

HANCOCK BANK

Lease Purchase Closing Memorandum

Transaction Profile

Date of Funding:	TBD (DATE OF CLOSING)
Government Name:	City of Diamondhead, Mississippi
Type of Governing Body:	Mayor and City Council
Amount, Rate & Term of Lease:	\$175,000.00 / 1.85% /5 Annual Payments
Annual Payment Amount:	\$36,966.24
Equipment Description:	Public Works Vehicles and Vehicle Equipment

Schedule & Description of Closing Documents

Step # and Document Description:

1. **Authorizing Resolution** – *This document authorizes the lease purchase financing by the governing body and gives the appropriate officials the authority to enter into such contract.* The Resolution must be passed by the City Council and executed (signed) by the City Manager and City Clerk before any other document is executed. The original, signed copy needs to be sent back to Hancock Bank in the Federal Express envelope provided within.
2. **Governmental Lease Purchase Agreement** – *This document is the contract between the lessor and the lessee (City of Diamondhead) which is the basis of the transaction.* This Agreement must be signed and dated on or after the Resolution is passed and before or at the funding of the lease (not after!). The original, signed copy needs to be sent back to Hancock Bank in the Federal Express envelope provided within.
3. **Attachments to the Lease Agreement** – *These various documents support and perfect the Lease Agreement as well as the interests of the parties to the transaction.* These documents should be signed and executed by the appropriate officials and dated with the same date as that of the Lease Agreement. The original, signed copies need to be sent back to Hancock Bank in the Federal Express envelope provided within.

Important Notes Regarding Attachments:

- IRS Form 8038G – Hancock Bank will file this form with the Internal Revenue Service, as required by law, on behalf of the City. Please have it signed by the appropriate official and return it to Hancock Bank along with the rest of the documents.
 - Purchase Orders and Invoices – Hancock Bank must have all Purchase Orders and Invoices (copies are sufficient) issued to or received from the equipment vendor.
 - Evidence of Insurance – Hancock Bank must be shown as additional insured and loss payee on the equipment's insurance policy. Please provide an insurance certificate or some other form of evidence of insurance.
4. **Legal Opinion of Lessee's Counsel** – This opinion must be printed on the City Attorney's letterhead and dated on or after the date of the Lease Agreement (not before!). The original, signed copy needs to be sent back to Hancock Bank in the Federal Express Envelope provided within.

*****Please Note: There is no need to make copies of the documents. Hancock Bank will provide a package containing copies of all transaction documents soon after closing.**

AUTHORIZING RESOLUTION

COUNCIL MEMBER _____ moved the adoption of the following Resolution and Order:

A RESOLUTION OF THE CITY COUNCIL, THE GOVERNING BODY (“THE COUNCIL”) OF THE CITY OF DIAMONDHEAD, MISSISSIPPI (THE “LESSEE”): FINDING IT NECESSARY TO ACQUIRE EQUIPMENT FOR GOVERNMENTAL OR PROPRIETARY PURPOSES AUTHORIZED BY LAW; FINDING THAT IT WOULD BE IN THE PUBLIC INTEREST TO ACQUIRE SUCH EQUIPMENT UNDER THE TERMS OF A LEASE PURCHASE AGREEMENT; FINDING THAT THE HANCOCK BANK, GULFPORT, MISSISSIPPI, (THE “LESSOR”) HAS OFFERED TO ACQUIRE SUCH EQUIPMENT; OR TO ACQUIRE FROM AND REIMBURSE THE LESSEE FOR THE COST OF SUCH EQUIPMENT IN THE EVENT THE EQUIPMENT HAS ALREADY BEEN PURCHASED BY THE LESSEE, AND TO LEASE SUCH EQUIPMENT TO LESSEE; FINDING THAT SUCH PROPOSAL IS IN THE BEST INTEREST OF THE LESSEE AND AUTHORIZING AND DIRECTING THE AUTHORIZED OFFICERS (AS HEREINAFTER DEFINED) TO EXECUTE A LEASE PURCHASE AGREEMENT AND SUPPORTING SCHEDULES AND ATTACHMENTS INCLUDING, BUT NOT LIMITED TO, ASSIGNMENTS OF TITLE TO THE EQUIPMENT TO HANCOCK BANK TO THE END THAT THE EQUIPMENT SHALL BE ACQUIRED BY SUCH BANK AND LEASED TO THE LESSEE ON THE TERMS AND CONDITIONS EXPRESSED IN SUCH LEASE, AND FOR OTHER RELATED PURPOSES.

WHEREAS, the Council has determined that it is necessary to acquire certain items of Equipment (the “Equipment”) for use by the Lessee for purposes authorized by law and

WHEREAS, the Council had by these presents determined that it would be in the public interest to acquire such Equipment through a Lease Purchase Agreement as provided under Section 31-7-13 (e) MISS.CODE ANN. (1972), as amended, and

WHEREAS, the Council anticipates that it will not issue more than \$10,000,000.00 of qualified tax-exempt obligations during calendar year 2014 and desires to designate the Lease Purchase Agreement as a qualified tax-exempt obligation of the Lessee for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended, (“the Code”).

WHEREAS, to the best knowledge and belief of the Council, this Lease qualifies as a qualified project bond within the meaning of the Tax Reform Act of 1986; and

WHEREAS, the Hancock Bank of Gulfport, Mississippi, has proposed to acquire the Equipment at the offered price and to lease the Equipment to the Lessee at a rate of 1.85% per annum.

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL AS FOLLOWS:

SECTION 1. The City Manager and City Clerk (hereinafter the “Authorized Officers”) are hereby authorized and directed to execute a Lease Purchase Agreement (also referred to as a “Governmental Lease Purchase Agreement”), either reference being the “Agreement”, and all attachments thereto. Such Agreement shall be in substantially the form attached hereto with such appropriate variations, omissions and insertions as are permitted or required by this Resolution and as are consented to by the Lessee’s representatives (the “Authorized Officers”) executing the Agreement, such consent being evidenced by their signatures.

SECTION 2. The Equipment to be leased pursuant to the Agreement shall be more fully described in a schedule to the Agreement titled “Exhibit D – Description of the Equipment”. Upon delivery and acceptance by the Lessee of the Equipment, the Authorized Officers are authorized and directed to execute a Certificate of Acceptance of such Equipment and, as provided in Section 4.01 of such Lease, the Lease Term shall commence on the date of acceptance.

SECTION 3. The Authorized Officers are further authorized and directed to execute on behalf of the Lessee a Financing Statement and all other documents as provided for under Section 7.02 of such Lease to establish and maintain the security interest of Hancock Bank in such Equipment.

SECTION 4. The Council hereby designates the Lease Purchase Agreement as a qualified tax-exempt obligation for purposes of Section 265(b)(3) of the Code.

SECTION 5. The Lessee and the Council understand Section 8.03 of the Agreement (“Provisions Regarding Insurance”) and agree to provide property damage and liability insurance in accordance with the terms of the Agreement.

COUNCIL MEMBER _____ seconded the motion and after a full discussion, the same was put to vote with the following results:

_____	Voted: _____

The motion, having received an affirmative vote, was carried and the resolution adopted, this the _____ day of _____ 2014.

By: _____

Thomas E. Schafer, IV
Mayor

{Seal}

Attest: _____

Ms. Kristin Ventura
City Clerk

Governmental Lease Purchase Agreement

Lessor: Hancock Bank
P.O. Box 4019
Gulfport, MS 39502

Lessee: City of Diamondhead, Mississippi
5000 Diamondhead Circle
Diamondhead, MS 39525

This GOVERNMENTAL LEASE PURCHASE AGREEMENT (the "Agreement") entered into between HANCOCK BANK, a corporation duly organized and existing under the laws of the State of Mississippi (the "Lessor"), and the CITY OF DIAMONDHEAD, MISSISSIPPI (Lessee), a body, corporate and politic, duly organized and existing under the laws of the State of Mississippi ("State").

WITNESSETH

WHEREAS, Lessor desires to lease the Equipment, as hereinafter defined, to Lessee, and Lessee desires to lease the Equipment from Lessor, subject to the terms and conditions of, and for the purposes set forth in, this Agreement; and

WHEREAS, Lessee is authorized under the Constitution and laws of the State to enter into this Agreement for the purposes set forth herein;

NOW, THEREFORE, for and in consideration of the premises hereinafter contained, the parties hereby agree as follows:

ARTICLE I

Covenants of Lessee. Lessee represents, covenants and warrants, for the benefit of Lessor and its assignees, as follows: (a) Lessee is a public body, corporate and politic, duly organized and existing under the Constitution and laws of the State; (b) Lessee will do or cause to be done all things necessary to preserve and keep in full force and effect its existence as a body corporate and politic; (c) Lessee is authorized under the Constitution and laws of the State to enter into this Agreement and the transaction contemplated hereby, and to perform all of its obligations hereunder; (d) Lessee has been duly authorized to execute and deliver this Agreement under the terms and provisions of the resolution of its governing body, attached hereto as Exhibit "A", or by other appropriate official approval, and further represents, covenants and warrants that all requirements have been met, and procedures have occurred in order to ensure the enforceability of this Agreement, and Lessee has complied with such public bidding requirements as may be applicable to this Agreement and the acquisition by Lessee of the Equipment hereunder. Lessee shall cause to be executed an opinion of its counsel substantially in the form attached hereto as Exhibit "B"; (e) during the term of this Agreement, the Equipment will be used by Lessee only for the purpose of performing one or more governmental or proprietary functions of Lessee consistent with the permissible scope of Lessee's authority and will not be used in a trade or business of any person or entity other than the Lessee; (f) during the period this Agreement is in force, Lessee will provide Lessor with current financial statements, budgets, proof of appropriation for the ensuing fiscal year and such other financial information relating to the ability of Lessee to continue this Agreement as may be reasonably requested by Lessor or its assignee; (g) the Equipment will have a useful life in the hands of the Lessee that is substantially in excess of the Original Term and all Renewal Terms; and (h) the Equipment is, and shall remain during the period this Agreement is in force, personal property and when subject to use by Lessee under this Agreement, will not be or become fixtures.

ARTICLE II

Definitions: The following terms will have the meanings indicated below unless the context clearly requires otherwise:

"Agreement" - means this Governmental Lease Purchase Agreement, including the Exhibits attached hereto, as the same may be supplemented or amended from time to time in accordance with the terms hereof.

"Commencement Date" - is the date when the term of this Agreement begins and Lessee's obligation to pay rent accrues, which date shall be the date on which the Equipment is accepted by Lessee as indicated on the Certificate of Acceptance attached hereto as Exhibit "F".

"Equipment" - means the property described in Exhibit "D" and which is the subject of this Agreement.

"Lease Term" - means the Original Term and all Renewal Terms provided for in this Agreement under Section 4.01, but in no event longer than the number of months set forth in Exhibit "E" of the Agreement.

"Lessee" - means the entity which is described in the first paragraph of this Agreement and which is leasing the Equipment from Lessor under the provisions of this Agreement.

"Lessor" - means (i) Hancock Bank, a corporation, acting as Lessor hereunder; (ii) Any surviving, resulting or transferee corporation; and (iii) Except where the context requires otherwise, any assignee(s) of Lessor.

"Original Term" - means that period from the Commencement Date until the end of the fiscal year of Lessee in effect at the Commencement Date.

"Purchase Price" - means the amount which Lessee may, in its discretion, pay to Lessor in order to purchase the Equipment, as set forth in Exhibit "E" hereto.

"Renewal Term(s)" - means the automatic renewal terms of this Agreement as provided for in Article IV of this Agreement, each having a duration of one (1) year and a term co-extensive with the Lessee's fiscal year except the last of such automatic renewal terms which shall end on the anniversary of the Commencement Date therein.

"Rental Payments" - means the basic rental payments payable by Lessee pursuant to the provisions of this Agreement during the Lease Term, payable in consideration of the right of Lessee to use the Equipment during the then current portion of the Lease Term. Rental Payments shall be payable by Lessee to the Lessor or its assignee in the amounts and at the times during the Lease Term as set forth in Exhibit "E" of this Agreement.

"Vendor" - means the manufacturer of the Equipment as well as the agents or dealers of the manufacturer from whom Lessor purchased or is purchasing the Equipment.

ARTICLE III

Lease of Equipment. Lessor hereby demises, leases and lets to Lessee, the Lessee rents, leases and hires from Lessor, the Equipment, in accordance with the provisions of this Agreement, to have and to hold for the Lease Term.

ARTICLE IV

LEASE TERM

Section 4.01. Commencement of Lease Term

The original Term of this Agreement shall commence on the Commencement Date as indicated in Exhibit "F" and shall terminate the last day of Lessee's current fiscal year.

The Lease Term will be automatically renewed at the end of the Original Term or any Renewal Term for an additional one (1) year, unless the Lessee gives written notice to Lessor not less than sixty (60) days prior to the end of the Original Term or Renewal Term then in effect, or such greater notice as may be provided in Article VI, of Lessee's intention to terminate this Agreement at the end of the Original Term or the then current Renewal Term pursuant to Article XI or Article VI, as the case may be.

Section 4.02. Termination of Lease Term.

The Lease Term will terminate upon the earliest of any of the following events: (a) the expiration of the Original Term or any Renewal Term of this Agreement and the non-renewal of this Agreement in the event of non appropriation of funds pursuant to Section 6.06; (b) the exercise by Lessee of the option to purchase the Equipment granted under the provisions of Articles IX or XI of this Agreement; (c) a default by Lessee and Lessor's election to terminate this Agreement under Article XIII; or (d) the payment by Lessee of all Rental Payments authorized or required to be paid by Lessee hereunder.

ARTICLE V

Enjoyment of Equipment. Lessor hereby covenants to provide Lessee during the Lease Term with quiet use and enjoyment of the Equipment, and Lessee shall during the Lease Term peaceably and quietly have and hold and enjoy the Equipment, without suit, trouble or hindrance from Lessor, except as expressly set forth in this Agreement.

Lessor shall have the right at all reasonable times during business hours to enter into and upon the property of Lessee for the purpose of inspecting the Equipment.

ARTICLE VI

Rental Payments

Section 6.01. Rental Payments to Constitute a Current Expenses of Lessee.

Lessor and Lessee understand and intend that the obligation of Lessee to pay Rental Payments hereunder shall constitute a current expense of Lessee and shall not in any way be construed to be a debt of Lessee in contravention of any applicable constitutional or statutory limitations or requirements concerning the creation of indebtedness by Lessee, nor shall anything contained herein constitute a pledge of the general tax revenues, funds or monies of Lessee.

Section 6.02. Payment of Rental Payments.

Lessee shall pay Rental Payments, exclusively from legally available funds, in lawful money of the United States of America to Lessor, or in the event of assignment by Lessor, to its assignee, in the amounts and on the dates set forth in Exhibit "E" hereto. Rental Payments shall be in consideration for Lessee's use of the Equipment during the applicable year in which such payments are due.

Section 6.03. Interest and Principal Component.

A portion of each Lease Rental Payment is paid as, and represents payment of, interest, and the balance of each Rental Payment is paid as, and represents payment of, principal. Exhibit "E" hereto sets forth the interest component and the principal component of each Rental Payment during the Lease Term.

Section 6.04. Rental Payments to be Unconditional.

The obligations of Lessee to make payment of the Rental Payments required under this Article VI and other sections hereof, and to perform and observe the covenants and agreements contained herein, shall be absolute and unconditional in all events, except as expressly provided under this Agreement. Notwithstanding any dispute between Lessee and Lessor, and Vendor or any other person, Lessee shall make all payments of Rental Payments when due and shall not withhold any Rental Payments pending final resolution of such dispute, nor shall Lessee assert any right of setoff or counterclaim against its obligation to make such payments required under this Agreement. Lessee's obligation to make Rental Payments during the Original Term or the then current Renewal Term shall not be abated through accident or unforeseen circumstances.

Section 6.05. Continuation of Lease Term by Lessee.

Lessee intends, subject to the provisions of Section 6.06 to continue the Lease Term through the Original Term and all of the Renewal Terms and to pay the Rental Payments hereunder. Lessee reasonably believes that legally available funds of an amount sufficient to make all Rental Payments during the Original Term and each of the Renewal Terms can be obtained. Lessee further intends to do all things lawfully within its power to obtain and maintain funds from which the Rental Payments may be made, including making provision for such payments to the extent necessary in each bi-annual or annual budget submitted and adopted in accordance with applicable provisions of state law, to have such portion of the budget approved.

Section 6.06. Non-appropriation.

In the event sufficient funds shall not be appropriated for the payment of the Rental Payments required to be paid in the next occurring Renewal Term, and if Lessee has no funds legally available for Rental Payments from other sources, then Lessee may terminate this Agreement at the end of the then current Original Term or Renewal Term, and Lessee shall not be obligated to make payment of the Rental Payments provided for in this Agreement beyond the then current original or Renewal Term. Lessee agrees to deliver notice to Lessor of such termination at Least sixty (60) days prior to the end of the then current Original or Renewal Term. If this Agreement is terminated under this Section 6.06, Lessee agrees, at Lessee's cost and expense, peaceably to deliver the Equipment to Lessor at the location specified by Lessor. To the extent lawful, Lessee shall not, until the date on which the next occurring Renewal Term would have ended, expend any funds for the purchase or use of Equipment similar to the Equipment subject to this Agreement.

ARTICLE VII

TITLE TO EQUIPMENT; SECURITY INTEREST

Section 7.01. Title To The Equipment

During the Term of this Agreement, title to the Equipment any and all additions, repairs, replacements or modifications shall vest in Lessee, subject to the rights of Lessor under this Agreement. In the event of default as set forth in Section 13.02 or nonappropriation as set forth in Section 6.06, Title to the Equipment shall immediately vest in Lessor, and Lessee will reasonably surrender possession of the Equipment to Lessor. Lessee, irrevocably, hereby designates, makes, constitutes and appoints Lessor (and all persons designated by Lessor) as Lessee's true and lawful attorney (and agent-in-fact) with power, at such time of default or nonappropriation or times thereafter as Lessor in its sole and absolute discretion may determine, in Lessee's or Lessor's name, to endorse the name of Lessee upon any Bill of Sale, document, instrument, invoice, freight bill, bill of lading or similar document relating to the Equipment in order to vest title in Lessor and transfer possession to Lessor.

Section 7.02. Security Interest.

To secure the payment of all Lessee's obligations under this Agreement, Lessee grants to Lessor a security interest constituting a first lien on the Equipment and on all additions, attachments, accessions and substitutions thereto, and on any proceeds therefrom. Lessee agrees to execute such additional documents,

including financing statements, certificates of title, affidavits, notices and similar instruments, in form satisfactory to Lessor, which Lessor deems necessary or appropriate to establish and maintain its security interest, and upon assignment, the security of any assignee of Lessor, in the Equipment.

ARTICLE VIII

Maintenance; modification of taxes; exemption from federal taxation; insurance and other charges.

Section 8.01. Maintenance of Equipment by Lessee.

Lessee agrees that at all times during the Lease Term, Lessee will, at Lessee's own cost and expense, maintain, preserve and keep the Equipment in good repair, working order and condition, and that Lessee will from time to time make or cause to be made all necessary and proper repairs, replacements and renewals. Lessor shall have no responsibility in any of these matters or for the making of improvements or additions to the Equipment. The Lessee may from time to time add further parts or accessories to any item of leased Equipment, provided such addition does not affect or impair the value or utility of such item of Equipment. Any part or accessory so added, if not required as a replacement hereunder, shall remain the property of the Lessee and may be removed at any time prior to the expiration of the lease term of such item, provided such removal does not affect or impair the value or utility of such item of Equipment. Any parts or accessories not so removed shall become the property of the Lessor.

Section 8.02. Taxes, Other Governmental Charges and Utility Charges.

The parties to this Agreement contemplate that the Equipment will be used for a governmental or proprietary purpose of Lessee and, therefore, that the Equipment will be exempt from all taxes presently assessed and levied with respect to personal property. In the event that the use, possession or acquisition of the Equipment is found to be subject to taxation in any form (except for income taxes of Lessor), Lessee will pay during the Lease Term, as the same respectively come due, all taxes and governmental charges of any kind whatsoever that may at any time be lawfully assessed or levied against or with respect to the Equipment and any Equipment or other property acquired by Lessee in substitution for, as a renewal or replacement of, or modification, improvement or addition to the Equipment, as well as all gas, water, steam, electricity, heat, power, telephone, utility and all other charges incurred in the operation, maintenance, use, occupancy and upkeep of the Equipment; provided that, with respect to any governmental charges that may lawfully be paid in installments over a period of years, Lessee shall be obligated to pay only such installments as have accrued during the time this Agreement is in effect.

The Lessor has entered into this Agreement contemplating that the interest portion of rental payments will be exempt from federal income taxation. In the event any governmental taxing authority successfully imposes tax treatment, under this Agreement or any other lease of the Lessor which in the opinion of Lessor's counsel will be determinative of the tax treatment under this Agreement, which differs from the tax treatment contemplated to be taken by the Lessor hereto at the inception of this Agreement or which effectively denies to the Lessor the use or benefit of such tax treatment as contemplated, then Lessee agrees to pay rents with an interest factor equal to the maximum rate of interest which, under applicable law, Lessor is permitted to charge, retroactively from the date of imposition of the change of tax treatment through the term of each Equipment Lease Schedule under this Agreement during which the change of tax theory is imposed, and subsequently thereto, as rental payments would otherwise become due, until the end of the lease term. Any retroactive payments of rent under this paragraph shall be due and payable at the date that Lessor gives notice to Lessee of imposition of the change of tax-treatment.

Lessee agrees to pay its pro-rata share of attorney's fees that may reasonably be incurred by Lessor in the event legal action or administrative action is taken by the Lessor to secure the tax treatment intended to be taken by Lessor under this Agreement or any other lease which in the opinion of Lessor's counsel will be determinative of the tax treatment under this Agreement whether such action is successful or not. Lessee's pro-rata share shall be determined by the percentage that the Lessor's original cost of leased equipment for all other similar leases of the Lessor involving similar issues of fact or law. In the event the Lessor is successful in securing the tax treatment intended to be taken by Lessor, Lessor shall refund to Lessee the total amount of increased interest (as hereinabove provided) which has been paid by Lessee and rental payments for the remainder of the lease term shall be the original rentals specified in the Equipment Lease Schedules.

Section 8.03. Provisions Regarding Insurance.

At its own expense, Lessee shall cause casualty, public liability and property damage insurance to be carried and maintained sufficient to protect the Full Insurable Value (as that term is hereinafter defined) of the Equipment, and to protect Lessor from liability in all events. All insurance proceeds from casualty losses shall be payable as hereinafter provided in this Agreement. Lessee shall furnish to Lessor Certificates evidencing such coverage throughout the Lease Term. Such Certificates shall name the Lessor as an additional insured or loss payee, as Lessor's interests may appear.

Alternatively, Lessee may insure the Equipment under a blanket insurance policy or policies which cover not only the Equipment, but other properties.

The term "Full Insurable Value" as used herein shall mean the full replacement value of the Equipment or the then applicable Purchase Price, whichever is greater.

Any insurance policy pursuant to this Section 8.03 shall be written with Hancock Bank as an additional insured or loss payee, as its interests may appear. The Net Proceeds (as defined in Section 9.01) of the insurance required in this Section 8.03 shall be applied as provided in Article IX hereof. Each insurance policy provided for in this Section 8.03 shall contain a provision to the effect that the insurance company shall not cancel the policy or modify it materially and adversely to the interest of Lessor without first giving written notice thereof to Lessor at least ten (10) days in advance of such cancellation.

The Lessee will at all times carry liability insurance from a third party insurer, such coverage being for the joint benefit of the Lessee and Lessor and with the Lessor named as an additional insured.

Under this Agreement, the Lessee is required to maintain property damage insurance from a third party insurer, against loss, theft, damage or destruction from every cause whatsoever for not less than the Full Insurable Value of the Equipment. Alternately, with regard to property damage insurance, and subject to the terms of this Agreement, including the preceding paragraphs of this Section 8.03, the Lessee may optionally elect to self insure through a self insurance program ("Self-Insurance"), against loss, theft, damage or destruction from every cause whatsoever for not less than the Full Insurable Value of the Equipment. Such Self-Insurance shall be in the joint names of the Lessor and Lessee, with the Lessor and Lessee named as loss payees. With regard to any Self-Insurance, which is alternatively elected, chosen, initiated and maintained by the Lessee, in order to meet the requirements of this Agreement, the Lessee does hereby declare and name the Lessor as a joint and additional insured and loss payee with regard to Self-Insurance which, Lessee alternately chooses to implement and maintain in order to meet its responsibilities under this Agreement. With regard to any Self-Insurance elected, in substitution for third party insurance as required by the Agreement, the Lessee agrees that it will at all times maintain sufficient monetary and other necessary resources, under its Self-Insurance election, to enable the Lessee to meet all of its obligations under this Agreement. The Lessee, and the Lessee's Governing Body, agree and declare that they individually and collectively have the necessary experience and sophistication in matters pertaining to any and all risks and responsibilities taken and assumed with the alternative election and choice of Self-Insurance. The Lessee, and the Lessee's Governing Body, individually and collectively understand, that there will be no abatement or reduction of responsibilities under this Agreement (including making rental payments) by Lessee for any

reason, including but not limited to, the election of Self-Insurance, loss, theft, damage or destruction from any cause whatsoever.

Section 8.04. Advances.

In the event Lessee shall fail to maintain the full insurance coverage required by this Agreement or shall fail to keep the Equipment in good repair and operating condition, Lessor may (but shall be under no obligation to) purchase the required policies of insurance and pay the premiums on the same or may make such repairs or replacements which are necessary and provide for payment thereof; and all amounts so advance therefore by Lessor shall become additional rent for the then current Original Term or Renewal Term which amounts Lessee agrees to pay, together with interest thereon at the rate of twelve (12%) per cent per annum or the highest rate permitted by applicable law, whichever is less.

ARTICLE IX

DAMAGES, DESTRUCTION AND CONDEMNATION: USE OF NET PROCEEDS

Section 9.01. Damages, Destruction and Condemnation.

Unless Lessee shall have exercised its option to purchase the Equipment by making payment of the Purchase Price as provided herein, if prior to the termination of the Lease Term; (a) the Equipment or any portion thereof is destroyed (in whole or in part) or is damaged by fire or other casualty; or (b) title to, or the temporary use of, the Equipment or any part thereof or the estate of Lessee or Lessor in the Equipment or any part thereof shall be taken under the exercise of the power of eminent domain by any governmental body or by any person, firm or corporation acting under governmental authority, Lessee and Lessor will cause the Net Proceeds of any insurance claim or condemnation award to be applied to Lessee's obligations pursuant to Section 9.02 hereof.

For purposes of Section 8.03 and this Article IX, the term "Net Proceeds" shall mean the amount remaining from the gross proceeds of any insurance claim or condemnation award deducting all expenses (including attorney's fees) incurred in the collection of such claim or award.

Section 9.02 Insufficiency of Net Proceeds.

Provided, the Equipment is not deemed to be a total loss, Lessee shall if Lessee is not in default hereunder, cause the repair, replacement or restoration of the Property and pay the cost thereof.

In the event of total destruction or damage to the Equipment, whether or not Lessee is in default, at Lessor's option, Lessee shall pay to Lessor on the rent payment due date next succeeding the date of such loss ("Rent Payment Due Date") the amount of the Purchase Price applicable to such Rent Payment Due Date, plus the Rental Payment due on such date, plus any other amounts payable by Lessee hereunder, and, upon such payment, the Lease Term shall terminate and Lessor's security interest in the Equipment shall terminate as provided in Article XI of this Agreement. The amount of the Net Proceeds in excess of the then applicable Purchase Price, if any, may be retained by Lessee. Lessee agrees that if the Net proceeds are insufficient to pay in full Lessee's obligations hereunder, Lessee shall make such payments to the extent of any such deficiency. Lessee shall not be entitled to any reimbursement therefore from Lessor nor shall Lessee be entitled to any diminution of the amounts payable under Article VI hereof.

ARTICLE X

DISCLAIMER OF WARRANTIES; VENDOR'S WARRANTIES; USE OF THE EQUIPMENT

Section 10.01. Disclaimer of Warranties.

Lessor makes no warranty or representation, either express or implied, as to the value, design, condition, mechanism or fitness for particular purposes or fitness for use of the Equipment, or warranty with respect thereto. In no event shall Lessor be liable for any incidental, indirect, special or consequential damage in connection with or arising out of this Agreement or the existence, furnishing, functioning or Lessee's use of any item or products or services provided for in this Agreement.

Section 10.02. Vendor's Warranties.

Lessor hereby agrees to assign to Lessee solely for the purpose of making and prosecuting any such claim against Vendor, all of the rights which Lessor has against Vendor for breach of warranty or other representation respecting the Equipment. Lessee's sole remedy for the breach of such warranty, indemnification or representation shall be against the Vendor of the Equipment, and not against the Lessor, nor shall such matter have any effect whatsoever on the rights and obligations of Lessor with respect to this Agreement, including the right to receive fully and timely payments hereunder. Lessee expressly acknowledges that Lessor makes, and has made, no representation or warranties whatsoever as to the existence or availability of such warranties of the Vendor of the Equipment.

Section 10.03. Use of the Equipment.

Lessee will not install, use, operate or maintain the Equipment improperly, carelessly, in violation of any applicable law or in a manner contrary to that contemplated by this Agreement. Lessee shall provide all permits and licenses, if any, necessary for the installation and operation of the Equipment. In addition, Lessee agrees to comply in all respects (including, without limitation, with respect to the use, maintenance and operation of each item of the Equipment) with all laws of the jurisdiction in which its operations involving any item of Equipment may extend and any legislative, administrative or judicial body exercising any power or jurisdiction over the items of the Equipment; provided, however, that Lessee may contest in good faith the validity or application of any such law or rule in any reasonable manner which does not, in the opinion of Lessor, adversely affect the estate of Lessor in and to any of the items of the Equipment or its interest or rights under this Agreement.

ARTICLE XI

Option to Purchase. At the request of Lessee, Lessor's security interest in the Equipment will be terminated and this Agreement shall terminate: (a) At the end of the Lease Term (including Renewal Terms), upon payment in full of the Rental Payments and other amounts payable by Lessee hereunder; or (b) At the end of the Original Term or any Renewal Term upon payment by Lessee of the then applicable Purchase Price; or (c) If the Lease Term is terminated pursuant to Article IX of this Agreement.

ARTICLE XII

ASSIGNMENT; SUBLEASING; INDEMNIFICATION; MORTGAGING AND SELLING

Section 12.01. Assignment by Lessor.

This Agreement, and the obligations of Lessee to make payments hereunder, may be assigned and reassigned in whole or in part to one or more assignees or subassignees by Lessor at any time subsequent to its execution, without the necessity of obtaining the consent of Lessee. Lessor agrees to give notice of assignment to Lessee and upon receipt of such notice Lessee agrees to make all payments to the assignee designated in the assignment, notwithstanding any claim, defense, set off or counterclaim whatsoever (whether arising from a breach of this Agreement or otherwise) that Lessee may from time to time have against Lessor, or the assignee. Lessee agrees to execute all documents, including notices of assignment and chattel mortgages or financing statements which may be reasonably requested by Lessor or its assignee to protect their interests in the Equipment and in this Agreement.

Section 12.02. No Sale, Assignment or Subleasing by Lessee.

This Agreement and the interest of Lessee in the Equipment may not be sold, assigned or encumbered by Lessee without the prior written consent of Lessor.

Section 12.03. Release and Indemnification Covenants.

To the extent permitted by the laws and Constitution of the State, Lessee shall protect, hold harmless and indemnify Lessor from and against any and all liability obligations, losses, claims and damages whatsoever, regardless of cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this Agreement, the ownership of any item of the Equipment, the ordering acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any item of the Equipment or any accident in connection with the operation, use, condition, possession, storage or return of any item of the Equipment resulting in damage to property or injury to or death to any person. The indemnification arising under this paragraph shall continue in full force and effect notwithstanding the full payment of all obligations under this Agreement or the termination of the Lease Term for any reason. Lessee agrees not to withhold or abate any portion of the payments required pursuant to this Agreement by reason of any defects, malfunctions, breakdowns, or infirmities of the Equipment.

ARTICLE XIII

EVENTS OF DEFAULT BY LESSEE AND REMEDIES THEREUPON

Section 13.01. Events of Default by Lessee Defined.

With respect to Lessee, the following shall be "Events of Default" under this Agreement and the terms "Event of Default" and "Default" shall mean, whenever they are used in this Agreement, any one or more of the following events: (a) failure by Lessee to pay any Rental Payment or other payment required to be paid hereunder at the time specified herein; or (b) failure by Lessee to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in Section 13.01(a), for a period of thirty (30) days after written notice, specifying such failure and requesting that it be remedied as given to Lessee by Lessor, unless Lessor shall agree in writing to an extension of such time prior to its expiration; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, Lessor will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by Lessee within the applicable period and diligently pursued until the default is corrected; or (c) breach of any material representation or warranty by Lessee under this Agreement; or (d) commencement by Lessee of a case or proceeding under the Federal bankruptcy laws or filing by Lessee of any petition or answer seeking reorganization, arrangement, composition, readjustment, liquidation or similar relief under any existing or future bankruptcy, insolvency or other similar law or any answer admitting or not contesting the material allegations of a petition filed against Lessee in any such proceeding; or (e) a Petition against Lessee in a proceeding under any existing or future bankruptcy, insolvency or other similar law shall be filed and not withdrawn or dismissed within thirty (30) days thereafter.

The foregoing provisions of this Section 13.01 are subject to: (i) the provisions of Section 6.06 hereof with respect to nonappropriation; and (ii) if by reason of force majeure Lessee is unable in whole or in part to carry out its agreement on its part herein contained, other than the obligations on the part of the Lessee contained in Article VI hereof, Lessee shall not be deemed in default during the continuance of such inability. The term "force majeure" as used herein shall mean, without limitation, the following: Acts of God, strikes, lockouts or other industrial disturbances; acts of public enemies, order or restraints of any kind of the government of the United States of America or of the State wherein Lessee is located or any of their department, agencies or

officials, or any civil or military authority; insurrections; riot, landslides; earthquakes; fire, storms; droughts; floods; or explosions.

Section 13.02. Remedies on Default.

Whenever any event of default referred to in section 13.01 hereof shall have happened and be continuing, Lessor shall have the right, at its sole option without any further demand or notice, to take one or any combination of the following remedial steps: (a) with or without terminating this Agreement, retake possession of the Equipment and sell, lease or sublease the Equipment for the account of Lessee, to be applied to Lessee's obligations hereunder, holding Lessee liable for the Purchase Price applicable on the rent payment due date immediately preceding the date of default, plus the Rental payments due on such date, plus any other amounts payable by Lessee hereunder, including, but not limited to, attorney's fees expenses and costs of repossession; (b) Require Lessee at Lessee's risk and expense to promptly return the Equipment in the manner and in the condition set forth in Section 6.06 and 8.01 hereof;

(c) If the Lessor is unable to repossess the Equipment for any reason, the Equipment shall be deemed a total loss and Lessee shall pay to Lessor the amount due pursuant to Article IX hereof; and (d) Take whatever action at law or in equity may appear necessary or desirable to enforce its rights as the owner of the Equipment.

Section 13.03. No Remedy Exclusive.

No remedy herein conferred upon or reserved to Lessor is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power and may be exercised from time to time and as often as may be deemed expedient.

ARTICLE XIV

LESSOR'S WARRANTIES

Section 14.01. Lessor's Warranties.

As to each item of leased Equipment to be leased hereunder, the Lessor warrants that: (a) it has the right to lease the same to Lessee; (b) it will keep each item of leased Equipment free of security interests except for the security interest provided for in Section 7.02 of this Agreement; and (c) it will do nothing to disturb Lessee's full right of possession and enjoyment thereof and the exercise of Lessee's rights with respect to the Equipment leased hereunder subject to compliance by Lessee of the terms of this Agreement.

ARTICLE XV

MISCELLANEOUS

Section 15.01. Notices.

All notices, certificates of other communications hereunder shall be sufficiently given and shall be deemed given when delivered or mailed by certified mail, postage prepaid, to the parties at their respective places of business.

Section 15.02. Binding Effect.

This Agreement shall insure to the benefit of and shall be binding upon Lessor and Lessee and their respective successors and assigns.

Section 15.03. Severability.

In the event any provision of this 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 15.04. Amendments.

The terms of this Agreement shall not be waived, altered, modified, supplemented or amended in any manner whatsoever except by written instrument signed by the Lessor and the Lessee; nor shall any such amendment that affects the rights of Lessor's assignee be effective without such assignee's consent.

Section 15.05. Execution in 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.

Section 15.06. Applicable Law.

This Agreement shall be governed by and construed in accordance with the laws of the State of Mississippi.

Section 15.07. Captions.

The captions or headings in this Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions of sections of the Agreement.

Section 15.08. Entire Agreement.

This Agreement constitutes the entire Agreement between Lessor and Lessee. No waiver, consent, modification or change of terms of this Agreement shall bind either party unless in writing signed by both parties, and then such waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. There are no understandings, agreements, representations or warranties, express or implied, not specified herein regarding this Agreement or the Equipment lease hereunder. Any terms and conditions of any purchase order or other document (with the exception of Supplements) submitted by Lessee in connection with this Agreement which are in addition to or inconsistent with the terms and conditions of this Agreement will not be binding on Lessor and will not apply to this Agreement. Lessor and Lessee by their signatures acknowledge that each has read this Agreement, understands it, and agrees to be bound by its terms and conditions, and certifies that each signature is duly authorized and the signers are empowered to execute this Agreement on behalf of their respective principals.

IN WITNESS WHEREOF, Lessor has executed this Agreement in its corporate name with its corporate seal hereunder affixed and attested by its duly authorized officer, and Lessee has caused this Agreement to be executed in its corporate name with its corporate seal hereunto affixed and attested by its duly authorized officers. All of the above occurred as of the date first written below.

LESSOR: HANCOCK BANK

LESSEE: CITY OF DIAMONDHEAD, MS

By: _____
MR. JONATHAN KING
PUBLIC FINANCE OFFICER

By: _____
RICHARD ROSE
CITY MANAGER

As of _____, 2014

As of _____, 2014

ATTEST:

By: _____
KRISTIN VENTURA
CITY CLERK

{CITY SEAL}

As of _____, 2014

EXHIBIT "A"
RESOLUTION OF LESSEE

Agenda Item 2014-3131
Resolution 2014-090

EXHIBIT "B"

{ATTACH LEGAL & TAX OPINION FROM LESSEE'S COUNSEL}

EXHIBIT "C"
CERTIFICATE AS TO ARBITRAGE

We, the undersigned, **CITY OF DIAMONDHEAD, MS** (the "Lessee") being the persons duly charged, by the Mayor and City Council, with responsibility for issuing the Lessee's obligation in the form of that certain agreement entitled "Governmental Lease Purchase Agreement" (the "Agreement") dated _____, 2014 and issued said date hereby certify that:

- 1. The Agreement was issued by the Lessee under and pursuant to SECTION 31-7-13(e) MISS. CODE ANN. (1972, as amended,), to finance the acquisition of certain equipment described therein.
- 2. Pursuant to the Agreement, the Lessee is entitled to receive said equipment in consideration for the obligation of the Lessee under the Agreement. Said equipment will be used in furtherance of the public purposes of the Lessee. The Lessee does not intend to sell equipment or to otherwise dispose of said equipment during the term of the Agreement. The Lessee will not receive any monies, funds, or other "proceeds" as a result of the Agreement.
- 3. The Lessee expects to make payments under the Agreement from its general funds on the basis of annual appropriations in an amount equal to the required payment under the Agreement. The remaining general funds of the Lessee are not reasonably expected to be used to make such payment and no other monies are pledged to the Agreement or reasonably expected to be used to pay principal and interest on the Agreement.
- 4. The Lessee has not received notice that its Certificate may not be relied upon with respect to its own issues nor has it been advised than any adverse action by the Commissioner of Internal Revenue is contemplated.

To the best of our knowledge, information and belief the expectations herein expressed are reasonable and there are no facts, estimates or circumstances other than those expressed herein that would materially affect the expectations herein expressed.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____ 2014.

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA

City Clerk

EXHIBIT "D"
DESCRIPTION OF EQUIPMENT

The Equipment that is listed on the invoices attached to this Exhibit D is the subject of the Governmental Lease Purchase Agreement dated _____, 2014 entered into between Hancock Bank and the City of Diamondhead, Mississippi. Lessee hereby certifies that the description of the personal property set forth in the attached invoices constitutes an accurate description of the "Equipment", as defined in the above referenced Governmental Lease Purchase Agreement.

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA
City Clerk

EXHIBIT "E"
RENTAL PAYMENTS

Annual rentals on this agreement are \$36,966.24. The first rental due on this agreement will be due on the **TBD (DATE OF CLOSING)** day of **TBD (DATE OF CLOSING) Month 2015** and subsequent annual rentals will be due on the **TBD (DATE OF CLOSING)** of each year thereafter. The lease term of this agreement is **5 annual** payments with a \$1.00 Purchase Option available to the Lessee at contract end. The purchase price during the original or any renewal term shall be the amount set forth as the "balance" or "outstanding balance" on the attached amortization schedule plus \$1.00 plus accrued but unpaid interest amounts as set forth on the attached schedule plus other amounts payable by lessee under the terms of the lease.

EXHIBIT "F"
ACCEPTANCE CERTIFICATE

The undersigned, **CITY OF DIAMONDHEAD, MS** as Lessee, under the Governmental Lease Purchase Agreement (the "Agreement") dated _____, **2014** with **HANCOCK BANK** ("Lessor"), acknowledges receipt in good condition of all of the Equipment described in the Agreement and Exhibit "D" thereto this _____, **2014** and certifies that Lessor has fully and satisfactorily performed all of its covenants and obligations required under the Agreement to date.

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA
City Clerk

EXHIBIT G
ESSENTIAL USE/SOURCE OF FUNDS LETTER

TO: HANCOCK BANK

RE: Governmental Lease Purchase Agreement

Gentlemen:

Reference is made to that certain Governmental Lease Purchase Agreement, dated _____, 2014 ("Lease"), between Lessor and the, **CITY OF DIAMONDHEAD, MS** as Lessee, leasing the personal property ("Property") described in Exhibit "D" to such Lease. This confirms and affirms that the Property is essential to the functions of the undersigned as or to the service we provided to our citizens.

Further, the City has an immediate need for, and expects to make immediate use of, substantially all the Property, which need is not temporary or expected to diminish in the foreseeable future. The Property will be used by the City for the purpose of performing one or more of the governmental or proprietary functions consistent with the permissible scope of its authority.

The City expects and anticipates adequate funds to be available for all future payments of rent due after the current fiscal year in as much as there will be a continued need for such property.

Very truly yours,

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA
City Clerk

Exhibit H
BILL OF SALE

For and in consideration of the purchase price of **\$175,000.00** paid by Hancock Bank, Gulfport, Mississippi (“Lessor”), to _____ (“Vendor/Lessee”), receipt of which is hereby acknowledged, the Lessee hereby sells, assigns, and transfers to Lessor, the equipment (the “Equipment”) now in the possession of Lessee as described on Exhibit D and the attachments thereto.

It is agreed that the Equipment is to remain in the possession of Lessee but that the possession thereof by Lessee shall, from and after the date hereof, be subject to the Governmental Lease Purchase Agreement dated as of _____, 2014 between Lessor and Lessee (the “Agreement”), with the same effect as though the Equipment had been acquired by Lessor and delivered to Lessee as of the date hereof. The rental applicable to the Equipment shall be determined in accordance with the terms of the Agreement.

Lessee hereby represents and warrants that the Equipment is now in the possession of the Lessee and hereby transfers to Lessor the Equipment free and clear of any and all liens and encumbrances, subject to re-conveyance and retention of title to Lessee as provided in the Agreement.

Lessee hereby agrees, upon request of Lessor, to execute and deliver any other instruments, papers, or documents which may be required, or desirable, in the opinion of Lessor in order to give effect to this Bill of Sale.

IN WITNESS WHEREOF Lessee has duly executed this Bill of Sale as of this _____ day of _____ 2014.

CITY OF DIAMONDHEAD, MS

BY: _____
RICHARD ROSE
City Manager

BY: _____
KRISTIN VENTURA
City Clerk

Exhibit J
ASSIGNMENT OF PURCHASE ORDERS

OMITTED

Exhibit K
ASSIGNMENT OF INVOICES

For value received, the **CITY OF DIAMONDHEAD, MS** (“Assignor”) does hereby sell, assign and transfer to Hancock Bank, Gulfport, Mississippi (“Assignee”) all its right, title and interest in and to and delegates its duties under the invoices attached hereto and made a part hereof (the “Invoices”).

The Assignor represents that the Invoices are in full force and effect and are assignable and that this Assignment is a valid exercise of the rights of the Assignor.

This Assignment is executed for the purpose of establishing in Assignee clear title to the equipment specified on the Invoices which equipment is subject to that certain Governmental Lease Purchase Agreement dated as of _____, 2014 by the Assignor and Assignee, of which this Assignment constitutes an integral part, including those provisions for the transfer and retention of title to Lessee as provided in the Agreement.

This Assignment of Invoices is executed as of this _____ day of _____ 2014.

CITY OF DIAMONDHEAD, MS

BY: _____
RICHARD ROSE
City Manager

BY: _____
KRISTIN VENTURA
City Clerk

**EXHIBIT L
CERTIFICATE WITH RESPECT TO
QUALIFIED TAX-EXEMPT OBLIGATION**

We, the undersigned representatives of the **CITY OF DIAMONDHEAD, MS** (the "Lessee") being the persons duly charged, by the Mayor and City Council, with responsibility for issuing the Lessee's obligation in the form of that certain agreement entitled "Governmental Lease Purchase Agreement" (the "Agreement") dated _____, **2014** and issued said date hereby certify that:

1. This Certificate is executed for the purpose of establishing that the Lease has been designated by Lessee as a qualified tax-exempt obligation of Lessee for purposes of the Tax Reform Act of 1986.
2. The Lease being issued by Lessee is in calendar year 2014.
3. No portion of the gross proceeds of the Lease will be used to make or finance loans to persons other than governmental units or be used in any trade or business carried on by any person other than a governmental unit.
4. To the best knowledge and belief of Lessee the Lease is issued to provide financing as a qualified project bond within the meaning of the Act.
5. Including the Lease herein so designated, Lessee has not designated more than \$10,000,000.00 of obligations issued during calendar year 2014 as qualified tax-exempt obligations.
6. Lessee reasonably anticipates that the total amount of qualified tax-exempt obligations to be issued by lessee during calendar year 2014 will not exceed \$10,000,000.00.

To the best of our knowledge, information and belief the expectations herein expressed are reasonable and there are no facts, estimates or circumstances other than those expressed herein that would materially affect the expectations herein expressed.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____ **2014**.

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA
City Clerk

EXHIBIT M
AGREEMENT TO TENDER VEHICLE/EQUIPMENT TITLE TO LESSOR

We, the undersigned officers of City of Diamondhead, Mississippi (“Lessee”), being the persons duly charged, by the Mayor and City Council, with responsibility for issuing the Lessee’s obligation in the form of that certain agreement entitled “Governmental Lease Purchase Agreement (the “Agreement”) dated as of _____ hereby agree to give to Hancock Bank (“Lessor”) the title to the vehicle being financed through the above referenced Agreement within ten days of receipt of the title from the State of Mississippi.

Upon receipt of the vehicle title from the Lessee, Hancock Bank will file a title application with the State of Mississippi in order that Hancock Bank may be shown as lien holder on the vehicle.

IN WITNESS WHEREOF, we have hereunto set our hands as of this _____ day of _____, 2014.

CITY OF DIAMONDHEAD, MS

By: _____
RICHARD ROSE
City Manager

By: _____
KRISTIN VENTURA
City Clerk

April 1, 2014

Hancock Bank
Post Office Box 4019
Gulfport, Mississippi 39502

Re: Lease-Purchase of Equipment by the City of Diamondhead, Mississippi

Council:

Pursuant to your request, I hereby render the following opinion regarding the Equipment Lease-Purchase Agreement (“Agreement”), dated _____, between the City of Diamondhead, Mississippi (“Lessee”) and Hancock Bank (“Lessor”).

I have acted as counsel to the Lessee and its Council with respect to certain legal matters pertaining to the Agreement and to the transactions contemplated thereby. I am familiar with the Agreement and I have examined such agreements, schedules, statements, certificates, records, including minutes of the Governing Body of the Lessee and other instruments of public officials, Lessee and other persons as I have considered necessary or proper as a basis for the opinions hereinafter stated.

Based upon such examination, I am of the opinion that:

1. Lessee has full power, authority and legal right to purchase equipment, as defined in the Agreement, and to execute, deliver and perform the terms of the Agreement. The purchase of the equipment and the execution, delivery and performance of the Agreement has been duly authorized by all necessary action on the part of Lessee and any other governing authority and does not require the approval of, or the giving of notice to any other federal, state, local, or foreign governmental authority and does not contravene any law binding on Lessee or the Governing Body or contravene any indenture, credit agreement or other agreement to which Lessee or the Governing Body is a party or by which it is bound. The Agreement grants the Lessor a valid first priority security interest in the Equipment, upon the timely and proper filing of UCC-1 financing statements and title application evidencing the Lessor’s interest.

2. The Agreement has been duly authorized, executed and delivered and constitutes a valid and binding obligation of Lessee and the Governing Body enforceable in accordance with its terms.
3. All required procedures for execution of the Agreement, including competitive bidding, if applicable, have been complied with, and all rentals will be paid out of funds which are legally available for such purpose.
4. There are no pending or threatened actions or proceedings before any court, administrative agency or other tribunal or other body against Lessee or the Governing Body which may materially affect Lessee's or the Governing Body's financial condition or operations or which

could have any effect whatsoever upon the validity, performance or enforcement of the terms of the Agreement.
5. With respect to the tax exempt status of the portion of rental payments under the agreement:
 - (a) The City of Diamondhead, Mississippi, is a body politic incorporated under the laws of the State of Mississippi;
 - (b) The Lessee has designated the Agreement as a qualified tax-exempt obligation of Lessee for purposes of Section 265(b)(3) of the Internal Revenue Code of 1986.

This opinion letter is being furnished to Hancock Bank in connection with the above referenced transaction and the opinions expressed herein are for the sole benefit of Lessor and its successors or assigns, and may be relied upon only by Lessor and its successors or assigns. The foregoing opinions are qualified to the extent that the enforcement of the Agreement may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights, heretofore or hereafter enacted.

Witness my signature, this the _____ day of _____ 2014.

Very truly yours,

By: _____