

Morgan Stanley

1585 Broadway
11th Floor
New York, NY 10036

Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, MS 39202

March 1, 2013

Attn: William T. Barry, Executive Director

Re: Disclosures by Morgan Stanley & Co. LLC
Pursuant to MSRB Rule G-17
Mississippi Development Bank Special Obligation Bonds, Series 2013A
(Harrison County, Mississippi Highway Refunding Project)
Mississippi Development Bank Special Obligation Bonds, Series 2013B
(City of Laurel, Mississippi Highway Refunding Project)
Mississippi Development Bank Special Obligation Bonds, Series 2013C
(Madison County, Mississippi Highway Refunding Project)

Dear Mr. Barry:

We are writing to provide you, as Executive Director of the Mississippi Development Bank (the "Issuer"), with certain disclosures relating to the captioned bond issue (the "Bonds"), as required by the Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012).¹

The Issuer has engaged Morgan Stanley & Co. LLC to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as senior managing underwriter, Morgan Stanley & Co. LLC may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds. As senior managing underwriter, we are providing this letter on behalf of the underwriters that are members of the underwriting syndicate for the Bonds. You also may receive additional separate disclosure letters pursuant to Rule G-17 from one or more co-managing underwriters for the Bonds.

I. Disclosures Concerning the Underwriters' Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

¹ Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

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(ii) The underwriters' primary role is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

(iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriters will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction.²

II. Disclosures Concerning the Underwriters' Compensation:

The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

III. Additional Conflicts Disclosures:

Morgan Stanley & Co. LLC has identified the following additional potential or actual material conflicts (within the meaning of MSRB Rule G-17) specific to Morgan Stanley & Co. LLC's participation in the underwriting of the Bonds:

- Conflicts of Interest/Payments to or from Third Parties
 - Morgan Stanley & Co. LLC has entered into a distribution agreement with its affiliate, Morgan Stanley Smith Barney LLC ("MSSB"), whereby Morgan Stanley & Co. LLC will distribute municipal securities to retail investors through the financial advisor network of MSSB. This distribution arrangement became effective on June 1, 2009. As part of this arrangement, Morgan Stanley & Co. LLC will compensate MSSB for its selling efforts with respect to the Bonds.

² Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

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- In the ordinary course of their various business activities, Morgan Stanley & Co. LLC and its affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of the Issuer (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. Morgan Stanley & Co. LLC and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.
- In the ordinary course of business Morgan Stanley & Co. LLC and its affiliates have engaged and may engage in the future in transactions with the Issuer, including the provision of certain commercial and investment banking services, financial advisory services and hedging and other services to the Issuer, for which they may have received and may continue to receive customary fees and commissions.

IV. Disclosures Concerning Complex Municipal Securities Financing:

Since Morgan Stanley & Co. LLC has not recommended a “complex municipal securities financing” to the Issuer, additional disclosures regarding the financing structure for the Bonds are not required under MSRB Rule G-17.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer’s own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

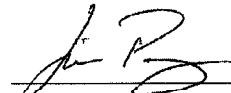
It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to me at the address set forth above. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional potential or actual material conflicts are identified, we may be required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

Morgan Stanley

We look forward to working with you and the Issuer in connection with the issuance of the Bonds. Thank you.

Sincerely,



Jim Perry, Executive Director
MORGAN STANLEY & CO. LLC

Acknowledgement of Receipt:

By: _____
Mr. William T. Barry

Date: _____

Cc: Mississippi Department of Transportation
Federal Highway Administration
Harrison County, Mississippi
City of Laurel, Mississippi
Madison County, Mississippi
Government Consultants, Inc, Financial Advisor
Butler, Snow, O'Mara, Stevens & Cannada, PLLC, Bond Counsel
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC, Co-Underwriters' Counsel
Adams and Reese LLP, Co-Underwriters' Counsel
Bank of America Merrill Lynch, Co-Manager
Raymond James, Co-Manager
Duncan-Williams, Inc., Co-Manager

March 5, 2013

Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, MS 39202

Attn: William T. Barry, Executive Director

Re: Disclosures by Co-Managing Underwriter
Pursuant to MSRB Rule G-17
Mississippi Development Bank Special Obligation Bonds, Series 2013A
(Harrison County, Mississippi Highway Refunding Project)
Mississippi Development Bank Special Obligation Bonds, Series 2013B
(City of Laurel, Mississippi Highway Refunding Project)
Mississippi Development Bank Special Obligation Bonds, Series 2013C
(Madison County, Mississippi Highway Refunding Project)

Dear Mr. Barry:

We are writing to provide you, as Executive Director of the Mississippi Development Bank (the "Issuer"), with certain disclosures relating to the captioned bond issue (the "Bonds"), as required by Municipal Securities Rulemaking Board ("MSRB") Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012).¹

The Issuer has engaged Merrill Lynch, Pierce, Fenner & Smith Incorporated ("BofAML") to serve as co-managing underwriter, and not as a financial advisor or municipal advisor to the Issuer, in connection with the issuance of the Bonds. As part of our underwriting services, BofAML may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks of the Bonds will be borne by the Mississippi Department of Transportation (the "Obligor"), as set forth in those legal documents. A copy of this letter is also being sent to the Obligor.

I. BofAML Conflicts Disclosures

Bank of America Corporation and its affiliates (collectively, the "BAC Group") comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management,

¹ Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

financing and strategic advisory services and other commercial services and products to a wide range of corporations, governments and individuals, domestically and offshore, from which conflicting interests or duties, or a perception thereof, may arise. In the ordinary course of these activities, parts of the BAC Group at any time may invest on a principal basis or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions, for their own accounts or the accounts of customers, in securities or financial instruments (including derivatives, bank loans or other obligations) of the Issuer or any other party that may be involved in the transaction. Parts of the BAC Group may also communicate independent investment recommendations, and market advice, or trading ideas and/or publish or express independent research views with respect to such securities or other financial instruments.

BofAML may place Bonds in the underwriter's or an affiliate's tender option bond program to be held for the account of the underwriter or the affiliate.

BofAML understands that the Issuer intends to use a portion of the proceeds from the issuance of the Bonds to refund certain of the Issuer's outstanding securities (the "Refunded Bonds"). To the extent BofAML or an affiliate thereof holds Refunded Bonds, BofAML or its affiliate, as applicable, would receive a portion of the proceeds from the issuance of the Bonds in connection with such Refunded Bonds being purchased by the Issuer.

II. Miscellaneous

Nothing in this letter should be viewed as a commitment by BofAML to purchase or sell the Bonds and any such commitment will only exist upon the execution of any bond purchase agreement or similar agreement and then only in accordance with the terms and conditions thereof.

If you or any other Issuer officials have any questions or concerns about these disclosures, please make those questions or concerns known immediately to the undersigned. In addition, you should consult with the Issuer's own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent you deem appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

We are required to seek your acknowledgement that you have received this letter. **Accordingly, please send me an email to that effect, or sign and return the enclosed copy of this letter to me at the address set forth below.** If additional potential or actual material conflicts are identified, we may be required to send you additional disclosures describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you, the Issuer and the Obligor in connection with the issuance of the Bonds. Thank you.

Sincerely,



Mitchell Gold
Managing Director
One Bryant Park, 12th Floor
New York, NY 10036
mitchell.gold@baml.com

Acknowledgement:

William T. Barry, Executive Director

Date: _____

CC: Mississippi Department of Transportation
Federal Highway Administration
Harrison County, Mississippi
City of Laurel, Mississippi
Madison County, Mississippi
Morgan Stanley (Senior Manager)
Raymond James (Co-Manager)
Duncan-Williams, Inc. (Co-Manager)
Balch & Bingham LLP (Issuer's Counsel)
Government Consultants, Inc. (Financial Advisor)
Butler, Snow, O'Mara, Stevens & Cannada, PLLC (Bond Counsel)
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC (Co-Underwriter's Counsel)
Adams & Reese LLP (Co-Underwriter's Counsel)

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March 1, 2013

Mississippi Development Bank
735 Riverside Drive, Suite 300
Jackson, MS 39202

Attn: Bill Barry

Re: Disclosures by Underwriter/Senior Managing Underwriter
Pursuant to MSRB Rule G-17
Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013A
(Harrison County Highway Refunding Project)
Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013B
(City of Laurel Highway Refunding Project)
Mississippi Development Bank Special Obligation Refunding Bonds, Series 2013C
(Madison County Highway Refunding Project)

Dear Mr. Barry:

We are writing to provide you, as Executive Director of the Mississippi Development Bank (Issuer), and an official of the Issuer with the authority to bind the Issuer by contract, with certain disclosures relating to the captioned bond issue (the "Bonds"), as required by Municipal Securities Rulemaking Board (MSRB) Rule G-17 as set forth in MSRB Notice 2012-25 (May 7, 2012)¹.

The Issuer has engaged Raymond James & Associates, Inc. ("RJA"), to serve as an underwriter, and not as a financial advisor or municipal advisor, in connection with the issuance of the Bonds.

As part of our services as co-managing underwriter, RJA may provide advice concerning the structure, timing, terms, and other similar matters concerning the issuance of the Bonds. Pursuant to Rule G-17, you will receive a disclosure letter from the senior managing underwriter making certain disclosures on behalf of all members of the underwriting syndicate, including RJA. You also may receive additional separate disclosure letters pursuant to Rule G-17 from one or more co-managing underwriters for the Bonds.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial

¹ Interpretive Notice Concerning the Application of MSRB Rule G-17 to Underwriters of Municipal Securities (effective August 2, 2012).

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risks described in this letter will be borne by the obligor, as set forth in those legal documents. A copy of this letter is also being sent to the obligor.

I. Disclosures Concerning the Underwriters' Role:

(i) MSRB Rule G-17 requires an underwriter to deal fairly at all times with both municipal issuers and investors.

(ii) The primary role of the underwriters is to purchase the Bonds with a view to distribution in an arm's-length commercial transaction with the Issuer. The underwriters have financial and other interests that differ from those of the Issuer.

(iii) Unlike a municipal advisor, the underwriters do not have a fiduciary duty to the Issuer under the federal securities laws and are, therefore, not required by federal law to act in the best interests of the Issuer without regard to their own financial or other interests.

(iv) The underwriters have a duty to purchase the Bonds from the Issuer at a fair and reasonable price, but must balance that duty with their duty to sell the Bonds to investors at prices that are fair and reasonable.

(v) The underwriters will review the official statement for the Bonds in accordance with, and as part of, their respective responsibilities to investors under the federal securities laws, as applied to the facts and circumstances of this transaction².

II. Disclosures Concerning the Underwriters' Compensation:

The underwriters will be compensated by a fee and/or an underwriting discount that will be set forth in the bond purchase agreement to be negotiated and entered into in connection with the issuance of the Bonds. Payment or receipt of the underwriting fee or discount will be contingent on the closing of the transaction and the amount of the fee or discount may be based, in whole or in part, on a percentage of the principal amount of the Bonds. While this form of compensation is customary in the municipal securities market, it presents a conflict of interest since the underwriters may have an incentive to recommend to the Issuer a transaction that is unnecessary or to recommend that the size of the transaction be larger than is necessary.

III. Additional Conflicts and Business Relationships Disclosures:

RJA has identified the following additional potential or actual material conflicts or business relationships that we wish to call to your attention:

² Under federal securities law, an issuer of securities has the primary responsibility for disclosure to investors. The review of the official statement by the underwriters is solely for purposes of satisfying the underwriters' obligations under the federal securities laws and such review should not be construed by an issuer as a guarantee of the accuracy or completeness of the information in the official statement.

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- In the ordinary course of its various business activities, RJA and its affiliates, officers, directors, and employees may purchase, sell or hold a broad array of investments and may actively trade securities, derivatives, loans, commodities, currencies, credit default swaps, and other financial instruments for their own account and for the accounts of customers. Such investment and trading activities may involve or relate to assets, securities, and/or instruments of the Issuer (whether directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the Issuer. RJA and its affiliates also may communicate independent investment recommendations, market advice or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and at any time may hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.
- In the ordinary course of its business, RJA and its affiliates have engaged, and may in the future engage, in transactions with, and perform services for, the Issuer and its affiliates for which they received or will receive customary fees and expenses.
- We understand that the Issuer may use a portion of the proceeds from the issuance of the Bonds to refund certain of the Issuer's outstanding securities ("Refunded Bonds"). To the extent that RJA or an affiliate thereof owns Refunded Bonds, RJA or its affiliate, as the case may be, would receive a portion of the proceeds from the issuance of the Bonds.

IV. Disclosures Concerning Structure of Municipal Securities Financing:

Since RJA has recommended to the Issuer a financing structure that may be considered a "complex municipal securities financing" for purposes of MSRB Rule G-17, attached is a description of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to the underwriter and reasonably foreseeable at this time.

In accordance with the requirements of MSRB Rule G-17, if RJA recommends a "complex municipal securities financing" to the Issuer that is not otherwise described herein, this letter will be supplemented to provide disclosure of the material financial characteristics of that financing structure as well as the material financial risks of the financing that are known to the underwriter and reasonably foreseeable at that time.

If you or any other Issuer official has any questions or concerns about these disclosures, then please make those questions or concerns known immediately to the undersigned. In addition, the Issuer should consult with its own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent it deems appropriate.

It is our understanding that you have the authority to bind the Issuer by contract with us, and that you are not a party to any conflict of interest relating to the subject transaction. If our understanding is incorrect, please notify the undersigned immediately.

Under MSRB Rules, we are required to seek your acknowledgement that you have received this letter. Accordingly, please send me an email to that effect or sign and return the enclosed copy of this letter to me at the address set forth above/below. Depending on the structure of the transaction that the Issuer decides to pursue, or if additional potential or actual material conflicts are identified, we may be

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required to send you additional disclosures regarding the material financial characteristics and risks of such transaction and/or describing those conflicts. At that time, we also will seek your acknowledgement of receipt of any such additional disclosures.

We look forward to working with you, the Issuer and the obligor in connection with the issuance of the Bonds. We appreciate your business.

Sincerely,



Lindsey Carter
Vice President
RAYMOND JAMES & ASSOCIATES, INC.

Acknowledgement:

Bill Barry
Executive Director, Mississippi Development Bank

Date: _____

Acknowledged and Agreed:

Mississippi Transportation Commission
by and through the duly authorized Executive Director
of the Mississippi Department of Transportation

BY: _____
Melinda L. McGrath, P.E.
Executive Director, Mississippi Department of Transportation

Date: _____

Harrison County, Mississippi
by and through the duly authorized President
of the Harrison County Board of Supervisors

BY: _____
President, Harrison County Board of Supervisors

Date: _____

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City of Laurel, Mississippi
by and through the duly authorized Mayor
of the City of Laurel, Mississippi

BY: _____
Mayor, City of Laurel, Mississippi

Date: _____

Madison County, Mississippi
by and through the duly authorized President
of the Madison County Board of Supervisors

BY: _____
President, Madison County Board of Supervisors

Date: _____

CC : Mississippi Department of Transportation
Morgan Stanley (Senior Manager)
Bank of America (Co-Manager)
Duncan Williams (Co-Manager)
Balch & Bingham LLP (Issuer's Counsel)
Government Consultants, Inc. (Financial Advisor)
Butler, Snow, O'Mara, Stevens & Cannada, PLLC (Bond Counsel)
Baker, Donelson, Bearman, Caldwell & Berkowitz, PC (Co-underwriter's Counsel)
Adams & Reese LLP (Co-Underwriter's Counsel)
Harrison County Board of Supervisors
City of Laurel, Mississippi
Madison County Board of Supervisors

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Fixed Rate Structure Disclosure

The following is a general description of the financial characteristics and security structures of fixed rate municipal bonds ("Fixed Rate Bonds"), as well as a general description of certain financial risks that you should consider before deciding whether to issue Fixed Rate Bonds. If you decide that you would like to pursue this financing alternative, we may provide you with additional information more specific to your particular issue.

As the issuer of the Bonds, you will be a party to the bond purchase agreement and certain other legal documents to be entered into in connection with the issuance of the Bonds, but the material financial risks described below will be borne by the obligor, as set forth in those legal documents. A copy of our disclosure letter is also being sent to the obligor.

Financial Characteristics

Maturity and Interest. Fixed Rate Bonds are interest-bearing debt securities issued by state and local governments, political subdivisions and agencies and authorities. Maturity dates for Fixed Rate Bonds are fixed at the time of issuance and may include serial maturities (specified principal amounts are payable on the same date in each year until final maturity) or one or more term maturities (specified principal amounts are payable on each term maturity date) or a combination of serial and term maturities. The final maturity date typically will range between 10 and 30 years from the date of issuance. Interest on the Fixed Rate Bonds typically is paid semiannually at a stated fixed rate or rates for each maturity date.

Redemption. Fixed Rate Bonds may be subject to optional redemption, which allows you, at your option, to redeem some or all of the bonds on a date prior to scheduled maturity, such as in connection with the issuance of refunding bonds to take advantage of lower interest rates. Fixed Rate Bonds will be subject to optional redemption only after the passage of a specified period of time, often approximately ten years from the date of issuance, and upon payment of the redemption price set forth in the bonds, which may include a redemption premium. You will be required to send out a notice of optional redemption to the holders of the bonds, usually not less than 30 days prior to the redemption date. Fixed Rate Bonds with term maturity dates also may be subject to mandatory sinking fund redemption, which requires you to redeem specified principal amounts of the bonds annually in advance of the term maturity date. The mandatory sinking fund redemption price is 100% of the principal amount of the bonds to be redeemed.

Security

Payment of principal of and interest on a municipal security, including Fixed Rate Bonds, may be backed by various types of pledges and forms of security, some of which are described below.

General Obligation Bonds

"General obligation bonds" are debt securities to which your full faith and credit is pledged to pay principal and interest. If you have taxing power, generally you will pledge to use your ad valorem (property) taxing power to pay principal and interest. Ad valorem taxes necessary to pay debt service on general obligation bonds may not be subject to state constitutional property tax millage limits (an unlimited tax general obligation bond). The term "limited" tax is used when such limits exist.

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General obligation bonds constitute a debt and, depending on applicable state law, may require that you obtain approval by voters prior to issuance. In the event of default in required payments of interest or principal, the holders of general obligation bonds have certain rights under state law to compel you to impose a tax levy.

Revenue Bonds

“Revenue bonds” are debt securities that are payable only from a specific source or sources of revenues. Revenue bonds are not a pledge of your full faith and credit and you are obligated to pay principal and interest on your revenue bonds only from the revenue source(s) specifically pledged to the bonds. Revenue bonds do not permit the bondholders to compel you to impose a tax levy for payment of debt service. Pledged revenues may be derived from operation of the financed project or system, grants or excise or other specified taxes. Generally, subject to state law or local charter requirements, you are not required to obtain voter approval prior to issuance of revenue bonds. If the specified source(s) of revenue become inadequate, a default in payment of principal or interest may occur. Various types of pledges of revenue may be used to secure interest and principal payments on revenue bonds. The nature of these pledges may differ widely based on state law, the type of issuer, the type of revenue stream and other factors.

Some revenue bonds (conduit revenue bonds) may be issued by a governmental issuer acting as conduit for the benefit of a private sector entity or a 501(c)(3) organization (the obligor). Conduit revenue bonds commonly are issued for not-for-profit hospitals, educational institutions, single and multi-family housing, airports, industrial or economic development projects, and student loan programs, among other obligors. Principal and interest on conduit revenue bonds normally are paid exclusively from revenues pledged by the obligor. Unless otherwise specified under the terms of the bonds, you are not required to make payments of principal or interest if the obligor defaults.

The description above regarding “Security” is only a brief summary of certain possible security provisions for the bonds and is not intended as legal advice. You should consult with your bond counsel for further information regarding the security for the bonds.

Financial Risk Considerations

Certain risks may arise in connection with your issuance of Fixed Rate Bonds, including some or all of the following (generally, the obligor, rather than you, will bear these risks for conduit revenue bonds):

Issuer Default Risk

You may be in default if the funds pledged to secure your bonds are not sufficient to pay debt service on the bonds when due. The consequences of a default may be serious for you and, depending on applicable state law and the terms of the authorizing documents, the holders of the bonds, the trustee and any credit support provider may be able to exercise a range of available remedies against you. For example, if the bonds are secured by a general obligation pledge, you may be ordered by a court to raise taxes. Other budgetary adjustments also may be necessary to enable you to provide sufficient funds to pay debt service on the bonds. If the bonds are revenue bonds, you may be required to take steps to increase the available revenues that are pledged as security for the bonds. A default may negatively impact your credit ratings and may effectively limit your ability to publicly offer bonds or other securities at market interest rate levels. Further, if you are unable to provide sufficient funds to remedy the

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default, subject to applicable state law and the terms of the authorizing documents, you may find it necessary to consider available alternatives under state law, including (for some issuers) state-mandated receivership or bankruptcy. A default also may occur if you are unable to comply with covenants or other provisions agreed to in connection with the issuance of the bonds.

This description is only a brief summary of issues relating to defaults and is not intended as legal advice. You should consult with your bond counsel for further information regarding defaults and remedies.

Redemption Risk

Your ability to redeem the bonds prior to maturity may be limited, depending on the terms of any optional redemption provisions. In the event that interest rates decline, you may be unable to take advantage of the lower interest rates to reduce debt service.

Refinancing Risk

If your financing plan contemplates refinancing some or all of the bonds at maturity (for example, if you have term maturities or if you choose a shorter final maturity than might otherwise be permitted under the applicable federal tax rules), market conditions or changes in law may limit or prevent you from refinancing those bonds when required. Further, limitations in the federal tax rules on advance refunding of bonds (an advance refunding of bonds occurs when tax-exempt bonds are refunded more than 90 days prior to the date on which those bonds may be retired) may restrict your ability to refund the bonds to take advantage of lower interest rates.

Reinvestment Risk

You may have proceeds of the bonds to invest prior to the time that you are able to spend those proceeds for the authorized purpose. Depending on market conditions, you may not be able to invest those proceeds at or near the rate of interest that you are paying on the bonds, which is referred to as "negative arbitrage".

Tax Compliance Risk

The issuance of tax-exempt bonds is subject to a number of requirements under the United States Internal Revenue Code, as enforced by the Internal Revenue Service (IRS). You must take certain steps and make certain representations prior to the issuance of tax-exempt bonds. You also must covenant to take certain additional actions after issuance of the tax-exempt bonds. A breach of your representations or your failure to comply with certain tax-related covenants may cause the interest on the bonds to become taxable retroactively to the date of issuance of the bonds, which may result in an increase in the interest rate that you pay on the bonds or the mandatory redemption of the bonds. The IRS also may audit you or your bonds, in some cases on a random basis and in other cases targeted to specific types of bond issues or tax concerns. If the bonds are declared taxable, or if you are subject to audit, the market price of your bonds may be adversely affected. Further, your ability to issue other tax-exempt bonds also may be limited. This description of tax compliance risks is not intended as legal advice and you should consult with your bond counsel regarding tax implications of issuing the bonds.