not now pending or, to the knowledge of the City, threatened any litigation restraining or enjoining the execution or delivery of the Loan Agreement or the Series 2006 Note or prohibiting the City from delivering the Series 2006 Note to the Bank or in any way contesting or affecting the validity of the Loan Agreement or the Series 2006 Note, any proceedings of any of the City taken with respect to the execution and delivery thereof or the pledge or application of any moneys or security provided for the payment of the Series 2006 Note.

TAX MATTERS

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, interest on the Series 2006 Bonds is excludable from gross income for federal tax purposes, pursuant to Section 103 of the Code. The opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC is based on certain certifications, covenants and representations of the Bank and the City (collectively, "Tax Covenants") and is conditioned on continuing compliance therewith.

In the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Bond Counsel, interest on the Series 2006 Bonds is exempt from income taxation in the State of Mississippi under existing laws, regulations, rulings and judicial decisions. This opinion relates only to the exemption of interest on the Series 2006 Bonds for State income tax purposes.

The Code imposes certain requirements which must be met subsequent to the issuance of the Series 2006 Bonds as a condition to the exclusion from gross income of interest on the Series 2006 Bonds for federal tax purposes. Non-compliance with such requirements may cause interest on the Series 2006 Bonds to be included in gross income of the holders thereof for federal tax purposes retroactive to their respective dates of issue irrespective of the date on which such noncompliance occurs. Should the Series 2006 Bonds bear interest that is not excludable from gross income for federal income tax purposes, the market value of the Series 2006 Bonds would be materially and adversely affected. The Tax Covenants include covenants that (i) the Bank and the City will not take or fail to take any action with respect to the Series 2006 Bonds, if such action or omission would result in the loss of the exclusion from gross income for federal tax purposes of interest on the Series 2006 Bonds, under Section 103 of the Code, and neither the Bank nor the City will act in any other manner which would adversely affect such exclusion; (ii) the Bank and the City will not make any investment or do any other act or thing during the period that the Series 2006 Bonds are Outstanding which would cause the Series 2006 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code; and (iii) if required by the Code, the Bank and the City will rebate any necessary amounts to the United States of America. It is not an Event of Default under the Indenture if interest on the Series 2006 Bonds is not excludable from gross income for federal tax

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purpose or otherwise pursuant to any provision of the Code, which is not in effect on the respective dates of issuance of the Series 2006 Bonds.

The interest on the Series 2006 Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes. However, interest on the Series 2006 Bonds is included in adjusted current earnings in calculating corporate alternative minimum taxable income for purposes of the corporate alternative minimum tax and the environmental tax imposed by Section 59A of the Code.

Although Bond Counsel has rendered an opinion that interest on the Series 2006 Bonds is excluded from federal gross income and exempt from State income tax, the accrual or receipt of interest on the Series 2006 Bonds may otherwise affect a bondholder's federal income tax or State tax liability. The nature and extent of these other tax consequences will depend upon the bondholder's particular tax status and a bondholder's other items of income or deduction. Taxpayers who may be affected by such other tax consequences include, without limitation, financial institutions, certain insurance companies, S corporations, certain foreign corporations, individual recipients of Social Security or railroad retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry the Series 2006 Bonds. Bond Counsel expresses no opinion regarding any other such tax consequences. Prospective purchasers of the Series 2006 Bonds should consult their own tax advisors with regard to the other tax consequences of owning the Series 2006 Bonds.

LEGAL MATTERS

Certain legal matters incident to the authorization and issuance of the Series 2006 Bonds by the Bank are subject to the approval of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi, Bond Counsel, whose approving opinion will be delivered with the Series 2006 Bonds. Certain legal matters will be passed upon for the Bank by its counsel, Balch & Bingham LLP, Jackson, Mississippi, and for the City, by Ashman, Tysen & Ruffin, LTD., Hattiesburg, Mississippi.

Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Bond Counsel for the Bank, is also serving as Bond Counsel for the City, in connection with the execution and delivery of the Loan Agreement and the Series 2006 Note.

The remedies available to the Trustee, to the Bank or to the owners of the Series 2006 Bonds upon an Event of Default under the Indenture or under the terms of the Loan Agreement and the Series 2006 Note are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Indenture and under the Loan Agreement and the Series 2006 Note may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Series 2006 Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally (regardless of whether such enforceability is considered in a proceeding in equity or in law), by general principles of equity (regardless of whether such proceeding is considered in a proceeding in equity or at law) and by the valid exercise of the constitutional powers of the State and the United States of America.

CONTINUING DISCLOSURE

On November 10, 1994, the Securities and Exchange Commission (the "Commission") amended 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

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securities. The amendments to 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 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 Bank and the City are "obligated persons" with respect to the Series 2006 Bonds within the meaning of Rule 15c2-12.

The City and the Bank will enter into a written undertaking with the Trustee for the benefit of Bondholders to deliver, or cause to be delivered, 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"), the information described herein.

In the Bank's Undertaking, the Bank has agreed to deliver to the Repositories notices of certain events relating to the Series 2006 Bonds and the Bank, if the Bank deems such events to be material. In the City's undertakings, the City has agreed to cause the delivery to the Repositories (i) annual financial information relating to the City and the System and (ii) certain events relating to the City undertakings if the City deems such events to be material.

For a summary of the City's and the Bank's undertakings, see "APPENDIX F - FORM OF FINANCIAL DISCLOSURE AGREEMENT" attached hereto.

RATING

Standard & Poor's Ratings Group is expected to assign its rating of "_____" to the Series 2006 Bonds. Information on the rating may be obtained from the Executive Director of the Bank. Such rating reflects only the view of such organization, and an explanation of the significance of the rating may be obtained only from said rating agency. The rating may be changed, suspended or withdrawn as a result of changes in, or unavailability of, information. Any downward revision, suspension or withdrawal of such rating may have an adverse effect on the market price of the Series 2006 Bonds.

FINANCIAL ADVISOR

The Bank has retained Government Consultants, Inc., Jackson, Mississippi, as independent financial advisor (the "Financial Advisor") in connection with the sale and issuance of the Series 2006 Bonds. In such capacity the Financial Advisor has provided recommendations and other financial guidance to the Bank with respect to the preparation of documents, the preparation for the sale of the Series 2006 Bonds and of the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Series 2006 Bonds. Although the Financial Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information set forth herein.

VALIDATION

The Series 2006 Bonds will be validated before the Chancery Court of the First Judicial District of Hinds County, Mississippi, as provided by Sections 31-13-1 to 31-13-11, Mississippi Code of 1972, as amended.

APPENDIX A INFORMATION ON THE CITY

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Bank's offices are located at 735 Riverside Drive, Suite 300, Jackson, Mississippi 39202, telephone (601) 355-6232.

EXHIBIT "B"

All quotations from, and summaries and explanations of, the Act, the Indenture and the Loan Agreement contained in this Official Statement do not purport to be complete, and reference is made to each such document or instrument for full and complete statements of its provisions (See "APPENDIX C - FORM OF INDENTURE OF TRUST" and "APPENDIX D - FORM OF LOAN AGREEMENT" and the attached APPENDICES are an integral part of this Official Statement and must be read together with all of the foregoing statements. Copies in reasonable quantity of the Act, the Indenture, the Loan Agreement and the supplemental materials furnished to the Bank by the City may be obtained upon request directed to the Bank.

Neither any advertisement of the Series 2006 Bonds nor this Official Statement is to be construed as constituting an agreement with the purchasers of the Series 2006 Bonds. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended.

This Official Statement has been duly approved, executed and delivered by the Bank. The Bank will provide copies of this Official Statement to the Original Purchaser of the Series 2006 Bonds.

MISSISSIPPI DEVELOPMENT BANK

By: /s/ William T. Barry
Executive Director

ECONOMIC AND DEMOGRAPHIC INFORMATION

General Description

The City of Petal is located in the northeast section of Forrest County (the "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	2000
7,620	8,476	7,883	7,579

SOURCE: Census data at website: www.census.gov; December, 2005.

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, 2009, are:

Name	Position	Term Expires
Carl Scott	Mayor	July/2005
David Clayton	Police Officer	July/2005
Liesa Weaver	Principal	July/2005
Steve Stringer	Business Owner	July/2001
James Moore	Business Owner	July/2005
Kay Fairly	Retired	July/2005

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 Income¹

	2003	\$24,803	\$23,466	\$31,472	79%
2002	24,281	22,511	30,804	79	
2001	23,071	21,950	30,575	75	
2000	21,337	21,005	29,845	71	
1999	20,318	20,053	27,939	73	

SOURCE: Bureau of Economic Analysis: Regional Economic Accounts at website: www.bea.gov, 1999-2003; December, 2005.

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Major Employers

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

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Petal School District	490	Education
Service Master Cleaning Alternatives	155	Cleaning services
WalMart	98	Retail store
City of Petal	88	City government
Corner Market	54	Grocery Store
Plant Estate/MS Power	23	Utilities
U. S. Post Office	23	Postal service

SOURCE: Office of City Clerk, December, 2005.

Retail Sales

2004	\$106,442,964
2003	100,648,663
2002	85,594,992
2001	82,313,065
2000	83,817,232

SOURCE: Annual Report for each year shown, Mississippi State Tax Commission; December, 2005.

¹ Per capita income was computed using Census bureau midyear population estimates. Estimates for 2000-2003 reflect county population available as of April, 2005.

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Unemployment Statistics

January	6.5%	5.3%	5.2%	5.6%	3.4%
February	5.6	4.8	4.4	4.8	2.8
March	5.8	4.7	4.4	5.2	3.0
April	5.3	4.6	4.1	4.8	2.8
May	6.1	5.4	4.7	5.2	3.2
June	7.1	6.2	5.5	6.1	3.8
July	6.0	5.8	5.0	5.6	3.8
September	6.7	6.0	5.0	5.5	4.3
September	9.4	5.3	4.2	4.5	3.7
October	7.3	6.2	4.8	5.2	4.7
November		5.5	4.2	4.4	4.0
December		5.3	3.8	4.6	4.0
Annual Average	6.6%	5.4%	4.6%	5.1%	3.6%

SOURCE: Mississippi Department of Employment Security: Labor Market Data at website: www.mdes.ms.gov; December, 2005.

Employment Statistics of the County

RESIDENCE BASED EMPLOYMENT					
I. Civilian Labor Force	35,860	35,610	35,210	34,990	35,270
II. Unemployed	1,960	1,900	2,010	1,560	1,770
% of Civilian Labor Force	5.5%	5.3%	5.7%	4.5%	5.0%
III. Employed	33,900	33,710	33,200	33,430	33,500
ESTABLISHMENT BASED EMPLOYMENT ¹					
I. Manufacturing	3,370	2,530	2,570	2,900	3,910
II. Nonmanufacturing	35,040	35,490	35,570	33,940	34,860
A. Mining	20	20	30	40	50
B. Construction	1,540	1,540	1,520	1,470	1,650
C. Transportation & Public Utilities	N/A	N/A	N/A	N/A	1,290
D. Wholesale & Retail Trade	N/A	N/A	N/A	N/A	8,930
E. Finance, Insurance & Real Estate	N/A	N/A	N/A	N/A	1,610
F. Service & Miscellaneous	N/A	N/A	N/A	N/A	9,060
G. Government	11,440	11,330	11,540	11,000	12,270
Public Education	4,890	4,870	4,840	4,260	5,580
H. Agriculture, Forestry, Fishing & Hunting	170	140	140	100	N/A
I. Transportation & Warehousing	960	1,630	1,510	1,470	N/A
J. Information	430	390	430	440	N/A
K. Finance & Insurance	1,440	1,450	1,510	1,330	N/A
L. Real Estate, Rental & Leasing	420	450	450	460	N/A
M. Professional and Business Services	2,340	1,130	1,090	960	N/A
N. Management of Companies & Enterprises	330	520	550	550	N/A
O. Administrative & Waste Mgmt.	1,540	1,740	1,770	1,930	N/A
P. Educational Services	330	200	280	260	N/A
Q. Health Care & Social Assistance	3,900	3,830	3,950	3,320	N/A
R. Arts, Entertainment & Recreation	220	270	270	240	N/A
S. Accommodation & Food Services	3,530	3,410	3,240	3,220	N/A
T. Other Services (except Public Admin.)	1,210	1,240	1,290	1,260	N/A
U. Utilities	350	100	100	100	N/A
V. Wholesale Trade	1,260	1,320	1,210	1,240	N/A
W. Retail Trade	4,700	4,640	4,670	4,530	N/A

SOURCE: Mississippi Department of Employment Security: Annual Averages: Labor Force and Establishment Based Employment 1999-2000, September, 2005 and Annual Averages: Labor Force and Establishment Based Employment 2001-Forward, September 2005; Labor Market Information at website: www.mdes.ms.gov; December, 2005.

¹ Establishment Based Averages are estimates and do not include self-employed individuals, non-profit entities or religious institutions. Averages include a pro rata share of unestablished employees. Effective in 2001, Establishment Based Averages are presented using the NAICS classification system.

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Banking Institutions

Bank Name	Assets
BancorpSouth Bank ³	\$10,688,149,000
First Federal Bank for Savings ⁴	142,411,000
Hancock Bank ⁵	2,697,093,000
Regions Financial Corporation, Formerly known as Union Planters, National Association ⁶	84,106,438,000
Richmon Bank & Trust Company ⁷	72,413,000
Trustmark National Bank ⁸	8,084,869,000

SOURCE: Mississippi Bank Directory 2004-2005 Ed., Mississippi Bankers Association; December, 2005.

- ³ Main office located in Tupelo, Mississippi.
⁴ Main office located in Columbia, Mississippi.
⁵ Main office located in Gulfport, Mississippi.
⁶ Main office located in Memphis, Tennessee.
⁷ Main office located in Richmon, Mississippi.
⁸ Main office located in Jackson, Mississippi.

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EXHIBIT "B"

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 2005-06 scholastic year and the four preceding years are as follows:

Scholastic Year	Enrollment
2005-06	
2004-05	
2003-04	3,644
2002-03	3,638
2001-02	3,640

SOURCE: Office of the Superintendent, Petal School District; December, 2005.

TAX INFORMATION

Assessed Valuation⁹

Year	Real Property	Personal Property	Public Utility Property	Total
2005	\$48,827,206	\$12,233,749	\$4,985,359	\$66,046,314
2004	33,582,869	18,596,570	4,298,401	56,477,840
2003 ¹⁰	32,619,240	8,965,757	4,317,401	45,902,398
2002	20,485,062	8,476,030	4,798,979	33,710,071
2001	19,255,090	8,530,376	4,302,866	32,088,332

SOURCE: Office of the City Clerk; December, 2005.

⁹ 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 2005 will be collected starting in January, 2006 for the 2005-2006 fiscal year budget of the City.

¹⁰ Increase due to reapportionment.

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Assessed valuations are based upon the following assessment ratios:

- Real and personal property (excluding single-family owner-occupied residential real property and motor vehicles, respectively), 15 percent of true value;
- Single-family owner-occupied residential real property, 10 percent of true value;
- 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:

Property	Assessed Value	Exemption Expires
Midstream Combination	\$765	12/31/05
Total	\$765	

SOURCE: Office of the City Clerk; December, 2005.

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 body of a municipality which is located within a county having completed a county-wide assessment approved by the State Tax Commission and which has been furnished a true copy of part of the County assessment roll containing the property located within a municipality as

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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 Valuation¹¹

Category	2005	2004	2003	2002	2001
General Purpose	31.00	28.16	29.61	30.95	29.64
Debt Service	0.00	0.00	0.00	0.00	0.00
Library Fund	1.14	1.50	1.50	2.00	2.00
G.O. Bonds	6.00	4.26	2.81	3.89	5.04
Total	38.14	33.92	33.92	36.84	36.68

SOURCE: Office of the City Clerk; December, 2005.

Ad Valorem Tax Collections

Year	2005	2004	2003	2002	2001
General Purpose	\$1,400,000	\$1,624,615	\$224,615		
Debt Service	1,347,500	1,522,526	175,026		
Library Fund	825,000	1,028,382	203,382		
G.O. Bonds	859,000	934,307	75,207		
Total	781,000	831,459	50,459		

SOURCE: Office of the City Clerk; December, 2005.

¹¹ Tax levy figures are given in mills.

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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 September 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 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 September 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

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Ten Largest Taxpayers

The ten largest taxpayers in the City for assessment year 2004, collected in fiscal year ended 2005 are as follows:

Southern Company	\$ 3,992,574	\$ 592,298.36
Wal-Mart Real Estate	1,824,075	270,602.76
Petal Gas Storage LLC	1,600,434	237,427.35
Enterprise Products	1,251,934	185,727.99
BP Amoco	943,096	139,908.29
Midstream Combination Corp.	642,149	95,266.50
CMS Gas Transmission & Storage	353,236	52,402.56
West Oaks LLC	283,969	42,126.80
Duke Energy Marketing America	311,085	46,149.46
Petal Shopping Center LLC	234,945	34,854.37
Rainbow Development Inc.	232,913	34,552.65
Total:	\$11,670,430	\$1,731,317.09

SOURCE: Office of the City Clerk; December, 2005.

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CITY OF PETAL
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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

EXHIBIT "B"

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 \$7,500 of assessed value thereof.

The tax loss resulting to local taxing units from property 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 preceding year.

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DEBT INFORMATION

Local Debt Limit Statement

(as of November, 2005)

Authorized Debt Limit (Last Completed Assessment for Taxation - \$66,046,314)	\$9,906,947	\$13,209,262
Present Debt Subject to Debt Limits	3,385,000	3,385,000
Margin for Further Debt Under Debt Limits	\$6,521,947	\$ 9,824,262

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 benefited, or for the purpose of paying a municipality's proportion of any betterment program, a portion of which is primarily chargeable to the property benefited. 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.

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Outstanding General Obligation Bonded Debt Subject to Debt Limits
(as of December, 2005)

	Expiration Date	Amount Outstanding
General Obligation Bonds	06/01/01	\$ 960,000
General Obligation Bonds	07/01/04	2,425,000
Total		\$3,385,000

Outstanding Revenue Bonded Debt
(as of December, 2005)

	Expiration Date	Amount Outstanding
Sewer Revenue Bonds	02/01/90	\$325,000
		\$325,000

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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Outstanding Long Term Debt¹²
(as of December, 2005) 377

EXHIBIT

	Year	Amount
Sewer Abatement	1985	\$ 9,298
Certificates of Participation	1994	155,000
Sewer Revolving Fund	1995	579,877
Tax Increment Limited Obligation Bonds	10/1/02	550,000
Total		\$1,294,175

¹² The City anticipates entering into a loan with the Mississippi Development Bank under its Hurricane Katrina Loan Program which will be secured by lawfully available revenues including monies which the City is entitled or becomes entitled to receive from time to time (including, without limitation, any monies paid by the Federal Emergency Management Agency of the United States of America ("FEMA") and which has been designated by FEMA to be paid to the City) pursuant to any law and which is in possession of the Mississippi State Tax Commission, the Mississippi Office of the State Treasurer or any other State agency, department or commission created pursuant to State law.

Annual Debt Service Requirements for General Obligation Indebtedness

Year	Principal	Interest	Total
2006	\$ 150,000.00	\$ 154,262.50	\$ 304,262.50
2007	155,000.00	146,762.50	301,762.50
2008	165,000.00	139,225.00	304,225.00
2009	170,000.00	131,200.00	301,200.00
2010	180,000.00	123,350.00	303,350.00
2011	185,000.00	115,410.00	300,410.00
2012	195,000.00	107,441.26	302,441.26
2013	205,000.00	99,018.76	304,018.76
2014	220,000.00	90,343.76	310,343.76
2015	230,000.00	80,798.76	310,798.76
2016	240,000.00	70,630.00	310,630.00
2017	135,000.00	60,017.50	195,017.50
2018	145,000.00	54,212.50	199,212.50
2019	150,000.00	47,832.50	197,832.50
2020	155,000.00	41,082.50	196,082.50
2021	165,000.00	33,952.50	198,952.50
2022	175,000.00	26,197.50	201,197.50
2023	180,000.00	17,885.00	197,885.00
2024	185,000.00	9,065.00	194,065.00
TOTAL	\$3,385,000.00	\$1,548,687.54	\$4,933,687.54

General Obligation Bonded Debt

	Principal	Interest	Total
Petal Separate School District (2/1/78)	\$ 20,000	\$ 380,000	\$ 400,000
General Obligation Sewer Refunding Bonds (2/15/89)	140,000	205,000	345,000
General Obligation Bonds (6/1/01)	960,000	1,085,000	2,045,000
General Obligation Bonds (7/1/04)	2,425,000	2,500,000	4,925,000
Total	\$3,385,000	\$1,548,687.54	\$4,933,687.54

EXHIBIT "B"

2005	\$3,385,000	5.12%
2004	3,525,000	6.35
2003	1,155,000	2.52
2002	1,305,000	3.87
2001	1,785,000	5.56

Overlapping/Underlying General Obligation Indebtedness
(as of December, 2005)

Forrest County	72,604	\$421,267,647	\$23,177,000	\$319.22
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SOURCE: Office of Chancery Clerk for Forrest County; December, 2005

Petal School District	\$118,281,744	\$0.00
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SOURCE: Superintendent's Office of School District; December, 2005

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THE COMBINED WATER AND SEWER SYSTEM

General

The City owns and operates the System through its Department of Public Works. The water system utilizes four (4) water wells having a capacity of two (2) million gallons per day (MGD). The average daily usage of water is 1.4 MGD with the peak daily usage of water is 1.7 MGD. There is approximately 126 miles of water lines. The sewer system consists of sewer interceptor and transmission lines with the treatment of sewer in the regional sewer plant in Hattiesburg, Mississippi. The City is responsible for collection and transportation of sewer to the regional plant. The average daily usage of sewer is one (1) MGD and peak daily usage of sewer is 1.3 MGD. There is approximately 65 miles of sewer lines.

The City has met all requirements set forth by the Mississippi Department of Natural Resources and the Environmental Protection Agency.

Capital Improvement Program

The City will continue to make normal improvements, extensions and repairs to the System in general conformance with the City's capital improvement plans.

Combined Water and Sewer System Enterprise Fund

The System is maintained as a separate accounting entity and is operated as an "enterprise fund." Such fund is used to account for water and sewer services provided to residents of the City and some residents outside the incorporated area of the City. All activities necessary to provide such services are accounted for in this fund including administration, engineering, pumping and purification, transmission and distribution, financing and debt service and billing collections.

Management of the System

The System is operated by the City's Department of Public Works under administrative control of the Mayor. The Clerk, as the financial officer of the City, maintains the books of accounts and prepares financial statements for the System.

Establishment of Rates

Rates for water and sewer services are established by the Mayor and Board of Aldermen which, if a series of bonds are outstanding, must consider, among other things, the rate covenant contained in the bond resolution. Newly adopted rates become effective as to each user one month after they have been adopted by the Mayor and Board of Aldermen, provided however, that such newly adopted rates may become effective immediately upon the unanimous approval of the Mayor and Board of Aldermen based on a finding of good cause and a statement in the adopting ordinance of the reason why it is necessary that the new rates become effective immediately.

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APPENDIX B

INFORMATION ON THE SYSTEM

Rate Structure

Billings for water and sewer charges are prepared by the City Clerk's office from data entered by the Department of Public Works. The City meter routes are divided into three (3) areas, which allows the utility billings to be prepared on a cycle basis; bills are printed on the 10th, the 20th and the 30th of each month. The following rate structure for water and sewer charges has been in place since December, 2005.

RATE SCHEDULE	
RESIDENTIAL	
WATER	
0-3,000 gallons	\$12.00
for each additional 1,000 gallons used	\$ 2.00
SEWER	
flat rate of \$12.00 per gallon	
COMMERCIAL	
WATER	
0-3,000 gallons	\$12.00
4,000 gallons	\$15.00
for each additional 1,000 gallons used	\$ 2.00
SEWER	
0-3,000 gallons	\$12.00
4,000 gallons	\$12.75
for each additional 1,000 gallons used (sewerage used is 85% of water consumption for sewer usage)	\$ 1.70
SEWER TREATMENT CHARGE	
RESIDENTIAL AND COMMERCIAL	
flat rate	\$5.00

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EXHIBIT "B"

APPENDIX C
FORM OF INDENTURE OF TRUST

APPENDIX D
FORM OF LOAN AGREEMENT

APPENDIX E
FORM OF BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

Upon the delivery of the Series 2006 Bonds, Butler, Snow, O'Mara, Stevens & Connolly, PLLC, Bond Counsel, proposes deliver an opinion in substantially the following form:

Mississippi Development Bank
Jackson, Mississippi

Re: Mississippi Development Bank \$ _____ Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project), dated _____, 2006 (the "Series 2006 Bonds")

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Mississippi Development Bank ("Issuer") of its Series 2006 Bonds pursuant to an Indenture of Trust ("Indenture"), dated as of _____, 2006 between the Issuer and Hancock Bank, Gulfport, Mississippi, as Trustee ("Trustee"). We have examined the law and a certified transcript of proceedings of the Issuer relative to the authorization, issuance and sale of the Series 2006 Bonds and such other papers as we deem necessary to render this opinion, including the Issuer's tax covenants and representations made in the Indenture and tax certificates and the City's (as defined in the Indenture) tax covenants and representations and certificates (collectively, "Tax Representations and Covenants").

Capitalized terms not defined herein shall have the definitions set forth in the Indenture and the Loan Agreement.

We have relied upon the certified transcript of proceedings and other certificates of public officials, including the Tax Representations and Covenants, and have not undertaken to verify any facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, as follows:

1. The Series 2006 Bonds are the valid and binding limited obligations of the Issuer enforceable in accordance with the terms thereof. The Series 2006 Bonds are payable from and secured only by the certain payments and funds to be received by the Issuer and the Trustee and pledged to the Series 2006 Bonds under the Indenture.
2. The Indenture is a valid and binding agreement of the Issuer enforceable in accordance with its terms. The Indenture creates the valid pledge which it purports to create of the Funds and Accounts and the Series 2006 Note, including the investments thereof, subject to the application thereof to the purposes and on the conditions permitted by the Indenture.
3. The Act does not bind or obligate the State of Mississippi to appropriate and pay to the Issuer in any future year the amount duly certified to the State Legislature as necessary to restore the Debt Service Reserve Fund to an amount equal to the Debt Service Reserve Requirement, the language of the Act being permissive only, but there is no constitutional bar to future State Legislatures making such appropriations for such purposes if they elect to do so.
4. Under statutes, decisions, regulations and rulings existing on this date, interest on the Series 2006 Bonds is exempt from income taxation in the State of Mississippi. This opinion relates only to the tax exemption of interest on the Series 2006 Bonds from State income tax.

EXHIBIT "B"

5. Under federal statutes, decisions, regulations and rulings existing on this date interest on the Series 2006 Bonds is excludable from gross income for purposes of federal income taxation pursuant to Section 103 of the Internal Revenue Code of 1986, as amended and in effect on this date (the "Code"). This opinion relates only to the exclusion from gross income of interest on the Series 2006 Bonds for federal income tax purposes under Section 103 of the Code and are conditioned on continuing compliance by the Issuer and the City with the Tax Representations and Covenants. Failure to comply with the Tax Representations and Covenants could cause interest on the Series 2006 Bonds to lose the exclusion from gross income for federal income tax purposes retroactive to their date of issue. No opinion is expressed upon the consequences of owning the Series 2006 Bonds under any section of the Code other than Section 103.

6. To the best of our knowledge, the information contained in the Official Statement under the captions "INTRODUCTION," "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2006 BONDS," "DESCRIPTION OF THE SERIES 2006 BONDS," "APPLICATION OF THE PROCEEDS OF THE SERIES 2006 BONDS," "REVENUE, FUNDS AND ACCOUNTS UNDER THE INDENTURE," "OPERATION OF FUNDS AND ACCOUNTS UNDER THE INDENTURE," "THE LOAN AGREEMENT AND THE SERIES 2006 NOTE," "TAX MATTERS," "LEGAL MATTERS," "CONTINUING DISCLOSURE," "MISCELLANEOUS" and in APPENDIX C and D insofar as such information purports to summarize certain provisions of the Bond Documents, presents a fair and accurate statement of such provisions. To the best of our knowledge, the information under the aforesaid captions does not contain any untrue statement of a material fact or omit to state a material fact required to be stated or necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading in any material respect.

It is to be understood that the rights of the owners of the Series 2006 Bonds and the enforceability of the Series 2006 Bonds and the Indenture may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and that their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Very truly yours,

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

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CONTINUING DISCLOSURE AGREEMENT
BY AND AMONG THE MISSISSIPPI DEVELOPMENT BANK,
THE CITY OF PETAL, MISSISSIPPI
AND THE _____, MISSISSIPPI,
AS TRUSTEE

DATED AS OF _____, 2006

In Connection with the Sale and Issuance of \$_____ Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project), dated as of _____, 2006 (the "Series 2006 Bonds");

WHEREAS, the Mississippi Development Bank (the "Bank") has heretofore authorized the issuance of the Series 2006 Bonds which are more particularly described in the Official Statement of the Bank in connection with the Series 2006 Bonds, dated _____, 2006 (the "Official Statement"); and

WHEREAS, the Bank has sold the Series 2006 Bonds through competitive sale to _____ (the "Original Purchaser"); and

WHEREAS, in the Bond Purchase Agreement and the Preliminary Official Statement, dated _____, 2006 (the "Preliminary Official Statement"), the Bank has heretofore acknowledged that the Original Purchaser may not purchase or sell the Series 2006 Bonds unless it has reasonably determined that the Bank has undertaken in a written agreement for the benefit of the holders or beneficial owners of the Series 2006 Bonds to provide certain continuing disclosure information as required by Securities and Exchange Commission Rule 15c2-12(b)(5) (the "Rule"), and the Bank desires to assist the Original Purchaser of the Series 2006 Bonds in complying with the Rule; and

WHEREAS, in order to assist the Original Purchaser in complying with the Rule, the Bank and the City of Petal, Mississippi (the "City") have agreed to enter into this Continuing Disclosure Agreement (the "Agreement") with Hancock Bank, Gulfport, Mississippi (the "Trustee"), for the benefit of the holders from time to time of the Series 2006 Bonds to provide certain information as required by the Rule (as hereinafter defined).

NOW, THEREFORE, THE BANK AND THE CITY HEREBY REPRESENT, COVENANT AND AGREE AS FOLLOWS:

SECTION 1. Definitions. In addition to the terms defined above, the following capitalized terms shall have the meanings ascribed thereto below. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

"Bank Annual Financial Information" shall mean the information summarized herein below under the heading "Annual Financial Information - Bank Undertaking."

"City Annual Financial Information" shall mean the information summarized herein below under the heading "Annual Financial Information - City Undertaking."

"Independent Accountant" shall mean any firm of certified public accountants appointed by the City as independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants or the State Auditor.

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APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for the purposes of the Rule. Currently, the following are National Repositories:

Bloomberg Municipal Repository
100 Business Park Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Fax: (609) 279-5962
E-Mail: Munis@Bloomberg.com

Standard & Poor's Securities Evaluations, Inc.
55 Water Street, 45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Fax: (212) 438-3975
E-Mail: NRMSR_repository@spandp.com

DPC Data Inc.
1 Executive Drive
Fort Lee, NJ 07024
Telephone: (201) 346-0701
Fax: (201) 947-0107
E-Mail: nrmair@dpcdata.com

FT Interactive Data
Attn: NRMSTR
100 William Street
New York, NY 10038
Telephone: (212) 771-6999
Fax: (212) 771-7390
E-Mail: nrmstr@ftid.com

"Repository" shall mean each National Repository and each State Repository.

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

"State" shall mean the State of Mississippi.

"State Repository" shall mean any public or private repository or entity designated by the State as a State repository for the purposes of the Rule. As of the date of this Agreement, there is no State Repository.

SECTION 2. General. Nothing in this Agreement shall prevent the Bank, or the City from disseminating any information in addition to that required by this Agreement. If the Bank or the City disseminates any such additional information, neither the Bank nor the City, respectively, shall have any obligation to update such information or include it in any further materials disseminated. All expenses and any other costs incurred by the Bank, the City, or the Trustee in complying with this Agreement shall be paid by the City.

SECTION 3. Bank Undertaking. The Bank hereby agrees for the benefit of the holders of the Series 2006 Bonds to provide:

- (a) to each Repository no later than 180 days after the end of each fiscal year
 - (i) the Bank Annual Financial Information for such fiscal year; or
 - (ii) notice of the Bank's failure to provide the Bank Annual Financial Information; and
- (b) (i) to each Repository or to the Municipal Securities Rulemaking Board and the State Repository, if any, in a timely manner, notice of any of the following events:
 - (A) principal and interest payment delinquencies; (B) non-payment related defaults; (C) unscheduled draws on debt service reserves reflecting financial difficulties;

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CITY OF PETAL
MINUTE BOOK 25

EXHIBIT "B"

(D) unscheduled draws on credit enhancements reflecting financial difficulties; (E) substitution of credit or liquidity providers or their failure to perform; (F) adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds; (G) modifications to rights of holders of the Series 2006 Bonds; (H) Series 2006 Bond calls; (I) defeasances; (J) release, substitution or sale of property securing repayment of the Series 2006 Bonds; and (K) rating changes; and

(c) to each Repository, in a timely manner, events which, in the opinion of an authorized officer of the Bank, had, or will have, a material effect on the financial condition or operations of the Bank.

SECTION 4. City Undertaking. The City hereby agrees for the benefit of holders of the Series 2006 Bonds to deliver, or cause to be delivered:

(a) to each Repository no later than 180 days after the end of each fiscal year

(i) the City's Annual Financial Information relating to such fiscal year together with audited financial statements of the combined water and sewer system (the "System") for such fiscal year if audited financial statements are then available; provided, however, that if audited financial statements are not then available, the City shall deliver or cause to be delivered such audited financial statements, if any, to each Repository when they become available (but in no event later than 350 days after the end of such fiscal year); or

(ii) notice of the failure of the City to provide the City Annual Financial Information; and

(b) to each Repository or to the Municipal Securities Rulemaking Board and the State Repository, if any, in a timely manner, notice of any of the following events:

(A) principal and interest payment delinquencies; (B) non-payment related defaults; (C) unscheduled draws on debt service reserves reflecting financial difficulties; (D) unscheduled draws on credit enhancements reflecting financial difficulties; (E) substitution of credit or liquidity providers or their failure to perform; (F) adverse tax opinions or events affecting the tax-exempt status of the Series 2006 Bonds; (G) modifications to rights of holders of the Series 2006 Bonds; (H) Series 2006 Bond calls; (I) defeasances; (J) release, substitution or sale of property securing repayment of the Series 2006 Bonds; and (K) rating changes; and

(c) to each Repository in writing, in a timely manner notice of events which, in the opinion of an authorized officer of the City had, or will have, a material effect on the financial condition or operations of the City or the System.

SECTION 5. Annual Financial Information.

General. The contents, presentation and format of the Bank Annual Financial Information and the City Annual Financial Information may be modified from time to time as determined in the judgment of the Bank and the City to conform to changes in the Rule to disclosure principles or practices and legal requirements followed by or applicable to the Bank or the City, provided that such modifications shall comply with the requirements of the Rule.

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Bank Undertaking Bank Annual Financial Information is defined to include:

(a) a brief narrative discussion of the results of operations and financial condition to the Bank for such fiscal year if financial statements for such fiscal year have been prepared; and

(b) updated financial and operating information relating to the following sections of the Official Statement: "THE MISSISSIPPI DEVELOPMENT BANK."

City Undertaking City Annual Financial Information is defined to include:

(a) a brief narrative discussion of the results of operations and financial condition of the City and the System for such fiscal year; and

(b) updated financial and operating information relating to the City and the System set forth in the tables and text in the following sections of the Official Statement: "APPENDIX A - INFORMATION ON THE CITY" and "APPENDIX B - INFORMATION ON THE SYSTEM."

SECTION 6. Financial Statements. The annual financial statements for the City and the System for each fiscal year shall be prepared in accordance with generally accepted accounting principles in effect from time to time. Such financial statements shall be audited by an Independent Accountant.

SECTION 7. Remedies. This Agreement is enforceable in accordance with its terms by any Bondholder either directly or as a third party beneficiary. Any Bondholder shall have the right, for the equal benefit and protection of all Bondholders, by mandamus or other suit or proceeding at law or in equity, to enforce its rights against the Bank and the City and any of the officers, agents and employees of the Bank and the City, and to compel the Bank and the City or any such officers, agents or employees to perform and carry out their duties under their respective undertakings; provided that such rights shall be limited to an action to compel specific enforcement of the obligations of the Bank and the City hereunder and shall not include any rights to monetary damages.

The Trustee shall not be obligated or liable to any Bond Owner or other party with respect to any aspect of the implementation, operation or enforcement of any Undertaking set forth herein. If the Trustee is made a party to any litigation or legal action involving any Undertaking, the City shall pay the legal fees and related costs and expenses of the Trustee in connection with such litigation or legal action.

SECTION 8. Amendments. This Agreement may be amended, changed or modified pursuant to a written instrument signed by the Bank, the City, and the Trustee, without the consent of any of the Bondholders, (a) to comply with the provisions of the Rule, (b) to cure any ambiguity, remedy any omission, or cure or correct any defect or inconsistent provision in the undertakings of the Bank and the City, or (c) if the Bank or the City make a determination that any such amendment will not have a material adverse effect on the interest of the Bondholders; provided, that any such amendment, change or modification comply with the provisions of the Rule.

SECTION 9. Parties in Interest; Governing Law. This Agreement is executed and delivered for the sole benefit of the holders of the Series 2006 Bonds and shall be governed by the laws of the State.

SECTION 10. Termination. The undertaking of the Bank and the City hereunder shall terminate on the earlier of (a) July 31, 2006, in the event that the Series 2006 Bonds have not been issued by such date; (b) such date that the Rule, or the provisions thereof are no longer effective; or (c) the date upon which there are no Outstanding Series 2006 Bonds.

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SECTION 11. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[remainder of page left blank intentionally]

IN WITNESS WHEREOF, the Bank, the City and the Trustee each have caused this Agreement to be executed by its respective officers, duly authorized, all as of the date first above written.

MISSISSIPPI DEVELOPMENT BANK

By _____
Executive Director

ATTEST:

By _____
Secretary

(SEAL)

THE CITY OF PETAL, MISSISSIPPI

By _____
Mayor

ATTEST:

By _____
City Clerk

ACCEPTED BY:

HANCOCK BANK
GULFPORT, MISSISSIPPI, as Trustee

By _____
Title _____

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EXHIBIT "B"

APPENDIX G
CITY OF PETAL MISSISSIPPI
FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2004
AND
BUDGETS FOR FISCAL YEARS ENDING SEPTEMBER 30, 2005 AND 2006

AUDITED FINANCIAL STATEMENT
FOR
FISCAL YEAR ENDED SEPTEMBER 30, 2004

BUDGET FOR FISCAL YEAR ENDING
SEPTEMBER 30, 2005

BUDGET FOR FISCAL YEAR ENDING
SEPTEMBER 30, 2006

EXHIBIT "B"

Board of Directors
Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, Mississippi 39202

Ladies and Gentlemen:

The undersigned hereby offers to purchase all, but not less than all, of the \$ aggregate principal amount of the Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) of the Mississippi Development Bank (the "Bank"), to be dated the date of delivery thereof (the "Series 2006 Bonds") described below. The Series 2006 Bonds shall bear interest from the date of delivery thereof, until their maturity at the respective rates per annum stated below.

We offer to purchase the Series 2006 Bonds at a price, not less than par, of Dollars (\$).

Series 2006 Bonds
Maturity Schedule

Maturity	Principal Amount	Interest Rate	Maturity	Principal Amount	Interest Rate
2007	\$	%	2017	\$	%
2008			2018		
2009			2019		
2010			2020		
2011			2021		
2012			2022		
2013			2023		
2014			2024		
2015			2025		
2016					

The Series 2006 Bonds will be dated the date of delivery thereof. The first interest payment will be due on January 1, 2007. The first principal amount due will be payable on July 1, 2007. The Series 2006 Bonds are subject to redemption as set forth in the Preliminary Official Statement, dated , 2006 (the "Preliminary Official Statement").

We enclose a certified or official bank check payable to the order of the Mississippi Development Bank for \$, as a good faith deposit.

We hereby acknowledge receipt of a copy of the Preliminary Official Statement.

EXHIBIT D
FORM OF OFFICIAL FORM OF PROPOSAL

This proposal is to be submitted to Government Consultants, Inc. at their offices located at 1830 Crane Ridge Drive, Jackson, Mississippi, on or before o'clock .m. on , 2006. Government Consultants, Inc. will present the lowest and best proposal to the Executive Director and Secretary of the Bank for approval and execution before o'clock .m. on , 2006, acting for and on behalf of the Bank pursuant to authority granted by and subject to the terms and provisions of a resolution adopted on December 14, 2005 by the Board of Directors of the Bank (the "Bank Resolution").

Said approval of the Bank will be subject to subsequent approval by the Mayor of the City of Petal, Mississippi (the "City"), pursuant to authority granted by a resolution adopted by the City on December 20, 2005 (the "City Resolution").

BIDDER: _____
BY: _____
TITLE: _____

STATEMENT OF NET INTEREST COST
(Not a part of this bid)

Based upon the interest rate or rates specified herein, we compute the gross interest cost to the Bank to be \$, the net interest cost (deducting premium of \$, if any) to be \$, and the average annual net interest rate from the date of the Series 2006 Bonds to their respective maturities to be %.

If there is a discrepancy as between the actual interest cost computed upon the rates 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.

Return of good faith deposit is hereby acknowledged.

DATE: _____
BY: _____

ACCEPTANCE BY THE BANK

The above proposal is accepted by the Executive Director and Secretary of the Mississippi Development Bank, pursuant to authority granted by the Bank Resolution, and receipt of the within-mentioned check for and on behalf of the Bank is hereby acknowledged.

MISSISSIPPI DEVELOPMENT BANK

(SEAL) BY: _____
Executive Director
ATTESTED:
By: _____
Secretary

Signature page for OFFICIAL FORM OF PROPOSAL \$ MISSISSIPPI DEVELOPMENT BANK SPECIAL OBLIGATION BONDS, SERIES 2006 (PETAL, MISSISSIPPI COMBINED WATER AND SEWER SYSTEM PROJECT), dated , 2006.

APPROVAL OF THE CITY

The above proposal is accepted by the Mayor of the City of Petal, Mississippi, pursuant to the City Resolution, acting for and on behalf of the City.

CITY OF PETAL, MISSISSIPPI

(SEAL)

BY: _____
Mayor

CITY OF PETAL
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EXHIBIT "B"

EXHIBIT E

FORM OF BOND PURCHASE AGREEMENT

Signature page for OFFICIAL FORM OF PROPOSAL 3 MISSISSIPPI DEVELOPMENT
BANK SPECIAL OBLIGATION BONDS, SERIES 2006 (PETAL, MISSISSIPPI COMBINED WATER
AND SEWER SYSTEM PROJECT), dated _____, 2006.

Jackson 1118128v.2

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§
MISSISSIPPI DEVELOPMENT BANK
SPECIAL OBLIGATION BONDS, SERIES 2006
(PETAL, MISSISSIPPI
COMBINED WATER AND SEWER SYSTEM PROJECT)
BOND PURCHASE AGREEMENT

_____, 2006

Attention: William T. Barry, Executive Director
Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, Mississippi 39202

Ladies and Gentlemen:

The undersigned _____ (the "Underwriter"), offers to enter into the following agreement with the Mississippi Development Bank (the "Bank") and the City of Petal, Mississippi (the "City") which, upon your acceptance of this offer as evidenced by your execution hereof, will be in full force and effect in accordance with its terms and binding upon you, the Underwriter and the City.

This offer is made subject to acceptance by you of this agreement on or before _____ o'clock _____ M., Central Standard Time on _____, 2006. Unless otherwise provided, the terms used in this Bond Purchase Agreement shall have the meanings set forth in the form of the Indenture of Trust to be dated as of the date of delivery of the Series 2006 Bonds, as hereinafter defined (the "Indenture"), by and between the Bank and _____, Mississippi (the "Trustee"), as previously approved by the Bank.

1. Upon the terms and conditions and upon the basis of the representations, warranties and covenants hereinafter set forth, the Underwriter hereby agrees to purchase from the Bank for offering to the public, and the Bank hereby agrees to sell to the Underwriter for such purpose, all (but not less than all) of the \$_____ aggregate principal amount of the Bank's Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) (the "Series 2006 Bonds"), at the purchase price of \$_____ (such price representing the principal amount of the Series 2006 Bonds less \$_____ of original issue discount). The Series 2006 Bonds will be limited obligations of the Bank and will be issued under and pursuant to, and are to be secured by, the Indenture and a Tax Intercept Agreement entered into between the Bank and the City, to be dated as of the delivery date of the Series 2006 Bonds (the "Tax Intercept Agreement"). The Series 2006 Bonds shall mature on the date or stated, shall bear interest payable on January 1, 2007, and semiannually thereafter on 1 and July 1 in each year, at the rate or rates as stated, shall be redeemable prior to and shall have the other terms and provisions as stated in the Indenture.

2. The Underwriter intends to make an initial bona fide public offering of all of the Series 2006 Bonds at the initial public offering price or prices (or at yield or yields) set forth on EXHIBIT I. After such initial bona fide public offering, the Underwriter reserves the right to change such initial offering price or prices (or yield or yields) without any requirement of prior notice. The foregoing notwithstanding, the Underwriter may offer and sell the Series 2006 Bonds to certain dealers (including dealers depositing the Series 2006 Bonds into investment trusts) at prices lower (or yields higher) than the public offering prices (or yields) set forth in EXHIBIT I. In making such initial offering, the Underwriter agrees to comply with all securities laws, rules and regulations applicable to the Underwriter and the Series 2006 Bonds in connection with such initial offering.

3. As soon as practicable after the date hereof, and in any event not later than seven business days from the date hereof, the Bank shall deliver to the Underwriter not to exceed _____ copies of the final Official Statement dated the date hereof (the "Official Statement"), at the cost of the City executed by the Bank (which Official Statement shall be substantially in the form of the Preliminary Official Statement dated _____, 2006 (the "Preliminary Official Statement"), incorporating only such changes as are contained in the draft Official Statement and such other changes from such Preliminary Official Statement as are approved by the Bank, the Underwriter and the City. The Bank and City authorize the use of the Official Statement (or drafts thereof prior to availability of the Official Statement) in connection with the public offering or sale of the Series 2006 Bonds and ratify and approve the prior use of the Preliminary Official Statement. If between the date of this Bond Purchase Agreement and the date which is 90 days after the end of the underwriting period for the Series 2006 Bonds, as defined in paragraph (e)(2) of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("Rule 15c2-12"), any event shall occur or be discovered which would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Bank and the City shall notify the Underwriter thereof, and if in the opinion of the Bank and the City or the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Bank and the City, at the sole expense of the City, will supplement or amend the Official Statement in a form and in a manner approved by the Underwriter and will furnish such supplemented or amended Official Statement to the Underwriter in sufficient quantity to enable the Underwriter to comply with paragraph (b)(4) of Rule 15c2-12 and the Rules of the Municipal Securities Rulemaking Board (the "MSRB"); provided, however, that if such event shall occur on or prior to the Closing (as hereinafter defined) and if in the opinion of the Underwriter the occurrence of such event materially and adversely affects the market for the Series 2006 Bonds, the Underwriter in its sole discretion shall have the right to terminate its obligations hereunder by written notice to the Bank and the City (whereupon the Bank and the City shall have no obligation under this paragraph to supplement or amend the Official Statement), and thereafter the Underwriter shall be under no obligation to purchase and pay for the Series 2006 Bonds. The Bank and the City agree that they shall not, prior to the date which is 90 days after the end of the underwriting period, adopt any amendment of or supplement to the Official Statement except as set forth in this paragraph. The Underwriter agrees to notify the Bank and the City of the end of such underwriting period; provided that the failure to give such notice shall not affect the Bank's responsibilities herein.

The City will reimburse the Underwriter against any losses, claims, damages or liabilities, joint or several, to which the Underwriter may become subject insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in the Official Statement, or any amendment or supplement thereto, or arise out of or are based upon the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and the City will reimburse the Underwriter for any legal or other expenses reasonably incurred by the Underwriter in connection with investigating or defending any such action or claim. The obligations of the City in this paragraph shall be in addition to any other obligations which the City may otherwise have.

The Bank represents that it has, or agrees to: authorize, execute and deliver the Indenture, the Tax Intercept Agreement, this Bond Purchase Agreement and the Loan Agreement, to be dated as of the delivery date of the Series 2006 Bonds, between the City and the Bank (the "Loan Agreement"), which is secured by the City's \$_____ Promissory Note (Petal, Mississippi Combined Water and Sewer System Project) (the "Series 2006 Note"), and which is to be executed by the City and assigned by the Bank to the Trustee, and the Continuing Disclosure Agreement relating to the Series 2006 Bonds (the "Continuing Disclosure Agreement") prior to the Closing Date with only such changes therein from the forms thereof on the date hereof as are approved by the Underwriter, the Closing in all events to be deemed such approval.

The City has authorized and agrees to execute and deliver the Loan Agreement, the Series 2006 Note, this Bond Purchase Agreement, the Tax Intercept Agreement and the Continuing Disclosure Agreement.

4. The Bank hereby represents and warrants to and covenants with the Underwriter that:

(a) The Bank is and will be as of the date of the Closing a public body corporate and politic of the State of Mississippi.

(b) The Bank is and will be as of the date of Closing authorized under the laws of the State of Mississippi, including particularly the Act to: (i) adopt such resolutions as are necessary to approve the issuance of the Series 2006 Bonds; (ii) issue the Series 2006 Bonds for the purposes described in the Official Statement; (iii) lend the proceeds of the Series 2006 Bonds to the City for the purposes set forth in the Official Statement; (iv) enter into, execute and deliver this Bond Purchase Agreement, the Indenture, the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Official Statement; and (v) pledge and assign to the Trustee certain of the Bank's rights under the Loan Agreement and the Series 2006 Note, pursuant to the Indenture, as security for the payment of the Series 2006 Bonds.

(c) The Bank has full power and authority to consummate the transactions contemplated to be consummated by it pursuant to this Bond Purchase Agreement, the Series 2006 Bonds, the Indenture, the Loan Agreement, the Tax Intercept Agreement and the Official Statement.

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CITY OF PETAL MINUTE BOOK 25

EXHIBIT "B"

(d) The information contained in the sections of the Preliminary Official Statement and the Official Statement captioned "INTRODUCTION" (to the extent applicable to the Bank), "Purpose of the Series 2006 Bonds", "THE MISSISSIPPI DEVELOPMENT BANK", "LITIGATION" (to the extent applicable to the Bank), and "VALIDATION" is, in the case of the Preliminary Official Statement, and, in the case of the Official Statement will be on the date thereof and as of the date of Closing, true and correct in all material respects; such sections of the Preliminary Official Statement do not contain and such sections of the Official Statement will not, as of the date of delivery of the Official Statement or as of the date of Closing, contain any untrue statement of a material fact; and such sections of the Preliminary Official Statement do not omit and such sections of the Official Statement will not omit as of the date of delivery of the Official Statement or the date of Closing, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) The Bank shall have prior to the Closing duly authorized all necessary action to be taken by it for (i) the issuance and sale of the Series 2006 Bonds upon the terms set forth herein, in the Official Statement and in the Indenture; (ii) the loan of the proceeds thereof to the City and the use of such proceeds as contemplated by the Official Statement; (iii) the execution, delivery and/or receipt of this Bond Purchase Agreement, the Indenture, the Loan Agreement, the Series 2006 Bonds, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Official Statement, the approval and the execution, delivery, receipt and/or approval of any and all such other agreements and documents as may be required to be executed, delivered and received by the Bank in order to carry out, give effect to and consummate the transactions contemplated hereby and by the Official Statement; and (iv) the effectuation and consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, the Indenture, the Loan Agreement and the Tax Intercept Agreement.

(f) The Series 2006 Bonds, when issued, delivered and paid for as herein and in the Indenture provided, will have been duly authorized and issued and will constitute valid and binding special limited obligations of the Bank enforceable in accordance with their terms and entitled to the benefits and security of the Indenture (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights from time to time in effect and further subject to the availability of equitable remedies).

(g) No event affecting the Bank has occurred since the date of the Preliminary Official Statement, or is expected by the Bank to occur, which should be described in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of the circumstances under which they were made, not misleading.

(h) The resolution of the Bank, authorizing the issuance and sale of the Series 2006 Bonds adopted on December 14, 2005 (the "Bank Resolution"), has not been modified, amended or repealed and is in full force and effect on the date hereof.

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(i) The Bank will direct the Trustee to apply the proceeds from the sale of the Series 2006 Bonds immediately after the Closing as specified in the Indenture and in any instructions delivered at Closing by an authorized officer of the Bank.

(j) The Bank is in compliance with all material laws and regulations applicable to it and its operations which, if violated by the Bank, could adversely affect the Bank's ability to take the actions contemplated hereby and by the Official Statement, the Loan Agreement, the Indenture, the Continuing Disclosure Agreement and the Tax Intercept Agreement.

(k) The Bank is not, in any way which could adversely affect the Bank's ability to take the actions contemplated hereby and by the Official Statement, the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Indenture, in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it or its property is or may be bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default hereunder which could adversely affect the Bank's ability to take the actions contemplated hereby or by the Official Statement, the Loan Agreement, the Tax Intercept Agreement, or the Indenture.

(l) The execution and delivery by the Bank of this Bond Purchase Agreement, the Official Statement, the Series 2006 Bonds, the Indenture, the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the other documents contemplated hereby and by the Preliminary Official Statement, the assignment to the Trustee of certain of the Bank's rights under the Loan Agreement and the Series 2006 Note and the compliance by the Bank with the provisions of each of the foregoing documents will not, to any extent or in any way which could adversely affect the Bank's ability to take the actions contemplated hereby and by the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Indenture, conflict with or constitute on the part of the Bank a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage or loan agreement by which the Bank or its property is or may be bound.

(m) Other than the anticipated court proceedings to validate the Series 2006 Bonds, no litigation or proceeding to which the Bank is a party is pending or, to the knowledge of the Bank, threatened against or affecting the Bank (i) contesting the due organization or valid existence of the Bank, (ii) to restrain or enjoin the issuance or delivery of the Series 2006 Bonds, the application of the proceeds thereof, the functioning of the Bank or the payment, collection or application of revenues pursuant to the Indenture, the Loan Agreement, the Tax Intercept Agreement or the Series 2006 Note, (iii) in any way contesting or affecting any authority for, or the validity or execution of the Series 2006 Bonds, the Indenture, the Loan Agreement and the Tax Intercept Agreement or this Bond Purchase Agreement, the application of the proceeds of the Series 2006 Bonds or the payment, collection or application of revenues or the pledge thereof pursuant to the Indenture, Loan Agreement or the Series 2006 Note, or (iv) in any way contesting the right and power of the Bank to take the actions to be taken by the

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Bank contemplated by such documents. To the knowledge of the Bank, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any Court, public board or body pending or threatened against or affecting the Bank (or any meritorious basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of any agreement or instrument to which the Bank is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement.

(n) The Bank covenants that between the date hereof and the Closing it will not take any action or permit any action within its control to be taken which will cause the representations and warranties of the Bank made herein to be untrue as of the Closing.

(o) The Bank agrees to cooperate with the Underwriter in any endeavor to qualify the Series 2006 Bonds for offering and sale under the securities or "blue sky" laws of each jurisdiction of the United States as the Underwriter may request. The Bank consents to the use of drafts of the Preliminary Official Statement and drafts of the Official Statement prior to the availability of the Official Statement by the Underwriter in obtaining such qualification.

(p) The Bank agrees that all representations, warranties and covenants made by it hereunder shall remain in full force and effect despite any investigation by or on behalf of the Underwriter and shall survive any termination of this Bond Purchase Agreement.

5. The City hereby represents and warrants to and covenants with the Underwriter that:

(a) The City is and will be as of the date of the Closing a municipality organized and existing under the laws of the State of Mississippi.

(b) The City is and will be as of the date of Closing authorized under the laws of the State of Mississippi, including particularly the Act to: (i) adopt such resolutions as are necessary to approve the borrowing of the proceeds of the Series 2006 Bonds; (ii) execute and deliver the Series 2006 Note for the purposes described in the Official Statement; (iii) borrow the proceeds of the Series 2006 Bonds from the Bank for the purposes set forth in the Official Statement; (iv) enter into, execute and deliver this Bond Purchase Agreement, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement and the Continuing Disclosure Agreement; and (v) approve the pledge and assignment to the Trustee of certain of the Bank's rights under the Loan Agreement and the Series 2006 Note, pursuant to the Indenture, as security for the payment of the Series 2006 Bonds.

(c) The City has full power and authority to consummate the transactions contemplated to be consummated by it pursuant to this Bond Purchase Agreement, the Series 2006 Bonds, the Indenture, the Loan Agreement, the Series 2006 Note, the

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Continuing Disclosure Agreement, the Tax Intercept Agreement and the Official Statement.

(d) The information contained in the Preliminary Official Statement and the Official Statement is, in the case of the Preliminary Official Statement, and, in the case of the Official Statement will be on the date thereof and as of the date of Closing, true and correct in all material respects; the Preliminary Official Statement does not contain and the Official Statement will not, as of the date of delivery of the Official Statement or as of the date of Closing, contain any untrue statement of a material fact; and the Preliminary Official Statement does not omit and the Official Statement will not omit as of the date of delivery of the Official Statement or the date of Closing, to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(e) The City shall have prior to the Closing duly authorized all necessary action to be taken by it for (i) approving the borrowing of the proceeds of the Series 2006 Bonds from the Bank and the use of such proceeds as contemplated by the Official Statement; (ii) the execution, delivery and/or receipt of this Bond Purchase Agreement, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Official Statement, the approval and the execution, every, receipt and/or approval of any and all such other agreements and documents as be required to be executed, delivered and received by the City in order to carry out, effect to and consummate the transactions contemplated hereby and by the Official statement; and (iii) the effectuation and consummation of the transactions contemplated by this Bond Purchase Agreement, the Official Statement, the Series 2006 Note, the Tax Intercept Agreement, the Continuing Disclosure Agreement, the Indenture and the Loan Agreement.

(f) The Series 2006 Note, when issued, delivered and paid for as herein and in the Indenture provided, will have been duly authorized and issued and will constitute a valid and binding obligation of the City enforceable in accordance with its terms (subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other similar laws affecting the enforcement of creditors' rights from time to time in effect and further subject to the availability of equitable remedies).

(g) No event affecting the City has occurred since the date of the Preliminary Official Statement, or is expected by the City to occur, which should be described in the Official Statement for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein, in light of which they were made, not misleading.

(h) The resolution of the City, authorizing the borrowing of the proceeds of the Series 2006 Bonds, adopted on December 20, 2005 (the "City Resolution"), has not been modified, amended or repealed and is in full force and effect on the date hereof.

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Indenture, the Loan Agreement or the Series 2006 Note, or (iv) in any way contesting the right and power of the City to take the actions to be taken by the City contemplated by such documents. To the knowledge of the City, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any Court, public board or body pending or threatened against or affecting the City (or any meritorious basis therefor) wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby or by the Official Statement or the validity of any agreement or instrument to which the City is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the Official Statement.

(n) The City covenants that between the date hereof and the Closing it will not take any action or permit any action within its control to be taken which will cause the representations and warranties of the City made herein to be untrue as of the Closing.

(o) The City agrees to cooperate with the Underwriter in any endeavor to qualify the Series 2006 Bonds for offering and sale under the securities or "blue sky" laws of such jurisdictions of the United States as the Underwriter may request. The City consents to the use of drafts of the Preliminary Official Statement and drafts of the Official Statement prior to the availability of the Official Statement by the Underwriter in obtaining such qualification.

(p) The City agrees that all representations, warranties and covenants made by it hereunder shall remain in full force and effect despite any investigation by or on behalf of the Underwriter and shall survive any termination of this Bond Purchase Agreement.

6. At _____ o'clock _____ M., Central Standard Time, on _____, 2006 or at such other time or such other date, as shall have been mutually agreed upon by the Bank, the City and the Underwriter, the Bank will deliver, or cause to be delivered, to the Underwriter the Series 2006 Bonds, in a form acceptable to Bond Counsel, duly executed and duly authenticated by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Series 2006 Bonds in immediately available funds by check or wire transfer or transfers.

Delivery of the Series 2006 Bonds as aforesaid shall be made at such location in New York, New York as is mutually agreed upon by the Underwriter, the Bank and the Trustee. Concurrent with such delivery, the Bank and the City shall deliver the certificates, reports and documents described in Section 8 hereof at the offices of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi. Such delivery is herein called the "Closing." The Series 2006 Bonds will be delivered to The Depository Trust Company as definitive fully registered bonds in denominations equal to the principal amount of each maturity.

The Underwriter shall have the right to cancel its obligation to purchase the Series 2006 Bonds between the date hereof and the Closing, (a) legislation shall be enacted or be pending for enactment by the Congress of the United States, or adopted or pending for action by either House of Congress, or recommended to the Congress for passage by the Congress of the United States, or favorably reported for passage to either House of the Congress

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CITY OF PETALUMA MINUTE BOOK 25

EXHIBIT "B"

(i) The City will direct the Bank to apply the proceeds from the sale of the Series 2006 Bonds immediately after the Closing as specified in the Indenture and in any instructions delivered at Closing by an authorized officer of the City.

(j) The City is in compliance with all material laws and regulations applicable to it and its operations which, if violated by the City, could adversely affect the City's ability to take the actions contemplated hereby and by the Official Statement, the Loan Agreement, the Indenture, the Continuing Disclosure Agreement and the Tax Intercept Agreement.

(k) The City is not, in any way which could adversely affect the City's ability to take the actions contemplated hereby and by the Official Statement, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Indenture, in breach of or in default under any existing law, court or administrative regulation, decree, order, agreement, indenture, mortgage, lease, sublease or other instrument to which it is a party or by which it or its property is or may be bound, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default thereunder which could adversely affect the City's ability to take the actions contemplated hereby or by the Official Statement, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement, the Continuing Disclosure Agreement or the Indenture.

(l) The execution and delivery by the City of this Bond Purchase Agreement, the Series 2006 Note, the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the other documents contemplated hereby and by the Preliminary Official Statement, the Official Statement and the Series 2006 Note and the compliance by the City with the provisions of each of the foregoing documents will not, to any extent or in any way which could adversely affect the City's ability to take the actions contemplated hereby and by the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and the Indenture, conflict with or constitute on the part of the City a breach of or a default under any existing law, court or administrative regulation, decree or order or any agreement, indenture, mortgage or loan agreement by which the City or its property is or may be bound.

(m) Other than the anticipated court proceedings to validate the Series 2006 Bonds, no litigation or proceeding to which the City is a party is pending or, to the knowledge of the City, threatened against or affecting the City (i) contesting the due organization or valid existence of the City, (ii) to restrain or enjoin the issuance or delivery of the Series 2006 Bonds or the Series 2006 Note, the application of the proceeds thereof, the functioning of the City or the payment, collection or application of revenues pursuant to the Indenture, the Loan Agreement, the Tax Intercept Agreement or the Series 2006 Note, (iii) in any way contesting or affecting any authority for, or the validity or execution of the Series 2006 Bonds, the Indenture, the Loan Agreement, the Continuing Disclosure Agreement and the Tax Intercept Agreement or this Bond Purchase Agreement, the application of the proceeds of the Series 2006 Bonds or the payment, collection or application of revenues or the pledge thereof pursuant to the

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by any committee of such House to which such legislation has been referred for consideration, a decision by a court of competent jurisdiction of the United States or the United States Tax Court shall be rendered, or a ruling, regulation, temporary regulation or official release or statement by or on behalf of any agency of the federal government shall be made or proposed to be made which, in the reasonable judgment of the Underwriter materially adversely affects the market price or marketability of the Series 2006 Bonds, or the market price or marketability generally of obligations of the general character of the Series 2006 Bonds, (h) there shall be proposed or pending for consideration any legislative body (or committee thereof) of the State of Mississippi, or any such legislation shall have been adopted or approved, which, in the reasonable judgment of the Underwriter has the effect of adversely affecting the exemption of interest on the Series 2006 Bonds from all Mississippi taxation, except estate and transfer taxes, (c) any event shall have occurred or information shall have become known which, in the reasonable judgment of the Underwriter either (i) makes untrue or incorrect in any material respect any statement or information contained in the Official Statement or (ii) is not reflected in the Official Statement but should be reflected therein in order to make the statements and information contained therein under the circumstances in which made not misleading in any material respect, (d) legislation shall be enacted, or be pending for consideration for enactment by the Congress of the United States, or a decision by a court of competent jurisdiction of the United States shall hereafter be rendered, or a ruling or regulation by the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall hereafter be made, the effect of which is that (i) Series 2006 Bonds are not exempt from the registration, qualification or other similar requirements of the Securities Act of 1933, as amended and as then in effect, and the Securities Exchange Act of 1934, as amended, and as then in effect, or (ii) the Indenture is not exempt from the registration, qualification or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect, (e) a stop order, ruling or regulation by the Securities and Exchange Commission shall be issued or made, the effect of which is that the issuance, offering, and sale of the Series 2006 Bonds, or of obligations of the general character of the Series 2006 Bonds, is in violation of any provision of the Securities Act of 1933, as amended and as then in effect, the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, (f) there shall have occurred any outbreak of hostilities or other national or international emergency, the effect of such outbreak or emergency, on the financial markets of the United States which, in the reasonable judgment of the Underwriter would materially adversely affect the market price or marketability of the Series 2006 Bonds, (g) there shall be in force a general suspension of trading on the New York Stock Exchange or the fixing of maximum or minimum prices for securities on said Exchange, (h) a general banking moratorium shall have been declared by federal, Mississippi or New York authorities or an extraordinary major financial crisis shall have occurred which, in the reasonable judgment of the Underwriter, would make the marketing of Series 2006 Bonds generally impractical, or (i) a supplement or amendment shall have been made to the Official Statement subsequent to the date hereof which in the reasonable judgment of the Underwriter materially adversely affects the marketability of the Series 2006 Bonds or the market price thereof, unless such supplement or amendment shall have been agreed to in writing by the Underwriter.

7. The obligations of the Underwriter hereunder to purchase the Series 2006 Bonds shall be subject to the performance by the Bank of its obligations to be performed hereunder at and prior to the Closing, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing, to the accuracy in all material respects, in the reasonable

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judgment of the Underwriter, of the representations and warranties of the Bank and of the City herein, in both cases, as of the date hereof and as of the time of the Closing and, in compliance with the following conditions:

(a) At the time of the Closing, (i) the Indenture, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement and the Continuing Disclosure Agreement shall have been executed by the party or parties thereto and shall be in full force and effect and the forms of such instruments and the form of the Official Statement as of the date hereof shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, the Closing in all events however to be deemed such approval, (ii) the Bank and the City shall have duly adopted and there shall be in full force and effect such resolutions as shall, in the opinion of Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Jackson, Mississippi ("Bond Counsel"), be necessary in connection with the transactions contemplated hereby, (iii) the representations and warranties of the Bank provided in Section 4 hereof and of the City in Section 5 hereof shall be true, complete and correct in all material respects as if then made, (iv) the Bank and the City shall perform or have performed all obligations required under or specified in this Bond Purchase Agreement to be performed at or prior to the Closing, and (v) the proceeds of the sale of the Series 2006 Bonds shall be applied and deposited as described in the Official Statement.

(b) At or prior to the Closing, the Bank shall have delivered the Series 2006 Bonds and shall have assigned and delivered the Series 2006 Note to the Trustee.

(c) At or prior to the Closing, the Underwriter shall receive the following documents:

(A) the approving opinion of Bond Counsel dated the date of the Closing, substantially in the form attached as an exhibit to the Preliminary Official Statement, together with letter to the Underwriter authorizing reliance thereon;

(B) an opinion, dated the date of Closing, of counsel for the Bank, in form and content reasonably acceptable to the Underwriter, either addressed to the Underwriter or accompanied by a letter to the Underwriter authorizing reliance thereon;

(C) an opinion, dated the date of the Closing, of counsel for the City, in form and content reasonably acceptable to the Underwriter, either addressed to the Underwriter or accompanied by a letter to the Underwriter authorizing reliance thereon;

(D) a certificate of the City, addressed to the Bank and the Underwriter, dated the date of the Closing, signed by authorized officers of the City, in form and content reasonably acceptable to the Underwriter;

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CITY OF PETAL MINUTE BOOK 25

EXHIBIT "B"

(E) a certificate of the Bank dated the date of the Closing and signed by an appropriate official or representative of the Bank, in form and content reasonably acceptable to the Underwriter;

(F) ___ copies of the Official Statement executed on behalf of the Bank by the Executive Director of the Bank;

(G) an opinion of Bond Counsel with respect to certain provisions of the Official Statement, in form and content reasonably acceptable to the Underwriter;

(H) executed or confirmed copies each of the Indenture, the Loan Agreement, the Continuing Disclosure Agreement, the Tax Intercept Agreement and the Series 2006 Note duly executed by the parties thereto;

(I) a certified copy of the Bank Resolution of the Bank authorizing, approving or ratifying the execution and delivery of the Series 2006 Bonds, the Indenture, the Preliminary Official Statement, the Official Statement, the Loan Agreement, the Tax Intercept Agreement, the Continuing Disclosure Agreement and this Bond Purchase Agreement;

(J) certified copies of City Resolution of the City authorizing the execution and delivery of the Preliminary Official Statement, the Official Statement, the Loan Agreement, the Series 2006 Note, the Tax Intercept Agreement and the Continuing Disclosure Agreement, together with a certification as to incumbency of officers;

(K) a certificate of the Trustee to the effect that (i) all moneys and securities delivered to the Trustee under and pursuant to the Indenture have been duly deposited to the credit of the appropriate funds established under or in accordance with the Indenture or otherwise applied as provided in the Indenture, (ii) the Indenture has been duly executed and delivered by the Trustee, (iii) the Series 2006 Bonds have been authenticated and (iv) the Trustee has no knowledge of any default under the Indenture;

(L) evidence of validation of the Series 2006 Bonds by judgment of the Chancery Court of the First Judicial District of Hinds County, Mississippi;

(M) Rating letter evidencing that Standard & Poor's Ratings Group has assigned a rating of "___" to the Series 2006 Bonds; and

(N) such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by the Bank and the City with legal requirements, the truth and accuracy, as of the time of Closing, of their respective representations contained herein and the due performance or satisfaction by each thereof at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by each thereof.

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The Bank and the City will furnish the Underwriter with additional conformed copies of such opinions, certificates, letters and documents as the Underwriter reasonably requests.

If either the Bank or the City shall be unable to satisfy the conditions to the obligations of the Underwriter contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase and accept delivery of the Series 2006 Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Bank shall be under further obligation hereunder. However, the Underwriter may, in its sole discretion, waive one or more of the conditions imposed by this Bond Purchase Agreement for the protection of the Underwriter and proceed with the Closing contemplated hereby.

8. All representations, warranties and agreements of the Bank and the City herein shall remain operative and in full force and effect, regardless of any investigations made by or on behalf of the Underwriter, and shall survive any termination of this Bond Purchase Agreement by the Underwriter pursuant to the terms hereof.

9. The Bank will pay or cause to be paid from, but only from, the proceeds of the Series 2006 Bonds, and other moneys provided by the City, all expenses incident to the performance of the Bank's obligations under this Bond Purchase Agreement, including, but not limited to, mailing or delivery of the Series 2006 Bonds, costs of printing the Series 2006 Bonds, the Preliminary Official Statement, and the Official Statement, including the mailing and delivery thereof by the printer, fees and disbursements of Bond Counsel, expenses of the Bank, fees for bond ratings, costs and expenses of preparing and reproducing this Bond Purchase Agreement, the Indenture, the Loan Agreement, the Series 2006 Note, the Continuing Disclosure Agreement and the Tax Intercept Agreement and fees and expenses of the Trustee. The Underwriter shall pay the cost of all advertising expenses in connection with the public offering of the Series 2006 Bonds, and all other expenses incurred by the Underwriter in connection with the public offering and distribution of the Series 2006 Bonds.

10. Any notice or other communication to be given to the Bank, the City or the Underwriter under this Bond Purchase Agreement shall be given in writing and shall be mailed, telegraphed or delivered to the following respective addresses until otherwise directed by written notice to the other parties hereto:

The Bank: Mississippi Development Bank
753 Riverside Drive, Suite 300
Jackson, Mississippi 39202
Attention: William T. Barry, Executive Director

The City: City of Petal, Mississippi
City Hall
119 West 8th Avenue
Petal, Mississippi 39465
Attention: Mayor

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The Underwriter:

Attention:

11. This Bond Purchase Agreement is made solely for the benefit of the Bank, the City and the Underwriter and their respective successors and assigns and no other person shall acquire or have any right hereunder or by virtue hereof. The terms "successors" and "assigns" as used in the preceding sentence shall not include any purchasers of any Series 2006 Bonds from or through the Underwriter merely because of such purchase. All representations, warranties and agreements in this Bond Purchase Agreement shall remain in full force and effect, regardless of (a) delivery of and payment for the Series 2006 Bonds hereunder and (b) any termination of this Bond Purchase Agreement.

[REMAINDER OF PAGE LEFT BLANK INTENTIONALLY]

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12. This Bond Purchase Agreement shall be governed by and construed in accordance with the laws of the State of Mississippi.

Very truly yours,

BY: _____
TITLE: _____

CITY OF PETAL, MISSISSIPPI
MINUTE BOOK 35

Accepted and agreed to as of _____ o'clock _____ m.,
_____ Central Standard Time,
on the date first above written:

EXHIBIT "D" MISSISSIPPI DEVELOPMENT BANK

BY: _____
Its: Executive Director

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Signature Page to the Bond Purchase Agreement, dated _____, 2006, by and among the Mississippi Development Bank, the City of Petal, Mississippi and _____, regarding the sale of \$ _____ Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project).

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Signature Page to the Bond Purchase Agreement, dated _____, 2006, by and among the Mississippi Development Bank, the City of Petal, Mississippi and _____, regarding the sale of \$ _____ Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project).

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CITY OF PETAL, MISSISSIPPI

BY: _____
Its: Mayor

Signature Page to the Bond Purchase Agreement, dated _____, 2006, by and among the Mississippi Development Bank, the City of Petal, Mississippi and _____, regarding the sale of \$ _____ Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project).

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EXHIBIT I
SERIES 2006 BONDS

2007				
2008				
2009				
2010				
2011				
2012				
2013				
2014				
2015				
2016				
2017				
2018				
2019				
2020				
2021				
2022				
2023				
2024				
2025				
2026				

The Series 2006 Bonds (or any portions thereof in integral multiples of \$5,000 each) which mature on or after July 1, _____, are subject to optional redemption prior to their stated dates of maturity in whole or in part on July 1, _____, and on any date thereafter at redemption prices (expressed as percentages of the principal amount thereof) set forth below plus accrued interest to the redemption date:

Period During Which Redeemed (Both Dates Inclusive)	Redemption Price
July 1, _____, through June 30, _____	102%
July 1, _____, through June 30, _____	101
July 1, _____, and thereafter	100

Jackson 1113734v.1

CITY OF PETAL
MINUTE BOOK 25

TAX INTERCEPT AGREEMENT

EXHIBIT "B"

his TAX INTERCEPT AGREEMENT, dated the _____ day of _____, 2006 (the "Agreement"), is by and between the MISSISSIPPI DEVELOPMENT BANK, a public body corporate and politic (the "Bank"), created pursuant to the provisions of Sections 31-25-1 et seq., Mississippi Code of 1972, as amended (hereinafter referred to as the "Act"), having its principal place of business in the City of Jackson, Mississippi and the CITY OF PETAL, MISSISSIPPI (hereinafter referred to as the "City"), a local governmental unit under the Act.

WITNESSETH

WHEREAS, pursuant to the Act, the Bank is authorized to loan money (as set forth in the Act) to local governmental units (as defined in the Act); and

WHEREAS, the City has duly authorized the loan between the Bank and the City (the "Series 2006 Loan") pursuant to the terms of a loan agreement by and between the City and the Bank (the "Loan Agreement") secured by a Promissory Note (Petal, Mississippi Combined Water and Sewer System Project) in the principal amount of not to exceed Dollars (\$ _____) (the "Series 2006 Note"), and the Bank expects to provide the funds for the Series 2006 Loan from the proceeds of the Series 2006 Bonds of the Bank as hereinafter set forth; and

WHEREAS, pursuant to the Indenture of Trust by and between Mississippi Development Bank and _____, Mississippi, as Trustee (the "Indenture"), the Bank has duly authorized the issuance of its bonds designated the \$ _____ Mississippi Development Bank Special Obligation Bonds, Series 2006 (Petal, Mississippi Combined Water and Sewer System Project) (the "Series 2006 Bonds"), a portion of the proceeds of which will be used to provide the funds for the Series 2006 Loan; and

WHEREAS, any local governmental unit is authorized under Section 31-25-28(5) of the Act to agree in writing with the Bank that the Mississippi State Tax Commission (the "Commission") or any other state agency, department or commission shall (a) withhold all or any part (as agreed by the local governmental unit) of any monies which such local governmental unit is entitled to receive from time to time pursuant to any law and which is in the possession of the Commission, or any state agency, department or commission created pursuant to State law and (b) pay the same over to the Trustee, as hereinafter defined, to satisfy any delinquent payments on any loan made to such local governmental unit under provisions of the Act and any other delinquent payments due and owing the Bank by such local governmental unit, all as the same shall occur.

NOW, THEREFORE, the Bank and the City hereby agree as follows:

1. As authorized by the Act, the City hereby covenants, agrees and authorizes the Commission or any other state agency, department or commission created pursuant to State law to (1) withhold all or any part of any monies (the "Tax Monies") which the City is entitled to receive from time to time pursuant to any law and which is in possession of the Commission or any other state agency, department or commission created pursuant to State law, and (2) pay same over to _____, as Trustee (the "Trustee"), under the Indenture to

satisfy any delinquent payment (the "Delinquent Payment") under Sections 4.2 and/or 4.4(5) of the Loan Agreement.

2. If on the 1st day of June and December of each year, beginning December 1, 2006, there are insufficient Net Revenues (as defined in the Loan Agreement) to make the payments under Sections 4.2(1) and 4.4(5) of the Loan Agreement, as provided in the Certificate of the City under Section 4.2(2) of the Loan Agreement, the Bank hereby authorizes and directs the Trustee under the provisions of this Agreement to file this Agreement and a statement of deficiency setting forth the amount of any Delinquent Payment with the Commission or other state agency, department or commission, thereby directing the Commission or other state agency, department or commission to pay any Tax Monies directly to the Trustee, on behalf of the Bank, to satisfy any Delinquent Payment, all as permitted under the Act. In any event, if the City fails to make timely payments under the Loan Agreement and the Series 2006 Note, as provided in Sections 4.2(1) and 4.4(5) of the Loan Agreement, the Trustee is hereby further directed to file this Agreement with the Commission and take further action to recover Tax Monies under the Indenture. This paragraph 2 includes requirements in addition to the requirements under paragraph 1 and this paragraph 2 in no way limits the rights of the Trustee or the Bank.

3. The Trustee is directed under the Indenture to deposit any Tax Monies it receives into the General Account of the General Fund to be applied in accordance with Section 6.05 under the Indenture, except for any Delinquent Payment under Section 4.4(5) of the Loan Agreement which shall be applied in accordance with the provisions thereof.

4. The term Tax Monies as defined herein shall exclude any monies held by the Commission or any other state agency, department or commission created pursuant to State law to the extent amounts are to be paid to the City for the benefit of a separate school district or any other political subdivision other than the City.

5. This Agreement may be executed in one or more counterparts, any of which shall be regarded for all purposes as an original and all of which constitute one and the same instrument. The Bank and City each agree that it will execute any and all documents or other instruments and take such other actions as may be necessary to give effect to the terms of this Agreement.

6. No waiver of either the Bank or the City of any term or condition of this Agreement shall be deemed or construed as a waiver of any other terms or conditions, nor shall a waiver of any breach be deemed to constitute a waiver of any subsequent breach, whether of the same or of a different section, subsection, paragraph, clause, phrase or other provision of this Agreement.

7. This Agreement merges and supersedes all prior negotiations, representations, and agreements between the Bank and the City relating to the subject matter hereof and constitutes the entire Agreement between the Bank and the City in respect hereof.

IN WITNESSETH WHEREOF, we have hereunto set our hands as of the date first above written.

MISSISSIPPI DEVELOPMENT BANK

BY: _____
Executive Director

ATTEST:

Secretary

CITY OF PETAL, MISSISSIPPI

CITY OF PETAL
MINUTE BOOK 25
MISSISSIPPI

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BY: _____
Mayor

EXHIBIT "B"

as Trustee
BY: _____
ITS: _____

ATTEST:

City Clerk

Signature Page for Tax Intercept Agreement, dated _____, 2006, between the Mississippi
Development Bank and the City of Petal, Mississippi.

Signature Page for Tax Intercept Agreement, dated _____, 2006, between the Mississippi
Development Bank and the City of Petal, Mississippi.

Jackson 1113270v.1

EXHIBIT "C"
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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Pine Belt Regional Solid Waste Management Authority
Petal, Mississippi

We have audited the accompanying financial statements of the business-type activities, the major fund, and the remaining fund information of Pine Belt Regional Solid Waste Management Authority, as of and for the years ended June 30, 2005 and 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pine Belt Regional Solid Waste Management Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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To the Board of Commissioners
Pine Belt Regional Solid Waste Management Authority

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the major fund, and the remaining fund information of Pine Belt Regional Solid Waste Management Authority, as of June 30, 2005 and 2004, and the respective changes in financial position and cash flows, thereof for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 12, 2005, on our consideration of Pine Belt Regional Solid Waste Management Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of our testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in conjunction with this report in considering the results of our audit.

Pine Belt Regional Solid Waste Management Authority has not presented a Management's Discussion and Analysis. This is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pine Belt Regional Solid Waste Management Authority's basic financial statements. The combining fund financial statements and the schedule of organizational costs are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements and the schedule of organizational costs have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Nicholson & Company, P.A.

Hattiesburg, Mississippi
August 12, 2005

CITY OF PETAL
MINUTE BOOK 25
MINUTE BOOK 25
EXHIBIT "D"

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WHEREFORE, the foregoing Ordinance was duly passed, adopted, and approved

this, the 17th of January, A.D., 2006.

ORDINANCE 1974(3-1)

AN ORDINANCE AMENDING ORDINANCE 1974(3)
TO PROVIDE FOR WORK SESSIONS AND AGENDA
REVIEW MEETINGS, AND FOR RELATED PURPOSES

BE IT ORDAINED BY THE MAYOR AND BOARD OF ALDERMEN OF THE
CITY OF PETAL, MISSISSIPPI:

SECTION I. Ordinance 1974(3) is hereby amended the following provisions, to-
wit:

SECTION 3: Work Session. The Mayor and Board of Aldermen may hold work
sessions in the Board Room of City Hall on such date and as such time as may be
designated by the Mayor or a majority of the Board of Aldermen. The purpose of a work
shall be to consider and to discuss ideas, projects, or proposals that may be
ning for deliberation and action as a future date, and to receive reports from city
ents, city boards, city officials, or city employees; work sessions shall not be
seemed as official meetings since no official action shall be taken by the Mayor and
Board of Aldermen; work sessions shall, however, be open to the public.

SECTION 4: Agenda Review Meeting. The Mayor and Board of Aldermen
shall meet at 5:00 P.M. on the first and third Tuesday of each month prior to the regular
meeting of the Mayor and Board of Aldermen for the purpose of reviewing and setting
the agenda for the regular meeting to be held on that date; unless said day is a legal
holiday or the Mayor and Board of Aldermen determine not to meet; agenda review shall
not be deemed as an official meeting of the Mayor and Board of Aldermen since no
official action may be taken by the Mayor and Board of Aldermen at an Agenda Review
Meeting, except for the possibility of an executive session which shall be duly reflected
in the minutes of the City; agenda review meetings will otherwise be open to the public.

SECTION II. This ordinance, amending Ordinance 1974(3) be and the same
shall hereby be in full force and effect 30 days from and after this date.

The above and foregoing Ordinance having been reduced to writing, the same was
read and voted upon, first section by section and then upon the Ordinance as a whole.

Those present and voting "AYE" and in favor of the passage, adoption, and
approval of Sections I,3,4 and II of the foregoing Ordinance:

Those present and voting "NAY" or against any of said Sections of the foregoing
Ordinance:

Those present and voting "AYE" and in favor of the passage, adoption and
approval of the Ordinance as a whole:

Those present and voting "NAY" or against the passage, adoption and approval of
the Ordinance as a whole:

CARL SCOTT, MAYOR

(SEAL)

ATTEST:

JEANUSHEE, CITY CLERK

THIS

PAGE

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INTENTIONALLY