



The Arbitrage Group, Inc.

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May 20, 2013

Mr. Arthur Johnston
Chancery Clerk
Madison County Board of Supervisors
146 West Center Street
P.O. Box 404
Canton, Mississippi 39046

Dear Mr. Johnston:

We are pleased to submit this engagement letter which describes the assistance we will provide to the Madison County Board of Supervisors (the "Board") regarding the calculation of arbitrage earnings for the \$23,500,000 Madison County, Mississippi General Obligation Road and Bridge Bonds, Series 2001 (the "Bonds"). This letter provides our understanding of the needs of the Board for the Bonds, lists the information that is to be provided for the Bonds to The Arbitrage Group, Inc. (the "Group") to compute the arbitrage earnings amount, and describes the procedures to be performed.

The Board needs to determine the arbitrage earnings amount for the Bonds for the period from the date of issuance of January 3, 2001 to June 1, 2013 (the "Computation Period"). The arbitrage earnings amount is the difference between:

1. The actual earnings on nonpurpose investments purchased with gross proceeds of the Bonds during the Computation Period, and
2. The earnings which would have been earned during the Computation Period on nonpurpose investments if such investments had been invested at a rate equal to the yield on the Bonds.

The Board will be responsible for providing the Group with the applicable documentation required to calculate the arbitrage earnings amount. This documentation includes:

1. Closing Memorandum and Index from the Bond Transcripts;
2. Certificate of Arbitrage & Tax Matters (Document #8)
3. Federal Tax Certificate (Document #39);
4. IRS Form 8038-G (Document #17);
5. Official Statement (Document #2);

Mr. Arthur Johnston
Madison County Board of Supervisors
May 20, 2013
Page 2

6. Trust statements (or equivalent) indicating detailed investment activity for the entire Computation Period for each fund/account in which gross proceeds of the Bonds were held (**i.e. Purchase Account, Capitalized Interest Account, Bond Issuance Expense Account; General Account; Redemption Account...**). Investment activity details include such items as:
 - a. Type of investment
 - b. Date of purchase/purchase price
 - c. Interest rate
 - d. Maturity date
 - e. Interest payment dates
 - f. Interest calculation methodology
 - g. Date of sale/sales price
7. For each Investment Agreement, Guaranteed Investment Contract, or similar type investment, a copy of the investment agreement and the monthly or annual investment agreement statements for the entire Computation Period and any amounts paid/received to commence/terminate the Investment Agreement; and,
8. If the Bonds have been refunded, the Table of Contents from the Bond Transcripts, Certificate as to Arbitrage or similar document, and Verification Report issued with respect to the Refunding Bond Issue.

Please note that all items referenced above have already been provided by or on behalf of the Board during prior computations except for item 6 for the period from June 1, 2010 through June 1, 2013.

Utilizing the information provided by the Board, the following procedures will be applied by the Group:

1. Review the documents associated with the issuance of the Bonds to identify key characteristics of the Bonds and the related arbitrage requirements;
2. Review the trust statements and determine that all trust statements related to the Computation Period have been provided;
3. Assemble a schedule of the debt service requirements of the Bonds and calculate the yield of the Bonds;
4. Assemble schedules of investment activity for each fund/account subject to the arbitrage rebate requirements and calculate the arbitrage earnings amount for the Computation Period;
5. Prepare a draft report of our findings which will include a summary of the information and computational assumptions affecting the calculations;
6. Submit our draft report to the Board for review and approval; and,
7. Complete quality reviews of the report and the supporting documentation and issue our report to the Board along with IRS Form 8038-T as applicable.

Mr. Arthur Johnston
Madison County Board of Supervisors
May 20, 2013
Page 3

The successful completion of this engagement will require close coordination between the personnel resources of the Board and the Group. Accordingly, we will assign a Project Director for this engagement to coordinate engagement activities and we would like the Board to do the same.

We will have no obligation to update our report or to check any revised calculations because of events and transactions occurring subsequent to the date of our report. Our report is to be issued solely for your information and assistance and is not to be quoted or referred to in other documents without our prior written consent.

It is assumed that all of the appropriate documentation is available in a concise, organized, and complete manner, that we will have access to the individuals responsible for the investment portfolio and that we will rely on the prior rebate report which covered the period to June 1, 2010. Based on these assumptions, the fee for the Computation Period will range from \$1,000 to \$1,250. These fees include any out-of-pocket expenses incurred by us.

* * * * *

We look forward to working with you on this project. If you have any comments or questions regarding this engagement please do not hesitate to call me at (713) 522-8526.

To signify your acceptance of the arrangements described in this letter, please return a signed copy of this letter.

Very truly yours,

The Arbitrage Group, Inc.



Joe L. Aviles
Partner

Accepted by: Madison County Board of Supervisors

By: _____
Title: _____
Date: _____