

March 3, 2014

NON-BINDING TERM SHEET

In Re: Essential Elements of Settlement Agreement Between Allstate Insurance Company and Madison County, MS Regarding Lost Rabbit Subdivision's Outstanding PID Bond, PID Assessments, Dismissal of Litigation, Substitute Governance, Alternate Financing Issues and Cooperative Plans Going Forward:

BACKGROUND:

1. The Lost Rabbit Public Improvement District (the "PID") issued its Lost Rabbit Public Improvement District Special Assessment Bonds, Series 2008 (the "Bonds") in the aggregate principal amount of \$18,605,000, which Bonds were purchased by Allstate Insurance Company ("Allstate").
2. The Bonds are currently in default.
3. The PID no longer has a governing body and the Board of Supervisors of Madison County ("Madison County") is overseeing the PID;
4. Madison County, MS is the statutory sponsor of the PID.

PROPOSED RESTRUCTURING:

So long as it is in their individual best interests, Madison County and Allstate (hereafter the "Parties") desire to cooperate with each other to pursue a restructuring of the Bond obligation;

In furtherance of the negotiations for restructuring the Bonds and settling certain litigation relating to the PID that involves Allstate and Madison County, the Parties believe any ultimate agreement would include the following terms:

- i. Madison County, as the creating governmental sponsor of the Lost Rabbit PID, would undertake a series of official actions which would result in the creation of an Urban Renewal District (URD), or similar entity, which, under Mississippi statutes, would be authorized to administratively manage the assets formerly owned by and contained within the PID;
- ii. Madison County would have the URD issue new URD Bonds, the proceeds of which would be used to retire the Bonds and which URD Bonds would be retired over time from revenues imposed and received by Madison County and transferred to the URD;
- iii. Allstate would exchange the Bonds for the URD Bonds on the date of the issuance of the URD Bonds (the "Closing Date");

- iv. In conjunction with the issuance of the URD Bonds, the parties would cooperate in the dismissal of a certain lawsuit pending in the Madison County Circuit Court, known as the *Robinson* lawsuit, in which the parties herein are named as co-Defendants;
- v. The PID would be terminated;
- vi. The acreage to be acquired by New Lost Rabbit, LLC, would enjoy the benefit of a “no interference” policy of Madison County, and Madison County would pledge to assist, as best it can, in the solicitation for purchase of such acquired acreage by persons known to be financially capable of purchasing and developing such acquired acreage from New Lost Rabbit, LLC;
- vii. The parties would acknowledge that the Pearl River Valley Water Supply District, an entity of the State of Mississippi (“PRV”), has authority respecting the ownership in fee simple of Lost Rabbit properties, and the leasing, zoning; permitting, and of the approval of all development plats and plans at Lost Rabbit, and authority over the maintenance and provision of utilities of all properties within the Lost Rabbit subdivision.

PROPOSED AGREEMENTS:

The parties further believe they would need to agree, observe and endeavor to achieve the following:

1. At the appropriate time and upon receipt of appropriate consideration, Madison County and Allstate would join with Plaintiff’s in the Robison action, pending in Madison County Circuit Court, in the submission of a Joint Agreed Order of Dismissal. This Agreed Order would not admit to any fault on behalf of any party, would not result in financial or consequential damages with respect to any party, and the Parties would insist that such Order be entered “with Prejudice” and serve as a bar to the initiation of further litigation on behalf of Plaintiff’s in the Robison action.
2. Madison County would agree to cooperate, to the extent possible, with Allstate in seeking the dismissal of other litigation related to the PID on such terms as may be acceptable to Allstate.
3. Madison County would immediately commence action intended to create the Urban Renewal District (URD), or such other similar entity as MS statutes allow. The URD will be an agency of Madison County, MS, and will invite participation of the PRV. Any other entities, persons, or members of the URD will be invited to participate. Allstate will not be a participating member of the URD.

4. Once the URD has been created, recorded and licensed by authority of the Madison County Board of Supervisors (BOS), the BOS would initiate action by the URD to issue debt in the principal amount of Five Million Two Hundred and Thirty Five Thousand Dollars (\$5,235,000.00). This debt facility or bond will bear interest at the rate of 7.875% and have a Twenty Five (25) year self-amortizing term after a one-year Transition Period. A reserve of approximately \$400,000 would be established with the proceeds of the URD Bonds to pay the anticipated interest and principal shortfall in years 1 through 5. The URD Bonds will need to be structured to allow for a bond reserve fund, the funding of which will be supplied by Allstate.
5. The URD Bonds would not be guaranteed by Madison County, and would not impute any obligation to Madison County to fund any amount of monies needed to cover shortfalls in principal or interest in repayment of the URD bonds.
6. Madison County would commit to offering as a source of repayment of the URD bonds the total sum of all available ad valorem taxes originating from the Lost Rabbit subdivision, in the nature of a diversion of same, specifically in the approximate value of 17.19 mills from the Madison County General Fund, until the URD Bonds have been repaid pursuant to the terms of paragraph 4 herein.
7. Additionally, the URD would pledge towards the payment of the URD Bonds, all revenue originating from the imposition of an assessment, to be known as "the renewal fee", which would approximate 1% of stabilized lot pricing per annum, of all eligible acreage and lots at Lost Rabbit. This Renewal Fee would be imposed by the URD for as long as the newly issued URD Bonds are outstanding. Allstate acknowledges that current lot owners and homeowners at Lost Rabbit cannot be mandated or required to participate in payment of the Renewal Fee, but can only be persuaded to do so on a voluntary basis. The Renewal Fee will be imposed upon holders of Leasehold Ownership that post-date the initiation of the Renewal Bond, as well as on the Leasehold owners of the property known as Lost Rabbit South or the Phase 2 property, regardless of when their Leasehold interest may have been obtained.
8. Allstate would agree to exchange the existing Lost Rabbit PID Bonds for the newly issued URD Bonds on the Closing Date, and upon completion of the exchange, the existing Lost Rabbit PID Bonds will be canceled and the PID dissolved.
9. Madison County understands that Allstate or New Lost Rabbit, LLC will seek to sell, and offer for purchase all lands that it has acquired by tax forfeiture, and pledges that it will cooperate in Allstate's attempts to solicit such property for purchase by competent developers and persons for

whatever sale price or valuation that Allstate assigns to its acquired property.

10. Allstate is a party to an existing negative pledge agreement that prohibits development activities on certain undeveloped acreage within Lost Rabbit (within Phase 2 or Lost Rabbit South) until such time as at least 70% of properties within Phase 1 (or Lost Rabbit North) have been sold. On the Closing Date, Allstate would dismiss its litigation relating to the negative pledge agreement and rescind the negative pledge.
11. Development activities at Lost Rabbit would be encouraged by Madison County but Allstate acknowledges that plats, maps, leases, land use plans, design features, amendments and modifications to the DPZ Original Master Plan, and future development activities regarding type of construction, minimum square footage of homes and lots, density of lots, and quality of amenities, etc., can only be sanctioned and approved by PRV, as owner of fee simple title and leasing authority, and the Parties and the URD can only encourage PRV to apply recommendations that will provide optimal opportunities for Lost Rabbit to achieve the renewed economic activities as intended by these series of activities, therefore enabling the URD Bonds to be repaid at the earliest possible time.

It is understood that all of the activities, initiatives, financial agreements, and settlements outlined above are intended to provide a positive financial and developmental outlook for Lost Rabbit in both the near and long term, and further are intended to provide a secure repayment model for the URD Bonds. The dismissal of all pending litigation regarding the Lost Rabbit project, surrender of existing Bonds, and termination of the PID are essential elements of the transactions being proposed.

Madison County deems the terms and provisions of the Non Binding Term Sheet as outlined above to be within the best interests of Madison County to pursue, as the URD Bond pledge will inure to the direct financial benefit of Madison County, and will result in greater revenue due to the increased economic activity at Lost Rabbit, which would have been encouraged through the series of activities as contemplated by this Term Sheet.

COOPERATION:

The Parties will cooperate in pursuing definitive agreements reasonably acceptable to Madison County and Allstate. While the terms and provisions hereof provide an outline of the material terms of such agreements and summarizes the discussions of the parties to this point, the provisions of this Non-Binding Term Sheet shall not be binding in any respect to the Parties hereto and are subject to further negotiation and due diligence.

There shall be no obligation whatsoever among the parties to consummate the agreements outline herein or any other agreement.

WITNESS OUR SIGNATURES this the _____ day of _____ 2014.

For Allstate Insurance Company:

For Madison County, Mississippi

BY _____

BY: _____

Name:

Its: Authorized Signatory

Its _____

WITNESS:

CYNTHIA PARKER
CHANCERY CLERK

SEAL