

NEW ISSUE

UNRATED

In the opinion of Bond Counsel, under existing law, regulations and judicial decisions, and assuming continued compliance with the Internal Revenue Code of 1986, as amended, interest on Bonds is excluded from gross income for Federal income purposes. Ownership of the Bonds by certain classes of taxpayers, however, may have certain adverse consequences. See "Tax Matters" herein. It should be noted that Bond Counsel has expressed no opinion with respect to any exemption from any taxes imposed by the State of Florida or any other state on the Bonds or the interest or income thereon.

\$45,000,000
BAKER CORRECTIONAL DEVELOPMENT CORPORATION
FIRST MORTGAGE REVENUE BONDS
(Baker County Detention Center Project)
Series 2008

Dated: Date of Issuance of Bonds

MATURITIES, AMOUNTS, INTEREST RATES AND PRICES OR YIELDS:

\$45,000,000 Series 2008

<u>Due</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>
2/01/2013	\$ 3,565,000	6.000%	100%
2/01/2017	\$ 5,870,000	6.400%	100%
2/01/2030	\$35,565,000	7.500%	100%

(See herein)

Baker Correctional Development Corporation (the "Issuer") will issue its First Mortgage Revenue Bonds, Series 2008 (the "Bonds") in the amount of \$45,000,000, as fully registered Bonds in denominations of \$5,000.00. The Issuer will issue the Bonds to (1) provide funds to finance the cost of the acquisition of approximately 90 acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida in Baker County, Florida (the "County") (the "Site") and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals, and the construction thereon of administrative offices for the Baker County Sheriff's Office (hereinafter the "Project"), and (2) paying expenses related to the issuance of the Bonds.

The Bonds will be dated the date of issuance and are issuable as book entry only bonds registered in the name of Cede & Co. in the denominations of \$5,000. Principal is payable at maturity upon presentation and surrender of a bond at the principal office of Bank of Oklahoma, N.A. (the "Trustee"). Semiannual interest (due February 1 and August 1, with the first such payment due on August 1, 2008) is payable by check or bank draft mailed to the respective addresses of the Bondholders as they appear on the registration books of the Trustee on the Record Date (as defined herein).

THE BONDS SHALL NOT BE A DEBT OF THE COUNTY, NOR OF ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE COUNTY, NOR ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER RELATING TO THE PROJECT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN THE INDENTURE. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT OR BOND LIMITATION OR RESTRICTION.

The Bonds are payable solely from the rents and other Revenues, as hereinafter defined, and are secured solely by an assignment and a pledge of such rents and other Revenues from the Project, and by a mortgage upon the Project, all as provided in the Trust Indenture between the Issuer and the Trustee dated as of February 1, 2008.

INVESTMENTS IN THE BONDS INVOLVE A SIGNIFICANT AMOUNT OF RISK. (See "Bondholders' Risks" herein). THE BONDS HAVE NOT BEEN QUALIFIED UNDER THE SECURITIES OR "BLUE SKY" LAWS OF THE UNITED STATES OR OF ANY STATE OF THE UNITED STATES. THE BONDS MAY OR MAY NOT BE EXEMPT FROM QUALIFICATION OR REGISTRATION UNDER THE LAWS OF ANY PARTICULAR STATE, AND NO REPRESENTATION IS MADE THAT THE BONDS, OR ANY TRANSACTION IN WHICH THEY MAY BE OFFERED OR SOLD, ARE EXEMPT.

The Bonds are subject to optional redemption, to mandatory sinking fund redemption and to special mandatory redemption in certain circumstances, all prior to maturity, as described herein.

The Bonds are offered when, as and if issued by the Issuer and accepted by the Underwriter, subject to prior sale, withdrawal or modifications of the offer without notice, and the approval of legality by Sell & Melton, L.L.P., Macon, Georgia, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hill Wallack LLP, Princeton, New Jersey, for the Issuer and the County by their counsel, Brown & Broling, Starke, Florida,. The Bonds are expected to be available for delivery in New York, New York on or about February 14, 2008.

NO DEALER, BROKER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORIZED BY THE ISSUER OR THE UNDERWRITER TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS WITH RESPECT TO THIS OFFERING, OTHER THAN THOSE CONTAINED IN THIS OFFICIAL STATEMENT, AND, IF GIVEN OR MADE, SUCH OTHER INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY ANY OF THE FOREGOING. THIS OFFICIAL STATEMENT DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE BONDS BY ANY PERSON IN ANY STATE IN WHICH IT IS UNLAWFUL FOR SUCH PERSON TO MAKE SUCH OFFER, SOLICITATION OR SALE. NONE OF THE INFORMATION IN THIS OFFICIAL STATEMENT HAS BEEN SUPPLIED OR VERIFIED BY THE ISSUER, THE UNDERWRITER OR THE TRUSTEE, AND NONE OF THE ISSUER, THE UNDERWRITER OR THE TRUSTEE MAKE ANY REPRESENTATION OR WARRANTY, EXPRESS OR IMPLIED, AS TO (I) THE ACCURACY OR COMPLETENESS OF SUCH INFORMATION; (II) THE VALIDITY OF THE BONDS; OR (III) THE TAX STATUS OF THE INTEREST ON THE BONDS. THE INFORMATION AND EXPRESSIONS OF OPINION CONTAINED HEREIN ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE ISSUER SINCE THE DATE HEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

NO SALES MAY BE MADE UNTIL A COPY OF THE FINAL OFFICIAL STATEMENT HAS BEEN DELIVERED TO AND REVIEWED BY THE PROSPECTIVE INVESTOR. INDICATIONS OF INTEREST IN AN INVESTMENT ARE TENTATIVE AND NOT BINDING ON THE CUSTOMER PRIOR TO HIS OR HER RECEIPT AND REVIEW OF THE FINAL OFFICIAL STATEMENT.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, NOR HAS THE INDENTURE BEEN QUALIFIED UNDER THE TRUST ACT OF 1939, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS, THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION, NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE ISSUER HAS NOT REVIEWED OR APPROVED, AND DOES NOT REPRESENT OR WARRANT IN ANY WAY, THE ACCURACY OR COMPLETENESS OF ANY OF THE INFORMATION SET FORTH IN THIS OFFICIAL STATEMENT, INCLUDING THE APPENDICES, (OTHER THAN THE STATEMENTS AND INFORMATION SET FORTH UNDER THE SECTIONS ENTITLED "THE ISSUER" AND "LITIGATION", AS IT PERTAINS TO THE ISSUER).

THIS OFFICIAL STATEMENT MAY BE AMENDED OR SUPPLEMENTED TO INDICATE MATERIAL CHANGES.

**COUNTY OF BAKER, FLORIDA
COUNTY COMMISSIONERS**

Julie Combs
Alex Robinson
Gordon Crews
Mike Giffis
Mark Harley

COUNTY OF BAKER SOLICITOR

Brown & Broling
Starke, Florida

**BAKER CORRECTIONAL DEVELOPMENT CORPORATION
BOARD OF DIRECTORS**

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Larry Payne, Vice President
Paul Whitehead, Secretary
Ricky Davis, Treasurer

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Ajax Building Corporation
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Tallahassee, Florida

FEASIBILITY STUDY

GSA, Limited
Fairview, Texas

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- Appendix H: Unaudited Balance Sheet of the Contractor
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\$45,000,000
BAKER CORRECTIONAL DEVELOPMENT CORPORATION
BAKER COUNTY, FLORIDA
First Mortgage Revenue Bonds
(Baker County Detention Center Project)
Series 2008

INTRODUCTION

This Official Statement (the "Official Statement") including the cover hereof and the Appendices hereto, set forth certain information in connection with the issuance and sale of \$45,000,000 First Mortgage Revenue Bonds, Series 2008 (Baker County Detention Center Project) (the "Bonds") by the Baker Correctional Development Corporation (the "Issuer"), a Florida not for profit corporation incorporated pursuant to the Florida Not for Profit Corporation Act, Chapter 617, Florida Statutes, as amended (the "Act"), which is issuing the Bonds on behalf of Baker County, Florida (the "County") within the meaning of Internal Revenue Service Procedure Rev. Proc. 82-26. All such Bonds are herein collectively, together with any Additional Bonds hereafter defined, referred to as the "Bonds". The Bonds are issued pursuant to a Trust Indenture dated as of February 1, 2008 (the "Indenture") between the Issuer and Bank of Oklahoma, N.A., Tulsa, Oklahoma, as Trustee (the "Trustee") and pursuant to a resolution adopted by the Issuer. (Capitalized terms not otherwise defined herein shall have the same definitions as are set forth in the Indenture.) The Bonds are secured as provided in the Indenture and in a Mortgage and Security Agreement dated as of February 1, 2008, from the Issuer to the Trustee (the "Mortgage") which Mortgage shall be a first lien on the Project hereafter defined. Additional Bonds (the "Additional Bonds") under certain circumstances, may also be issued under the Indenture, on a parity with the Bonds.

The Bonds are being issued to (1) provide funds to the Issuer to finance the cost of the acquisition of approximately 90 acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida in Baker County, Florida (the "County") (the "Site") and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals, and the construction thereon of administrative offices for the Baker County Sheriff's Office (hereinafter the "Project"), and (2) paying expenses related to the issuance of the Bonds. See "The Project" herein.

Bond proceeds will be used to acquire, renovate and equip the Project, to fund a Reserve Account for the Bonds (described herein) in the initial amount of \$3,656,000 (which amount shall be deposited into the Reserve Account upon issuance of the Bonds, subject to augmentation up to \$4,379,000.00 pursuant to the provisions of Section 4.03 of the Mortgage) and to pay the costs of issuance of the Bonds. See "Sources and Uses of Funds".

Each Bond is a limited obligation of the Issuer, and the principal, premium, if any, and interest thereon are payable solely from rents, revenues and other amounts derived by the Issuer from the Project, as defined and pledged and assigned to the Trustee under the Indenture (the "Revenues"). THE BONDS SHALL NOT BE A DEBT OF THE COUNTY, NOR OF ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER THE COUNTY, NOR ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER RELATING TO THE PROJECT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN THE INDENTURE. THE BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT OR BOND LIMITATION OR RESTRICTION.. The

Bonds are secured by the Mortgage. The Bonds are also payable from, and secured by the revenues, receipts and security pledged therefore under the Indenture, in the manner set forth in the Indenture. Only the Bonds are secured by the Reserve Account established thereunder.

Additional Bonds. Under the terms and conditions set forth in the Indenture, the Issuer may issue Additional Bonds under certain circumstances secured on a parity with the Bonds or on a parity with the Subordinated Bonds (See “Additional Bonds” herein).

Bondholder Risk. INVESTMENT IN THE BONDS INVOLVES A SIGNIFICANT AMOUNT OF RISK. See “BONDHOLDERS’ RISK” and “SECURITY FOR THE BONDS” herein.

Brief descriptions of the Issuer, the Manager, the Bonds, the security for the Bonds and summaries of the Indenture and the Mortgage are hereinafter set forth below. Such summaries do not purport to be complete or definitive, and each such summary is qualified in its entirety by reference to each such document.

RATING

The Bonds are being sold without a rating. No rating has been applied for.

RATE COVENANT

The Issuer shall fix the charges for the operations of the Facility at rates that it shall find to be necessary in order to produce revenues in each year which, together with all other available moneys, revenue, income and receipts of the Issuer constituting Revenues (i) will equal at least 115% (125% prior to the payment of any part of the Management Fee), of the amount necessary to pay, as the same shall become due, the principal, premium, if any, and interest due in such year on the Bonds after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of the Indenture for such year (being any required deposit to the Rebate Fund and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve Account) (said percentage being the “Debt Service Coverage Ratio”) and (ii) will equal a Debt Service Coverage Ratio of at least 105% of the maximum debt service requirement coming due in such year with respect to the Bonds, after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of the Indenture for such year (being any required deposit to the Rebate Fund, all of the expenses of operating and maintaining the Project for such year, and debt service on the Bonds for such year, including any required deposits to the Reserve Account); provided that a failure to comply with the provisions of this clause (ii) shall not constitute a default hereunder or in anywise affect the provisions hereof with respect to the Bonds. Such charges shall be increased to the extent necessary to also produce Revenues sufficient to provide for all other payments required under the Indenture.

DAYS’ CASH ON HAND

The Issuer agrees to have, as of the beginning of each fiscal quarter, beginning with such quarter ending September 30, 2010, not less than thirty (30) Days’ Cash on Hand, beginning with such quarter ending September 30, 2011, not less than forty-five (45) Days’ Cash on Hand, beginning with such quarter ending September 30, 2012, not less than sixty (60) Days’ Cash on Hand, beginning with such quarter ending September 30, 2013, not less than seventy-five (75) Days’ Cash on Hand, and beginning with such quarter ending September 30, 2014, and thereafter not less than ninety (90) Days’ Cash on Hand. If Days’ Cash on Hand, as calculated at the end of any two (2) consecutive fiscal quarters, shall be less than the required level, the Issuer agrees to retain a management consultant, within sixty (60) days

following the end of the second of such fiscal quarters, to evaluate the management of the Facility and to make recommendations with regard to increasing Days' Cash on Hand for subsequent fiscal quarters of the Issuer to at least the level required or, if in the opinion of the management consultant the attainment of such level is impracticable, to the highest practicable level. So long as the Issuer shall retain a management consultant and shall have, for each fiscal quarter, not less than seventy percent (70%) of the Days' Cash on Hand otherwise required by the Indenture, the requirements of the Indenture shall be deemed to have been satisfied.

Days' Cash on Hand shall mean the number determined as of the last day of each fiscal quarter of the Issuer by (A) multiplying (i) the number of days in such fiscal quarter by (ii) the amount of cash and cash equivalents (determined by reference to the Issuer's financial statements for each such date), and (B) dividing the amount determined in clause (A) by an amount equal to the total operating expenses of the Facility for such fiscal quarter, less any bad debts to the extent included in such operating expenses and all depreciation and amortization attributed to the Facility for such fiscal quarter.

FEASIBILITY STUDY

A Feasibility Analysis relating to the Project has been prepared by GSA, Limited, Fairview, Texas (the "Feasibility Study"). The Feasibility Study is attached as Appendix D to this Official Statement and should be reviewed in its entirety. The Feasibility Study is based on the Issuer's assumptions concerning future events and circumstances. Each potential investor should read the Feasibility Study and form an independent conclusion concerning the validity of these assumptions. The achievement of any financial results as forecasted may be affected by economic conditions and other factors and is dependent upon the occurrence of future events which cannot be assured. Therefore, the actual results achieved may vary from those forecasted and such variations could be material.

FINANCIAL FORECAST

A Forecasted Financial Report has been prepared by LBA Certified Public Accountants, PA for the Issuer for the Project (the "Financial Forecast"). The compilation of the Financial Forecast is based on the Issuer's assumptions concerning future events and circumstances and should be reviewed in its entirety. See Appendix E to this Official Statement.

PLAN OF FINANCING

The Issuer, acting on behalf of Baker County, Florida (the "County) within the meaning of U.S. Treasury Rev. Proc. 82-26, is issuing the Bonds to finance the costs of acquiring the Project and completing certain renovation thereto.

Reversion of the Project to the County at Maturity

After all Bonds are discharged as provided in the Indenture, the Issuer will transfer fee simple title of the Project to the County. The Issuer has executed a deed of the Project to the County which is being held by the Trustee in escrow, and will be delivered to the County after all Bonds are paid. THE COUNTY HAS THE RIGHT AND OPTION TO DEFEASE OR REDEEM THE BONDS PRIOR TO THEIR MATURITY DATE AND TAKE TITLE TO THE PROJECT AT SUCH TIME.

THE ISSUER

Baker Correctional Development Corporation ("the Issuer") is a not for profit corporation which was incorporated on December 14, 2006 for the purpose of acquiring, constructing, erecting, maintaining

and/or operating one or more jails and incarceration facilities, including related building and works, for the housing and incarceration of inmates and criminals and to otherwise assist Baker County in its policies of providing adequate jail and incarceration facilities for use by the Sheriff of Baker County, the State of Florida or other governmental law enforcement divisions, and in the economic development of Baker County. The Issuer is duly organized and existing under the laws of the State of Florida. The only assets of the Issuer which are pledged to secure the Bonds constitute the Project. (See “Bondholders’ Risks” herein.) The County approved the organization of the Issuer and approved the terms of the Bonds by Resolution. (The resolution is referred to as the “Sponsorship Resolution”.) Pursuant to such Sponsorship Resolution, the County approved the following persons as members of the Issuer:

Todd Knabb, President. Mr. Knabb, a bank vice president and member of the bank’s board of directors, retired after 25 years in the banking industry where his responsibilities included physical security for the institutions. He currently owns or co-owns several businesses in and around Baker County.

Larry Payne, Vice President. Mr. Payne graduated from the University of Florida with a Bachelors Degree in Communications. He then began a thirty five year career with the Blue Cross Blue Shield Inc. where he retired as the Vice President of Human Resources and Operations. He serves a chairman for the Florida Rural Education Excellence Board of Directors as well as the American Enterprise Banks’ Auxiliary Board of Directors.

Ricky Davis, Treasurer. Mr. Davis is a third generation owner/operator of a family oil distribution business, established in 1931, and headquartered in Baker County and also owns and operates several other business ventures in and around Baker County.

Paul Whitehead, Secretary. Mr. Whitehead is a career law enforcement officer obtaining his state law enforcement certification in 1979. He served as a member of the Florida Department of Corrections for 30 years, with 14 years as a supervisor, where he gained experience with security policies and accreditation (ACA) standards.

Alex Robinson, Member. Mr. Robinson was elected to the Baker County Board of County Commissioners in 1992. He represents the County Commission on the Issuer’s Board. Mr. Robinson (a master electrician) co-owns an electrical contracting business.

Daniel Thomas, Project Manager. Mr. Thomas retired with 28 years of law enforcement experience including corrections, patrol, administration, and investigations. Fifteen of his 20 years as a supervisor was at the command staff level retiring as the Chief of Professional Standards for the Clay County (Fl) Sheriff’s Office. He oversaw a detention facility retrofit, along with an addition to the facility, to increase the number of beds from 180 to 510, which occurred while the facility was in full operation. Mr. Thomas graduated from Troy University with a Bachelors Degree in Criminal Justice and subsequently graduated from the Southern Police Institute. He maintains his state corrections and law enforcement certification through the Baker County Sheriff’s Office, where he volunteers his time as a Deputy Sheriff.

The Issuer’s address and telephone number are: PO Box 749, Macclenny, Florida 32063, (904) 259-1113. The Issuer’s Directors are not and will not be liable for any payments on the Bonds.

THE COUNTY

Baker County is located in Northeast Florida, bordering on Georgia. It is 30 miles west of Jacksonville, Florida and 140 miles from the State capital of Tallahassee in the Jacksonville Metropolitan

Statistical Area. The County is approximately 585 square miles with an estimated population of 25,203, a 13.2% increase over the 2000 population (source: US Census Bureau). It is rural in nature with only two incorporated municipalities: the Town of Glen St. Mary and City of Macclenny (the “City”), the County seat. Agriculture has played a major role in the history of the County. Forestry and the nursery business are currently the most important agricultural enterprises. The County has two main industrial parks: Enterprise East and Enterprise West. As a result of the growth in the Jacksonville metropolitan area, residential development in the County is occurring at a relatively rapid pace.

The County is serviced by Interstate 10 and U.S. 90 running east and west, with several state roads running north and south providing access to the state of Georgia and the cities of Gainesville, Orlando and Tampa. CSX Transportation offers east and west rail service through the City, and Jacksonville International Airport is within 40 minutes. Electricity is provided by Florida Power and Light and telephone by Northeast Florida Telephone Company, Inc. and Setel. Where available, public water and water treatment facilities are provided by the City. The remainder of the County is serviced by private wells and septic.

The County is governed by a five member Board of County Commissioners whose powers and duties are established by Florida Statutes, Chapter 125. Each member represents a district, but is elected countywide. The Board appoints a County Administrator to implement policies and manage the operation of the County. The current members and administrator are:

Name	District	Term Expires
Julie Combs	1	11/2008
Alex Robinson	2	11/2010
Gordon Crews	3	11/2008
Mike Griffis	4	11/2010
Mark Harley	5	11/2008

Joe Cone currently serves as County Administrator. The County’s offices are located at 55 North 3rd Street, Macclenny, Florida 32063.

THE PROJECT

The project consists of the construction of an approximately 512 secure bed detention facility on a site adjacent to the City of Macclenny, County of Baker, State of Florida, and all necessary support spaces for food service, medical, recreational and education sufficient for the operation of a detention facility (the “Facility”) in accordance with the regulations of the State of Florida and the US Bureau of Immigration and Customs Enforcement (“ICE”)(the “Project”). Office space for the Baker County Sheriff’s Department and a courtroom with capability for video hearings will also be included within the Facility.

The Facility will be a single level complex, with tiered housing and located within a fenced security perimeter. Housing will be in two person cells organized into 48 and 64 bed housing units offering flexibility to house multiple classifications of detainees. Facility infrastructure and support spaces have been designed to accommodate a potential expansion of an additional 256 beds. Water and sewer lines are currently available to provide the level of service needed to support the Facility’s potable water, sewage disposal and fire protection needs. Access to the Facility is from a main City street and is located within a five minute drive of the County Courthouse and existing jail.

Baker County has a responsibility to house individuals charged with State and local offenses that are in the adjudication process or are sentenced to periods of local confinement following conviction.

The County operates a 132 bed jail for this purpose but use of its total capacity is being approached and, for physical condition reasons, it is in need of replacement. It is the County's intent to terminate use of that jail once the Facility is constructed. The bed capacity is in excess of the County's own needs with the intention to provide secure housing to ICE and the US Marshal's Service ("USMS") pursuant to an Intergovernmental Service Agreement ("ISA"). The County currently has an ISA with USMS which provides for \$48 per bed per diem for its existing 132 bed jail. See Appendix B – "Feasibility Study" for more information regarding the ICE and USMS need for detention beds. See "Bondholders' Risks" – "Financial Feasibility of the Project" and – "Unique Nature of the Project" herein. In accordance with the opinion of counsel to the Issuer, the Issuer is not statutorily prohibited from housing out-of-state inmates. See Appendix F: "Letter Opinion of Counsel to the Issuer".

A Summary Appraisal Report dated July 10, 2007 (the "Appraisal") was prepared by Broom, Moody, Johnson & Grainger, Inc. of Jacksonville, Florida (the "Appraiser"). The Appraiser estimated that as of June 28, 2007, the "As Is" value of the land portion of the Project was \$3,000,000.00. A copy of the Executive Summary of the Appraisal is attached hereto as Appendix G.

The deed to the Issuer of the Site, shall contain a reverter clause which states the Site shall revert to the County, subject to the lien of the Mortgage and the Indenture, in the event that the Project Facility is not built.

It is recognized that while the Site contains approximately ninety (90) acres of land, the real estate required to contain the Improvements defined in the Indenture is limited to less than twenty-five (25) acres (the "Project Site") within the Site.

The Issuer shall have the right and option to sell up to seven (7) acres of that portion of the Site that does not interfere with or encroach upon the Project Site in order to satisfy the Issuer's obligation on a note in the amount of \$200,000.00 held by the County, as maker. It is expected that said seven (7) acres will be sold shortly after the issuance of the Bonds, so as to satisfy the outstanding note to the County. The sale of such seven (7) acres shall not be subject to the requirements set forth in the following paragraph.

The Issuer shall also have the right and option to sell that portion of the Site that does not interfere with or encroach upon the Project Site, provided that the net proceeds of any such sale shall be used first, to augment the Reserve Account on hand with the Trustee under the Indenture to the extent of up to \$723,000.00; second, if such sale is closed on or prior to December 31, 2009, to add to the Contingency Reserve Account an amount of up to \$129,063.13; third, to satisfy the Days' Cash on Hand Requirement defined in the Indenture; and fourth, to redeem Bonds on the next Interest Payment Date. For example, if a portion of the Site is sold, and the net proceeds from such sale total \$902,063.13, then \$723,000.00 of such proceeds shall be deposited into the Reserve Account, \$129,063.13 shall be deposited into the Contingency Reserve Account, and the remaining \$50,000.00 shall be used to redeem Bonds on the next Interest Payment Date, at par, assuming that the Days' Cash on Hand Requirement is not deficient.

THE MANAGER

The manager for the Project shall be the Baker County Sheriff's Office, Macclenny, Florida (the "Manager"). The key personnel of the Manager are as follows:

Joey B. Dobson, Baker County Sheriff. Sheriff Dobson began his law enforcement career in 1972 and was elected sheriff in 1996. He has an AS Degree in Management from Lake City Community College, a BS Degree in Criminology from Florida State University and is a graduate of the Southern

Police Institute at the University of Louisville. He also holds a Florida Law Enforcement Officer Instructor Certification.

John Finley, Facility Director. Mr. Finley began his law enforcement career in 1987 when hired as a Detention Deputy for the Baker County Sheriff's Office and served as the Sheriff's Office's only evidence technician for six years. He was promoted through the ranks reaching the rank of Chief when he was appointed as the Detention Division Director in 1999, where he still serves

Management Agreement

The Issuer and the Manager have entered into an Operation, Management and Maintenance Agreement (the "Management Agreement"). A copy of the Management Agreement is on file with the Underwriter.

The Management Agreement is for a term of two (2) years unless extended.

Operation Provisions of the Indenture (See Appendix A "Form of the Indenture")

The Project must be operated by a manager qualified to operate and maintain incarceration projects such as the Project and acceptable to the Trustee under the Management Agreement. No material changes may be made in the Management Agreement without the Trustee's prior written consent. The Trustee may not consent without a Bond Counsel's opinion that such change is authorized by law, and does not adversely affect the federal tax exemption of interest on the Bonds.

Dismissal of the Manager

The Issuer has the right to terminate the Management Agreement upon sixty (60) days prior written notice unless the Facility is uninhabitable, unfit or unusable as a detention facility, at which point the Issuer may immediately terminate the Management Agreement.

Reports

The Manager shall furnish to the Issuer and the Trustee:

1. Within ninety days after the end of each Fiscal Year, audited financial statements of the Project, covering the operations of the Manager for such Fiscal Year for the Project; and
2. Within fifteen days of the end of the month, unaudited operating statements of the Project and a report of the Management operations of the Project.

THE CONTRACTOR

The contractor for the Project shall be Ajax Building Corporation, Midway, Florida (the "Contractor"). The Contractor was founded in 1958 and incorporated in the State of Florida on May 7, 1962, and has contracted over \$825 million in projects in the past 5 years. Below are projects completed, under construction or anticipated to be completed subsequent to 2006:

<u>Project</u>	<u>Completion Date</u>	<u>Cost</u>
Charlotte County Public Works, Port Charlotte, FL	TBD	\$ 4,300,000
Jackson County Administration Center, Marianna, FL	TBD	10,000,000
Baker County Sheriffs Complex, Macclenny, FL	6/09	32,650,000

USF Medical Faculty Office Building, Tampa, FL	12/08	18,000,000
UNF College of Education, Jacksonville, FL	4/09	21,700,000
Duval County Westside K-8 School, Jacksonville, FL	6/09	30,000,000
UF Shands Hospital 8-2 Surgery, Gainesville, FL	2/08	4,750,000
Tallahassee State Bank, Tallahassee, FL	4/07	900,000
Lake County Government Complex, Leesburg, FL	5/09	30,000,000
Shands at Starke Ed Expansion, Starke, FL	6/08	3,000,000
Charlotte High School, Punta Gorda, FL	7/10	70,000,000
Boca Ciega High School, St. Petersburg, FL	5/09	75,000,000
Daytona Beach Police Station, Daytona Beach, FL	8/08	18,000,000
Hernando K-8 Elementary "J", Brooksville, FL	8/08	48,607,000
Duval County Northshore K-8, Jacksonville, FL	7/08	26,020,517
Punta Gorda Middle School, Punta Gorda, FL	5/08	37,822,000
FSU Chemistry Building, Tallahassee, FL	4/08	61,650,242
Shands at UF 32-bed Med/Surg renovations, Gainesville, FL	1/08	4,750,000
Marion Oaks Middle School, Ocala, FL	12/07	34,000,000
West Gadsden High School, Greenboro, FL	8/07	19,499,950
Shands at UF Anesthesia Pre-op/ADTU renovation, Gainesville, FL	Phase I 1/07	3,249,263
	Phase II 6/07	
Liberty Middle School, Orlando, FL	5/07	13,510,795
Holy Comforter Episcopal School, Tallahassee, FL	5/07	2,551,126
FCCJ Downtown Campus remodel & Charter School renovation, Jacksonville, FL	5/07	5,500,000
Tallahassee State Bank Office renovations, Tallahassee, FL	4/07	57,844
Shands at UF 10 bed psychiatric renovations, section 5-2, Gainesville, FL	9/07	1,710,000
Florida Gulf Coast University Library addition, Ft. Myers, FL	2/07	14,728,005

The key personnel of the Contractor are:

Douglas C. Smith, Chairman of the Board. Mr. Smith has been active in the construction industry for the past 38 years. He began his career in 1965 as a Project Superintendent with the Contractor and served as President 1985 to 2000 and still remains involved in the Association of Building Contractors, (ABC), and served as President in 1986.

William P. Byrne, President. Mr. Byrne has been with the Contractor for 14 years and is currently President serving as Project Executive. He has over 20 years experience in the construction management, design/build, and general contracting fields and has completed construction totaling over \$925 million. He is a graduate of University of Florida's Rinker School of Building Construction and holds a General Contractors License in the state of Florida. He is a past President of the North Florida Association of Builders and Contractors in 1996. Mr Byrne has expertise in educational facilities, state and local county complexes, and multi-story facilities and has worked on numerous correctional projects similar to the Project. He oversees the business operations of the entire company and is responsible for recruiting key administrative personnel and project management staff.

Jay B. Smith, Vice President. Mr. Smith received his Bachelors Degree in Business Administration from the University of Florida. He is responsible for the development of new business contacts and clients, meeting the client's needs prior to contract execution, and coordinating the Contractor's involvement within the community.

Ken Lindlau, Chief Financial Officer. Mr. Lindlau has over 25 years of professional experience, including 18 years of management experience in operations, finance, taxes, and real estate. Since 1999, Ken has served as the Contractor's Director of Accounting and Administration. His responsibilities include planning, supervising, and monitoring the entire fiscal operation. Mr. Lindlau directs business plans, budgeting, policymaking, revenue generation, and personnel policies. He establishes, reviews and updates all internal accounting procedures, advises the Board of Directors on corporate growth and investment portfolio, monitors and plans for all bonding limits and activities, establishes accounting procedures for each jobsite, and reviews and disseminates new accounting pronouncements and ensures communication with clients and staff. He also manages all corporate administrative functions, including systems analysis and purchases, budget analysis for various departments, and equipment purchases.

Marc Reeves, Safety Director. Mr. Reeves is responsible for ensuring a safe and healthy work environment for the Contractor's employees. He works with project teams prior to mobilization to identify possible jobsite hazards and eliminate and/or reduce exposure to those hazards. He conducts frequent jobsite safety inspections to ensure compliance with OSHA standards and safety policies established by the Contractor. Mr. Reeves also develops, conducts, and tracks safety training classes for all employees. He has attended courses at the OSHA Training Institute and is an authorized OSHA Construction Outreach Trainer.

Allan Wooden, Operations Manager. Mr. Wooden received his B.S. in Civil Engineering from Cornell University and will be responsible for complete project management for the Project.

Stacey Speer, Project Engineer. Ms. Speer received her B.S. in Building Construction from the University of Florida. She will assist the Project Manager and Superintendent with daily monitoring of all on-site activities of the Project.

Sylvester Jones, Superintendent. Mr. Jones has worked in the construction industry for 29 years and has been with the Contractor for 21 years serving as Superintendent. He will plan and schedule jobsite activities.

Construction Contract

The Contractor entered into a construction contract with the Issuer on October 25, 2007. The contract is for \$32,650,000.00. The Contractor has agreed to pay liquidated damages in the amount of \$13,333.00 per calendar day for each day past the contractual substantial completion date. Attached as Appendix G is the unaudited balance sheet of the Contractor.

Payment and Performance Bond

A Payment and Performance Bond is to be provided by the Contractor in the full value of the Construction Contract.

THE ARCHITECT

The architect for the Project is Clemons, Rutherford and Associates, Inc., Tallahassee, Florida (the "Architect"). The Architect was incorporated in the State of Florida on October 29, 1974.

The Architect has worked on the following corrections projects:

Florida Jails	Beds
Baker County	83
Bradford County	166
Columbia County	730
Dixie County	111
Gadsden County	156
Glades County	512
Hernando County	512
Hillsborough County	868
Indian River County	256
Jefferson County	34
Lafayette County	40
Levy County	172
Madison County	120
Martin County	144
Nassau County	320
Okaloosa County	Study
Pasco County	768
Polk County	2,040
Volusia County	500
Walton County	336
Washington County	190

Georgia Jails	Beds
Brooks County	120
Carroll County	512
Charlton County	64
Cook County	110
Dooly County	128
Gordon County	374
Grady County	132
Hall County	1026
Irwin County	512
Jefferson County	128
Lamar County	87
Lee County	76
Lowndes County	500
Montgomery County	512
Polk County	224
Seminole County	54
Stephens County	Study
Ware County	234

Alabama Jails	Beds
Clay County	136

Correctional Institutions

Cross City Correctional Institution
 Gulf Correctional Institution
 Hamilton Correctional Institution
 Jefferson Correctional Institution
 Taylor Correctional Institution
 Troup Correctional Institution

Juvenile Justice

Jefferson County
 Dade County
 Charlotte County
 Jackson County
 Madison County

Regional Jail Studies

Central Georgia (Houston, Pulaski)
 Lower Chattahoochee (Clay, Randolph, Quitman)

The principal employees of the Architect are:

William D. Rutherford, Principal-in-Charge. Mr. Rutherford has been in the design/architectural field for 42 years, 29 of which have been with the Architect. He has a Bachelor in Science in Architecture from the University of Florida and has done MBA graduate work at the University of Florida and the University of Georgia. His areas of expertise are correctional architecture, judicial architecture and project communication.

Glenn Deaver, Project Manager. Mr. Deaver has 21 years of service in the design/architecture field. He has a Bachelor of Science in Architecture and Building Science from Auburn University. His areas of expertise are in project management and governmental and correctional facility architecture.

James Lewis, Production Manager. Mr. Lewis has served 18 years in the design/architecture field. He has a Bachelor of Science in both Architecture and Building Construction from Auburn

University. His areas of expertise include project management and scheduling, plans review and quality control coordination.

DESCRIPTION OF BONDS

General

The Bonds are issuable as book entry only bonds registered in the name of Cede & Co. in denominations of \$5,000. The Bonds will bear interest at the rates and will mature on the dates and in the amounts stated on the cover page hereof. Interest will be payable semi-annually on the first (1st) day of each February and August (each an "Interest Payment Date"), beginning on August 1, 2008 until the final maturity of the Bonds. Interest payments (other than the final payment of interest due at the maturity or redemption of the Bonds) will be mailed by Bank of Oklahoma, N.A., as Paying Agent (the "Paying Agent") on the payment date to each registered Holder of the Bonds as it appears on the registration books of the Trustee on the fifteenth (15th) day of the month next preceding any Interest Payment Date (the "Record Date"), at the address listed for such holders on the books of Bank of Oklahoma, as Registrar (the "Registrar"). The final payment of principal or Redemption Premium, if any, will be payable at the principal office of the Trustee or such other place as the Trustee and the registered Holder of the Bond may agree, upon surrender of the Bond for cancellation. The Trustee is the Registrar and Paying Agent for the Bonds.

Principal of and redemption premium, if any, on the Bonds at maturity or redemption shall be payable to the owners of such Bonds upon presentation and surrender of the Bonds when due, at the principal office of the Trustee. If the Bonds are in a book-entry form, the principal and redemption premium, if any, on the Bonds shall be payable by the Trustee to the order of the registered owner set forth in the register maintained by the Trustee.

If there is a default in the payment of principal or interest on an Interest Payment Date, defaulted interest shall be paid to the order of the Registered Owners in whose name Bonds of such Series are registered at the close of business on a Special Record Date.

THE BONDS SHALL NOT BE A DEBT OF BAKER COUNTY, FLORIDA, NOR OF ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER BAKER COUNTY, FLORIDA, NOR ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS AND PROPERTIES OTHER THAN THOSE OF THE ISSUER RELATING TO THE PROJECT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN THE INDENTURE. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER.

Optional Redemption

The Bonds are subject to redemption at the Issuer's option, in whole on any date on or after February 1, 2018, or in part, (and by lot within a single maturity), in such order of maturities as the Issuer may elect on any Interest Payment Date on or after February 1, 2018 at the redemption prices set forth below (expressed as a percentage of the principal amount of the Bonds being redeemed) plus interest accrued thereon to the date set for redemption.

<u>Redemption Period</u>	<u>Redemption Price</u>
Both Dates Inclusive	
February 1, 2018 – January 31, 2019	102%
February 1, 2019 – January 31, 2020	101%
February 1, 2020 – and thereafter	100%

The Bonds shall be subject to special optional redemption in whole or in part at the price of the principal amount thereof, plus accrued interest thereon to the date of redemption, and without premium, on any date in the event that credit enhancement or a rating shall be obtained for all or part of the Bonds.

Any such redemption, either in whole or in part, shall be made in the manner and upon the terms and conditions provided in the Indenture.

Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by any Bonds exceed the maximum interest rate allowable by applicable law (the “Maximum Interest Rate”).

Mandatory Sinking Fund Redemption of Bonds

The Bonds are subject to mandatory (sinking fund) redemption prior to maturity, in part by lot in \$5,000 principal amounts, in such manner as the Trustee may determine, on each February 1 in the years and in the following amounts set forth below:

<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2011	1,120,000	2021	2,125,000
2012	1,185,000	2022	2,285,000
2013	1,260,000	2023	2,455,000
2014	1,335,000	2024	2,640,000
2015	1,420,000	2025	2,835,000
2016	1,510,000	2026	3,050,000
2017	1,605,000	2027	3,275,000
2018	1,710,000	2028	3,525,000
2018	1,835,000	2029	3,785,000
2020	1,975,000	2030	4,070,000

The aggregate amount of principal and interest payments due on the Bonds under the Indenture which is to be deposited into the Bond Fund on or before each Interest Payment Date next preceding each mandatory sinking fund redemption date shall include amounts sufficient to redeem, on the respective mandatory sinking fund redemption date, the principal amount of Bonds set forth in the tables above (less the amount of any credit described below).

The Issuer shall have the option to deliver for cancellation to the Registrar any Bonds which mature on the Maturity Dates, in any aggregate principal amount, and to receive a credit therefor against the mandatory sinking fund requirement (and corresponding mandatory redemption obligation) of the Issuer set forth opposite the year of the next succeeding mandatory redemption date for the Bonds maturing on the Term Maturity Date shown above.

That option shall be exercised by the Issuer on or before the forty-fifth (45th) day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a certificate, executed by the Authorized Issuer Representative, setting forth the extent of the credit to be applied with respect to the

mandatory sinking fund requirement for the Bonds. If the certificate is not furnished timely to the Trustee, no credit shall be made against the mandatory sinking fund requirement for the Bonds (and corresponding mandatory redemption obligation), although credits may be available against subsequent mandatory sinking fund requirements for the Bonds.

To the extent not applied theretofore as a credit against any mandatory sinking fund requirement for the Bonds, a credit against the mandatory sinking fund requirement for the Bonds (and the corresponding mandatory redemption obligation) described in the preceding paragraph shall be received also by the Issuer for Bonds which mature on the Maturity Dates and which prior thereto have been redeemed other than through the operation of the mandatory sinking fund requirements or have been purchased for cancellation and canceled by the Trustee.

Each Bond so delivered, redeemed previously, or purchased and canceled, shall be credited by the Trustee at 100% of the principal amount thereof against the mandatory sinking fund requirement for the Bonds described above, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking fund requirement of the Bonds shall be credited against subsequent mandatory sinking fund requirements for the Bonds in the order directed by the Issuer by following the procedures described above.

Special Mandatory Redemption

(a) The Bonds shall be subject to special mandatory redemption at the principal amount thereof, plus accrued interest thereon to the date of redemption, and without premium, in whole on any date or in part on any Interest Payment Date upon the transfer of moneys to the Principal Account from the Net Awards Account pursuant to the Indenture.

(b) **Determination of Taxability.** The Bonds are also subject to special mandatory redemption prior to maturity in whole at any time on the earliest practicable date selected by the Trustee, and in no event later than 90 days, following the occurrence of a Determination of Taxability. The redemption price of the Bonds to be redeemed in such event shall be 105% of the principal amount thereof plus interest accrued to the redemption date.

(c) **Mandatory Redemption on Default.** The Bonds are also subject to mandatory redemption at the price of par plus interest accrued to the date of redemption if the Bonds shall be accelerated following the occurrence of an Event of Default as described in the Indenture.

Selection of Bonds for Redemption

If less than all of the Bonds outstanding shall be called for redemption, the Bonds shall be redeemed by lot in the principal amount required by the Indenture. If a Bond is of a denomination larger than \$5,000, a portion of such Bond may be redeemed, but Bonds shall be redeemed only in the principal amounts of \$5,000 each or any integral multiple thereof. In the event of a partial redemption of any Term Bond, Amortization Installments for such Term Bond shall be reduced pro rata in such manner as the Trustee may determine to reflect such redemption.

Notice of Redemption

Notice of the intended redemption of Bonds shall be given by mail to the registered Owner of each Bond to be redeemed at the address of such Owner shown on the Registrar's bond register. Notice by publication shall not be required. All such notices shall be given not less than 30 days nor more than 60 days prior to the date fixed for redemption. Each notice with respect to such Bonds shall specify the

Bonds to be redeemed, the numbers of the Bonds being called, if less than all of the Bonds, are being called, the redemption price, the redemption date and the place or places where amounts due upon such redemption will be payable. Such notice shall further state that payment of the applicable redemption price plus accrued interest to the date fixed for redemption will be made upon presentation and surrender of Bonds. Failure to give notice by mailing to the Registered Owners of any such Bonds designated for redemption, or any defect in such notice, shall not affect the validity of the proceedings to redeem such Bonds.

When notice of redemption has been given in the manner provided above, and money sufficient for the redemption is held by the Trustee or Paying Agent for that purpose, the Bonds called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue. Thereafter the Owners of such Bonds shall no longer be entitled to any security or benefit under the Indenture except to receive payment of the redemption price thereof, to replace a lost Bond and to transfer Bonds. The Trustee shall not give notice of the redemption of any Bonds unless there shall be on deposit with the Trustee or Paying Agent funds sufficient to pay for such redemption. However, such requirement shall not apply in the case of redemptions pursuant to scheduled Amortization Installments or in the case of a refunding.

Additional Bonds

The Issuer may issue Additional Bonds to provide additional funds to renovate, rehabilitate or improve the Project, to acquire additional developments and complete improvements thereto, together with related, subordinate facilities or to refund all or part of the Bonds, or any combination of the foregoing, provided that: (a) no such obligations shall be pari passu with the lien of the Mortgage and the pledge of the Revenues under the Indenture in favor of the Bonds, unless at the time of issuance of the Bonds the Issuer shall deliver a certificate of an independent certified public accountant that the Revenues received by the Issuer during any twelve consecutive months (the "Test Period") of the eighteen (18) months immediately preceding the date of issuance of said Additional Bonds were at least equal in dollar amount to: (i) 125% of the average debt service requirement coming due in any Bond Year with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of the Trust Indenture for such period (being any required deposit to the Rebate Fund, 50% of the Management Fee due in such period, and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve Account) and (ii) will equal at least 105% of the maximum debt service requirement coming due in any Bond Year with respect to the Bonds, after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of the Trust Indenture for such period (being any required deposit to the Rebate Fund for such period, all of the expenses of operating and maintaining the Project for such period, and debt service on the Bonds for such period, including any required deposits to the Reserve Account) and (b) no such obligations shall be pari passu with respect to the lien of the Mortgage and the pledge of the Revenues hereunder in favor of the Subordinated Bonds unless at the time of issuance of the Bonds the Issuer shall deliver to the Trustee a certificate of an independent certified public accountant stating that the revenues received by the Issuer during any twelve consecutive months (the "Test Period") of the eighteen (18) months immediately preceding the date of issuance of said Additional Bonds were at least equal in dollar amount to: (i) one hundred twenty-five percent (125%) of the average debt service requirement coming due in any Bond Year with respect to the Outstanding Bonds after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of the Trust Indenture for such period (being any required deposit to the Rebate Fund, 50% of the Management Fee due in such period, and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve

Account) and (ii) will equal at least 105% of the maximum debt service requirement coming due in any Bond Year with respect to the Bonds and any Additional Subordinated Bonds proposed to be issued, after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of the Trust Indenture for such periods, (being any required deposit to the Rebate Fund for such period, all of the expenses of operating and maintaining the Project for such period, and debt service on the Bonds for such period, including any required deposits to the Reserve Account).

In the event that Additional Bonds are to be issued for the expansion of the Project, no such obligation shall be *pari passu* with respect to the lien of the Mortgage and the pledge of Revenues in favor of the Bonds unless specific approval of the issuance of such Additional Bonds for such expansion is obtained from both the Issuer and the County.

“Debt service” as used in the Indenture shall be deemed to include interest due during such period together with Amortization Installments scheduled for payment in such year and disregarding the principal amount due at maturity to the extent such principal shall be paid from Amortization Installments.

Notwithstanding the foregoing, the Issuer may, without producing the certificate of the independent certified public accountant described above issue Additional Bonds issued to refund and defease any outstanding bonds if the debt service in each Bond Year on such Additional Bonds is less than the debt service on the Bonds so refunded and such Additional Bonds do not mature later than such Bonds so refunded.

In addition, the Issuer may, without producing the certificate of the independent certified public accountant described above, issue Additional Bonds to provide additional funds to acquire additional developments and complete improvements thereto within eighteen months of the date of issuance of the Bonds provided that:

(i) the additional improvements are included in the Project and all revenues of the additional improvements are included as Revenues as provided in the Indenture and the requirements of the Indenture with respect to the perfection of the lien of the Indenture and the Mortgage are complied with;

(ii) a forecast statement of net cash flow before debt service relating to the Project including the new developments to be included (the “Additional Bonds Forecast”) is prepared by GSA, Limited, or other qualified firm, in format similar to the cash flow analysis contained in the Feasibility Study set forth in Appendix D to this Official Statement, and such Additional Bonds Forecast shall reflect that the projected coverage of net cash flow to debt service following the acquisition of the new developments shall be at least as good or better than the projected coverage of net cash flow to debt service set forth in Appendix D to this Official Statement providing that (a) the Additional Bonds Forecast shall be based, to the extent it includes debt service applicable to the Bonds, upon the actual interest rates and prices borne by such Bonds, and (b) any other assumptions made in the Additional Bonds Forecast shall be made on a basis which is not more favorable than the assumptions made in the Feasibility Study attached as Appendix D to this Official Statement.

The DTC Book-Entry-Only System

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal and premium, if any, and interest and other payments with respect to the Bonds to Direct Participants (as defined below) or Beneficial Owners (as defined below), confirmation and transfer of beneficial ownership interests in such Bonds and other related transactions by and among The Depository Trust Company (“DTC”), the Direct Participants and

the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants nor the Beneficial Owners should rely on the following information with respect to such matters, but should instead confirm the same with DTC or the Direct Participants, as the case may be. Information concerning DTC and the Book-Only-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter or the Issuer.

DTC, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for the Bonds, in the aggregate principal amount thereof, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners, however, are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that the use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their

registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC's records reflect only the identity of Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants and by Direct and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments with respect to the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding information from the Issuer or Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC or its nominee, the Trustee or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee. Disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall effect delivery of the Bonds subject to tender by causing the Direct Participant to transfer the Direct Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of the Bonds in connection with a tender will be deemed satisfactory when the ownership rights in the Bonds are transferred by Direct Participants on the DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee.

THE ISSUER AND THE TRUSTEE CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO THE DIRECT PARTICIPANTS OR THAT THE DIRECT PARTICIPANTS OR THE INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL OWNERS OF THE BONDS (i) PAYMENTS OF PRINCIPAL, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS, (ii) CERTIFICATES REPRESENTING AN OWNERSHIP INTEREST OR OTHER CONFIRMATION OF BENEFICIAL OWNERSHIP INTERESTS IN THE BONDS, OR (iii) REDEMPTION OR OTHER NOTICES SENT TO DTC OR CEDE & CO., ITS NOMINEE, AS THE REGISTERED OWNER OF THE BONDS, OR THAT THEY WILL DO SO ON A TIMELY BASIS OR THAT DTC, ITS DIRECT PARTICIPANTS OR ITS INDIRECT

PARTICIPANTS WILL SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

NONE OF THE ISSUER AND THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATIONS TO ANY DIRECT PARTICIPANT, INDIRECT PARTICIPANT OR ANY PERSON CLAIMING A BENEFICIAL OWNERSHIP INTEREST IN THE BONDS UNDER OR THROUGH DTC OR ANY DIRECT PARTICIPANT, OR ANY OTHER PERSON WHO IS NOT SHOWN IN THE REGISTRATION BOOKS OF THE ISSUER KEPT BY THE TRUSTEE AS BEING A BONDHOLDER. THE ISSUER AND THE TRUSTEE SHALL HAVE NO RESPONSIBILITY WITH RESPECT TO (i) ANY OWNERSHIP INTEREST IN THE BONDS; (ii) THE PAYMENT BY DTC TO ANY PARTICIPANT OR BY ANY DIRECT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL OR PURCHASE PRICE, IF ANY, OF, OR REDEMPTION PREMIUM, IF ANY, OR INTEREST ON THE BONDS; (iii) THE DELIVERY TO ANY PARTICIPANT OR ANY BENEFICIAL OWNER OF ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO BONDHOLDERS UNDER THE BOND RESOLUTION; (iv) THE SELECTION BY DTC OR ANY PARTICIPANTS OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; OR (v) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR CEDE & CO. AS BONDHOLDER.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE BONDHOLDERS OR REGISTERED OWNERS OF THE BONDS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

Discontinuance of Book-Entry-System. DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law, or the Issuer, in its sole discretion, may terminate its participation in the system of book-entry transfers through DTC or any other securities depository at any time. In the event that the book-entry system is discontinued, the Trustee will execute and make available for delivery, replacement Bonds in the form of registered certificates.

Transfer fees. For every transfer and exchange of Bonds, owners of such Bonds requesting such transfer or exchange may be charged a sum sufficient to cover any tax, governmental charge or transfer fees that may be imposed in relation thereto, which charge may include transfer fees imposed by the Trustee, DTC or the DTC Participant in connection with such transfers or exchanges.

SECURITY FOR THE BONDS

Limited Obligations

THE BONDS ARE SECURED SOLELY BY A PLEDGE OF REVENUES AND BY A MORTGAGE ON THE PROJECT. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER AND THE COUNTY IS NOT RESPONSIBLE TO MAKE ANY PAYMENTS WHATSOEVER ON THE BONDS. ACCORDINGLY, OWNERS OF THE BONDS SHOULD LOOK EXCLUSIVELY TO THE PROJECT FOR PAYMENT OF PRINCIPAL OF AND INTEREST ON THE BONDS.

Pledge Under the Indenture

Under the Indenture, the Issuer has granted to the Trustee to secure the Bonds a lien upon and pledge of the Revenues of the Project.

The Indenture defines Revenues to include (i) all rentals, revenues, grants (including rent subsidies), and fees receivable in respect of the Project, including, without limitation, any receipts from concessionaires servicing the Project, any vending machines and laundry machines or similar receipts, with respect to the Project (but exclusive of security deposits for residential or concessionaire units in the Project to the extent such security deposits are not applied to the payment of rentals); (ii) Net Awards; (iii) interest earned on moneys deposited in any fund or account under the Indenture, except the Rebate Fund; (iv) any monetary recovery obtained by the Trustee through the exercise of its rights under the Mortgage, subject to the application thereof as provided in the Mortgage; (v) moneys, if any, derived from the County pursuant to the provisions of the Interlocal Agreement by and between the County and the Issuer dated as of February 1, 2008 (the "Interlocal Agreement"); (vi) all other moneys deposited in the Revenue Fund from whatever source; and (vii) all proceeds of any thereof. Revenues shall not refer to the amounts on deposit in the Rebate Fund.

The Bonds are also secured by a pledge of the proceeds of the Bonds, subject to application in accordance with the Indenture, and by the Bonds Reserve Account.

THE BONDS SHALL NOT BE A DEBT OF BAKER COUNTY, FLORIDA, NOR OF ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER BAKER COUNTY, FLORIDA, NOR ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THE BONDS BE PAYABLE OUT OF ANY FUNDS AND PROPERTIES OTHER THAN THOSE OF THE ISSUER RELATING TO THE PROJECT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN THE INDENTURE. THE BONDS ARE NOT A GENERAL OBLIGATION OF THE ISSUER.

The Interlocal Agreement provides that if thirty (30) days prior to any interest payment date, principal payment date or redemption date with respect to payment of the Bonds, as the case may be, the amount on deposit in the Bond Fund is not sufficient to make all payments with respect to the principal of, redemption premium, if any, sinking fund installments for, and interest on the Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the County, the Manager and the Issuer. Promptly upon receipt of such notice, the Issuer shall pay the amount of such deficiency (hereinafter the "Deficiency") to the Trustee in immediately available funds. In the event the Issuer fails promptly (within 24 hours of receipt of telephonic notice) to make such payment, the County shall use its "best efforts" to make such payment from sources other than ad valorem taxes (hereinafter "Non-Ad Valorem Revenues") as shall be sufficient to pay the Deficiency. The County shall provide for appropriations on a best-efforts basis from Non-Ad Valorem Revenue sources to assist in replenishing the Debt Service Reserve Fund, as shall be sufficient to replenish the Debt Service Reserve Fund up to the level required under the terms of the Indenture. Upon receipt of such funds from the Issuer or County (or from the Manager), the Trustee shall deposit them to the appropriate account in the Bond Fund defined in the Indenture. Such obligations to consider budgeting and appropriating do not create any lien upon or pledge of such Non-Ad Valorem Revenues; nor do they preclude the County from pledging in the future its Non-Ad Valorem Revenues; nor do they require the County to levy and collect any particular Non-Ad Valorem Revenues; nor do they give the holders of the Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the County. Such obligations to consider

budgeting and appropriating Non-Ad Valorem Revenues are subject in all respects to the prior payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds and other debt instruments).

Anything in the Interlocal Agreement to the contrary notwithstanding, it is understood and agreed that all payments, if any, made by the County hereunder shall be payable from the portion of Non-Ad Valorem Revenues considered for budgeting and appropriating as provided for in the Interlocal Agreement, and nothing therein shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the County; and no holders of the Bonds or any other person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the County. Notwithstanding any provisions of the Interlocal Agreement or in the Bonds to the contrary, the County shall never be obligated to maintain or continue any of the activities of the County which generate user service charges, regulatory fees or any Non-Ad Valorem Revenues. Neither the Interlocal Agreement nor the obligations of the County thereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the County. The obligations of the County to consider budgeting and appropriating are subject in all respects to the provisions of Florida law, including but not limited to Chapter 129, Florida Statutes, and are subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the County. See Appendix C: "Form of the Interlocal Agreement" attached hereto.

Reserve Account

In addition to the other funds and accounts created under the Indenture, there is established and maintained by the Trustee, a Reserve Account for the benefit of the holders of the Bonds which is required to be maintained in an amount equal to the Reserve Account Requirement. "Reserve Account Requirement" is defined to mean, as of any particular date of computation, an amount (such amount may take the form of cash and/or securities eligible for deposit therein as provided in Article VI of the Indenture) equal to an initial amount of \$3,656,000, which amount shall be deposited into the Reserve Account upon issuance of the Bonds, subject to augmentation up to \$4,379,000.00 pursuant to the provisions of Section 4.03 of the Mortgage. Amounts on deposit in the Reserve Account may be applied by the Trustee to pay principal of and interest on the Bonds to the extent moneys available therefore are insufficient. See Appendix A: "Form of the Indenture" for a further description of the Reserve Account (including the mechanism for replenishing the Reserve Account following any withdrawal therefrom) and for a description of the other funds and accounts created under the Indenture and the flow of revenues and use of amounts on deposit in said funds and accounts.

Mortgage and Other Security Documents

Under the Mortgage, the Issuer will grant to the Trustee a mortgage lien on and security interest in the Project. As further security for the Bonds, the Issuer will assign to the Trustee, among other things, all of its right, title and interest in and to all leases, subleases and tenancies and all rents and payments resulting from any use, possession or occupancy of the Project. See Appendix B: "Form of the Mortgage".

SOURCES AND USES OF FUNDS

The following table shows the estimated sources and uses of funds in connection with the Project:

SOURCES:

Principal Amount of Bonds	\$45,000,000.00
State Grant	<u>155,000.00</u>
TOTAL SOURCES	\$45,155,000.00

USES:

Acquisition of Land	\$ 3,129,063.13
Design and Construction Cost	32,650,000.00
Reserve Account	3,656,000.00
Capitalized Construction Interest	3,680,000.00
Contingency Amount	676,936.87
Costs of Issuance ⁽¹⁾	<u>1,363,000.00</u>
TOTAL USES	\$45,155,000.00

⁽¹⁾ Includes legal fees, Trustee's fees, Underwriter's fees, CUSIP, and printing costs.

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ANNUAL DEBT SERVICE REQUIREMENT

The following tables set forth the annual debt service requirements for the Bonds.

Baker Correctional Development Corporation			
First Mortgage Revenue Bonds			
(Baker County Detention Center Project)			
Series 2008			
Debt Service Schedule			
DATE	PRINCIPAL	INTEREST	TOTAL P & I
08/01/2008		1,510,865.24	1,510,865.24
02/01/2009		1,628,477.50	1,628,477.50
08/01/2009		1,628,477.50	1,628,477.50
02/01/2010		1,628,477.50	1,628,477.50
08/01/2010		1,628,477.50	1,628,477.50
02/01/2011	1,120,000.00	1,628,477.50	2,748,477.50
08/01/2011		1,594,877.50	1,594,877.50
02/01/2012	1,185,000.00	1,594,877.50	2,779,877.50
08/01/2012		1,559,327.50	1,559,327.50
02/01/2013	1,260,000.00	1,559,327.50	2,819,327.50
08/01/2013		1,521,527.50	1,521,527.50
02/01/2014	1,335,000.00	1,521,527.50	2,856,527.50
08/01/2014		1,478,807.50	1,478,807.50
02/01/2015	1,420,000.00	1,478,807.50	2,898,807.50
08/01/2015		1,433,367.50	1,433,367.50
02/01/2016	1,510,000.00	1,433,367.50	2,943,367.50
08/01/2016		1,385,047.50	1,385,047.50
02/01/2017	1,605,000.00	1,385,047.50	2,990,047.50
08/01/2017		1,333,687.50	1,333,687.50
02/01/2018	1,710,000.00	1,333,687.50	3,043,687.50
08/01/2018		1,269,562.50	1,269,562.50
02/01/2019	1,835,000.00	1,269,562.50	3,104,562.50
08/01/2019		1,200,750.00	1,200,750.00
02/01/2020	1,975,000.00	1,200,750.00	3,175,750.00
08/01/2020		1,126,687.50	1,126,687.50
02/01/2021	2,125,000.00	1,126,687.50	3,251,687.50
08/01/2021		1,047,000.00	1,047,000.00
02/01/2022	2,285,000.00	1,047,000.00	3,332,000.00
08/01/2022		961,312.50	961,312.50
02/01/2023	2,455,000.00	961,312.50	3,416,312.50
08/01/2023		869,250.00	869,250.00
02/01/2024	2,640,000.00	869,250.00	3,509,250.00
08/01/2024		770,250.00	770,250.00
02/01/2025	2,835,000.00	770,250.00	3,605,250.00
08/01/2025		663,937.50	663,937.50
02/01/2026	3,050,000.00	663,937.50	3,713,937.50
08/01/2026		549,562.50	549,562.50
02/01/2027	3,275,000.00	549,562.50	3,824,562.50
08/01/2027		426,750.00	426,750.00
02/01/2028	3,525,000.00	426,750.00	3,951,750.00
08/01/2028		294,562.50	294,562.50
02/01/2029	3,785,000.00	294,562.50	4,079,562.50
08/01/2029		152,625.00	152,625.00
02/01/2030	4,070,000.00	152,625.00	4,222,625.00
Total	45,000,000.00	48,931,037.74	93,931,037.74

THE CORRECTIONAL INDUSTRY

Management and rehabilitation of persons accused and convicted of crimes is a major government responsibility at all jurisdictional levels throughout the United States. Historically, operation

of detention and correctional facilities has been considered a direct government function and regardless of budgetary constraints, governments must respond to their offender management responsibilities.

Overcrowded conditions in prisons and jails result in unsafe management conditions and often lead to earlier than planned releases by courts and judges. Prisoners in overcrowded conditions typically participate in little or no rehabilitative programming, resulting in high rates of return to custody (recidivism) as a result of committing new offenses or violating terms of release.

Skyrocketing costs of correctional operations place a financial drain on government budgets reducing the amount of funding available for other governmental priorities such as education, infrastructure replacement and healthcare. Government officials' wrestle with limited time and capital resources as they try to address all of their constituents' needs.

The Jail and Prison Population Today

Management of offenders in the United States is the responsibility of three levels of government: (i) Federal agencies, including the Federal Bureau of Prisons, the Bureau of Immigration and Customs Enforcement, and the U.S. Marshals Service, (ii) state prisons, including the District of Columbia and U.S. territories, and (iii) local jails operated by counties and municipalities. The detention and correctional system at all jurisdictional levels is comprised of three segments: (i) adult secure detention and correctional services, (ii) pre-release correctional services, and (iii) juvenile detention and correctional services.

The magnitude of the jail and prison population today, and its recent historical change, is clearly illustrated in recent publications of the United States Department of Justice, Bureau of Justice Statistics (the "BJS"). Data from these publications is summarized in the following paragraphs.

Between 1995 and 2004, the incarcerated population in the United States grew an average of 3.4% per year. At year-end 2004, nearly 7 million people were on probation, in jail or prison, or on parole – 1 in every 31 adults. In 2005 the prison population grew 1.9% and in 2006 it grew 2.8%, a faster rate than the previous five years. Eight States: California, Georgia, Florida, Pennsylvania, Michigan, Ohio, Texas and Arizona – accounted for 66% of the change in the number of prisoners under State jurisdiction.

At year-end 2006, 23 States and the Federal system operated at more than 100% of their highest capacity and 17 States operated between 90% and 99% of their highest capacity. The Federal prison system was operating at 37% above its rated capacity at year-end. Detainees held by ICE increased 41% from 2005 to 2006. States increased the use of privately operated facilities by more than 6% during 2006 and about a quarter of all inmates in privately operated facilities were being held for the Federal system.

Historically, adult prisoners convicted of violent crimes have generally served only one-third of their sentence, with the majority of the convicted persons being repeat prisoners. Accordingly, there has been a public demand for longer prison sentences, as well as lowering of age levels for juvenile prisoners eligible for sentencing to adult facilities, resulting in even more overcrowding in United States correctional and detention facilities. Finally, the courts and other government entities in the United States have mandated that additional services offered to prisoners be expanded and living conditions be improved. To do so has required state and local governments to make substantial changes in antiquated facilities. Typically, governments have not had the readily available resources needed to make the changes necessary to meet such mandates and/or have not received community support for such expenditures in light of other demands for services and facilities such as social and health services, law enforcement and courts. In the case of the latter two service areas, improvements have had the effect of

increasing the impact on detention and corrections by bring more individuals into the justice system and improving the effectiveness of prosecution.

BONDHOLDERS' RISKS

In addition to factors set forth elsewhere in this Official Statement, purchasers of the Bonds should carefully consider the following risk factors in connection with investment in the Bonds.

Limited Liability

The Issuer has pledged no assets other than the Project and its Revenues to secure the Bonds, and has no taxing power. The Bonds shall not constitute an obligation, either general or special, of the County, the State or any political subdivision thereof; neither the County, the State, nor any political subdivision thereof shall be liable thereon. Neither the faith, revenues, credit nor taxing power of the County, the State or any political subdivision thereof shall be pledged to the payment of the principal of, premium, if any, or interest on the Bonds, and the Bonds are payable solely from the Trust Estate, which is the sole asset of the Issuer pledged therefor. The Bonds are not a general obligation of the Issuer.

Limited Assets of the Issuer

The Issuer's sole business consists of the ownership and operation of the Facility. Only the Project is pledged to secure the Bonds. If the Project experiences operating problems or financial difficulties, in addition to having no obligation to do so, it is highly unlikely that the Issuer would have the financial resources to inject additional funds into the operation of the Project. In addition, because the Issuer has limited sources of income, it may be unable to obtain new sources of funds or financing for the Project if such additional financing is necessary. Unless the Project generates revenue sufficient to make payments due under the Indenture, the Issuer will be unable to make timely payments of principal and interest due on the Bonds.

Financial Feasibility of the Project

The Feasibility Study is based on certain assumptions made by the Manager and the Issuer. There usually will be differences between the forecasted and actual results, because events and circumstances frequently do not occur as expected, and those differences may be material. Appendix D, "Feasibility Study", should be read in its entirety.

BECAUSE THERE IS NO ASSURANCE THAT ACTUAL EVENTS WILL CORRESPOND WITH THE ASSUMPTIONS MADE, NO REPRESENTATION CAN BE MADE THAT THE FEASIBILITY STUDY WILL CORRESPOND WITH RESULTS ACTUALLY ACHIEVED IN THE FUTURE. ACTUAL OPERATING RESULTS MAY BE AFFECTED BY MANY UNCONTROLLABLE FACTORS, INCLUDING, BUT NOT LIMITED TO, INCREASED COSTS, LOWER THAN ANTICIPATED RATES, EMPLOYEE RELATIONS, GOVERNMENTAL CONTROLS, CHANGES IN APPLICABLE GOVERNMENTAL REGULATIONS, CHANGES IN DEMOGRAPHIC TREND, CHANGES IN THE CORRECTIONAL INDUSTRY AND GENERAL ECONOMIC CONDITIONS.

The Feasibility Study cautions that the following risk factors must be considered:

The exclusive source of revenues pledged by the Issuer to retire debt will consist of bed rental income received from one or more governmental entities for the housing of detainees in the Facility.

There is no expectation that any contract the County might enter into with any other agency which has detainee custody responsibilities would contain a guarantee to house a guaranteed number of detainees for a specific period of time.

Estimates of ICE demand used in this analysis reflect a continuation of current policies related to Federal law enforcement; therefore, assurance can not be given that a demand for the Facility's beds will persist over the life of the complex.

The projections of need and commitment to construction by potential client jurisdictions are heavily policy based and can result in significant margin of error in supply and demand projections.

If the County were to fail to contract with ICE, and/or USMS, or if ICE or USMS fail to utilize the Project, or if the per diem amount is less than projected, the County would be forced to look elsewhere to obtain bed occupancy or convert the Facility to another use. The latter action would be difficult due to the specialized nature of the building. However, the potential exists to seek other agencies with detention responsibilities and the facility design allows flexibility to house other types of detainees.

Relaxation of immigration laws could substantially reduce the workload of ICE.

Neither the Issuer, the Underwriter, their counsel, Bond Counsel nor any other party other than the Issuer and the Manager, have participated in developing and formulating the assumptions and the disclosures contained in the Forecasted Financial Statements.

Unique Nature of the Project

The Project is best suited for use as a correctional facility. As a result, the remedies available to the Trustee in the event of a default under the Indenture or the Mortgage may be limited and the realization of revenues from the sale or leasing of the Project might thus be adversely affected.

There is no assurance that the County will successfully enter into suitable detainee housing contracts with other governmental entities that have custody responsibilities. There is also no assurance that any contract for the housing of detainees will yield sufficient payments per prisoner per day to meet the Facility's financial obligations.

The Issuer has no contractual guarantee that any specified number of detainees will be housed in the Facility for any defined period.

The Issuer has no contractual guarantee that other governmental jurisdictions will not make housing space available to the expected client agency or that other detention facilities will not be constructed to service the target market.

The market focus is ICE, which is currently responsible on a daily basis for a large number of individuals in custody; however, future economic conditions, legislative change and Federal government policy could change the numbers of persons for which ICE is responsible.

Competition

No assurance can be given that other competitive facilities or services will not be established, or that existing competitive facilities will not be expanded in the Project's service area in the future. The Issuer believes that the Project can effectively compete with other similar facilities currently located in its area of competition. However, there can be no guarantee that in the future the Project will be able to compete with correctional facilities designed and built with the benefit of advanced technology not

available at the time the Project was constructed, or correctional facilities which are able to significantly reduce or contain their costs through economies of scale or other methods not available to the Issuer.

Construction Risks

The failure to complete or a delay in the completion of the construction of the Project will adversely affect the receipt of Revenues and, thus, the payment of Debt Service on the Bonds. Some risks that will be present throughout the period of construction of the Project are outlined below.

There are a number of risks and contingencies associated with the completion of the Project. Contingencies generally involved in the construction of any facility, such as fire, labor difficulties and problems obtaining materials or routine governmental approvals may cause the actual cost of completion to exceed available funds. Furthermore, delay in completion of the Project for any reason beyond the anticipated completion date may result in a delay in receipt of Revenues projected for the Project.

In the event that the proceeds of the Bonds, together with other Project moneys, if any, are insufficient to complete the construction of the Project, there is no assurance the Issuer would have or be able to raise sufficient funds to complete the Project. The Contractor has agreed to pay \$13,333.00 per calendar day for each day past the contractual substantial completion date as liquidated damages. However, the Contractor is not required to pay liquidated damages if the failure to complete the construction of the Project by the contractual substantial completion date is due to an occurrence beyond the reasonable control of the Contractor. If construction of the Project is not completed as contemplated by the Construction Contract, Revenues sufficient to pay Debt Service on the Bonds will not be generated.

Although the Contractor has had prior experience in the construction of many correctional facilities, a guaranteed maximum price of \$32,650,000.00 under the Construction Contract is in effect for the construction of the Project and there will be Payment and Performance Bonds with respect to the Contractor's obligation to complete the Project under the Construction Contract, there can be no assurance that the construction of the Project can be accomplished under the allotted budget. Prospective investors may look only to the Contractor and the surety of payment under the Payment and Performance Bonds for performance of such obligations. See "THE CONTRACTOR" herein.

Satisfaction of American Correctional Association ("ACA") Standards

The Project may be subject to review and approval by various remanding agencies pursuant to an ISA, which may require the Project to operate in compliance with ACA standards. If the Project is at any time unable to meet ACA standards, the ability of the Manager to generate sufficient revenues to pay debt service payments and its ability to operate and maintain the Project may be materially adversely affected.

Operation of the Project

The successful operation of the Project will depend, in substantial part, upon the management services provided by the Manager. See "THE MANAGER." The Issuer believes that the Manager is competent with substantial experience in managing facilities for the incarceration of inmates, detainees and criminals similar to the Project, but there is no guarantee that the Manager will operate the Project in a manner which provides sufficient revenues to pay debt service payments and to operate and maintain the Project, in which case a new manager would have to be installed.

Reduction in Crime and Incarceration Rates

Future demand for correctional facilities can be affected by future levels of criminal activity, rates of arrest and conviction and sentencing practices. Accordingly, the demand for correctional facilities could be adversely affected by the relaxation of enforcement efforts, leniency in conviction and sentencing practices or through the legal decriminalization of certain activities that are currently proscribed by our criminal laws. Similarly, reductions in crime rates could lead to reductions in arrests, convictions and sentences requiring correctional facilities. A reduction in the number of convictions or length of sentences could have a material adverse effect on the ability of the Issuer to generate revenues.

Alternative Sentencing Programs

In addition to the traditional methods of incarcerating convicted criminals in state prisons and local jails, or probating or deferring the adjudication of their sentences, new alternative sentencing programs are being developed at the state and local level to help reduce the overcrowding in the prisons and jails. Alternatives include work release programs and allowing convicted persons to perform community service or submit themselves to confinement and electronic monitoring in lieu of incarceration. The implementation of these various sentencing alternatives could negatively impact the supply of prisoners which could be incarcerated in the Project.

Changes in Regulations

The corrections industry is subject to a variety of federal, state and local regulations, including education, health care and safety regulations, that are administered by various regulatory authorities. Corrections officers are customarily required to meet certain training standards, and in some instances personnel are required to be licensed and subject to background investigation. The failure to comply with any applicable laws, rules or regulations and the loss of any required license could have a material adverse effect on the amount of revenues to the Issuer. Furthermore, current and future operations of the Project may be subject to additional regulations as a result of new statutes and regulations and changes in the manner in which existing statutes and regulations are or may be interpreted or applied. Any such additional regulations could have a material adverse effect on the ability of the Issuer to generate revenues.

Investment in Real Estate

The Bonds will not be secured by any bond insurance, letter of credit, or other form of direct institutional credit enhancement. Except for amounts on deposit in certain funds and accounts created under the Indenture, including the Reserve Account for the Bonds, the Project provides the only security for the timely payment by the Issuer of amounts due on the Bonds.

There are many diverse risks in any investment in real estate, which may have a substantial bearing on the profitability and financial feasibility of the Project, and which impact the realizable value of the real estate and other collateral securing payment of the Bonds. Such risks include possible adverse use of adjoining land, fire or other casualty, condemnation, increased taxes, changes in demand for such facilities, increases in utilities rates, adverse general and local economic conditions, energy shortages, a decline in property values in the Project's neighborhoods, increases in operating costs due to inflation, non-compliance of tenants with the terms of their leases, unfavorable governmental regulation (such as the enactment of rent controls), acts of God, and uninsurable risks (including nuclear war or accident), construction strikes, and decrease in the relative popularity of real estate investments, as contrasted with other investments. Further, if the Issuer defaults on the Bonds, the value of the Project, if marketable, may not be equal to the amount of outstanding principal and interest due on the Bonds.

Economic Risks

The Bonds represent a long term investment in real property. Not only will the Issuer and the Project be subject to the risks inherent in corrections discussed above, the Project's profitability and the Issuer's ability to make required payments under the Indenture will also be subject to risks inherent in the ownership of property and the operation of any such facility. Such risks include fluctuations in occupancy rates and operating expenses, variations in occupancy charges, energy shortages, governmental restrictions and regulations, and general economic conditions. Furthermore, while such factors may operate to reduce the Project's income, operating costs, such as utilities, insurance costs and personnel costs could increase, inhibiting the profitability of the Project and the ability of the Issuer to pay the Bonds.

Liquidation of Security May Not Be Sufficient

Because the Issuer will have no significant assets other than its interest in the Project the Issuer must look solely to the Project for the Bonds to pay and satisfy the Bonds in accordance with their terms. The Holders of the Bonds will be dependent, primarily, upon the successful operation of the Project and the value thereof for the payment of the principal, premium, if any, and interest on the Bonds. In the event the revenues from the Project are insufficient to pay the Bonds, then once any other assets of the Issuer have been exhausted, the Holders of the Bonds will have no person or entity to pursue for any deficiency which may exist.

Possible Claims of Third-Party Creditors

On February 2, 1990, the United States District Court for the District of Columbia held in *Martens v. Hadley Memorial Hospital* that a judgment creditor of a borrower of the proceeds of tax-exempt revenue bonds could satisfy its judgment from moneys held by a trustee in a debt service reserve fund pledged to secure the revenue bonds. The Court held that absent a default under the loan documents pursuant to which the revenue bond proceeds were lent to the borrower and the acceleration of the obligations under the loan documents, the trustee bank holding the debt service reserve fund could not prevent attachment of amounts held in the reserve fund to satisfy the judgment. If the principles of this case were applied by the courts having jurisdiction over the Issuer, there is a risk that judgment creditors of the Issuer could attach the Debt Service Reserve Fund or other funds securing the Bonds.

Taxation of the Bonds

An opinion of Bond Counsel has been obtained to the effect that interest earned on the principal of the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986 (the "Code"), and applicable rules and regulations of the Internal Revenue Service (the "IRS"); however, such an opinion is not binding on the IRS. Application for a ruling from the IRS regarding the tax-exempt status of the Bonds has not been, and will not be, made. Such opinion is qualified in regard to certain limitations contained in the Code, under which certain post-closing events can destroy the tax-exempt status of the Bonds. See "TAX MATTERS" herein. In addition, there can be no guarantee that present advantageous provisions of the Code or the rules and regulations thereunder will not be adversely amended or modified, thereby rendering the interest earned on the Bonds taxable for Federal income tax purposes.

In December, 1999, as part of a larger reorganization of the IRS, the IRS commenced operation of its Tax-Exempt and Government Entities Division (the "TE/GE Division"), as the successor to its Employee Plans and Exempt Organizations division. The TE/GE Division has a subdivision that is specifically devoted to tax-exempt bond compliance. The number of tax-exempt bond examinations has

increased significantly under the TE/GE Division. There is no assurance that any IRS examination of the Bonds will not adversely affect the market value of the Bonds.

Interest earned on the principal amount of the Bonds may or may not be subject to state or local income taxes under applicable state or local tax laws. Each purchaser of Bonds should consult his or her own tax advisor regarding the taxable status of the Bonds in a particular state or local jurisdiction.

Environmental Risks

The Issuer has obtained an environmental assessment of the Project site and has no reason to believe that any of the site has any environmental problems. However, if in the future a site were found to be environmentally contaminated, the financial condition of the Issuer could be adversely affected. If the site were declared a “Superfund” site under the Comprehensive Environmental Response, Compensation and Liability Act, the federal government may require a clean-up of the site and the Issuer may be required to pay all or part of such clean-up costs. If the Issuer were unable to continue operations there because of its status as a Superfund site, the value of the site at foreclosure would be reduced by the cost of any clean-up. A copy of the Phase I Environmental Site Assessment Report is on file with the Underwriter.

Liability Insurance

There is no guarantee that liability insurance will be available at reasonable prices.

Damage, Destruction or Condemnation

Although the Issuer will be required to obtain certain insurance against damage or destruction as set forth in the Mortgage, there can be no assurance that the Project will not suffer losses for which insurance cannot be or has not been obtained or the amount of any such loss, or the period during which the Project cannot generate Revenues will not exceed the coverage of such insurance policies.

If the Project or any portion of the Project is damaged or destroyed, or is taken in condemnation proceedings, the revenues derived from such proceeds of insurance or any such condemnation award for the Project must be applied as provided in the Mortgage to restore or rebuild the Project or to redeem the Bonds. There can be no assurance that the amount of such proceeds available to restore or rebuild the Project or to redeem the Bonds will be sufficient for that purpose, or that any remaining portion will generate Revenues sufficient to pay the expenses of the Project and the Debt Service on the Bonds remaining outstanding.

Enforcement of Remedies

The Bonds are secured by the Indenture and by the Mortgage, which provides for the grant of a mortgage lien on and security interest in the Project, which includes a security interest in certain machinery, furnishings, equipment and fixtures in the Project and the Revenues. The practical realization of value from the property subject to the mortgage lien upon any default will depend upon the exercise of various remedies specified by the Indenture and the Mortgage. All of the remedies specified by the Indenture and the Mortgage may not be readily available or may be limited.

A court may decide not to order the specific performance of the covenants contained in those documents. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by state and federal laws, rulings and decisions affecting the enforcement of creditors’ rights generally. Legislation

regarding prisoners' rights may limit the enforceability of and remedies under, the Indenture and the Mortgage.

Defaults under the Indenture may give rise to the redemption of the Bonds. Upon any such redemption, proceeds, including proceeds from the foreclosure or other liquidation of the Project will be applied as provided in the Indenture, including, to the extent available after payment of certain costs, fees, expenses and indemnification of the Trustee, to pay the Bonds in the order of priority set forth in the Indenture. Such payment or distribution to the owners of the Bonds may not be sufficient to retire in full all of the Bonds.

Resale Value of the Project Upon Default

Upon a default in payment of the Bonds, the Trustee would be entitled to exercise its remedies under the Mortgage and the Indenture and to foreclose upon the Premises. It is possible that the proceeds of a sale of such assets made upon foreclosure would not be in an amount sufficient to pay the principal of and accrued interest on the Bonds. Furthermore, if the Issuer seeks to reorganize under Chapter XI or other provisions of the Federal Bankruptcy Code, the Trustee may be prevented by the bankruptcy court from foreclosing on the Project and the assets for an extended period of time, even though the Mortgage by its terms permit an immediate foreclosure. The Trustee, before taking any remedial action against the Premises may have to conduct an environmental investigation of the Project even though certain environmental investigations have been made as of this date. The Trustee may conclude as a result of such environmental investigation that taking any action against the Facility, by foreclosure or otherwise, is not feasible.

Effect of Bankruptcy

Bankruptcy proceedings and equitable principles may delay or otherwise adversely affect the enforcement of the Bondholders' rights under the Mortgage. Federal bankruptcy law may have an adverse effect on the ability of the Trustee and the holders of Bonds to enforce their claim to the security granted by the Indenture. Federal bankruptcy law permits adoption of a reorganization plan even though it has not been accepted by the holders of a majority in aggregate principal amount of the Bonds, if the holders are provided with the benefit of their original lien or the "indubitable equivalent." In addition, if the bankruptcy court concludes that the holders of the Bonds have "adequate protection," it may (i) substitute other securities subject to the lien of the holders, and (ii) subordinate the lien of the holders (a) to claims by persons supplying goods and services to the Issuer after bankruptcy, and (b) to the administrative expenses of the bankruptcy proceedings. If the Issuer becomes bankrupt, the amount realized by the holders of the Bonds may depend on the bankruptcy court's interpretation of "indubitable equivalent" and "adequate protection" under the existing circumstances. The bankruptcy court may also have the power to invalidate certain provisions of the Indenture or the Mortgage which make bankruptcy and related proceedings by the Issuer an event of default thereunder. Further, if the Issuer becomes bankrupt, payments on the Bonds made by the Issuer (through the Trustee) to the holders of the Bonds within 91 days before the filing of the petition in bankruptcy by or against the Issuer may be determined to be voidable preferences subject to claims by a debtor in possession or a trustee in bankruptcy.

Limited Transferability of Bonds

The Bonds will not be registered with the Securities and Exchange Commission under the Securities Act of 1933 or under any state securities laws. The Issuer does not presently intend to apply for any ratings on the Bonds, and has not obtained municipal bond insurance or other security devices in connection with the issuance of the Bonds.

No assurance can be given that a market will exist for the resale of the Bonds. Because of general market conditions or because of adverse history or economic prospects connected with a particular bond issue, secondary marketing practices in connection with a particular issue may be suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price. **THERE CAN BE NO GUARANTEE THAT THERE WILL BE A SECONDARY MARKET FOR THE BONDS, OR, IF A SECONDARY MARKET EXISTS, THAT THE BONDS CAN BE SOLD FOR ANY PARTICULAR PRICE.**

No Rating for the Bonds

No rating has been obtained for the Bonds and none is contemplated.

It is evident that an investment in the Bonds involves risks and is highly speculative in nature. The relatively high interest rate borne by the Bonds (as compared to prevailing interest rates on more secure bonds as those which constitute general obligations of fiscally sound municipalities or states) is intended to compensate the investor for assuming such risks.

Other Risk Factors

In the future, the following factors, among others, may adversely affect the operating results of the Project to an extent that cannot be determined at this time:

The establishment of mandatory governmental wage or price controls.

The occurrence of a natural disaster, including floods, hurricanes, or tornadoes, which might damage the Project or otherwise impair the ability of the Project to generate revenues.

Unionization, employee strikes or other adverse labor action which could result in substantial increases in expenditures.

Increases in the costs of construction materials.

Summary

The foregoing is intended only as a summary of some of the risk factors attendant to an investment in the Bonds. An investment in the Bonds involves a substantial element of risk and is speculative in nature. The relatively high interest rate borne by the Bonds (as compared to prevailing interest rates on more secure tax-exempt bonds such as those which constitute general obligations of fiscally sound municipalities or states) is intended to serve as compensation to the investor for assuming this element of risk. In order to identify risk factors and make an informed investment decision, potential investors should be thoroughly familiar with this entire Official Statement (including the Appendices hereto). Purchasers of the Bonds, particularly purchasers that are corporations (including subchapter S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions or certain recipients of Social Security benefits, are advised to consult their tax advisors as to the tax consequences of purchasing or holding the Bonds.

TAX MATTERS

The Internal Revenue Code of 1986, as amended (the "Code"), establishes certain requirements which must be met after the issuance and delivery of the Bonds for interest thereon to be and remain

excluded from gross income for Federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in gross income for Federal income tax purposes retroactive to the date of issue of the Bonds. The Issuer has covenanted in the Indenture to comply with each applicable requirement of the Code necessary to maintain the exclusion of the interest on the Bonds from gross income for Federal income tax purposes pursuant to the Code. In furtherance of such covenant, the Issuer agrees to comply with the provisions of the Tax Certificate as may be amended from time to time, as a source of guidance for achieving compliance with the Code.

In the opinion of Sell & Melton, L.L.P., Bond Counsel (see Appendix I attached hereto), under existing laws, regulations, and court decisions, as enacted and construed on the date of such opinion, and assuming compliance with the aforementioned covenants, interest on the Bonds is excluded from gross income for Federal income tax purposes.

In the opinion of Bond Counsel, interest on the Bonds is not, under existing laws, regulations and court decisions, an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, for purposes of computing certain environmental taxes, the branch profits tax imposed on certain foreign corporations, and the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining adjusted current earnings.

Ownership of the Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, foreign corporations engaged in a trade or business in the United States and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. In addition, for purposes of the Superfund Amendments and Reauthorization Act of 1986, "alternative minimum taxable income" includes interest on all tax-exempt bonds to the same extent and in the same manner as in the Code.

Passive investment income, including interest on the Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter S earnings and profits at the cost of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and the receipt of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

There may be additional modifications or amendments to the Code or other additional proposals, such as the Superfund Act described above, that, if enacted into law, would cause interest on the Bonds to be subject to Federal income tax, and there can accordingly be no assurance that such modifications, amendments for proposals will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

Prospective owners of the Bonds should consult with their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds. Other than Bond Counsel's opinion with respect to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code for Federal income tax purposes described above, Bond Counsel has expressed no opinion with regard to the matters discussed under this caption or with regard to any other Federal tax consequences of owning the Bonds. It should be noted that Bond Counsel has expressed no opinion with respect to any exemption from any taxes imposed by the State of Florida or any other state on the Bonds or the interest or income thereon.

PURCHASE, OWNERSHIP OR SALE OR DISPOSITION OF THE BONDS AND THE RECEIPT OF THE INTEREST THEREON MAY HAVE ADVERSE FEDERAL TAX

CONSEQUENCES FOR CERTAIN INDIVIDUALS AND CORPORATE BONDHOLDERS. PROSPECTIVE OWNERS OF THE BONDS SHOULD CONSULT WITH THEIR OWN TAX ADVISORS WITH RESPECT TO THE FOREGOING AND OTHER TAX CONSEQUENCES OF OWNING THE BONDS. OTHER THAN BOND COUNSEL'S OPINION WITH RESPECT TO THE EXCLUSION OF INTEREST ON THE BONDS FROM GROSS INCOME PURSUANT TO SECTION 103 OF THE CODE FOR FEDERAL INCOME TAX PURPOSES DESCRIBED ABOVE, BOND COUNSEL HAS EXPRESSED NO OPINION WITH REGARD TO THE MATTERS DISCUSSED UNDER THIS CAPTION OR WITH REGARD TO ANY OTHER FEDERAL TAX CONSEQUENCES OF OWNING THE BONDS.

UNDERWRITING

The Bonds are being purchased by the Underwriter, subject to certain terms and conditions set forth in a Bond Purchase Agreement between the Issuer and the Underwriter, including the approval of certain legal matters by Bond Counsel and the existence of no material adverse change in the condition of the Issuer's finances from that set forth in the Official Statement.

The Underwriter is offering the Bonds at the prices set forth on the cover hereof. The initial offering prices may be changed from time to time and concessions from the offering prices may be allowed to dealers, banks and others. The Underwriter has purchased the Bonds and is being paid an Underwriter's fee of \$1,192,500.00. From this fee, the Underwriter will pay certain of its expenses relating to the offering.

The Underwriter does not guarantee a secondary market for the Bonds and is not obligated to make any such market in the Bonds. No assurance can be made that such a market will develop or continue. Consequently, investors may not be able to resell Bonds should they need or wish to do so for emergency or other purposes.

CONTINUING DISCLOSURE UNDERTAKING

The Issuer has covenanted in the Continuing Disclosure Agreement to provide certain financial information and other operating data (the "Undertaking") as specified below to nationally recognized municipal securities information repositories ("NRMSIR's") and to the State Information Depository (the "SID"), if any, annually and to provide notice to the Municipal Securities Rulemaking Board (the "MSRB") and the SID, if any, of certain events pursuant to Rule 15c2-12 (17 CFR Part 240, § 240.15c2-12) (the "Rule"). Capitalized terms used in this Section and not otherwise defined in the Continuing Disclosure Agreement shall have the meanings assigned under the Rule.

While any Bonds are Outstanding, the Issuer will provide the Annual Financial Information not more than 180 days after the end of each Fiscal Year (the "Report Date"), beginning in 2008, to each then existing NRMSIR and the SID, if any. The Issuer may adjust the Report Date if the Issuer or Guarantor change their respective fiscal year, or to conform with a change in federal, state or local law, by providing written notice of the change in fiscal year, if applicable, and the new Report Date to each then existing NRMSIR and the SID, if any, provided that the new Report Date shall be no more than 200 days after the end of the Issuer's Fiscal Year then in effect, and further provided that the period between the last Report Date prior to the change and the first Report Date after the change shall not be longer than one year. It shall be sufficient if the Issuer provides to each then existing NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

If the Audited Financial Statements are not provided as part of the Annual Financial Information, the Issuer will provide the Audited Financial Statements when and if available while any of the Bonds are Outstanding to each then existing NRMSIR and the SID, if any.

If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to the MSRB and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Outstanding Bonds. Any of the following events would constitute a Material Event with respect to the Bonds: (i) a principal or interest payment delinquency; (ii) a nonpayment-related Event of Default under the Indenture; (iii) a draw on the Reserve Fund; (iv) a material modification to the rights of Bond holders; (v) a call of the Bonds (other than mandatory sinking fund redemptions); (vi) a defeasance; or (vii) any material release, substitution, or sale of property securing repayment of the Bonds.

The Issuer has not failed to comply with any prior Undertaking under the Rule. A failure by the Issuer to comply with the Undertaking will not constitute an Event of Default under the Indenture or the Agreement (although the Holders of the Bonds will have available remedies at law or in equity other than the collection of monetary damages). Nevertheless, such a failure must be reported in accordance with the Rule to the MSRB and the SID, if any, and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

LEGAL MATTERS

Certain legal matters incident to the validity of the Bonds, including their authorization, issuance, and sale by the Issuer are subject to the approval of Sell & Melton, L.L.P., Macon, Georgia, Bond Counsel, whose approving opinion will be delivered with the Bonds. The proposed form of such opinion is attached hereto as Appendix I. The matters stated in such opinion and the tax matters described above are the only matters which Bond Counsel has been retained to pass upon in connection with the transactions contemplated hereby.

The factual information contained herein relating to the Project has been supplied or reviewed by the Issuer. Certain legal matters are being passed upon for the Issuer and the County by their counsel, Brown & Broling, Starke, Florida. Certain legal matters will be passed upon for the Underwriter by Hill Wallack LLP, Princeton, New Jersey. Copies of such opinions will be available at the time of delivery of the Bonds.

LITIGATION

There is currently one taxpayer in Baker County who recently spoke before the Baker County Commission in opposition to the issuance of the Bonds who suggested that he might sue to enjoin the issuance of the Bonds. The Issuer believes that the potential suit is without merit. Otherwise, there is no litigation pending or, to the knowledge of the Issuer, threatened, seeking to restrain or enjoin the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings and authority under which they are to be issued. Neither the creation, organization or existence, nor the title of the present members of or other officers of the Issuer to their respective offices is being contested.

OTHER MATTERS

The foregoing summaries and explanations do not purport to be comprehensive, and are expressly made subject to the exact provisions of documents referred to herein. Copies of the Indenture, the

Management Agreement, and the mortgage may be obtained from the Trustee or, until initial delivery of the Bonds, the Underwriter. So far as any statements are made in this Official Statement involving matters of opinion, whether or not expressly so stated, they are intended merely as such and not as representations of fact. Forecasts of financial information set forth in the Introduction and in Appendices A and C, while based upon assumptions which the Issuer believes to be reasonable, are not guarantees that such results can be obtained and are subject to change. The Appendices to this Official Statement are integral parts of this Official Statement and should be read in their entirety.

The agreement of the Issuer with the Owners of the Bonds is fully set forth in the Indenture, the Mortgage, the Management Agreement and the Bonds, and this Official Statement is not to be construed as constituting an agreement with any purchaser of the Bonds.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION

By: /s/ _____

APPENDIX A
FORM OF THE INDENTURE

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TRUST INDENTURE
 BETWEEN
 BAKER CORRECTIONAL DEVELOPMENT CORPORATION
 (Issuer)
 AND
 BANK OF OKLAHOMA, N.A.
 (Trustee)
 AUTHORIZING
 \$45,000,000
 BAKER CORRECTIONAL DEVELOPMENT CORPORATION
 FIRST MORTGAGE REVENUE BONDS
 (BAKER COUNTY DETENTION CENTER PROJECT),
 SERIES 2008

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TRUST INDENTURE

THIS TRUST INDENTURE is made and entered into as of February 1, 2008, between BAKER CORRECTIONAL DEVELOPMENT CORPORATION (the "Issuer"), a not-for-profit corporation organized and existing under the laws of the State of Florida, and BANK OF OKLAHOMA, N.A., a national banking association with a corporate trust office in Tulsa, Oklahoma, as trustee (said bank and any bank or trust company becoming successor trustee under this Trust Indenture (this "Indenture") being herein called the "Trustee"). All capitalized terms used herein shall have the meanings provided in Article 1 hereof.

WITNESSETH:

WHEREAS, by virtue of the authority of the Issuer's Articles of Incorporation, the Act, other applicable provisions of the law of the State, and pursuant to the Bond Resolution, as hereinafter defined, the Issuer is authorized to enter into this Indenture and to do or cause to be done all the acts and things herein provided or required to be done, and to issue and use the proceeds of its First Mortgage Revenue Bonds, Series 2008 (hereinafter the "Bonds"), dated as of their date of authentication and delivery, in the respective aggregate principal amount set forth herein (the "Bonds" as hereinafter more particularly defined) as set forth herein; and

WHEREAS, by resolution, Baker County, Florida (the "County") has authorized the Issuer to issue, on behalf of the County, the Bonds, in one or more series, bearing such series and year designation as may be determined by the Issuer, payable from such revenues related to the Bonds and the Project (hereinafter defined), secured by a mortgage, bearing interest at a rate not to exceed the maximum legal rate, with such redemption, maturity, sinking fund and other features as may be determined by the Issuer, subject to applicable law, the interest on which may be exempt or not exempt from inclusion in gross income for federal income tax purposes, and whether in book entry only form or in certificate form, all as may be determined by the Issuer; and

WHEREAS, the Issuer has determined, on behalf of the County, to issue and sell the Bonds for the purposes described above and to secure the Bonds by the pledge and assignment of the Revenues (including those revenues, if any, derived from the Interlocal Agreement hereinafter defined) and the Mortgage (as hereinafter defined); and

WHEREAS, all acts and conditions required to happen, exist and be performed precedent to and in the issuance of the Bonds and the execution and delivery of this Indenture have happened, exist and have been performed, or at the delivery of the Bonds will exist, will have happened and will have been performed (i) to make the Bonds, when issued, delivered and authenticated, valid obligations of the Issuer in accordance with the terms hereof and (ii) to make this Indenture a valid, binding and legal trust agreement for the security of the Bonds in accordance with its terms; and

WHEREAS, to alleviate unemployment in the County by creating and/or preserving approximately thirty (30) new jobs and to serve other predominantly public purposes as set forth in the Act, the Issuer has authorized the issuance of the Bonds to provide funds to the Issuer to finance the cost of the acquisition of approximately 90 acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida in Baker County, Florida and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals, and the construction thereon of administrative offices for the Baker County Sheriff's Office (hereinafter the "Project"), to pay the costs incidental thereto, including the cost of issuing the Bonds, and to fund reserves for the payment of the Bonds to the extent required herein; and

WHEREAS, under the Tax Certificate hereinafter more particularly described, the Issuer has agreed to comply with all of the requirements of the Internal Revenue Code of 1986 (the "Code") necessary to maintain the exclusion from gross income of the interest on the Bonds, including Section 148 of the Code; and

WHEREAS, the Issuer has determined to issue the Bonds and to enter into this Indenture to secure the Bonds by, among other things, a pledge and assignment to the Trustee of the Revenues, and by the execution and delivery of the Mortgage; and

WHEREAS, the Trustee has accepted the trusts created by this Indenture, and in evidence thereof has joined in the execution hereof; and

WHEREAS, all things necessary to make the Bonds, when authenticated by the Trustee and issued as provided in this indenture, the valid, binding and legal obligations of the Issuer according to the import thereof, and to constitute this Indenture a valid assignment and pledge of the Revenues for the payment of the principal of and interest on the Bonds, and the creation, execution and delivery of this Indenture, and the creation, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the foregoing, it is expressly declared that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the Revenues are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Issuer hereby agrees and covenants with the Trustee and with the Owners of the Bonds, as follows:

ARTICLE I

DEFINITIONS AND USE OF WORDS AND PHRASES

SECTION 1.01. Definitions. The terms defined in this Section 1.01 shall have meanings provided herein for all purposes of this Indenture, unless some other meaning is plainly intended.

"Act" means the Florida Statutes Annotated, Sections 125.01 and 130.01, as amended.

"Act of Bankruptcy" means the filing of a voluntary petition in bankruptcy by the Issuer or the entry of and order for relief in any bankruptcy proceeding involving the Issuer as a debtor, or the filing by the Issuer of any petition or answer seeking any arrangement, reorganization, composition, readjustment or similar relief under any present or future bankruptcy or other applicable law, or the Issuer shall seek or consent to or acquiesce in the appointment of any trustee, receiver, or liquidator of Issuer of all or any substantial part of Issuer's properties.

"Account" means any of the trust accounts created pursuant to Article V hereof.

"Acquisition Account" means the trust account by that name established within the Permitted Cost Fund pursuant to Section 5.01 hereof.

"Additional Bonds" means any Bonds issued, delivered and sold pursuant to Section 2.12 of this Indenture.

"Administration Expenses" means the Trustee's Fee, the Rebate Analyst Fee, and any expenses of the County attributable to the Bonds.

"Amortization Installment" with respect to any stated maturity of Term Bonds, means an amount or amounts so designated which is or are established for the Term Bonds of such maturity by Section 2.02 of this Indenture for a particular year and the principal amount of any Bonds maturing in such year.

"Amortization Account" means the account created by Section 5.01 of this Indenture.

"Arbitrage Rebate instructions" means the Arbitrage Rebate Instructions as to compliance with provisions of Section 1.03 (a) and 148 of the Code, delivered by Bond Counsel and executed by the Issuer on the date of initial issuance and delivery of the Bonds, as such Arbitrage Rebate Instructions may be amended from time to time, and which serves as a source of guidance for achieving compliance with the Code.

"Architect" means any person or firm licensed to practice architecture in the State and acceptable to the Issuer.

"Authorized Denominations" means, \$5,000 plus integral multiples of \$5,000 in excess thereof unless the holdings of an Owner are reduced below \$5,000 by principal payments or partial redemption.

"Authorized Issuer Representative" means the person at the time designated to act on behalf of the Issuer in matters related to the Bonds by a written instrument furnished to the Trustee containing the specimen signature of such person and signed on behalf of the Issuer by any of its officers. The certificate may designate an alternate or alternates,

"Beneficial Holders" means the owners of any Beneficial Interest who have registered their names, addresses and holding of Beneficial Interests with the Trustee.

"Beneficial Interests" means in the case of Bonds registered in the name of a nominee, the beneficial interest in such Bonds.

"Bond Counsel" means Sell & Melton, L.L.P., or its successors, or other nationally recognized bond counsel acceptable to the Issuer and the County.

"Bond Documents" means this Indenture, the Mortgage and any other documents executed by the Issuer in connection with the issuance of the Bonds.

"Bond Resolution" means, when used with reference to the Bonds, the resolution or resolutions of the Board of Directors of the Issuer providing for the issuance of the Bonds and approving the form of the Indenture, the Bond Purchase Agreement and the Mortgage and related documents, and authorizing certain actions.

"Bonds" means the Bonds issued by the Issuer pursuant to Section 2.01 of this Indenture, and any Additional Bonds which may be issued in accordance with the provisions hereof. Where appropriate, "Bond" or "Bonds" shall include Authorized Denominations of Bonds.

"Business Day" means any day other than (i) a Saturday or Sunday, (ii) a day on which banks and savings and loan associations located in New York, New York, Chicago, Illinois or in the State, or the city in which the Trustee has its principal corporate trust office, are authorized to close, (iii) a day on which The New York Stock Exchange is closed, or (iv) a day on which the principal office of the Trustee or the Securities Depository, if any, is not conducting business.

"Code" means the Internal Revenue Code of 1986, as such may be amended and supplemented, and the United States Treasury Regulations proposed or in effect with respect thereto and applicable to the Bonds or the use of the proceeds thereof.

"Co-Trustee" means any entity appointed as co-trustee by the Trustee pursuant to Section 9.24 hereof, its successors or assigns;

"Condemnation Award" means the total condemnation proceeds actually paid or payable by the condemnor as a result of the condemnation of all or any part of the Real Property or the Project.

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(d) Zero Coupon United States Treasury Bonds.

"Determination of Taxability" shall mean a determination that the interest on any Bond does not qualify as excluded from gross income for Federal income tax purposes ("exempt interest"), which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which any change in law or regulation becomes effective or on which the Internal Revenue Service has issued any private ruling, technical advice or other written communication to the effect that the interest income on any of the Bonds does not qualify as exempt interest; or

(b) the date on which the Trustee shall receive notice in writing that the Trustee has been advised by any Bondholder that the Internal Revenue Service has issued a thirty-day letter or other notice which asserts that the interest on such Bond does not qualify as exempt interest;

provided, however, that no Determination of Taxability shall be deemed to have occurred as a result of the events described in clause (a) above unless such determination is supported by a written opinion of Bond Counsel that it cannot render an opinion that the interest income on the Bonds constitutes exempt interest.

The redemption of the Bonds following the occurrence of a Determination of Taxability will not limit, modify or affect any other debt, duty, liability or obligation of the Issuer that may arise under the Indenture or the Mortgage.

"Escrow Agreement" means the escrow deposit agreement by virtue of which the Issuer deposits with the Trustee, in compliance with Article VII hereof, cash, immediately available funds, or Defeasance Obligations, to bring about a defeasance of the Bonds.

"Facility" means the 512-bed jail facility located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida.

"Fiscal Year" means the annual period ending each September 30th.

"Force Majeure" means acts of God, strikes, orders of political bodies, natural disasters, civil disturbances or any other cause or event of similar nature not reasonably within the control of the Issuer.

"Funds" means any of the trust funds created under Section 5.01 hereof.

"Governmental Obligations" means direct obligations of, or obligations the full and timely payment of principal of and interest of which are unconditionally guaranteed by, the United States of America. The obligations covered by this definition are limited to the following:

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"Contingency Amount" means the amount of \$521,936.87 described in Section 5.01(f) hereof, subject to augmentation of up to an additional \$155,000.00 in the form of an expected grant from the State of Florida.

"Contingency Reserve Account" means that certain Contingency Reserve Account created in Section 5.01(a)(v) hereof into which the Contingency Amount shall be deposited.

"Costs of Issuance" means the Issuer's expenses, the County's expenses, the Trustee's Fee and expenses, the fees and expenses of Issuer's Counsel and all other fees, including the cost of mortgagee title insurance policies, and costs and expenses incurred in connection with the issuance of the Bonds that are to be paid from the proceeds of the Bonds.

"Costs of Issuance Account" means the trust account by that name established within the Permitted Cost Fund pursuant to Section 5.01(c) hereof.

"County" means Baker County, Florida, a political subdivision of the State.

"Days' Cash on Hand" means the number determined as of the last day of each fiscal quarter of the Issuer by (A) multiplying (i) the number of days in such fiscal quarter by (ii) the amount of cash and cash equivalents (determined by reference to the Issuer's financial statements for each such date), and (B) dividing the amount determined in clause (A) by an amount equal to the total operating expenses of the Facility for such fiscal quarter, less any bad debts to the extent included in such operating expenses and all depreciation and amortization attributed to the Facility for such fiscal quarter.

"Days' Cash on Hand Requirement" means the requirements described in Section 12.01(b) hereof.

"Debt Service Coverage Ratio" means the Debt Service Coverage Ratio (expressed as a percentage) described in Section 12.01(a) of this Indenture.

"Default" and "Event of Default" mean any occurrence or event specified in Section 8.01 hereof.

"Defeasance Obligations" means non-callable investments consisting solely of one or more of the following:

- (a) cash;
- (b) State and Local Government Series issued by the United States Treasury ("SLGS");
- (c) United States Treasury bills, notes and bonds, as traded on the open market; and,

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- (i) All direct or fully guaranteed obligations of the U.S. Treasury;
- (ii) Certificates of Beneficial Ownership of the Farmers Home Administration;
- (iii) Participation certificates of the General Services Administration; and
- (iv) GNMA-guaranteed participation certificates and GNMA-guaranteed mortgage backed securities of the Government National Mortgage Association (GNMA);

Provided, however, that book entry securities listed in any of the above categories must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank in the name of the Issuer and pledged to the Trustee.

"Improvements" means the 512-bed jail facility constructed upon the Real Property, including fixtures thereon and property of any nature appurtenant thereto for the incarceration of inmates, detainees and criminals as part of the Project.

"Indenture" means this Indenture, dated as of February 1, 2008, between the Issuer and the Trustee, and all amendments and supplements hereto.

"Insurance Proceeds" means the total proceeds of insurance actually paid or payable by an insurance company under the policies of insurance required to be procured by the Issuer pursuant to this Indenture.

"Interlocal Agreement" means that certain Interlocal Agreement, dated as of February 1, 2008, between the Issuer and the County.

"Interest Payment Dates" means, with respect to the Bonds:

- (a) August 1 and February 1 of each year, beginning August 1, 2008;
- (b) the final maturity date of such Bonds;
- (c) any date the principal amount of a Bond is paid pursuant to the provisions of the Indenture; and
- (d) any date any past-due interest on the Bonds is paid;

provided, however, that if any such date determined above is not a Business Day, the Interest Payment Date shall be the next succeeding date which is a Business Day.

"Investment Fund" means the fund by that name created pursuant to Section 5.01 hereof.

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"Investment Securities" means any of the following which at the time of investment are legal investments under the laws of the State for the investment of the Issuer's funds:

- (i) Governmental Obligations;
 - (ii) Participation certificates (excluding stripped mortgage securities which are purchased at prices exceeding their principal amount and excluding interest only strips) and Senior Debt Obligations of the Federal Home Loan Mortgage Corporation (FHLMC);
 - (iii) Consolidated debt obligations of the Federal Home Loan Banks (FAL Banks); and
 - (iv) Federal National Mortgage Association (FNMA) Debt obligations and mortgage backed securities (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal and excluding interest only strips);
- provided, however, that book entry securities listed in clause (i), (ii), (iii) and (iv) above must be held in a trust account with the Federal Reserve Bank or with a clearing corporation or chain of clearing corporations which has an account with the Federal Reserve Bank in the name of the Issuer;
- (v) Debentures of the Federal Housing Administration;
 - (vi) Commercial paper, payable in the United States of America, having original maturities of not more than 92 days and which are rated at least A-2 by S & P and Moody's;
 - (vii) Interest bearing demand or time deposits issued by state banks or trust companies or any national banking associations or any savings and loan associations, the senior debt obligations of which are rated "A" or better by S&P and Moody's and which are members of the Federal Deposit Insurance Corporation (FDIC); provided, in any such case, that such deposits are continuously and fully insured by FDIC; and
 - (viii) Upon instructions from the Issuer, in money market mutual funds or portfolios, rated Am or Am-G or better by Standard & Poor's Ratings Group.
 - (ix) Guaranteed investment contracts approved by the Issuer; provided that such investment contract must be provided by an entity whose senior unsecured debt is rated "BBB" or better by S&P.
 - (x) All Investment Securities shall be limited to those instruments that have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change. If the obligation is rated, it should not have an "r" highlighter affixed to its

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"Net Awards" means Condemnation Awards and Insurance Proceeds, less any attorneys' fees and expenses reasonably incurred in connection therewith, and other proper costs and expenses of recovery.

"Operating Expenses" shall mean the costs of operating and maintaining the Project, including the Management Fee, but excluding debt service on the Bonds.

"Outstanding" or "Bonds Outstanding" or "Outstanding Bonds" means, as of any given date, all Bonds which have been authenticated and delivered by the Trustee under this Indenture, except:

- (a) Bonds cancelled at or prior to such date or delivered to or acquired by the Trustee or prior to such date for cancellation;
- (b) Bonds deemed to be paid in accordance with Article VII of this Indenture; and
- (c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered pursuant to this Indenture.

"Owner" or "Owners" or "Bondowner" or "Holder" means the person or persons in whose name any Bond or Beneficial Interest is registered on the books of the Issuer maintained by the Trustee as Registrar.

"Paying Agent" means the Trustee and any other Paying Agent designated pursuant to this Indenture.

"Permitted Cost Fund" means the trust fund by that name created pursuant to Section 5.01(c) hereof.

"Permitted Encumbrances" means (a) the lien on the Revenues created by this Indenture, the Mortgage, and the County's right to reversion of all of the Real Property and of all moneys and securities remaining in the Funds and Accounts created hereby (except for moneys and securities set aside under Article VII hereof to bring about a defeasance of the Bonds or in the Rebate Fund) at the time that the Bonds are deemed paid, as provided in Section 7.01 hereof, or are no longer Outstanding, (b) the liens permitted under Section 12.06 hereof, (c) liens defined as Permitted Exceptions or Permitted Encumbrances under the Mortgage and (d) the reversionary interest of the County set forth in the deed of conveyance from the County to the Issuer of the 22-acre parcel on which the Facility will be located, which reversionary interest shall be subordinate to the lien of the Mortgage and Indenture.

"Person" means any natural person, corporation, cooperative, partnership, trust or unincorporated organization, government or governmental body or agency, political subdivision or other legal entity as in the context may be appropriate.

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rating. Interest shall be payable at a fixed rate or shall be tied to a single interest rate index plus a single filed spread, if any, and move proportionately with that index.

"Issuer" means Baker Correctional Development Corporation, a Florida not-for-profit corporation and its successors and assigns.

"Issuer's Counsel" means Terence M. Brown, Esq.

"Lien" means any lien, mortgage, pledge, security interest, claim, charge or encumbrance of any kind (including any conditional sale or other title retention agreement, any lease in the nature thereof, and any agreement to give any lien or security interest).

"Mail" means mail by first-class mail, postage prepaid, to Owners of the Bonds.

"Management Agreement" means the agreement pertaining to the management of the Project between the Issuer and the Manager, dated as of February 1, 2008, as amended from time to time.

"Management Consultant" means an expert Person of recognized standing, qualified and experienced in the field of jail/corrections management and acceptable to the Trustee.

"Management Fee" is the fee payable or to be paid to the Manager by the Issuer pursuant to the Management Agreement for the Manager's services in managing the Project.

"Manager" means the Baker County Sheriff's Office or such other person or entity as may be selected from time to time by the Issuer as Manager under the Management Agreement.

"Maturity Dates" means the maturity dates set forth in the attached Exhibit C.

"Maximum Interest Rate" means the maximum interest rate allowable by applicable law.

"Moody's" means Moody's Investors Service, Inc., a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized rating agency designated by the Trustee.

"Mortgage" means the Mortgage and Security Agreement, dated as of the date hereof, from the Issuer, as mortgagor, to the Trustee, as mortgagee.

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"Principal Office" or "principal office" of the Trustee or the Issuer means the office so designated by such entities. The principal offices of the Trustee and the Issuer shall be located at the respective addresses set forth in Section 13.08 hereof or any subsequent address designated pursuant to said Section.

"Project" means (1) the acquisition of approximately ninety (90) acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals, and the construction thereon of administrative offices for the Sheriff of Baker County, and (2) the payment of expenses related to the issuance of the Bonds.

"Project Costs" means the costs financed with Bond proceeds and which are incurred by the Issuer to acquire and construct the Project, including without limitation, the following, but only to the extent chargeable to the Issuer's capital account:

- (a) The costs of acquiring real property and any buildings thereon, including payments for options, deposits, or contracts to purchase properties and title insurance, surveys, transfer taxes, documentary stamps, brokers' commissions, and property taxes;
- (b) Fees in connection with the planning, execution, and financing of the Project, such as those of architects, engineers, attorneys, accountants and financial institutions;
- (c) The costs of studies, surveys, plans, permits, insurance, interest, financing, tax and assessment costs, and other operating and carrying costs, including capitalized interest, during acquisition and construction of the Project;
- (d) The costs of acquiring, constructing and equipping of the Project;
- (e) The costs of land improvements, such as landscaping and other on site improvements; and
- (f) The costs of such other items, including indemnity and surety bonds, and such other costs as shall be reasonable and necessary for the development of the Project.

"Publication" means publication in a newspaper or financial journal of general circulation in the City of New York, New York, which carries financial news, is printed in the English language and is published on at least each Business Day.

"Real Property" means the parcel of real property located in the County on which the Improvements are located. The legal description of such parcel appears as Exhibit "A" to this Indenture.

"Rebate Analyst" means such person or entity which may be appointed by the Issuer to perform the functions of the Rebate Analyst hereunder, including the determination of the Rebate Requirement.

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"Rebate Fund" means the fund by that name created pursuant to Section 5.01 hereof.

"Rebate Requirement" means the amount of moneys required to be rebated to the United States Department of the Treasury, the calculation of which is set forth in the Tax Certificate.

"Record Date" means the fifteenth day of the month (whether or not a business day) next preceding an Interest Payment Date or the maturity date of the Bonds, if no default by the Issuer on any of its payment obligations on the Bonds has occurred.

"Registrar" shall mean such bond registrar as is provided by Section 9.21 hereof.

"Reserve Account" means that certain Reserve Account established in Section 5.01(a)(iv) of this Indenture.

"Reserve Account Requirement" means, initially, \$3,656,000.00, which amount shall be deposited into the Reserve Account upon issuance of the Bonds, subject to augmentation (if any) of up to \$4,379,000.00 pursuant to the provisions of Section 4.03 of the Mortgage.

"Revenue Fund" means the trust fund by that name created pursuant to Section 5.01 (b) hereof.

"Revenues" means (i) all rentals, revenues, unrestricted grants or grants earmarked for the Project or operation of the Facility (including rent subsidies), and fees receivable in respect of the Project, including, without limitation, any receipts from concessionaires servicing the Project, any vending machine and laundry machine or similar receipts, with respect to the Project (but exclusive of security deposits for residential or concessionaire units in the Project to the extent such security deposits are not applied to the payment of rentals); (ii) Net Awards; (iii) interest earned on moneys deposited in any fund or account hereunder except the Rebate Fund; (iv) any monetary recovery obtained by the Trustee through the exercise of its rights under the Mortgage, subject to the application thereof as provided in the Mortgage; moneys, if any, derived from the County pursuant to the provisions of the Interlocal Agreement; (v) all other moneys deposited in the Revenue Fund from whatever source, except from grants earmarked for purposes other than the support of the Project or operation of the Facility; and (vi) all proceeds of any thereof. "Revenues" shall not refer to the amounts on deposit in the Rebate Fund nor to inmate trust funds.

"Securities Depository" shall mean the registered owner of the Bonds under any book entry system and administrator of such book entry system for the Bonds.

"Sheriff's Furniture and Equipment" means and shall be limited to those certain items of personal property owned by and placed on the Real Property by the Baker County Sheriff's Office. "Special Record Date" means a day that is established as a

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ARTICLE II

THE BONDS

SECTION 2.01 Authority for and Issuance of Bonds. There is hereby authorized and created under this Indenture an issue of bonds the aggregate principal amount of which (exclusive of any Substitute Bonds or Additional Bonds issued pursuant hereto) is limited to \$45,000,000 to be designated as "Baker Correctional Development Corporation First Mortgage Revenue Bonds, (Baker County Detention Center Project), Series 2008" in the respective aggregate principal amounts set forth in Exhibit "C" attached hereto. No Bonds may be issued under the provisions of this Indenture except in accordance with this Article. The Bonds shall be dated as of their date of authentication and delivery, and shall mature (subject to the right of prior redemption at the prices and dates and upon the terms and conditions hereinafter set forth), on the dates set forth herein.

Interest on the Bonds shall be payable semiannually on August 1 and February 1 of each year, commencing August 1, 2008, such interest to be calculated on the basis of a 360-day year composed of twelve (12) thirty (30) day months. The Bonds shall bear interest from their date of authentication and delivery.

The Bonds shall be issuable only as fully registered certificated Bonds without coupons in Authorized Denominations in the form as provided in Exhibit "B" hereto, or as fully registered book entry bonds in Authorized Denominations. The Bonds shall be lettered "R-", and shall be numbered from one (1) consecutively upward.

Bonds issued in exchange for or upon the registration or transfer of Bonds on or after the first Interest Payment Date thereon shall bear interest from and be dated as of the Interest Payment Date immediately preceding the date of the Trustee's authentication thereof, unless the date of such authentication shall be an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for in accordance with the terms hereof, in which case they shall be dated as of such Interest Payment Date, or unless such Bonds are authenticated prior to August 1, 2008, in which event such Bonds shall bear interest from the original date of authentication and delivery; provided, however, that if, as shown by the records of the Trustee, interest on the Bonds is in default, in which event such Bonds shall bear interest from the date on which interest was last paid on such Bonds or, if no interest has yet been paid on the Bonds, from the initial date of authentication and delivery of the Bonds.

The interest, principal of and premium, if any, on the Bonds shall be payable in lawful money of the United States of America as provided in Section 2.13 hereof.

SECTION 2.02 Maturities; Interest Rates; Redemption.

(a) Maturities; Interest Rates. The Bonds shall mature on the dates and shall bear interest at the rate(s) and shall bear interest as set forth on the attached Exhibit C.

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special record date for the payment of defaulted interest as established by notice mailed by the Registrar to the Owners not less than fifteen days preceding such special record date with such notice being mailed to persons in whose names the Bonds are registered at the close of business on the fifth (5th) day preceding the date of mailing.

"State" means the State of Florida.

"Substitute Bonds" means Bonds issued pursuant to Section 2.09 hereof.

"Tax Certificate" means the Issuer's Non-Arbitrage and Tax Certificate dated as of the date of delivery of the Bonds.

"Term Bonds" means the Bonds of each maturity which by the provisions of this Indenture and any supplemental indenture creating such maturity shall be subject to retirement by operation of the Amortization Account.

"Trustee" means Bank of Oklahoma, N.A., a national banking association with a corporate trust office in Tulsa, Oklahoma, as trustee, and any successor Trustee, at the time serving as such hereunder.

"Trustee's Fee" means the fee payable to the Trustee for acting as Trustee under this Indenture. The Trustee's counsel's fees and expenses and the Trustee's expenses shall be recoverable in addition to the amounts mentioned in the preceding sentence, but shall be deemed to be a part of the Trustee's Fee.

"Underwriter" means Bergen Capital, a division of Scott & Stringfellow, Inc., a Virginia corporation.

SECTION 1.02 Use of Words and Phrases. "Herein," "hereby," "hereunder," "hereof," "hereinafter," "hereinafter," and other equivalent words refer to this Indenture as a whole and not solely to the particular portion thereof in which any such word is used. The word "may" means "may, but shall not be required to," and the word "including" shall mean "including, without limitation." The definitions set forth in Section 1.01 hereof include both singular and plural. Whenever used herein, any pronoun shall be deemed to include both singular and plural and to cover all genders. Any percentage of Bonds, specified herein for any purposes, is to be figured on the unpaid principal amount thereof then Outstanding.

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The aggregate amount of the principal and interest payments due on the Bonds under the Indenture which is to be deposited into the Bond Fund on or before each Interest Payment Date next preceding each mandatory sinking fund redemption date shall include amounts sufficient to redeem, on the respective mandatory sinking fund redemption date, the principal amount of Bonds set forth in the tables above (less the amount of any credit described below).

The Issuer shall have the option to deliver for cancellation to the Registrar any Bonds which mature on the Maturity Dates, in any aggregate principal amount, and to receive a credit therefor against the mandatory sinking fund requirement (and corresponding mandatory redemption obligation) of the Issuer set forth opposite the year of the next succeeding mandatory redemption date for the Bonds maturing on the Maturity Dates shown above.

That option shall be exercised by the Issuer on or before the forty-fifth (45th) day preceding the applicable mandatory sinking fund redemption date, by furnishing to the Trustee a certificate, executed by the Authorized Issuer Representative, setting forth the extent of the credit to be applied with respect to the mandatory sinking fund requirement for the Bonds. If the certificate is not furnished timely to the Trustee, no credit shall be made against the mandatory sinking fund requirement for the Bonds (and corresponding mandatory redemption obligation), although credits may be available against subsequent mandatory sinking fund requirements for the Bonds.

To the extent not applied theretofore as a credit against any mandatory sinking fund requirement for the Bonds, a credit against the mandatory sinking fund requirement for the Bonds (and the corresponding mandatory redemption obligation) described in the preceding paragraph shall be received also by the Issuer for Bonds which mature on the Maturity Dates and which prior thereto have been redeemed other than through the operation of the mandatory sinking fund requirements or have been purchased for cancellation and canceled by the Trustee.

Each Bond so delivered, redeemed previously, or purchased and canceled, shall be credited by the Trustee at 100% of the principal amount thereof against the mandatory sinking fund requirement for the Bonds described above, subject to the completion of the procedures described above. Any excess of that amount over the then current mandatory sinking fund requirement of the Bonds shall be credited against subsequent mandatory sinking fund requirements for the Bonds in the order directed by the Issuer by following the procedures described above.

(b) Redemption.

(1) Special Mandatory Redemption.

(i) The Bonds shall be subject to special mandatory redemption at the principal amount thereof, plus accrued interest thereon to the date of redemption, and without premium, in whole on any date or in part on any Interest

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Payment Date upon the transfer of moneys to the Principal Account from the Net Awards Account pursuant to Section 5.05(c) of this Indenture.

(ii) The Bonds are also subject to special mandatory redemption prior to maturity in whole at any time on the earliest practicable date selected by the Trustee, and in no event later than 90 days, following the occurrence of a Determination of Taxability. The redemption price of the Bonds to be redeemed in such event shall be 105% of the principal amount thereof plus interest accrued to the redemption date.

(2) Sinking Fund Redemption. The Bonds are also subject to mandatory redemption in part prior to maturity by lot, using increments of \$5,000, in such manner as shall be determined by the Trustee, through Amortization Installments by operation of the Amortization Account, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on August 1 in the years and amounts set forth in Exhibit C.

(3) Mandatory Redemption on Default. The Bonds are also subject to mandatory redemption at the price of par plus interest accrued to the date of redemption if the Bonds shall be accelerated following the occurrence of an Event of Default as described in Section 8.02 hereof.

(4) (i) Optional Redemption. The Bonds are subject to redemption prior to their stated date of maturity at the option of the Issuer, in whole on any date on or after February 1, 2018, or in part, in such order of maturity as the Issuer may elect, and by lot within a maturity in increments of \$5,000, on February 1, 2018, or on any Interest Payment Date thereafter, at the following redemption prices (expressed as percentages of the principal amount of the Bonds so redeemed) plus accrued interest to the date of redemption if redeemed in the following years:

Redemption Period (Both Dates Inclusive)	Redemption Price
February 1, 2018 - January 31, 2019	102%
February 1, 2019 - January 31, 2020	101%
February 1, 2020 and thereafter	100%

(ii) The Bonds shall be subject to special optional redemption in whole or in part at the price of the principal amount thereof, plus accrued interest thereon to the date of redemption, and without premium, on any date in the event that credit enhancement or a rating shall be obtained for all or part of the Bonds.

Any such redemption, either in whole or in part, shall be made in the manner and upon the terms and conditions provided in this Indenture.

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shall be liable thereon; nor shall such Bonds be payable out of any funds or properties other than those of the Issuer, and then only to the extent herein expressly provided. The Bonds are a limited, non-recourse obligation of the Issuer.

SECTION 2.06 Authentication. No Bond shall be valid or obligatory for any purpose or be entitled to any security or benefit under this Indenture unless and until a certificate of authentication on such Bond, substantially in the form set forth in the Bond, shall have been duly executed by the Trustee. Such executed certificate of the Trustee upon any such Bond shall be conclusive evidence that such Bond has been authenticated and delivered under this Indenture. The Trustee's certificate of authentication on any Bond shall be deemed to have been executed by it if signed by an authorized officer or signatory of the Trustee, but the same officer or signatory need not sign the certificate of authentication on all of the Bonds issued hereunder.

SECTION 2.07 Form of Bonds. The Bonds issued under this Indenture shall be substantially in the form set forth in composite Exhibit "B" hereto, with such variations, omissions and insertions as are permitted or required by this Indenture.

SECTION 2.08 Issuance and Delivery of Bonds. Upon the execution and delivery of this Indenture, the Issuer shall execute and deliver the Bonds to the Trustee, and the Trustee shall authenticate the Bonds and shall deliver the Bonds to the Underwriter as directed by the Issuer: provided, however, that before the Trustee delivers any Bonds, the Trustee shall have received the following:

1. A duly certified copy of the Issuer's Articles of Incorporation and a Certificate of Good Standing of the Issuer issued by the State's Secretary of State;
2. A copy, duly certified by the Clerk of the County of the resolution of the County Commission approving the Issuer and the terms of the Bonds, and any amendments thereto;
3. A copy, duly certified by the Secretary of the Issuer, of the resolutions of the Issuer authorizing the issuance of the Bonds and the execution and delivery of this Indenture, and any amendments thereto; and the resolution of the Issuer awarding such Bonds, and any amendments thereto, specifying the interest rate, maturity date and purchase price thereof and directing the authentication and delivery thereof;
4. Original executed counterparts of this Indenture, the Interlocal Agreement, the Mortgage and the Management Agreement; and
5. A request and authorization to the Trustee on behalf of the Issuer, signed by the President or Vice President of the Issuer, to authenticate and deliver the Bonds to the Underwriter upon receipt of the purchase price specified therefor and to deposit the proceeds thereof in accordance with the provisions hereof; and

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Anything herein to the contrary notwithstanding, in no event shall the interest rate borne by any Bonds exceed the Maximum Interest Rate.

SECTION 2.03 Execution. The Bonds shall be executed on behalf of the Issuer, with the manual or facsimile signature of its President and shall have impressed or imprinted thereon, by facsimile or otherwise the official seal of the Issuer, and be attested with the manual or facsimile signature of its Secretary.

If any officer of the Issuer whose signature or whose facsimile signature shall appear on the Bonds shall cease to be such officer before the authentication of such Bonds, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes as if he or she had remained in office until authentication; and any Bond may be signed on behalf of the Issuer by such persons as are at the time of execution of such Bond proper officers of the Issuer, even though at the date of this Indenture such person was not such officer.

SECTION 2.04 Temporary Bonds. Pending preparation of definitive certificated Bonds, there may be executed, and upon request aforesaid Issuer, the Trustee shall authenticate and deliver, in lieu of definitive Bonds and subject to the same limitations and conditions as such definitive Bonds, temporary typewritten, printed, engraved or lithographed certificated Bonds, in the form of registered Bonds without coupons in Authorized Denominations, substantially in the form of Exhibit "B" hereto and with such appropriate omissions, insertions and variations as may be required with respect to such temporary Bonds.

If temporary Bonds shall be issued, the Issuer shall cause the definitive Bonds promptly to be prepared and to be executed and delivered to the Trustee, and the Trustee, upon presentation to it at its Principal Office of any temporary Bond, shall cancel the same and authenticate and deliver in exchange therefor at the place designated by the Owner, without charge to the Owner thereof, a definitive Bond or Bonds of an equal aggregate principal amount, of the same maturity and bearing interest at the same rate as the temporary Bond surrendered. Until so exchanged, the temporary Bonds shall in all respects be entitled to the same benefit and security of this Indenture as the definitive Bonds to be issued and authenticated hereunder.

SECTION 2.05 Pledge of Revenues; Assignment of Mortgage; Limited Obligations. Each Bond and the series of which it is a part is a limited obligation of the Issuer, and the principal thereof, premium, if any, and interest thereon are payable solely from the Revenues in the manner provided herein. There is hereby granted a lien upon and pledge of such Revenues to secure the Bonds in the manner herein provided. The Bonds are additionally secured by the Mortgage. The Bonds are also secured by the Reserve Account and by a pledge and assignment of the proceeds of the Bonds subject to application thereof as provided herein. The Mortgage, the Revenues and such Bond proceeds are hereby pledged and assigned to the Trustee to secure payment of such principal of, premium, if any, and interest on the Bonds, as provided herein. The Bonds shall not be a debt of the County, the State of Florida, or any political subdivision thereof, and neither the County, the State of Florida nor any political subdivision thereof

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SECTION 2.09 Mutilated, Lost, Stolen or Destroyed Bonds.

(a) If any Bond is mutilated, lost, stolen or destroyed, the Issuer may execute and the Trustee may authenticate and deliver a new Bond of like series date, maturity and denomination as that Bond mutilated, lost, stolen or destroyed; provided that for any mutilated Bond, such mutilated Bond shall first be surrendered to the Trustee, together with such agreement to indemnification as is reasonably acceptable to the Trustee, and, for any lost, stolen or destroyed Bond, there shall be first furnished to the Trustee evidence of such loss, theft or destruction satisfactory to the Trustee and the Issuer, together with indemnity satisfactory to them. If any such Bond shall be about to mature or have matured or been called for redemption, instead of issuing a duplicate Bond, the Trustee may pay the same without surrender thereof. The Issuer and the Trustee may charge the Owner of such Bond their reasonable fees and expenses in this connection.

(b) All duplicate Bonds Issued pursuant to this Section 2.09 shall constitute original, contractual obligations of the Issuer (whether or not lost, stolen or destroyed Bonds be at any time found by anyone) and shall be entitled to equal and proportionate rights and benefits hereunder as all other Outstanding Bonds issued hereunder.

SECTION 2.10 Registration and Exchange of Bonds: Persons Treated as Owners. The Issuer shall cause books for the registration and transfer of the Bonds to be kept by the Trustee as Registrar as provided herein. At reasonable times and under reasonable regulations established by the Trustee, such list may be inspected and copied by the Issuer, or by Owners (or a designated representative thereof) of 10% or more in aggregate principal amount of Bonds then Outstanding. The Trustee shall also maintain registration books for Beneficial Interests, if the Holders thereof register with the Trustee.

Upon surrender for transfer or exchange of any Bond at its Principal Office, the Trustee shall authenticate and deliver in the name of the transferee or transferees in the case of transfer, or in the name of the Owner in the case of an exchange, a new fully registered Bond or Bonds of Authorized Denominations of the same series and maturity in the aggregate principal amount which the Owner is entitled to receive.

All Bonds presented for transfer, redemption or payment (if so required by the Issuer or the Trustee), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature set forth in the form of Bond or as may be satisfactory to the Issuer and the Trustee, duly executed by the Owner or by his duly authorized attorney.

The Trustee and the Issuer shall not require the payment of any fee or charge upon the registration of transfer or exchange of Bonds, except that the Trustee may require payment from the Bondowner of a sum sufficient to cover any tax, governmental fee or other governmental charge that may be imposed in relation thereto. Such taxes, fees or charges shall be paid before any such new Bond shall be delivered.

The Issuer and the Trustee shall not be required to issue or register the transfer of any Bonds during a period beginning on the Record Date (or the Special Record Date if

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an Event of Default as defined in Section 8.01 hereof shall have occurred), and ending at the close of business on an Interest Payment Date or the redemption or maturity date, as the case may be.

Bonds delivered upon any transfer as provided herein, or as provided in Section 2.09 hereof, shall be valid limited obligations of the Issuer, evidencing the same debt as the Bonds surrendered, shall be secured by this Indenture and shall be entitled to all of the security and benefits hereof to the same extent as the Bonds surrendered.

The Issuer, the Trustee and the Paying Agent may treat the person in whose name a Bond is registered on the books of the Issuer maintained by the Trustee as the absolute Owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

SECTION 2.11 Destruction of Bonds. Whenever any Outstanding Bond shall be delivered to the Trustee for cancellation pursuant to this Indenture, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 2.09 hereof or transfer or exchange pursuant to Section 2.10 hereof, such Bond shall be cancelled and destroyed by the Trustee and counterparts of a certificate of destruction evidencing such destruction shall be furnished by the Trustee to the Issuer.

SECTION 2.12 Additional Bonds. The Issuer expressly reserves the right to issue, to the extent permissible under applicable law and this Indenture, Additional Bonds, to provide additional funds to complete, renovate, rehabilitate, improve or expand the Project, provided that:

(i) no such obligations shall be pari passu with respect to the lien of the Mortgage and the pledge of the Revenues hereunder in favor of the Bonds unless at the time of issuance of the Bonds the Issuer shall deliver to the Trustee a certificate of an independent certified public accountant stating that the Revenues received by the Issuer during any twelve consecutive months (the "Test Period") of the eighteen (18) months immediately preceding the date of issuance of said Additional Bonds were at least equal in dollar amount to: (a) one hundred twenty-five percent (125%) of the average debt service requirement coming due in any Bond Year with respect to the Outstanding Bonds and the Additional Bonds proposed to be issued after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of this Indenture for such period (being any required deposit to the Rebate Fund, 50% of the Management Fee due in such period, and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve Account) and (b) 105% of the maximum debt service requirement coming due in any Bond Year with respect to the Outstanding Bonds after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of this Indenture for such period (being any required deposit to the Rebate Fund for such period, all of the expenses of operating and maintaining the Project for such period, and debt service on the Bonds for such period, including any required deposits to the Reserve Account);

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(ii) a forecast statement of net cash flow before debt service relating to the Project including the Improvements to be included (the "Additional Bonds Forecast") is prepared and examined by a qualified firm in format similar to the examination of the Financial Forecast set forth in Appendix "A" of the Official Statement, and such Additional Bonds Forecast shall reflect that the projected coverage of net cash flow to debt service following the completion of such Improvements shall be at least as good or better than the projected coverage of net cash flow to debt service set forth in Appendix "A" of the Official Statement providing that (a) the Additional Bonds Forecast shall be based, to the extent it includes debt service applicable to the Bonds, upon the actual interest rates and prices borne by such Bonds, and (b) any other assumptions made in the Additional Bonds Forecast shall be made on a basis which is not more favorable than the assumptions made in the Financial Forecast set forth in Appendix A of the Official Statement.

SECTION 2.13 Manner of Payment of Bonds. Principal of and redemption premium, if any, shall be payable to the Owners of the Bonds upon presentation and surrender of the Bonds at the Principal Office of the Trustee. Interest on the Bonds shall be payable (i) by check drawn upon the Paying Agent and mailed on the Interest Payment Date to the Owners of the Bonds as of the close of business on the Record Date next preceding each Interest Payment Date at the registered addresses of such Owners as they shall appear on the registration books on such date notwithstanding the cancellation of any Bond upon any exchange or transfer thereof subsequent to the Record Date and prior to such Interest Payment Date, or (ii) in the case of Bonds in the minimum principal amount of \$500,000, by wire transfer on the Interest Payment Date in immediately available funds to Owners of Bonds on the Record Date at such wire transfer address as such Owner shall specify to the Paying Agent if such Owner shall provide written notice to the Paying Agent not less than fifteen (15) days prior to such Interest Payment Date in which request for wire transfer payment is made and the wire transfer address is specified. If the Issuer shall be in default in payment of interest due on such Interest Payment Date, such defaulted interest shall be payable to the Owner at the close of business on the Special Record Date.

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(ii) no such obligations shall be pari passu with respect to the lien of the Mortgage and the pledge of the Revenues hereunder in favor of the Bonds unless at the time of issuance of the Bonds the Issuer shall deliver to the Trustee a certificate of an independent certified public accountant stating that the Revenues received by the Issuer during any twelve consecutive months (the "Test Period") of the eighteen (18) months immediately preceding the date of issuance of said Additional Bonds were at least equal in dollar amount to: (a) one hundred twenty-five percent (125%) of the average debt service requirement coming due in any Bond Year with respect to the Outstanding Bonds after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of this Indenture for such period (being any required deposit to the Rebate Fund, 50% of the Management Fee due in such period, and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve Account) and (b) 105% of the maximum debt service requirement coming due in any Bond Year with respect to the Bonds and any Additional Bonds proposed to be issued, after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of this Indenture for such period (being any required deposit to the Rebate Fund for such period, all of the expenses of operating and maintaining the Project for such period, and debt service on the Bonds for such period, including any required deposits to the Reserve Account); and

(iii) in the event that such Additional Bonds are to be issued for the expansion of the Project, no such obligations shall be pari passu with respect to the lien of the Mortgage and the pledge of the Revenues hereunder in favor of the Bonds unless specific approval of the issuance of such Additional Bonds for such expansion is obtained from both the Issuer and the County.

"Debt Service" as used in this Section 2.12 shall be deemed to include interest due during such period, together with Amortization installments scheduled for payment in such year and disregarding the principal amount due at maturity to the extent such principal will be paid from Amortization Installments.

Notwithstanding the foregoing, the Issuer may, without producing the certificate of the independent certified public accountant described above issue Additional Bonds issued to refund and defease any Outstanding Bonds if the debt service in each Bond Year on such Additional Bonds is less than the debt service on the Bonds so refunded and such Additional Bonds do not mature later than such Bonds so refunded.

In addition, the Issuer may, without producing the certificate of the independent certified public accountant described above, issue Additional Bonds to provide additional funds to complete Improvements thereto within eighteen (18) months of the date of issuance of the Bonds, provided that:

(i) such Improvements are included in the Project and all revenues derived from such Improvements are included as Revenues as provided in this Indenture; and the requirements of this Indenture with respect to the perfection of the Lien of the Indenture and the Mortgage are satisfied;

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ARTICLE III

REDEMPTION OF BONDS

SECTION 3.01 Redemption of Bonds. The Bonds shall be subject to mandatory and optional redemption as set forth in Section 2.02 hereof.

SECTION 3.02 Selection of Bonds to Be Redeemed. A redemption of Bonds shall be a redemption of the whole or of any part of the particular Series of Bonds from any funds available for that purpose in accordance with the provisions of this Indenture. If less than all the Bonds of a Series shall be called for redemption under any provision of this Indenture permitting such partial redemption, the Trustee shall redeem such Bonds, by lot, in such manner as the Trustee in its discretion may deem proper, in the principal amount as required by this Indenture, in the event the Bonds of a Series shall mature on different dates, Bonds in the applicable principal amount shall be redeemed among maturity dates in the order elected by the Issuer. In the event of a partial redemption of any Term Bond, Amortization Installments for such Term Bond shall be reduced pro-rata in such manner as the Trustee may determine to reflect such redemption.

SECTION 3.03 Notice of Redemption.

(a) If any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds, which notice shall (i) specify the Bonds to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable (which shall be the principal office of the Paying Agent) and, if less than all of the Bonds are to be redeemed, the numbers of the Bonds, and the portions of Bonds, so to be redeemed, and (ii) state that on the redemption date, the Bonds to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption. Such notice shall be given by mail to the Owners of Bonds to be redeemed not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption.

(b) Any Bonds which have been duly selected for redemption and which are deemed to be paid in accordance with Article VII hereof shall cease to bear interest on the specified redemption date.

(c) The Trustee shall not give notice of the redemption of any Bonds unless there shall be on deposit with the Trustee or Paying Agent funds sufficient to pay for such redemption. Such requirement, however, shall not apply in the case of redemptions pursuant to regularly scheduled Amortization Installments or refundings.

(d) When notice of redemption has been given in the manner provided above, and money sufficient for the redemption is held by the Trustee or Paying Agent for that purpose, the Bonds called for redemption shall become due and payable on the redemption date, and interest thereon shall cease to accrue. Thereafter, the Owners of

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such Bonds shall no longer be entitled to any security or benefit under this Indenture except to receive payment of the redemption price thereof.

SECTION 3.04 No Partial Redemption After Default. Anything in this Indenture to the contrary notwithstanding, if an Event of Default shall have occurred and be continuing hereunder there shall be no optional redemption of less than all of the Bonds at the time Outstanding.

SECTION 3.05 Payment of Redemption Price. For the redemption of any of the Bonds, the Issuer shall cause to be deposited in the Bond Fund, as applicable, solely out of the Revenues, Bond proceeds or proceeds of Net Awards to be used for such purpose, an amount sufficient to pay the principal of Bonds to be redeemed and interest to become due on the date fixed for such redemption. The obligation of the Issuer to cause any such deposit to be made hereunder shall be reduced by the amount of moneys in the Bond Fund, available to pay the Bonds to be redeemed.

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of the principal of, premium, if any, and interest on the Bonds. The Trustee shall have the responsibility for the filing of any instruments including any continuation statements to financing statements, as may be required to maintain in effect, the pledge provided in this Indenture or required to effectuate the purposes of this Indenture, and the Issuer will cooperate with the Trustee to effectuate the purposes of this Section. The costs thereby incurred shall be deemed to be Administration Expenses.

SECTION 4.04 Further Instruments. The Issuer shall, upon the reasonable request of the Trustee, from time to time execute and deliver such further instruments and take such further action as may be reasonable and as may be required to effectuate the purposes of this Indenture or any provision hereof.

SECTION 4.05 Operation, Maintenance and Reconstruction. The Issuer shall at all times operate, or cause to be operated, the Project properly and in a sound, efficient and economical manner and shall maintain, preserve, and keep the same or cause the same to be maintained, preserved, and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all ordinary, necessary and proper repairs, replacements and renewals so that at all times the operation of the Project may be properly and advantageously conducted, and, if any useful part of the project is damaged or destroyed, the Issuer shall, as expeditiously as may be possible, commence and diligently prosecute the ordinary replacement or reconstruction of such part so as to restore the same to use; provided, however, that nothing in the Indenture shall require the Issuer to operate, maintain, preserve, repair, replace, renew or reconstruct any part of the Project from sources other than the Revenues or Insurance Proceeds, or from Net Awards received under the circumstances described in Section 12.08 hereof.

SECTION 4.06 Tax Covenants Relating to the Code. The Issuer shall do the following with respect to the Bonds:

1. The Issuer shall comply with each applicable requirement of the Internal Revenue Code of 1986, as amended (the "Code") necessary to maintain the exclusion of interest on the Bonds from gross income for Federal income tax purposes. In furtherance of the covenant contained in the preceding sentence, the Issuer agrees to comply with the provisions of the Tax Certificate executed by the Issuer on the date of the initial issuance and delivery of the Bonds, as such Tax Certificate may be amended from time to time, as a source of guidance for achieving compliance with the Code. The Issuer has retained the services of the Rebate Analyst and will require such Rebate Analyst to perform the duties set forth in the Tax Certificate.

2. The Issuer shall make any and all payments required to be made to the United States Department of the Treasury in connection with the Bonds pursuant to Section 148(1) of the Code from amounts on deposit in the funds and accounts established under this Indenture or otherwise available therefor.

3. Notwithstanding any other provision of this Indenture to the contrary, as long as necessary to maintain the exclusion from gross income of interest on the Bonds

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ARTICLE IV

GENERAL COVENANTS

SECTION 4.01 Payment of Principal and Interest: No General Obligations.

(a) The Issuer covenants that it will pay promptly the principal of, premium, if any, and interest on every Bond issued under this Indenture at the place, on the dates and in the manner provided herein and in the Bonds, provided that such principal, premium, if any, and interest are payable by the Issuer solely from the Revenues, and nothing in the Bonds or this Indenture shall be considered as assigning or pledging any other funds or assets of the Issuer other than the Revenues and other moneys pledged hereunder.

(b) Each covenant made herein by the Issuer is predicated upon the condition that neither the Issuer, its members, officers, agents, or employees, nor the State nor any political subdivision thereof shall be liable for the payment of the principal of, premium, if any, or interest on the Bonds, or the performance of any pledge, mortgage, obligation or agreement created by or arising under this indenture or the Bonds from any property other than the Revenues and other moneys pledged hereunder; and, further, that neither the Bonds nor any such obligation or agreement of the Issuer shall be construed to constitute an indebtedness of the County, the State or any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, or as a pledge of the general credit, full faith or taxing power of the County, the State or any political subdivision thereof.

SECTION 4.02 Performance of Covenants by Issuer: Due Execution.

The Issuer covenants that it will faithfully perform all covenants, undertakings, stipulations and provisions contained in this Indenture, in any Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The Issuer covenants that it is duly authorized under the laws of the State, including particularly the Act, to issue the Bonds and to execute this Indenture, and to pay the amounts payable thereunder, and to pledge the amounts hereby pledged in the manner and to the extent herein set forth. The Issuer further covenants that all action on its part for the issuance of the Bonds and the execution and delivery of this Indenture have been duly and effectively taken, and that the Bonds in the hands of the Owners thereof are and will be valid and enforceable revenue obligations of the Issuer according to the terms thereof and hereof.

SECTION 4.03 Recording and Filing: Instruments of Further Assurance.

The Issuer agrees that the Trustee may enforce the rights to the payments and other amounts due hereunder for the benefit of the Owners of the Bonds. The Issuer covenants that it will do, execute, acknowledge and deliver, or cause to be delivered, such indentures supplemental hereto and such further acts, instruments and transfers as may be reasonably required for the better assuring, transferring, pledging and assigning to the Trustee the rights assigned hereby and the amounts pledged hereby to the payment

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for Federal income tax purposes, the covenants contained in this Section 4.06 shall survive the payment of the Bonds and the interest thereon, including any payment or defeasance thereof pursuant to Section 7.01 of this Indenture.

SECTION 4.07 Maintenance of Existence; No Disposition of the Project or Revenues.

The Issuer agrees that, except as permitted in Section 12.10, during the term of this Indenture and so long as any Bond is outstanding, it will maintain its corporate existence, will continue to be a corporation not-for-profit in good standing under the laws of the State, will continue to qualify to transact business in the State, will not dissolve or otherwise sell, transfer or dispose of the Project or any substantial portion thereof and will not consolidate with or merge into another legal entity or permit one or more other legal entities to consolidate with or merge into it, or sell or otherwise transfer to another legal entity all or substantially all its assets as an entirety and dissolve, unless (i) (a) in the case of any merger or consolidation, the Issuer is the surviving corporation, or (b) the surviving, resulting or transferee legal entity is organized and existing under the laws of the State, and (if not the Issuer) (1) assumes in writing all the obligations of the Issuer under this Indenture and (2) is approved by the County; (ii) no event which constitutes, or which with the giving of notice or the lapse of time or both would constitute an Event of Default shall have occurred and be continuing immediately after such merger, consolidation or transfer; and (iii) an approving opinion of Bond Counsel is provided.

Except as permitted by this Indenture, the Issuer shall not sell, lease, pledge, assign or otherwise encumber or dispose of its interest in the Revenues, or the Project, and will promptly pay or cause to be discharged, or make adequate provision in the judgment of the Trustee to discharge, any lien or charge on any part thereof not permitted hereby.

SECTION 4.08 Access to Books. All books and documents in the possession of the Issuer relating to the Project, the revenues of the Issuer and the Revenues shall at all reasonable times be open to inspection by representatives of the Trustee, and by such accountants and attorneys or other Persons as the Trustee may from time to time designate.

SECTION 4.09 Special Covenant of Issuer as to Provisions in Leases.

The Issuer covenants that so long as there are any Bonds Outstanding under this Indenture, all leases that it may enter into with respect to the Project shall provide that such leases are subject to the County's right to purchase the Project and to the County's right of reversion, by which the County will obtain title to the Project, including that portion of the Project affected by such leases, free of all charges, liens and encumbrances, including such leases, at such time as all the Bonds are no longer Outstanding or are deemed paid under Article VII hereof.

SECTION 4.10 Issuer's Representations as to Fair Market Value.

The Issuer hereby represents that: (a) a reasonable estimate of the fair market value of the Project on the final maturity of the Bonds, regardless of whether the Bonds are callable at an earlier date, is equal to at least twenty percent (20%) of the original cost of the

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property financed by the Bonds. The estimated fair market value of the Project shall be determined without including in the value any addition to the Project or increase or decrease for inflation or deflation during the term of the Bonds; and (b) a reasonable estimate of the remaining useful life of the Project on the final maturity date of the Bonds, regardless of whether the Bonds are callable at an earlier date, is the longer of one year or twenty percent (20%) of the originally estimated useful life of the Real Property financed by the Bonds; and (c) the Project was originally acquired at no more than fair market value. To the extent necessary, the Issuer will replace or rehabilitate portions of the Project while the Bonds are Outstanding so as to ensure that these representations remain true and correct on the final maturity of the Bonds.

SECTION 4.11 No Extension of Maturity. Any Additional Bonds or other obligations issued by the Issuer either to make improvements to the Project or for refunding purposes will provide that such obligations will be discharged no later than the maturity date of the Bonds, regardless of the fact that the Bonds may be callable at an earlier date.

SECTION 4.12 Annual Budget. 1. Not less than sixty (60) days prior to the beginning of each Fiscal Year beginning October 1, 2008, the Issuer shall prepare and file with the Trustee and any Holder or Beneficial Holder of ten percent (10%) or more of the principal amount of the Bonds Outstanding an annual budget for the ensuing Fiscal Year. Such annual budget shall set forth in reasonable detail on a monthly basis: the estimated Revenues and Operating Expenses for the Project for each month of such Fiscal Year; the estimated amounts to be deposited in each of the Funds and Accounts established under this Indenture; and the estimated expenditures for the replacement of capital assets or any unusual or extraordinary maintenance or repairs, for the building and constructing of permanent improvements, alterations, buildings and other structures and for taxes and insurance on the Project. The Issuer may at any time adopt an amended annual budget for the remainder of the then current Fiscal Year. Copies of the annual budget and of any amended annual budget shall be promptly filed with the Trustee for inspection by Bondholders and with any Holder or Beneficial Holder of ten percent (10%) or more of the principal amount of the Bonds Outstanding.

2. The budget or amended budget to be adopted by the Issuer shall provide for minimum equal monthly deposits out of Revenues, excluding interest, into the Repair and Replacement Reserve Account of the Operation and Maintenance Fund (as such deposits may be adjusted pursuant to Section 12.12 hereof) and shall provide for the payment of all other payments required under this Indenture at the times and in the manner specified herein.

3. If for any reason the Issuer shall not have adopted the annual budget for a Fiscal Year before the first day of such Fiscal Year, the annual budget for the preceding year shall be deemed to have been adopted and be in effect for such Fiscal Year until the annual budget for such Fiscal Year is adopted and a copy thereof filed with the Trustee.

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the Bonds, by reason of the adoption of the Indenture, by reason of the performance of or failure to perform any act required of it by the Indenture, or by reason of the performance of or failure to perform any act requested of it by the Issuer, the Trustee or the Bondholders, including all claims, liabilities or losses arising in connection with the violation of any statutes or regulations pertaining to the foregoing; nevertheless, if County or Trustee should incur any pecuniary liability, then in such event Issuer shall indemnify and hold harmless County and Trustee (including any person at any time serving as a member, officer, official, employee, or agent of the Issuer), against all claims by or on behalf of any person, firm, corporation or entity of any kind, arising out of the same (excluding those claims resulting from the County's or Trustee's willful and intentional misconduct or fraud), and all costs and expenses (including attorneys' fees) incurred in connection with any such claim or in connection with any action or proceeding brought thereon, and upon notice from County or Trustee, Issuer shall defend County or Trustee (including any person serving at any time as a member, officer, official, employee, or agent of Issuer) in any such action or proceeding.

The release and indemnification covenants and agreements contained in this Section 4.15 shall survive the termination of this Indenture. The Issuer will provide for and Insure in the public liability policies required in Section 12.07 hereof, not only its own liability in respect of the matter there mentioned but also the liability herein assumed, under a contractual endorsement, if commercially available.

SECTION 4.16 Continuing Disclosure Covenant. (a) Definitions. The following terms used herein shall have the following meanings:

"Audited Financial Statements" means the annual audited financial statement as described in Section 12.09 hereof.

"Bondholders" shall mean the registered owner of any Bond and the beneficial owner (as defined in Rule 13d-3 of the SEC) of any Bond.

"Disclosure Representative" means the Manager or its designee, or such other officer, employee, or agent as the Issuer shall designate from time to time in writing.

"MSRB" means the Municipal Securities Rulemaking Board.

"NRMSIR" means each nationally recognized municipal securities Information repository as designated by the SEC in accordance with the Rule.

"Rule" means Rule 15c2-12 promulgated by the SEC pursuant to the Securities Exchange Act of 1934, as amended.

"SEC" means the United States Securities and Exchange Commission.

"SID" means the appropriate state Information depository, if any, for the State as designated by the SEC in accordance with the Rule.

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SECTION 4.13 Completion of Project Improvements. The Issuer shall carry out the acquisition and completion of the Project with all practical dispatch and in a sound and economical manner.

SECTION 4.14 Payment of Lawful Charges; Liens on the Project. The Issuer shall pay from the Revenues all taxes and assessments or other municipal or governmental charges, if any, lawfully levied or assessed upon or in respect of the Project, or upon any part thereof or upon any revenue therefrom, when the same shall become due, and shall duly observe and comply with all legal requirements of any municipal or governmental authority applicable to any part of the Project. Except for Permitted Encumbrances, the Issuer shall not create or suffer to be created any lien or charge upon the Project or any part thereof or upon the Revenues therefrom, except the pledge and lien created by this Indenture for the payment of the principal and premium, if any, and interest on the Bonds. The Issuer shall pay or cause to be discharged, or will make adequate provision to satisfy and discharge, within thirty (30) days after the same shall accrue, all lawful claims and demands for labor, materials, supplies or other objects for the Project; provided, however, that nothing contained in this Section shall require the Issuer to pay or cause to be discharged, or make provision for, any such lien or charge, so long as the validity thereof shall be contested in good faith and by appropriate administrative and legal proceedings and the Project is not threatened with forfeiture or foreclosure.

SECTION 4.15 Release and Indemnification Covenants. The Issuer releases the County and Trustee from, and covenants and agrees that, the County and Trustee and each and every member, officer, official, employee or agent thereof, past, present and future, shall not be liable for, and covenants and agrees to defend, indemnify and hold harmless such parties, and each of them, from and against (a) any liability for loss or damage to property or any injury to or death of any person occurring at or resulting from the Project or any defect therein, the ownership thereof, the acquisition, construction or equipping thereof, or the possession, occupancy, use or operation thereof, or resulting from any act or omission of the Issuer, the Manager, or any of their agents, contractors, servants, employees, or licensees, and without limiting the foregoing, any and all actions, suits, proceedings, allegations, claims and liabilities in any way arising out of or predicated upon any of the foregoing of this Indenture or any instrument or document contemplated by the Indenture, including any expenses incurred by the County or Trustee in connection with the defense of any claim against it arising out of any such loss, damage, injury, or death; (b) any loss, damage, cost or expense (including attorneys' fees) arising out of any breach or default on the part of the Issuer in the performance of any of its obligations under this Indenture; (c) all claims arising from the negligent or intentional misconduct of the Issuer or any of its permitted assignees, lessees, sublessees or transferees, or the agents, contractors, servants, employees or licensees of any of the foregoing parties; and (d) any cost or expense (including attorneys' fees) incurred by the County or Trustee under the Indenture.

Notwithstanding the fact that it is the intention of the parties that County and Trustee shall not incur pecuniary liability by reason of the terms of this Indenture, or the undertakings required of the County and Trustee hereunder, by reason of the issuance of

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(b) Continuing Disclosure. The Issuer hereby agrees, in accordance with the provisions of the Rule, to provide or cause to be provided to each NRMSIR and to the appropriate SID, if any, on or before the 180th day after the end of the Fiscal Year of the Issuer, the following annual financial information and operating data, commencing with the Fiscal Year ended September 30, 2008.

(1) Updates of the numerical financial information and operating data included in the following sections of the official statement of the Issuer relating to the Bonds (the "Official Statement"):

Projected Income, Expenses and Debt Service Coverage
Annual Debt Service Requirement
The Project
The Manager

provided that such Information updating these tables may be provided in such format as the Issuer deems most appropriate; and

(2) The Audited Financial Statements. The Issuer may from time to time, in order to comply with federal or State legal requirements, modify the basis upon which its financial statements are prepared. Notice of any such modification shall be provided to (i) either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB") and (ii) the SID, and shall include a reference to the specific federal or State law or regulation describing such accounting basis. Such annual financial information and operating data described above are expected to be provided directly by the Issuer, but may be provided by reference to subsequent official statements of the Issuer filed with the MSRB.

Such annual financial information and operating data described above are expected to be provided directly by the Manager, but may be provided by reference to subsequent official statements of the Issuer filed with the MSRB.

(c) Such annual information and operating data described in (b)(1) above and the Audited Financial Statements will each be available on or before the 180th day after the end of the fiscal year of the Issuer; provided, however, that if the Audited Financial Statements are not available by the 120th day after the end of the fiscal year, they shall be provided when available, and unaudited financial statements shall be filed in place of the Audited Financial Statements by such date. If the Issuer changes its fiscal year, the Issuer shall send, or cause to be sent, notice of such change to each NRMSIR or the MSRB, and to the SID.

(d) Notice of Failure to Disclose. The Issuer agrees to provide or cause to be provided, in a timely manner, to (i) each NRMSIR or the MSRB, and (ii) the SID, notice of a failure by the Issuer to provide the annual financial information with respect to the Issuer described in subsection (b) above on or prior to the dates set forth in subsection (b) above.

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(e) Occurrence of Events. The Issuer agrees to provide or cause to be provided in a timely manner to (i) each NRMSIR or the MSRB, and (ii) the SID, if any, notice of the occurrence of any of the following events listed in (b) (5) (i) (C) of the Rule with respect to the Bonds, if applicable, if material:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of holders of the Bonds;
- (8) bond calls;
- (9) defeasances;
- (10) release, substitution, or sale of property securing repayment of the Bonds; or
- (11) rating changes.

The Issuer also agrees to provide notice to the Trustee in a timely manner of (i) material adverse changes to the Issuer or the property securing repayment of the Bonds, and (ii) major casualties or natural disasters affecting the Project.

(f) Materiality Determined Under Federal Securities Laws. The Issuer agrees that its determination of whether any event listed in subsection (e) is material shall be made in accordance with federal securities laws.

(g) Termination of Reporting Obligation. The Issuer reserves the right to terminate its obligation to provide annual financial information and notices of material events, as set forth above, if and when the Issuer no longer remains an "obligated person" with respect to the Bonds within the meaning of the Rule, including upon legal defeasance of all Bonds.

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accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the information.

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(h) Benefit of Bondholders. The Issuer agrees that its undertaking pursuant to the Rule set forth in this Section 4.16 intended to be for the benefit of the Bondholders (including all beneficial owners of the Bonds, as defined in Rule 13d-3 of the SEC) and shall be enforceable by any holder or beneficial owner of the Bonds; provided that, the right to enforce the provisions of this undertaking shall be limited to a right to obtain specific enforcement of the Issuer's obligations hereunder and any failure by the Issuer to comply with the provisions of this undertaking shall not constitute a default or an event of default with respect to the Bonds or under this Indenture; and provided further, that the right of the Bondholders to challenge the adequacy of any Information supplied pursuant to this undertaking shall be limited as provided in Section 8.05 hereof.

(i) Amendments to the Undertaking. Amendments may be made in the specific types of information provided or the format of the presentation of such information to the extent deemed necessary or appropriate in the judgment of the Issuer, provided that the Issuer agrees that any such amendment will be adopted procedurally and substantively in a manner consistent with the Rule, including any interpretations thereof by the SEC, which, to the extent applicable, are incorporated herein by reference. Such Interpretations currently include the requirements that (a) the amendment may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of the Issuer or the type of activities conducted thereby, (b) the undertaking, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, and (c) the amendment does not materially impair the interests of Bondholders, as determined by parties unaffiliated with the Issuer (such as independent legal counsel), but such Interpretations may be changed in the future, if the accounting principles to be followed by the Issuer in the preparing of the Audited Financial Statements are modified, the annual financial information for the year in which the change is made shall present a comparison between the financial statements as prepared on the prior basis and the statements as prepared on the new basis, and otherwise shall comply with the requirements of the Rule, in order to provide information to investors to enable them to evaluate the ability of the Issuer to meet its obligations. A notice of the change in accounting principles shall be sent (I) to each NRMSIR or the MSRB and (II) the SID.

(i) The provisions of this Undertaking, including but not limited to the provisions relating to the accounting principles pursuant to which the Issuer's financial statements are prepared, may be amended as deemed appropriate by an Authorized Officer of the Issuer; provided, however, that any such amendment must be adopted procedurally and substantively in a manner consistent with the Rule, including and interpretations thereof made from time to time by the SEC, which, to the extent applicable, are incorporated herein by reference.

(j) If a change is made to the basis on which financial statements are prepared, the annual financial information for the year in which the change is made shall present a comparison between the financial statement or information prepared on the basis of the new accounting principles and those prepared on the basis of the former

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ARTICLE V

DEPOSIT OF BOND PROCEEDS; FUNDS AND ACCOUNTS; REVENUES

SECTION 5.01 Creation of Funds. There are hereby created by the Issuer and ordered established the following trust funds and trust accounts to be held by the Trustee:

(a) A Bond Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project) Bond Fund," and within such Bond Fund,

- (i) an Interest Account;
- (ii) a Principal Account;
- (iii) an Amortization Account (and subaccounts therein for each maturity of Term Bonds);
- (iv) a Reserve Account; and
- (v) a Contingency Reserve Account.

(b) a Revenue Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project) Revenue Fund."

(c) a Permitted Cost Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project) Permitted Cost Fund," and within such Permitted Cost Fund,

- (i) an Acquisition Account;
- (ii) a Construction Account;
- (iii) a Costs of Issuance Account; and
- (iv) a Net Awards Account.

(d) An Operation and Maintenance Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project) Operation and Maintenance Fund" and within such Operation and Maintenance Fund,

- (i) a Taxes and Insurance Premiums Account;
- (ii) a Repair and Replacement Reserve Account; and

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(iii) an Operating Account.

(e) A Rebate Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project Rebate Fund."

(f) An Investment Fund to be designated "Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project Investment Fund," into which a contingency amount of \$521,936.87 (the "Contingency Amount") shall be deposited from Bond Proceeds at the time the Bonds are issued. Such Contingency Amount may be used by the Issuer (i) to cover construction cost overruns (if any) during the time that the Facility is being constructed and (ii) from time to time, after the Facility has been constructed, for working capital/operational purposes in support of the operations of the Facility. Once the Facility has been constructed, the residue (if any) of the Contingency Amount may be used to satisfy dollar-for-dollar the Days' Cash on Hand Requirement and thereafter to pay to the County's general fund the residue (if any).

SECTION 5.02 Deposit of Bond Proceeds. The proceeds of the sale of the Bonds shall be deposited by the Trustee set forth in the attached Exhibit D.

SECTION 5.03 Disbursements from the Permitted Cost Fund.

(a) The Trustee shall disburse moneys in the Acquisition Account to or upon the order of the Issuer to finance the acquisition of the applicable portion of the Project by the Issuer. The Trustee shall disburse moneys in the Construction Account to or upon the order of the Issuer from time to time upon receipt of a written requisition for Project Costs executed by an Authorized Issuer Representative, by using a form of requisition in substantially the form attached hereto as Exhibit "E." All amounts on deposit in the Acquisition Account and the Construction Account, including investment earnings thereon shall be used to pay Project Costs, unless in the opinion of Bond Counsel, a portion thereof may be used for other purposes specified by the Issuer without causing Interest on the Bonds to be included in gross income for federal income tax purposes or violating the Act or other applicable laws. After the acquisition of the Project, in the event funds remain on deposit in the Acquisition Fund, such funds shall be transferred to the Construction Account and used to pay Project Costs. If, after the Trustee shall have set aside sufficient moneys for the payment of any remaining part of the Project Costs, there shall be a balance on deposit in the Construction Account, such amount shall be paid into the Principal Account of the Bond Fund; or, if the Issuer shall obtain a favorable opinion of Bond Counsel, the Issuer may direct the Trustee to deposit such money into the Repair and Replacement Reserve Account of the Operation and Maintenance Fund and apply such money to payment of the cost of capital improvements to the Project, pursuant to requisition of the Issuer in the form described above. Until so applied, such money shall be invested at a yield less than the yield on the Bonds.

(b) The Trustee shall disburse moneys in the Cost of Issuance Account upon receipt of a written direction of the Issuer, which states (i) that such amount is to be paid

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pursuant to the provisions of Article III of this Indenture. If no such construction, repair, replacement, restoration or rebuilding occurs, moneys remaining in the Net Awards Account shall be applied to the redemption of Bonds pursuant to the provisions of Article III and Section 12.08 of this Indenture.

(d) Any excess of amounts necessary to redeem the Bonds shall be paid to the County.

SECTION 5.06 Revenue Fund. Deposits into the Revenue Fund: Use of Moneys in the Revenue Fund.

(a) The Issuer shall cause to be deposited all Revenues with the Trustee no less frequently than monthly, and the Trustee shall upon receipt deposit such amounts into the Revenue Fund to be used and transferred as is provided in this Indenture.

(b) Moneys in the Revenue Fund shall be applied at the time and in the following manner in the order of priority indicated (if any):

(i) first, on each August 1, commencing August 1, 2008, to the extent required, amounts necessary in each year to meet the Rebate Requirement of the Rebate Fund pursuant to the Tax Certificate;

(ii) second, on the last day of each month, to the Operation and Maintenance Fund, first, to the Taxes and Insurance Premiums Account, second to the Operating Account, the amounts, including expenses of the Manager related to the operation of the Facility, assigned therefor by the budget of the Issuer, and third, to the Repair and Replacement Reserve Account of the Operation and Maintenance Fund that amount determined under the provisions of Section 4.12 of this Indenture;

(iii) third, on the last day of each month, to the Interest Account, an amount equal to one-sixth (one-fifth prior to the August 1, 2008, Interest Payment Date) (or such greater or lesser amount as may be needed to accumulate such amount in equal monthly installments by the last day of the month prior to such Interest Payment Date) of the amount required to pay the interest due on the Bonds on the next Interest Payment Date (less amounts already on deposit in the Interest Account for such purpose);

(iv) fourth, on the last day of each month, beginning on January 31, 2010, to the Principal Account, and on a parity therewith, to the Amortization Account (and to the appropriate subaccounts therein), one-twelfth (1/12) (or such greater or lesser amount as may be needed to accumulate such amount in equal monthly installments by the last day of the month prior to the date needed) of the amount of principal payments and/or Amortization Installments for Term Bonds required by the terms of this Indenture to be deposited in such Accounts, on such Interest Payment Date less any credit (as to the Amortization Installments) for Bonds submitted to the Trustee for cancellation and credit against the Amortization Installment permitted by Section 5.07 of this Indenture;

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to a person, firm or corporation identified therein, and (ii) that such amount is properly payable as a Cost of Issuance hereunder. Upon the earlier of six months after the original issuance of the Bonds or the Trustee's receipt of a written direction of the Issuer, amounts remaining in the Cost of Issuance Account shall be transferred to the Construction Account and used to pay for Project Costs.

(c) In paying any requisition under this Section 5.03, the Trustee shall be entitled to rely as to the completeness and accuracy of all statements in such requisition and in any document presented therewith, and may rely upon execution thereof by an Authorized Issuer Representative to be conclusive evidence of approval by the Issuer of the statements made therein. The Issuer hereby covenants and agrees to indemnify and hold harmless the Trustee from any liability incurred in connection with the payment of any requisition so executed by an Authorized Issuer Representative.

(d) For the entire life of the Bonds, the Trustee shall keep and maintain adequate records pertaining to each account and subaccount within the Permitted Cost Fund and all disbursements therefrom, and shall certify the proper expenditure of the proceeds of the Bonds in accordance with the terms and conditions of this Indenture, and upon receipt of a notice of completion of acquisition and construction of the Project, the Trustee shall, if requested by the Issuer, file an accounting thereof with the Issuer.

SECTION 5.04 Completion of Project Improvements.

Upon completion of the Project, the Issuer will cause a certificate of completion to be issued by the Manager and delivered to the Trustee.

Notwithstanding the completion of the Project, the Trustee shall maintain, for as long as there are any Bonds Outstanding, the Net Awards Account in the Permitted Cost Fund, and shall keep and maintain adequate records pertaining to such account.

SECTION 5.05 Deposit of Insurance Proceeds or Condemnation Awards in Net Awards Account.

(a) Any moneys representing Net Awards deposited with the Trustee in accordance with Section 12.08 of this Indenture, shall be deposited by the Trustee into the Net Awards Account of the Permitted Cost Fund.

(b) Unless a rebuilding, replacement, repair or restoration of the Project is not to occur as permitted by Section 12.08(d) hereof, within thirty (30) days following the deposit of Net Awards into the Net Awards Account, the Issuer shall proceed to rebuild, replace, repair or restore the Project in accordance with paragraph (c) hereof.

(c) Upon completion of any construction, repair, replacement, restoration or rebuilding of the Project, as certified in accordance with Section 5.03 hereof, the Issuer shall give notice to the Trustee of the completion of any construction, repair, replacement, restoration or rebuilding in the Project, and upon such notice, moneys remaining in the Net Awards Account shall be applied to the redemption of Bonds

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(v) fifth, on the last day of each month, to the Reserve Account one-twelfth of such amount as may be necessary to fund the total in the Reserve Account to the Reserve Account Requirement pertaining to the Bonds;

(vi) sixth, on the last day of each month, to the payment of (a) the actual expenses of operating the Project for the previous month, to the extent such actual expenses are in excess of budgeted amounts therefor and (b) Administration Expenses;

(vii) seventh, provided the Issuer is in compliance with the terms of the Bond Documents, including the 125% Rate Covenant requirement set forth in Section 12.01(a) hereof and the Days' Cash on Hand Requirement, to pay the Management Fee (which is separate from and in excess of the expenses of the Manager referred to in Section 5.06(ii) above), and, to the extent of available funds, to the Repair and Replacement Reserve Account, such amount as shall be budgeted therefor, as adjusted pursuant to Section 12.12 hereof; and

(viii) eighth, any remaining Revenues shall be deposited into the Investment Fund; provided that in the event that the Investment Fund contains an amount in excess of the Days' Cash on Hand Requirement deposited upon issuance of the Bonds into the Investment Fund for working capital/operational purposes as set forth in Section 5.01 hereof, such excess may be paid to the Issuer, if there is no Event of Default outstanding, upon receipt of a Certificate of the Manager delivered to the Trustee, together with audited financial statements for the operation of the Project clearly demonstrating that the following expenditures and funds are paid and/or at their required level(s): items (i) through (vii) above in this Section 5.06(b). Such excess paid to the Issuer may be used for working capital/operational purposes in support of the operations of the Facility; to pay for pre-development costs of expanding the Project such as those for land acquisition, Phase I environmental, legal, feasibility studies and/or architectural drawings; or for any other purposes, related or unrelated to the Facility, as the Issuer deems appropriate.

(c) Moneys transferred from the Construction Account hereof shall be Invested pursuant to the Tax Certificate. Such moneys shall be applied to redeem Bonds in the order of priority deemed appropriate by the Issuer.

(d) If there should be a shortfall or deficiency in any of the above accounts, the amount of the deficiency shall be restored from the next available moneys in the order of priority noted in addition to the payments which would otherwise be required to be made into such funds on the subsequent payment dates. Except as provided in Section 5.11, no penalty or Interest shall accrue as a result of such deficiency.

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SECTION 5.07 Deposits into the Bond Fund; Use of Moneys in the Bond Fund, Bonds Accounts.

(1) There shall be deposited in the Principal Account of the Bond Fund (i) moneys transferred from the Revenue Fund, the Reserve Account, the Investment Fund, or any other available source, to pay principal of the Bonds when due or upon maturity, and (ii) moneys transferred from the Net Awards Account or from other sources to pay the principal of the Bonds pursuant to prior redemption under Section 3.01 and 5.02 hereof. Moneys deposited in the Principal Account shall be used to pay principal of Bonds by reason of redemption or acceleration of the Bonds.

(2) There shall be deposited into the Amortization Account of the Bond Fund (i) moneys transferred from the Revenue Fund, the Reserve Account, the Investment Fund, or any other available source, to pay Amortization Installments; and (ii) moneys transferred from the Construction Account pursuant to Section 5.06(c) hereof. Moneys held for the credit of the Amortization Account shall be applied to the retirement of Term Bonds as follows:

(A) Money in the appropriate subaccounts within the Amortization Account shall be applied by the Trustee to the redemption of Term Bonds on February 1 in each applicable year, and to the payment at maturity of the balance outstanding as set forth in Section 2.02 hereof.

(B) In accordance with the provisions of Section 5.06 of this Indenture, the Trustee shall deposit into the respective subaccounts within the Amortization Account from the Revenue Fund on or before each Interest Payment Date the Amortization Installment for the appropriate maturity and interest rate of Term Bonds for such date.

(C) At least thirty (30) but not more than sixty (60) days prior to February 1 of each applicable year, the Trustee shall give notice and call for redemption at the principal amount thereof plus accrued interest, if any, on such February 1. In accordance with the provisions of this Indenture, a principal amount of Term Bonds of the appropriate maturity and interest rate as shall be equal to the Amortization Installment established for such maturity and interest rate to be redeemed to be selected by lot in the manner prescribed by this Indenture.

(D) An Amortization Account and subaccounts may be established within the Bond Fund for any series of Additional Bonds by the amendatory Indenture creating such series of Additional Bonds.

The Trustee shall pay from the Bond Fund all expenses in connection with any such purchase or redemption of Bonds under this Section 5.07.

(3) Moneys deposited in the Interest Account, including any accrued or capitalized interest, shall be used to pay interest on the Bonds when due.

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this Section 5.08, the Trustee shall be entitled to rely as to the completeness and accuracy of all statements in such requisition and in any document presented therewith, and may rely upon execution thereof by an Authorized Issuer Representative to be conclusive evidence of approval by the Issuer of the statements made therein. The Issuer hereby covenants and agrees to indemnify and hold harmless the Trustee from any liability incurred in connection with the payment of any requisition so executed by an Authorized Issuer Representative.

SECTION 5.09 Bonds Not Presented for Payment. If any Bonds are not presented for payment at maturity, if moneys sufficient to pay principal and interest to the redemption date on such Bonds are held by the Trustee, the Trustee shall segregate and hold such moneys in trust, without liability for interest thereon, for the benefit of Owners of such Bonds who shall, except as provided in the following paragraph, thereafter be restricted exclusively to such fund or funds to satisfy any claim hereunder or relating to said Bonds. Any such unclaimed moneys which remain unclaimed for one year after such principal or interest has become due and payable shall, but only after receipt of an opinion of counsel acceptable to the Trustee to the effect that such transfer is permitted by applicable laws, be paid to the Issuer; provided, however, that before the Trustee shall be required to make any such repayment, the Trustee shall, at the expense of the Issuer, cause notice to be given to the Bondholders by registered mail to the effect that such moneys remain unclaimed and that, after a date specified in such notice, at least thirty (30) days after the date of such notice, any unclaimed balance of such moneys then remaining will be paid to the Issuer. After the payment of such unclaimed moneys to the Issuer, the liability of the Trustee with respect to such moneys shall thereupon cease.

SECTION 5.10 Moneys Held in Trust. All moneys required to be deposited with or paid by the Trustee for deposit into any of the Funds and Accounts created hereunder under any provision hereof, all moneys withdrawn from the Bond Fund and held by the Trustee, and any moneys withdrawn from any of the Funds and Accounts created hereunder and held by the Trustee, shall be held by the Trustee in trust, and such moneys shall, while so held, constitute part of the Revenues and be subject to the lien hereof.

SECTION 5.11 Payment of Management Fee. The Trustee shall pay the Management Fee to the Manager to the maximum extent possible from such moneys as are available for that use in the Revenue Fund, and in the order of priority indicated in this Indenture for the use of moneys therein; provided, however, that if at any time a payment to the Manager is to be made by reason of the Management Fee, but insufficient amounts are available in the Revenue Fund for such payment, only such amounts as are available for such purpose shall be paid to the Manager for such purpose, and the unpaid deficiency shall be carried forward to any subsequent period when a Management Fee may be payable to the Manager. Interest shall accrue on any such unpaid deficiencies at the rate of six percent (6%) per annum.

SECTION 5.12 Acceleration of Bonds. If the principal of the Bonds becomes due and payable pursuant to Section 8.02 hereof, the Trustee shall, upon the obtaining or entering of a judgment or decree for the payment of moneys due or as

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(4) Except as provided in this paragraph and in Sections 5.09 and 8.10 hereof, moneys in the Bond Fund shall be used solely for payment of the principal of, premium, if any, and interest on the Bonds. The Trustee shall at all times maintain accurate records of deposits into the Bond Fund, and the sources and timing of such deposits.

SECTION 5.08 Use of Moneys in the Operation and Maintenance Fund. Moneys in the Operation and Maintenance Fund (except as provided in the next succeeding paragraph with respect to moneys in the Repair and Replacement Reserve Account) shall be used to pay the costs of the ordinary and extraordinary operation of the Project, including repairs, replacement, cleaning, salaries, taxes, insurance, and such other expenses as are typically incurred in the operation of detention facility of the Project's type or required by the Indenture. All payments shall be in accordance with the budget of operations submitted annually by the Issuer to the Trustee pursuant to Section 4.12 hereof; provided that the actual expenses of operation of the Project to the extent in excess of budgeted amounts shall be paid to the extent Revenues are available for such purpose as set forth in Section 5.06 hereof.

Moneys on deposit in the Repair and Replacement Reserve Account in the Operation and Maintenance Fund shall be used only to pay the costs of major expenditures, such as roofs, appliances, HVAC, parking lots, security equipment upgrades, sidewalk and drainage projects, water heating systems, and fire alarm/safety code upgrades on or used with respect to the Project.

The Operating Account of the Operation and Maintenance Fund shall be funded from Revenues and shall be used only for the ordinary operations, repair and maintenance of the Project.

Moneys in the Taxes and Insurance Premiums Account shall be funded from Revenues and shall be used for the payment of taxes and insurance premiums on the Project, as is provided by the budget of the Issuer.

The Repair and Replacement Reserve Account and the Operating Account shall be funded from Revenues to the extent provided in the budget of the Issuer described in Section 4.12 hereof.

The Net Awards Account shall be funded from Net Awards as provided by Section 12.08 hereof and shall be used only for the purposes described in Sections 5.05(c) and 12.08 hereof; provided, however, that if such funds are to be used for the redemption of Bonds pursuant to the other provisions of this Indenture, the Trustee shall transfer appropriate amounts to the Principal Account and the Interest Account of the Bond Fund to provide sufficient moneys for such redemption.

Withdrawals from the Operating Account of the Operation and Maintenance Fund shall be made by using the Requisition Form attached hereto as Exhibit "F," and withdrawals from the Repair and Replacement Reserve Account shall be made by using the Requisition Form attached hereto as Exhibit "G." In paying any requisition under

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otherwise provided in Article VIII hereof, deposit first into the Bond Fund all amounts remaining, on deposit in any of the Funds and Accounts created hereunder (except the Rebate Fund which shall be held and used solely for the purposes thereof), with notice to the Issuer of such action, and use such moneys to pay the principal of and interest on the accelerated Bonds in such order of priority.

SECTION 5.13 Refunding of Bonds. If any Outstanding Bonds are paid, redeemed or deemed to have been paid within the meaning of Article VII hereof by reason of the application of the proceeds of the sale of any obligations issued by the Issuer under an indenture other than this Indenture, the Trustee shall, without further authorization, withdraw all amounts remaining in the funds and accounts created hereunder and deposit such amounts into corresponding accounts in the construction, acquisition or other similar fund created under the amendatory indenture under which such obligations of the Issuer are issued with notice to the Issuer of such action, such withdrawals and deposits are to be made, in accordance with the provisions of such indenture, on the date on which the Bonds are so paid, redeemed or deemed to have been paid.

In the event of an advance refunding of all or part of the Bonds outstanding, the Trustee shall send to any Securities Depository a notice specifying: (i) the amount of refunding; and (ii) the maturity dates established under the refunding; and (iii) the date such notice is to be mailed to Bondholders or published (the "Publication Date"). Such notice shall be sent to such Securities Depository by a secure means (e.g., legible facsimile transmission, registered or certified mail, overnight express delivery) in a timely manner designed to assure that such notice is in such Securities Depository's possession no later than the close of business on the Business Day before the Publication Date. The Trustee will forward such notice either in a separate secure transmission for each CUSIP number or in a secure transmission for multiple CUSIP numbers which includes a manifest or list of each CUSIP submitted in that transmission. Issuer or Agent sending such notice shall have a method to verify subsequently the use of such means and timeliness of the notice.) The Publication Date shall be not less than 30 days nor more than 60 days prior to the date the proceeds are deposited in escrow.

SECTION 5.14 Rebate Fund. The Issuer shall cause the Trustee to deposit moneys into the Rebate Fund at the times and in the amounts in the manner prescribed in the Tax Certificate. Amounts on deposit in the Rebate Fund shall not be a part of the Revenues or subject to the lien of this Indenture, and are not pledged to the payment of the principal of or redemption premium, if any, or interest on the Bonds

All amounts to be deposited (as adjusted from time to time in accordance with the Tax Certificate) into the Rebate Fund and all amounts on deposit (as adjusted from time to time in accordance with the Tax Certificate) in the Rebate Fund shall be paid to the United States Department of Treasury at the times and in the amounts required by the Tax Certificate. Any excess in the Rebate Fund after the final Rebate to the United States Department of the Treasury shall be paid to the Issuer, or, if no Bonds shall remain Outstanding, to the County.

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SECTION 5.15 Application of Moneys in the Reserve Account and in the Investment Fund. (a) If on any Interest Payment Date the amount in the Interest Account, the Principal Account, or the Amortization Account shall be less than the amount of interest, principal or Amortization Installment, respectively, then due on the Bonds, the Trustee shall forthwith transfer moneys from the Investment Fund: first, to the Interest Account; and second, to the Principal Account or the Amortization Account, to the extent necessary to make good the deficiency or deficiencies. If such transfer is insufficient to satisfy the amount of interest or principal then due on the Bonds, the Trustee shall forthwith transfer moneys from the Reserve Account or liquidate the securities therein to the extent necessary to make good the deficiency or deficiencies.

At the time of any withdrawal from the Reserve Account for the reasons described above, the Trustee shall promptly notify the Issuer of any such withdrawal.

Following payment of all Outstanding Bonds, moneys on deposit in the Reserve Account shall be used to pay principal of the Bonds on the first possible date. Until so applied, such moneys shall be invested at a yield not in excess of the yield on the Bonds.

(b) If, at any time, the Issuer determines that moneys in the Operation and Maintenance Fund are insufficient to pay for the ordinary operation of the Project, including the matters described in Section 5.08 hereof, or to the extent amounts in the Operation and Maintenance Fund are insufficient for such purpose and one or more expenditures need to be incurred for the Project which were not anticipated in the budget of the Issuer, such as extraordinary repairs or replacements with respect to the Project, then disbursements from the Investment Fund may be made by the Trustee for these purposes upon the written request of an Authorized Issuer Representative, certifying the circumstances described in this paragraph and the amounts required.

(c) Amounts on deposit in the Investment Fund may be applied by the Issuer to redeem or purchase Bonds, or to pay maturing installments of principal of Bonds in such order and priority as the Issuer may deem appropriate. Provided that all payments into the funds and accounts described in Section 5.06 (i)-(viii), above, including any deficiencies in past payments, have been made, any amounts on deposit in the Investment Fund on February 1 of any year may be used to complete the Improvements.

SECTION 5.16 Deficiencies and Surpluses in Reserve Account. For the purposes of this Indenture: (i) a "deficiency" shall mean in the case of the Reserve Accounts, that the amount on deposit therein is less than the Reserve Account Requirement for the applicable series or subseries of Bonds, and (ii) a "surplus" shall mean in the case of the Reserve Account, that the amount on deposit therein is in excess of the Reserve Account Requirement for the applicable series or subseries of Bonds.

At the time of any withdrawal from the Reserve Account which shall result in a deficiency therein, the Trustee shall promptly notify the County, the Issuer, and the Bond Owners of the amount of any such deficiency. As provided in Section 5.06(vi) hereof, any withdrawals or deficiencies in the Reserve Account shall be restored on a monthly basis in such amount as may be necessary to restore the amount on deposit in such

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ARTICLE VI INVESTMENTS

SECTION 6.01 Investment of Funds. Moneys in the Acquisition Account, the Construction Account, the Net Awards Account, the Permitted Cost Fund, the Investment Fund and the Bond Fund shall, at the written direction of the Issuer, be invested and reinvested in Investment Securities, provided such investments either mature or are redeemable at not less than par at the option of the Issuer not later than the dates on which the moneys deposited there will be needed for the purpose of such Fund or Account.

Moneys in the Operation and Maintenance Fund, the Cost of Issuance Account and the Revenue Fund shall be held in cash or be invested in direct obligations of the United States Government maturing less than thirty (30) days from the date of purchase or invested in any investment vehicle provided by the Trustee, at the Issuer's direction, for the investment on a day-to-day basis of moneys held by the Trustee from time to time. Such investments shall be made by the Trustee as directed and designated by the Issuer, in a certificate of, or telephonic advice promptly confirmed by a certificate of the Issuer. As and when any amounts thus invested may be needed for the purposes thereof, the Trustee shall cause a sufficient amount of such investments to be sold or otherwise converted into cash to the credit of any such fund.

In the absence of direction from the Issuer, all amounts described above in this Section 6.01 shall be invested by the Trustee in those certain money market mutual funds or portfolios described in subparagraph (viii) of the definition of Investment Securities.

SECTION 6.02 Investment Earnings. All accrued earnings from the Investment of moneys held in any of the Funds and Accounts under this Indenture shall be credited to the Fund and Account from which moneys were obtained for such Investment and paid over to the Revenue Fund to the extent the amount therein exceeds the requirements of such Fund or Account, except as otherwise provided in Article V hereof or in the Issuer's Non-Arbitrage and Tax Certificate, executed at the time of the sale and delivery of the Bonds. The Trustee shall not be responsible for failure to achieve maximum earnings or for any loss suffered in connection with the Investment of funds made by it in accordance with this Indenture, unless such loss is the result of gross negligence or willful misconduct.

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Reserve Account to the Reserve Account Requirement for the applicable series or subseries of Bonds in not more than twelve equal installments in the order of priority set forth in said Section 5.06.

The Trustee, as of the close of business on each August 1 and February 1, commencing August 1, 2008, shall compute the value of the assets of the Reserve Accounts, and shall as promptly as practicable after such February 1 and August 1 transfer the amount of any surplus, which as a result of such computation may be shown to exist in such Account as of such August 1 and February 1 from the applicable Reserve Account to the Revenue Fund as provided for in Section 5.06 hereof, and such transfer and payment of moneys shall for the purposes of this paragraph be deemed to have been made as of such August 1 and February 1; provided, however, that interest earnings on amounts on deposit in the Reserve Accounts and constituting surplus shall be applied as provided in the Issuer's Non-Arbitrage and Tax Certificate executed at the time of delivery of the Bonds. The Trustee shall as promptly as practicable after such August 1 and February 1 notify the Issuer as to the result of such computation and the amount of any deficiency as of August 1 and February 1 in such Account, in computing the amount in any Fund or Account created under the provisions of this Indenture for any purpose provided in this Indenture, obligations purchased as an investment of moneys therein shall be valued at market value of such obligations, exclusive of accrued interest.

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ARTICLE VII DEFEASANCE

SECTION 7.01 Defeasance. If the Issuer shall cause to be paid (or there shall be otherwise paid or provision for payment made), to or for the Owners of the Bonds, the principal of, premium, if any, and interest due or to become due thereon at the times and in the manner stipulated therein, and if the Issuer shall keep, perform and observe all of its covenants and promises in the Bonds and herein, and shall cause to be paid to the Trustee all money due or to become due hereunder, then this Indenture and the lien, rights and interest created hereby shall cease, determine and become null and void (except as to any surviving rights of payment, registration, transfer or exchange of Bonds herein provided for), whereupon the Trustee shall cancel and discharge this Indenture, and release, assign and deliver unto the Issuer any and all of the right, title and interest in and to all rights assigned or pledged to the Trustee or otherwise subject to this Indenture, except moneys or securities held by the Trustee to pay the Bonds or held in the Rebate Fund.

Any Bond shall be deemed to be paid within the meaning of this Indenture when (a) payment of the principal of and premium, if any, on such Bond thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption), as provided herein either (i) shall have been made or caused to be made from cash or immediately available funds in accordance with the terms hereof, or (ii) shall have been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) cash or immediately available funds sufficient to make such payment and/or (2) Defeasance Obligations, maturing as to principal and interest in such amounts and at such times as will ensure the availability of sufficient moneys to make such payment, without reinvestment or substitution of securities in the investment in Defeasance Obligations, (h) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit shall have been paid or the payment thereof provided for to the satisfaction of the Trustee. No substitutes in the securities so deposited with the Trustee, or reinvestment of the funds so deposited shall be permitted unless the Issuer shall provide an approving opinion of Bond Counsel. At such times as a Bond shall be deemed to be paid hereunder, as aforesaid, such Bond thereof shall no longer be secured by or entitled to the benefits of this Indenture (other than Sections 2.09 and 2.10 hereof, except for such payment from such moneys or Defeasance Obligations).

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of such Bond or Authorized Denominations thereof as aforesaid until the Issuer shall have given the Trustee, in form satisfactory to the Trustee, irrevocable instructions to notify, as soon as is practical, the Owner of such Bond in accordance with Section 3.03 hereof, that the deposit required by clause (a)(ii) of the immediately preceding paragraph has been made with the Trustee and that said Bond or Authorized Denomination is deemed to have been paid in accordance with this Article and stating the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable premium, if any, on

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said Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof,

Notwithstanding any provision of any other Article hereof, all moneys or Defeasance Obligations set aside and held in trust pursuant to the provisions of this Article and necessary for the payment of Bonds (including interest and premium thereon, if any) shall be applied to and used solely for the payment of the particular Bonds (including interest and premium thereon, if any) with respect to which such moneys and Defeasance Obligations have been so set aside in trust until payment of such Bonds.

Anything in Article XI hereof to the contrary notwithstanding, if moneys or Defeasance Obligations have been deposited or set aside with the Trustee pursuant to this Article for the payment of Bonds and the interest and premium, if any, thereon shall not yet have been paid in full, no amendment to the provisions of this Article shall be made without the consent of the Owner of each Bond affected thereby.

ARTICLE VIII

DEFAULTS AND REMEDIES

SECTION 8.01 Events of Default. Each of the following events shall constitute and is referred to in this Indenture as an "Event of Default":

- (a) A failure to pay the principal of any of the Bonds when the same shall become due and payable at maturity or upon redemption or to call Bonds for redemption pursuant to scheduled Amortization Installments as set forth herein; or
- (b) A failure to pay an installment of interest on any of the Bonds when such interest has become due and payable; or
- (c) The occurrence of an event of default under the Mortgage; or
- (d) The occurrence of an Act of Bankruptcy; or
- (e) A failure to call Bonds for redemption in the event of a Determination of Taxability in the manner required hereunder; or
- (f) Except as provided below, a failure by the Issuer to observe and perform any of its covenants, conditions, agreements or provisions (other than as specified in clauses (a) through (e) above) of the Bonds or of this Indenture, which failure continues for thirty (30) days after written notice, specifying such failure and requesting that it be remedied, is given to the Issuer by the Trustee. The Trustee may give such notice in its discretion (and shall give such notice at the written request of Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding), unless the Trustee (or the Trustee and Owners of an aggregate principal amount of Bonds not less than the aggregate principal amount of Bonds the Owners of which requested such notice), shall agree in writing to an extension of such period prior to its expiration; or
- (g) The Holders of greater than fifty percent (50%) of the Bonds Outstanding shall have the option to declare an Event of Default if (i) the Debt Service Coverage Ratio, after the payment of Management Fees is taken into account, falls below one hundred percent (100%) for any Fiscal Year after Fiscal Year 2009 and (ii) the County has not appropriated sufficient funds to bring the Debt Service Coverage Ratio to at least one hundred percent (100%).

Upon an event described in Section 8.01(a)-(g), the Trustee shall give written notice of such insufficiency or event to the Issuer and the County. The Trustee shall be deemed to have notice of an event described in Section 8.01(c) or (g) only after receiving written notification thereof or as otherwise required by Section 9.05 hereof.

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SECTION 8.02 Acceleration; Other Remedies.

(a) Upon the occurrence and continuance of an Event of Default under (a) or (b) of Section 8.01 above, the Trustee shall, by written notice to the Issuer, declare the Bonds to be immediately due and payable. Without further action, the Bonds shall become immediately due and payable. The Trustee shall give written notice of such declaration by Mail to all Owners of Outstanding Bonds, the Issuer and the County.

(b) The provisions of preceding paragraph (a), insofar as such provisions relate to the occurrence and continuance of an Event of Default described in clause (a) or (b) of Section 8.01 hereof, are subject to the condition that if, after the principal of the Bonds shall have been so declared to be due and payable, and before any judgment or decree to pay the moneys due shall have been obtained or entered as hereinafter provided, (i) the Issuer shall cause to be deposited, with the Trustee a sum sufficient to pay all matured installments of interest upon all Bonds and the principal of all Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law on overdue installments of interest, at the rate per annum specified in the Bonds) and such amount as shall be sufficient to cover reasonable compensation and reimbursement of expenses payable to the Trustee, and (ii) all Events of Default hereunder other than nonpayment of the principal of Bonds which shall have become due by said declaration, shall have been remedied, then, in every such case, such Event of Default shall be deemed waived and such declaration and its consequences rescinded and annulled, and the Trustee shall promptly give written notice of such waiver, rescission and annulment to the Issuer, and shall give notice thereof by Mail to all Owners of Outstanding Bonds. No such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Subject to the restrictions set forth in paragraph (d) below, upon the occurrence and continuance of any Event of Default, the Trustee in its discretion may (and shall, upon the written direction of the Owners of not less than twenty-five (25%) in aggregate principal amount of the Bonds then Outstanding and receipt of indemnity to its satisfaction of all costs, expenses and liability of such action, including attorneys' fees and expenses) in its own name and as the Trustee of an express trust

(i) by mandamus, or other suit, action or proceeding at law or in equity, enforce all rights of the Bondowners, and require the Issuer to carry out any agreements with or for the Owners of the Bonds and to perform its or their duties under the Act, the Mortgage and this Indenture, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Indenture or the Mortgage;

(ii) declare the Bonds to be immediately due and payable and/or bring suit upon the Bonds;

(iii) by action or suit in equity, enjoy any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds;

(iv) take possession and use, operate and manage the Project or parts thereof or, subject to paragraph (d) of this Section 8.02, take action to foreclose the Mortgage and cause the Project or any part or parts thereof, to be sold to pay the indebtedness hereby secured, and execute proper conveyance to the purchasers, oath and bond of the Trustee, in case of sale hereunder by the Trustee, being hereby expressly waived by the Issuer, or take other action permitted under the Mortgage, and collect the Revenues arising therefrom and dispose of such moneys in accordance with this Indenture;

(v) be entitled as of right to the appointment of a receiver of the Project or any part thereof, and the Issuer does hereby irrevocably consent to such appointment; or

(vi) take any combination of the foregoing actions.

If the Trustee shall have taken any action under this paragraph (c) of this Section 8.02, the Trustee shall give prompt notice thereof by Mail, to the Bondowners, the Issuer and the County.

(d) The provisions of the preceding paragraphs (a), (b) and (c), as they relate to accelerating the maturity of the Bonds upon the occurrence and continuation of an Event of Default hereunder, or the foreclosure of, the Mortgage, are subject to the conditions that the Trustee shall not accelerate the Bonds or take action to foreclose the Mortgage for any reason other than those set forth in paragraphs (a) or (b) of Section 8.01, above, unless it first obtains the written approval of the holders of 100% of the aggregate principal amount of Bonds then Outstanding.

(e) Upon the occurrence of an Event of Default resulting in foreclosure of the Mortgage and/or sale of the Project, the County shall be given written notice thereof and shall have the option to purchase the Project for an amount equal to the Outstanding principal amount of Bonds together with the interest accrued thereon to the date of purchase. The County (i) shall have at least ninety (90) days to exercise its option from the date it is notified by the Trustee of the Event of Default, and (ii) must purchase the Project at least ninety (90) days after it exercises its option, or its option shall expire. Any moneys received by the Trustee from the County under this paragraph (e) shall be deemed to be a recovery by the Trustee under the Mortgage for purposes of the definition of "Revenues," in such event, the maturity of the Bonds shall be accelerated and payment shall be made therefor by the Trustee as of the date of payment as aforesaid by the County, from the Revenues then available for such payment.

The Trustee's obligation set forth in this Section 8.02 are subject to the imitations set forth in Section 9.01 hereof.

SECTION 8.03 Restoration to Former Position. If any proceeding taken by the Trustee to enforce any right under this Indenture shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Trustee, then

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the Issuer and the Bondowners shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Trustee shall continue as though no such proceeding had been taken.

SECTION 8.04 Owners' Right to Direct Proceedings. Anything in this Indenture to the contrary notwithstanding, while any Bonds are Outstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding hereunder shall have the right (by an instrument in writing executed and delivered to the Trustee, and upon furnishing indemnity satisfactory to the Trustee for all costs, expenses and liability of such action including attorneys' fees and expenses) to direct the time, method and place of conducting all remedial proceedings available to the Trustee under this Indenture or exercising any trust or power conferred on the Trustee by this Indenture.

SECTION 8.05 Limitation on Owners' Right to Institute Proceedings. No Owner of Bonds shall have any right to institute any suit, action or proceeding in equity or at law for the execution of any trust or power hereunder, or any other remedy hereunder or on said Bonds, unless (a) such Owner previously shall have given to the Trustee written notice of an Event of Default as hereinabove provided, (b) Owners of not less than twenty-five (25%) in aggregate principal amount of the Bonds Outstanding request the Trustee in writing to do so after the right to institute said suit, action or proceeding under Section 8.02 hereof shall have accrued, (c) Trustee has had a reasonable opportunity to proceed to institute the same in either its or their name, (d) the Trustee is offered security and indemnity satisfactory to it against its costs, expenses and liabilities (including reasonable attorney's fees), and (e) the Trustee shall not have complied with such request within a reasonable time. Such notification, request and offer of indemnity are, at the option of the Trustee, conditions precedent to the institution of such suit, action or proceeding. The Owners shall have no right by their action to affect, disturb or prejudice the security of this Indenture or to enforce any right hereunder, except as herein provided. Suits, actions and proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners.

SECTION 8.06 No Impairment of Right to Enforce Payment. Notwithstanding any other provision in this Indenture, the right of any Owner of Bonds to receive payment of the principal of, premium, if any, and interest on such Bond, on or after the respective due dates expressed therein, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Owner.

SECTION 8.07 Proceedings by Trustee Without Possession of Bonds. All rights of action under this Indenture or under any of the Bonds secured hereby which are enforceable by the Trustee may be enforced by it without the possession of any of the Bonds, or the production thereof at the trial or other proceedings relative thereto. Any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the equal and ratable benefit of the Owners of Bonds, subject to the provisions of this Indenture.

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SECTION 8.11 Severability of Remedies. It is the purpose and intention of this Article VIII to provide rights and remedies to the Trustee and the Owners of Bonds which may be lawfully granted under the provisions of law, but should any right or remedy herein granted be held to be unlawful, the Trustee and the Owners of the Bonds shall be entitled, as set forth above, to every other right and remedy provided in this Indenture, so long as such right is provided by law.

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SECTION 8.08 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Trustee or to Owners of Bonds is intended to be exclusive of any other remedy or remedies. Each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder or under the Bonds, or now or hereafter existing at law or in equity or by statute; provided, however, that any conditions set forth herein for taking any remedy to enforce the provisions of this Indenture of the Bonds, shall also be conditions to enforcing any remedies under any of the foregoing pursuant to this Section 8.08.

SECTION 8.09 No Waiver of Remedies. No delay or omission of the Trustee or of any Owner of Bonds 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 of any such default, or an acquiescence therein. Every power and remedy given by this Article VIII to the Trustee and to the Owners of Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

SECTION 8.10 Application of Moneys. Any moneys received by the Trustee, or by any Owner of Bonds, pursuant to any right given or action taken under the provisions of this Article VIII, shall be deposited into the Bond Fund. All moneys so deposited in the Bond Fund during the continuance of an Event of Default (other than moneys for the payment of Bonds which had matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default) shall be applied as follows:

FIRST, to pay the costs and expenses (including reasonable attorneys' fees) of the collection proceedings and the Trustee's expenses, liabilities and advances; SECOND, to unpaid interest on the Bonds, with interest to the extent permitted by law on overdue interest and principal at the rate borne by the Bonds; THIRD, to the principal of the Bonds which have been declared due and payable: all without preference or priority of any Bond over any other Bond, ratably, without discrimination or privilege; FOURTH, to the County.

Whenever moneys are to be applied pursuant to the provisions of this Section 8.10, such moneys shall be applied at such times, and from time to time, as the Trustee shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix the date (which shall be an Interest Payment Date) upon which such application is to be made and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give notice of the deposit with it of any such moneys and of the fixing of any such date by Mail to all Owners of Outstanding Bonds and shall not be required to make payment to any Owner of Bonds until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

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ARTICLE IX

TRUSTEE; PAYING AGENT AND REGISTRAR

SECTION 9.01 Acceptance of Trusts. The Trustee hereby accepts and agrees to execute the trusts expressly hereby created, but only upon the additional terms set forth in this Article IX, to all of which the Issuer agrees and the respective Bondowners agree by their acceptance of delivery of any of the Bonds. The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty. To the extent permitted by law, no provision of this Indenture shall be construed to relieve the Trustee from liability for its own gross negligent action, its own gross negligent failure to act, or its own willful misconduct, except that (i) the Trustee shall not be liable for any error or judgment made in good faith by any officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts; (ii) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture; (iii) no provision of this Indenture or other related bond documents shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or under any document executed by the Trustee in connection with the Bonds, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it; and (iv) whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Section.

SECTION 9.02 No Responsibility for Recitals. The recitals, statements and representations contained in this Indenture or in the Bonds, save only the Trustee's or authenticating agent's authentication upon the Bonds, shall be taken and construed as made by and on the part of the Issuer, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof.

SECTION 9.03 Limitations on Liability. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, receivers or employees, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder, and the Trustee shall not be answerable for the default or misconduct of any such attorney, agent or employee selected by it with reasonable care. Without limitation, the Trustee shall be entitled to the benefit of the foregoing sentence with respect to the delegation to the Paying Agent of any or all of the Trustee's duties hereunder, including its duties with respect to payment of principal or interest on, or redemption or remarketing of, the Bonds, the authentication and delivery thereof, and exchange and transfer thereof. The Trustee shall not be answerable for the exercise of any discretion or power under this Indenture or for

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anything whatsoever in connection with the trust created hereby, except only for its own gross negligence or willful misconduct.

SECTION 9.04 Compensation, Expenses and Advances. The Trustee, the Registrar and the Paying Agent, pursuant to the terms of this Indenture, shall be entitled to reasonable compensation for their services rendered hereunder (not limited by any provision of law in regard to the compensation of the trustee of an express trust) and to reimbursement for their actual out-of-pocket expenses (including reasonable counsel fees) reasonably incurred in connection therewith except as a result of their negligence (to the extent permitted by law) or willful misconduct as determined by a court of competent jurisdiction.

Notwithstanding any provision herein, the Trustee, in its capacity as Trustee, Paying Agent, and Registrar, shall have a first-priority lien in all moneys or other assets which secure the payment of the Bonds to secure the payment of its fees and charges as Trustee, Paying Agent and Registrar incurred following the occurrence of an Event of Default hereunder.

SECTION 9.05 Notice of Events of Default. The Trustee shall not be required to take notice, or be deemed to have notice, of any Event of Default described in Section 8.01 hereof, unless an officer, agent or employee responsible for matters relating to the Bonds shall have actual knowledge of such default or Event of Default, or the Trustee shall have been specifically notified in writing of such default or Event of Default by Owners of at least fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding. The Trustee may, however at any time, in its discretion, require of the Issuer full information and advice as to the performance of any of the covenants, conditions and agreements contained herein.

SECTION 9.06 Action by Trustee. The Trustee shall be under no obligation to take any discretionary action in respect of any default or Event of Default hereunder or toward the execution or enforcement of any of the trusts hereby created, or to institute, appear in or defend any suit or other proceeding in connection therewith the undertaking of which is discretionary with the Trustee hereunder, unless requested in writing so to do by Owners of at least twenty-five (25%) in aggregate principal amount of the Bonds then Outstanding and, if in its opinion such action may tend to involve it in expense (including attorneys' fees) or liability, unless furnished, from time to time as often as it may require, with security and indemnity as to fees, expenses and liability satisfactory to it; but the foregoing provisions are intended only for the protection of the Trustee, and shall not affect any discretion or power given to the Trustee by any provisions of this Indenture to take action in respect of any Event of Default without such notice or request from the Owners of Bonds, or without such security or indemnity.

In the event of a default, the Trustee may, in its sole discretion, after being indemnified by the Bondholders, inspect, review and monitor, or require the inspection, review and monitoring of any and all property subject to this Indenture for the purpose of determining compliance with any law, rule or regulation affecting such property. All

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successor Trustee; provided, however, that no resignation shall take effect hereunder unless and until a successor Trustee is in place.

SECTION 9.11 Removal of Trustee. The Trustee may be removed for cause by the Issuer by an instrument or installments in writing consenting to the appointment by the Issuer of a successor and accompanied by an instrument of appointment by the Issuer of such successor, and in any event by delivery to the Trustee, of an instrument or concurrent installments in writing executed by Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding.

SECTION 9.12 Appointment of Successor Trustee. If at any time the Trustee shall be removed, or be dissolved, or if its property or affairs shall be taken under the control of any state or Federal court or administrative body because of insolvency or bankruptcy, or for any other reason, then a vacancy shall forthwith and ipso facto exist in the office of Trustee and a successor may be appointed, and if at any time the Trustee shall resign, then a successor may be appointed, by filing with the Issuer an instrument concurrent instruments in writing, executed by the holders of greater than fifty percent (50%) of the aggregate principal amount of the Bonds Outstanding. Copies of such instruments shall be promptly delivered by the Issuer to the predecessor Trustee and to the Trustee so appointed.

Until a successor Trustee shall be appointed by the Bondowners as herein authorized, the Issuer, by an instrument authorized by resolution of the governing body of the Issuer, shall appoint a successor Trustee acceptable to the Issuer. After any appointment by the Issuer, it shall cause notice of such appointment to be given to the Registrar other than the Trustee and any Paying Agent other than the Trustee, and shall be given by Mail to all Owners of Bonds. Any new Trustee so appointed by the Issuer shall immediately and without further act be superseded by a Trustee appointed by the Owners of the Bonds in the manner above provided.

SECTION 9.13 Qualifications of Successor Trustee. Every successor Trustee (a) shall be a commercial bank or trust company duly organized under the laws of the United States or any state or territory thereof, authorized by law to perform all the duties imposed upon it by this Indenture, (b) be subject to examination by a federal or state authority, and (c) shall be qualified under the laws of the State to perform the duties of Trustee.

SECTION 9.14 Judicial Appointment of Successor Trustee. If at any time the Trustee shall resign and no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article IX prior to the date specified in the notice of resignation as the date when such resignation is to take effect, the resigning Trustee may forthwith apply to a court of competent jurisdiction for the appointment of a successor Trustee. If no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Article VIII within sixty (60) days after a vacancy shall have occurred in the office of Trustee, any Owner of Bonds may apply to any court of competent jurisdiction to appoint a successor Trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor Trustee. The

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expenses of such inspection, review and monitoring shall be paid by the Issuer or the Bondholders.

SECTION 9.07 Good Faith Reliance. The Trustee, the Registrar and the Paying Agent shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, telex or facsimile transmission, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document or telephonic communication which it or they shall in good faith believe to be genuine and to have been passed or signed by the proper board, body or person or to have been prepared and furnished pursuant to any of the provisions of this Indenture or upon the written opinion of any attorney, engineer, accountant or other expert believed by the Trustee, the Registrar or the Paying Agent, as the case may be, to be qualified in relation to the subject matter and the Trustee, the Registrar or the Paying Agent shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

SECTION 9.08 Dealings in Bonds and with the Issuer. The Trustee, the Registrar and the Paying Agent in its or their individual capacity or capacities, may in good faith buy, sell, own, hold and deal in any of the Bonds issued hereunder, and may join in any action which any Owner of Bonds may be entitled to take with like effect as if it did not act in any capacity hereunder. The Trustee, the Registrar or the Paying Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Issuer and may act as depository, trustee or agent for any committee or body of Owners of Bonds secured hereby or other obligations of the Issuer as freely as if it did not act in any capacity hereunder.

SECTION 9.09 Allowance of Interest. The Trustee may, but shall not be obligated to, allow and credit Interest upon any moneys which it may at any time receive under any of the provisions of this Indenture, at such rate, if any, as it customarily allows upon similar funds of similar size and under similar conditions, provided that such allowance and credit shall not result in any violation of Section 4.06 hereof relating to arbitrage. All Interest allowed on any such moneys shall be credited to the appropriate fund or otherwise applied as provided in Article VI with respect to Interest on Investments. Funds held by the Trustee hereunder shall be segregated from other funds held by the Trustee except to the extent required by law. Moneys in the Rebate Fund shall be segregated by the Trustee from other funds held by the Trustee hereunder.

SECTION 9.10 Resignation of Trustee. The Trustee may resign and be discharged of the trusts created by this Indenture by executing an Instrument in writing resigning such trust and specifying the date when such resignation shall take effect, and sending the same by Mail to the Issuer and the Bondholders, not less than sixty (60) days before the date specified in such instrument when such resignation shall take effect. Such resignation shall take effect on the day specified in such instrument and notice, unless previously a successor Trustee shall have been appointed as hereinafter provided, in which event such resignation shall take effect immediately upon the appointment of such

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Trustee shall be reimbursed for its costs and expenses (including attorneys' fees) associated with seeking the appointment of a successor trustee with the court.

SECTION 9.15 Acceptance of Trusts by Successor Trustee. Any successor Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer an Instrument accepting such appointment hereunder, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become duly vested with all the estates, property, rights, powers, trusts, duties and obligations of its predecessor in the trust hereunder, with like effect as if originally named Trustee herein. Upon request of such Trustee, such predecessor Trustee and the Issuer shall execute and deliver an instrument transferring to such successor Trustee the Trust Estate of such predecessor Trustee and subject to the provisions of Section 9.04 hereof, such predecessor Trustee shall pay over to the successor Trustee all moneys and other assets at the time held by it hereunder which constitute the Trust Estate.

SECTION 9.16 Successor by Merger or Consolidation. Any corporation into which any Trustee hereunder may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, consolidation or any acquisition to which any Trustee hereunder shall be a party, shall be the successor Trustee under the Indenture, without the execution or filing of any paper or any further act on the part of the parties hereto, anything in this Indenture to the contrary notwithstanding.

SECTION 9.17 Standard of Care. The Trustee, prior to the occurrence of an Event of Default and after the curing or waiver of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied agreement or obligations shall be read into this Indenture against the Trustee. In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of skill and care in their exercise as would a prudent institutional fiduciary.

SECTION 9.18 Intervention in Litigation of the Issuer. The Trustee may intervene on behalf of the Owners of the Bonds in any judicial proceeding to which the Issuer is a party and which in the opinion of the Trustee and its counsel has a substantial bearing on the interests of the Owners of the Bonds provided, however, that the Trustee shall not so intervene unless it shall have received indemnity to its satisfaction:

SECTION 9.19 Paying Agent. Notwithstanding the requirements of Section 9.20 hereof, the Trustee shall initially serve as the Paying Agent for the Bonds. The Trustee signifies by its signature hereto its acceptance of the duties and obligations imposed upon it as Paying Agent hereunder (and any successor Paying Agent shall signify its acceptance of the duties and obligations imposed upon it under this Indenture by a written instrument of acceptance delivered to the Issuer) and the Trustee, as Paying Agent, hereby agrees, particularly:

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(a) to hold all sums held by it for the payment of the principal of or interest on Bonds in trust for the benefit of the Owners of Bonds until such sums shall be paid to such Owners or otherwise disposed of as herein provided.

(b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the Issuer, the Trustee at all reasonable times, and

(c) upon the request of the Trustee (if the Trustee is not serving as Paying Agent), to forthwith deliver to the Trustee all sums so held in trust by the Paying Agent.

The Issuer shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby funds derived from the sources specified in Section 5.07 hereof will be made available for the payment when due of the principal of and interest on the Bonds.

SECTION 9.20 Qualifications of Paying Agent; Resignation; Removal. Any successor Paying Agent appointed hereunder shall be a commercial bank or trust company duly organized under the laws of the United States of America or any state or territory thereof, which is subject to examination by a federal or state authority, and authorized by law to perform all the duties imposed upon it by this Indenture. The Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' notice to the Issuer and the Trustee. The Paying Agent may be removed at any time by the Issuer by an instrument, signed by the Issuer, which is filed with the Paying Agent and the Trustee.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign and deliver any moneys held by it in such capacity to its successor or, if there be no successor as Paying Agent, the Trustee shall ipso facto be deemed to be the Paying Agent for all purposes of this Indenture until the appointment by the Issuer of the Paying Agent or the successor Paying Agent, as the case may be.

If the Issuer shall fail to appoint a Paying Agent hereunder, or if the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or Federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Issuer shall not have appointed its successor as Paying Agent, the Trustee shall ipso facto be deemed to be the Paying Agent for all purposes of this Indenture until the appointment by the Issuer of the Paying Agent or successor Paying Agent, as the case may be.

SECTION 9.21 Registrar. The Trustee shall serve as Registrar for the Bonds. The Trustee by its signature hereto signifies its acceptance of the duties imposed upon it as Registrar hereunder (and any successor Registrar shall signify its acceptance of the duties imposed upon it by this Indenture by a written instrument of acceptance delivered to the issuer) and the Trustee hereby agrees, particularly, to keep such books

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rights or remedies granted herein to the Trustee, (ii) hold title to the properties, in trust, as granted herein, or (iii) take any action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an individual or additional institution as a Co-Trustee. The following provisions of this Section are adapted to these ends.

In the event that the Trustee appoints an individual or additional institution as a Co-Trustee, each and every trust, property, remedy, power, right, duty, obligation, discretion, privilege, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by, vested in or conveyed to the Trustee shall be exercisable by, vest in and be conveyed to that Co-Trustee, but only to the extent necessary for it to be so vested and conveyed and to enable that Co-Trustee to exercise it. Every covenant, agreement and obligation necessary to the exercise thereof by that Co-Trustee shall run to and be enforceable by it.

This Article IX of this Indenture is hereby made applicable to any Co-Trustee appointed hereunder.

Should any instrument or document in writing from the Issuer reasonably be required by any Co-Trustee for vesting and conveying more fully and certainly in and to that Co-Trustee those trusts, properties, remedies, powers, rights, duties, obligations, discretions, privileges, claims, demands, causes of action, immunities, estates, titles, interests and liens, that instrument or document shall be executed, acknowledged and delivered, but not prepared, by the Issuer. Any Co-Trustee may resign or be removed and a successor Co-Trustee appointed upon the same terms as provided for the Trustee.

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and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Issuer at all reasonable times.

The Issuer shall cooperate with the Trustee to cause the necessary arrangements to be made and to be thereafter continued whereby Bonds, executed by the Issuer and authenticated by the Trustee or any authenticating agent, shall be made available for exchange, registration and registration of transfer at the Principal Office of the Registrar. The Issuer shall cooperate with the Trustee and the Registrar to cause the necessary arrangements to be made and thereafter continued whereby the Paying Agent shall be furnished such records and other information, at such times, as shall be required to enable the Paying Agent to perform the duties and obligations imposed upon them hereunder.

SECTION 9.22 Qualifications of Registrar; Resignation; Removal. The Registrar, initially, shall be the Trustee. Any successor appointed hereunder shall be a corporation duly organized under the laws of the United States of America or any state or territory thereof, and authorized by law to perform all the duties imposed upon it by this Indenture. The Registrar may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' notice to the Issuer and the Trustee. The Registrar may be removed at any time, at the direction of the Issuer by an Instrument, signed by the Issuer, filed with the Trustee, the Registrar and the Paying Agent.

In the event of the resignation or removal of the Registrar, the Registrar shall deliver any Bonds held by it in such capacity to its successor or, if there be no successor, to the Trustee.

If Issuer shall fail to appoint a Registrar hereunder, or if the Registrar shall resign or be removed, or be dissolved, or if the property or affairs of the Registrar shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Issuer shall not have appointed its successor as Registrar, the Trustee shall ipso facto be deemed to be the Registrar for all purposes of this Indenture until the appointment by the Issuer of the Registrar or successor Registrar, as the case may be.

SECTION 9.23 Several Capacities. Anything in this Indenture to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Registrar, the Paying Agent and the authenticating agent and in any other combination of such capacities, to the extent permitted by law.

SECTION 9.24 Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including without limitation, the laws of the State) denying or restricting the right of banks or trust companies to transact business as trustees in that jurisdiction. It is recognized that, (a) if there is litigation under the Indenture or other instruments or documents relating to the Bonds and the Project, and in particular, in case of the enforcement hereof or thereof upon a default or an Event of Default, or (b) if the Trustee should deem that, by reason of any present or future law of any jurisdiction, it may not (i) exercise any of the powers,

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ARTICLE X

CERTAIN MATTERS REGARDING THE EXECUTION OF INSTRUMENTS BY OWNERS AND PROOF OF OWNERSHIP OF BONDS

SECTION 10.01 Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Indenture to be signed or executed by Owners of Bonds or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Owners in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Bonds. Proof of the execution of any such instrument and of the ownership of Bonds shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee with regard to any action taken by it under such instrument if made in the following manner:

(a) The fact and date of the execution by any person of any such instrument may be proved in any reasonable manner acceptable to the Trustee by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Bonds shall be proved by the registration books kept under the provisions of Section 2.10 hereof.

Nothing contained in this Article X shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of, or assignment by any Owner of Bonds shall bind every future Owner of the same Bond or any Bond or Bonds issued in lieu thereof in respect of anything done by the Trustee or the Issuer in pursuance of such request or consent.

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ARTICLE XI

MODIFICATION OF THIS INDENTURE AND THE AGREEMENT

SECTION 11.01 Limitations. This Indenture shall not be modified or amended in any respect subsequent to the first delivery of fully executed and authenticated Bonds except as provided in and in accordance with and subject to the provisions of this Article XI and Section 2.12 hereof.

SECTION 11.02 Supplemental Indentures Without Owner Consent. The Issuer and the Trustee may, from time to time and at any time, without the consent of or notice to the Owners of the Bonds, enter into Supplemental Indentures as follows:

- (a) to cure any formal defect, omission, inconsistency or ambiguity in this
- (b) to grant to or confer or impose upon the Trustee, the Registrar or the Paying Agent for the benefit of the Owners of the Bonds any additional rights, remedies, powers, authority, security, liabilities or duties which may lawfully be granted, conferred or imposed, and which are not contrary to or inconsistent with this Indenture as theretofore in effect, provided that no such additional liabilities or duties shall be imposed upon the Trustee, the Registrar or the Paying Agent without their respective consents;
- (c) to add to the covenants and agreements of, and limitations and restrictions upon the Issuer in this Indenture, other covenants, agreements, limitations and restrictions to be observed by the Issuer which are not contrary to or inconsistent with this Indenture as theretofore in effect;
- (d) to confirm, as further assurance, any pledge under, and the subjection to any claim, lien or pledge created or to be created by, this Indenture, of the Revenues of the Issuer or of any other moneys, securities or funds;
- (e) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended;
- (f) to provide for the Issuance of Additional Bonds and in connection therewith make such modifications or amendments which shall not materially adversely affect the interests of the holders of any Bonds remaining outstanding after the issuance of such Additional Bonds;
- (g) to secure or maintain a rating by a Rating Agency on the Bonds;
- (h) to prevent the interest on the Bonds from being included in gross income for Federal income tax purposes; or

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opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms and, upon the execution and delivery thereof, will be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Bonds to be included in gross income for Federal income tax purposes.

(d) If Owners of Bonds of not less than the percentage of Bonds required by this Section 11.03 shall have consented to and approved the execution and delivery thereof as herein provided, no Owner of Bonds shall have any right to object to the execution and delivery of such Supplemental Indenture, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the execution and delivery thereof, or to enjoin or restrain the Issuer or the Trustee from executing and delivering the same or from taking any action pursuant to the provisions thereof.

(e) Subject to the terms and provisions contained in this Section 11.03(e), the Owners of all the Bonds at any time Outstanding shall have the right, and the Issuer and the Trustee by their execution and delivery of this Indenture hereby expressly confer upon such Owners the right, to modify, alter, amend or supplement this Indenture in any respect, including the matters described in clauses (i), (ii) and (iii) of the proviso contained in subsection (a) of this Section 11.03, by delivering to the Issuer and the Trustee a written instrument or Instruments, executed by or on behalf of such Owners, containing a form of Supplemental Indenture which sets forth such modifications, alternations, amendments and supplements, and, upon the expiration of a thirty (30) day period commencing on the date of such delivery during which no notice of objection shall have been delivered by the Issuer or the Trustee to such Owners at an address specified in such written instrument, such Supplemental Indenture shall be deemed to have been approved and confirmed by the Issuer and the Trustee, to the same extent as if actually executed and delivered by the Issuer and the Trustee, and such Supplemental Indenture shall thereupon become and be for all purposes in full force and effect without further action by the Issuer or the Trustee.

(f) The foregoing provisions are, however, subject to the following conditions:

(i) no such Supplemental Indenture shall in any way affect the limited nature of the obligations of the Issuer under this Indenture as set forth in Section 2.05 and 4.01 and 4.06 hereof or shall in any way prejudice the rights of the Issuer or the County hereunder:

(ii) no such Supplemental Indenture shall be to the prejudice of the Trustee, the Registrar or the Paying Agent: and

(iii) there shall have been delivered to the Issuer and the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon

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(i) to provide for different or mechanical and operational requirements of a book entry system.

Before the Issuer and the Trustee shall enter into any Supplemental Indenture pursuant to this Section 11.02, notice of the proposed Supplemental Indenture shall have been given to the Trustee not less than ten (10) Business Days prior to the execution of any such Supplemental Indenture, and there shall have been delivered to the Trustee an opinion of Bond Counsel stating that such Supplemental Indenture is authorized or permitted by this Indenture and the Act, complies with their respective terms, will, upon the execution and delivery thereof, be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Bonds to be included in gross income for Federal income tax purposes.

SECTION 11.03 Supplemental Indentures Requiring Bondholder Consent.

(a) Except for any Supplemental Indenture entered into pursuant to Section 11.02 hereof, subject to the terms and provisions contained in this Section 11.03 and not otherwise, Owners of not less than sixty percent (60%) in aggregate principal amount of the applicable series of Bonds then Outstanding shall have the right from time to time to consent to and approve the execution and delivery by the Issuer and the Trustee of any Supplemental Indenture deemed necessary or desirable by the Issuer for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular any of the terms or provisions contained in this Indenture applying to such series of Bonds; provided, however, that, unless approved in writing by the Owners of all the Bonds then Outstanding, nothing herein contained shall permit, or be construed as permitted, (i) a change in the times, amounts or, currency of payment of the principal of or interest on any Outstanding Bond, or a reduction in the principal amount or redemption price of any Outstanding Bond or the rate of interest thereon, or (ii) the creation of a claim or lien upon, or a pledge of, the Revenues of the Issuer ranking prior to or on a parity with the claim, lien or pledge created by this Indenture with respect to such Series (except as referred to in Section 9.04 hereof, or except for a Supplemental Indenture executed in connection with the issuance of Additional Bonds as permitted hereunder) or (iii) grant of a preference or priority of any Bond or Bonds over any other Bond or Bonds.

(b) If at any time the Issuer shall request the Trustee to enter into any Supplemental Indenture for any of the purposes of this Section 11.03, the Trustee shall cause notice of the proposed Supplemental Indenture to be given by Mail to all Owners of affected Outstanding Bonds. Such notice shall enclose a copy of the Supplemental Indenture, or shall briefly set forth the nature of the proposed Supplemental Indenture and shall state that a copy thereof is on file at the office of the Trustee for inspection by all Owners of Outstanding Bonds.

(c) Within two weeks after the date of the first giving of such notice by Mail, the Issuer and the Trustee may enter into such Supplemental Indenture in substantially the form described in such notice, but only if there shall have first been delivered to the Trustee (i) the required consents, in writing, of Owners of Outstanding Bonds and (ii) an

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the expiration of the aforesaid thirty (30) day period, be valid and binding upon the Issuer in accordance with its terms and will not cause the interest on the Bonds to be included in gross income for Federal income tax purposes.

SECTION 11.04 Effect of Supplemental Indenture. Upon the execution and delivery of any Supplemental Indenture pursuant to the provisions of this Article XI, this Indenture shall be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Issuer, the Trustee and all Owners of Outstanding Bonds shall thereafter be determined, exercised and enforced under this Indenture subject in all respects to such modifications and amendments.

SECTION 11.05 Amendments to Mortgage. With the consent of not less than fifty percent (50%) in aggregate principal amount of the Bonds then Outstanding, the Trustee may consent to an amendment of the terms of the Mortgage; provided, however, any amendment which materially adversely affects the Interests of the holders of the Bonds shall not become effective without the consent of one hundred percent (100%) of the aggregate principal amount of Bonds then Outstanding; and provided, further, no amendment to the Mortgage shall be made which adversely affects the interests of the County to receive or acquire title to the Project as set forth herein or impose any additional burden upon the title to the Project, unless the Trustee shall have received an opinion of Bond Counsel to the effect that such amendment will not adversely affect the tax exempt status of the Interest on the Bonds for federal income tax purposes.

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ARTICLE XII

ISSUER'S COVENANTS AS TO THE OPERATION OF THE PROJECT

SECTION 12.01 Rate Covenant and Days' Cash on Hand.

(a) Rate Covenant. The Issuer shall fix the charges for the operation of the Facility at rates that it shall find to be necessary in order to produce revenues in each Fiscal Year which, together with all other available moneys, revenue, income and receipts of the Issuer constituting Revenues (i) will equal at least 115% (125% prior to the payment of any part of the Management Fee), of the amount necessary to pay, as the same shall become due, the principal, premium, if any, and interest due in such year on the Bonds after setting aside an amount necessary to pay those costs described in clauses (i) and (ii) of Section 5.06(b) of this Indenture for such year (being any required deposit to the Rebate Fund, and the deposits to the Operating and Maintenance Fund required by the Budget of the Issuer for such period, exclusive of the amounts required to be paid to the Repair and Replacement Reserve Account) (said percentage being the "Debt Service Coverage Ratio") and (ii) will equal a Debt Service Coverage Ratio of at least 105% of the maximum debt service requirement coming due in such year with respect to the Bonds, after setting aside an amount necessary to pay those costs described in clauses (i) through (vii) of Section 5.06(b) of this Indenture for such year (being any required deposit to the Rebate Fund, all of the expenses of operating and maintaining the Project for such year, and debt service on the Bonds for such year, including any required deposits to the Reserve Account); provided that a failure to comply with the provisions of this clause (ii) shall not constitute a default hereunder or in anywise affect the provisions hereof with respect to the Bonds. Such charges shall be increased to the extent necessary to also produce Revenues sufficient to provide for all other payments required under this Indenture.

(b) Days' Cash on Hand. The Issuer agrees to have, as of the beginning of each fiscal quarter, beginning with such quarter ending September 30, 2010, not less than thirty (30) Days' Cash on Hand, beginning with such quarter ending September 30, 2011, not less than forty-five (45) Days' Cash on Hand, beginning with such quarter ending September 30, 2012, not less than sixty (60) Days' Cash on Hand, beginning with such quarter ending September 30, 2013, not less than seventy-five (75) Days' Cash on Hand, and beginning with such quarter ending September 30, 2014, and thereafter not less than ninety (90) Days' Cash on Hand. If Days' Cash on Hand, as calculated at the end of any two (2) consecutive fiscal quarters, shall be less than the required level, the Issuer agrees to retain a Management Consultant, within sixty (60) days following the end of the second of such fiscal quarters, to evaluate the management of the Facility and to make recommendations with regard to increasing Days' Cash on Hand for subsequent fiscal quarters of the Issuer to at least the level required or, if in the opinion of the Management Consultant the attainment of such level is impracticable, to the highest practicable level. So long as the Issuer shall retain a Management Consultant and shall have, for each fiscal quarter, not less than seventy percent (70%) of the Days' Cash on Hand otherwise required by this paragraph, the requirements of this paragraph shall be deemed to have been satisfied.

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SECTION 12.06 Liens and Encumbrances. Except as provided in the Mortgage or in Section 12.10 herein, the Issuer shall not create, incur, assume or permit to exist any Lien upon or on any of the Real Property or Improvements now owned or hereafter acquired, or any related income or profits other than (a) Liens for taxes, assessments or governmental charges not yet due and payable; (b) Liens incurred in the ordinary course of business in connection with workers' compensation, unemployment insurance or social security obligations; (c) construction, workmen's, materialmen's, landlord's, carrier's or other similar liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested and which are subordinate to the lien of the Mortgage; and (d) Liens in favor of the Trustee.

SECTION 12.07 Maintenance of Insurance. The Issuer shall maintain such insurance policies with such insurance carriers with respect to the Project as is provided in the Mortgage.

The Trustee shall have no responsibility with respect to any insurance required under this Section 12.07, except that the Trustee shall receive the letters, opinions, certificates and documents required to be delivered in accordance with this Indenture and shall hold the same for inspection by any Bondowner. The Trustee shall be entitled to rely upon any opinions, letters, certifications, recommendations and reports provided in accordance with this Indenture and shall have no responsibility or duty to conduct any independent inquiry or investigation as to the adequacy or enforceability of any insurance procured or maintained by the Issuer or as to whether the Issuer has in fact procured and maintained the insurance required under this Indenture. No acceptance or approval of any Insurance policy by the Trustee shall relieve or release the Issuer from any liability, duty or obligation under the provisions of this Indenture.

SECTION 12.08 Application of Proceeds of Condemnation and Insurance.

(a) The Issuer shall pay over to the Trustee for deposit in the Net Awards Account upon receipt thereof (i) all Net Awards received under any title insurance policy relative to the Real Property. (ii) the Net Awards of the taking of all or any portion of the Real Property taken in the exercise of the power of eminent domain, condemnation or through the exercise of any right or any obligation on the part of any public authority to purchase the same, or as a result of any agreement between the Issuer and any such public authority, and (iii) the Net Awards under any insurance policy payable in connection with the loss, damage or destruction of any portion of the Real Property.

(b) The Net Proceeds paid to the Trustee as provided in paragraph (a) shall be applied as set forth in paragraphs (c) and (d) below.

(c) Subject to paragraph (d) below, the Issuer shall, within thirty (30) days of such loss, damage, destruction or taking, apply such proceeds to the repair or replacement of the lost, damaged, destroyed or taken property, as follows:

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SECTION 12.02 Operation Not-For-Profit. The Issuer shall manage and operate the Project in an efficient manner so as to enable it to fix the charges for the Project at the lowest possible rates consistent with its providing decent, safe, sanitary and secure incarceration under Section 12.01 of this Indenture, and the Issuer shall not construct or operate such Project for profit, or as a source of revenue to the Issuer or any private individual. The Issuer shall operate the Project, and shall at all times operate so that the corporate income of the Issuer does not inure to any private person

SECTION 12.03 Management of Project.

Management Agreement. The Project shall at all times be managed by the Manager, which shall be qualified to operate and maintain incarceration facilities such as the Project, under the terms of a Management Agreement in form and content approved by the Issuer, and approved by Bond Counsel as to compliance with the Code.

The Issuer shall not consent to any material changes in the Management Agreement unless an opinion of Bond Counsel is first provided to the Trustee to the effect that any such change is authorized by the Act, by federal and State law, and does not adversely affect the exclusion from gross income for federal income tax purposes of interest on the Bonds.

The Issuer will require the Manager to furnish to the Issuer and the Trustee:

(1) As soon as practicable and in any event within one hundred twenty (120) days after the end of each fiscal year, audited financial statements covering the Manager for such fiscal year; and

(2) Within thirty (30) days of the end of each month, unaudited operating statements reflecting the operations of the Manager.

SECTION 12.04 Building Codes and Regulations. The Issuer shall exercise reasonable care to prevent a violation, by act or omission, of the applicable building codes, permits and licenses and other applicable regulations concerning the Project. If such a violation shall occur, the Issuer shall use its best efforts to collect the same immediately.

SECTION 12.05 Personal Property. The Issuer agrees that, except for the Sheriff's Furniture and Equipment, as that term is defined herein, all of the furnishings, fixtures, building supplies, materials and equipment utilized and to be utilized in the construction and operation of the Project, including all additions thereto and replacements thereof (all of the foregoing herein referred to as the "Personal Property"), shall be owned by Issuer and shall not, without the prior written consent of the Trustee, be the subject matter of any lease or other transaction whereby the ownership of any said property shall be held by any person or entity other than Issuer, nor shall the Issuer create or cause to be created any security interest covering any of the Personal Property.

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(A) the Issuer shall deliver to the Trustee a certificate of the Architect setting forth his estimate of the cost of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced and the time required therefor; and

(B) The Issuer shall deliver to the Trustee evidence satisfactory to the Trustee establishing whether or not the amount of such proceeds, together with any other moneys deposited or available for deposit in the Net Awards Account will be sufficient to pay the costs of repairing or replacing the lost, damaged, destroyed or taken property; and if such amounts are sufficient, and if the certificate of the Architect referred to above establishes that the lost, damaged, destroyed or taken property can be replaced, rebuilt or restored within six (6) months, the Issuer shall proceed with and diligently pursue such repair or replacement with the funds in the Net Awards Account, or with other funds of the Issuer, which other funds shall be deposited in the Net Awards Account and disbursed as provided herein with respect to such Account.

(d) If either (A) the amount of such proceeds, together with any other moneys of the Issuer deposited or available for deposit in the Net Awards Account will not be sufficient to pay the costs of repairing or replacing the lost, damaged, destroyed or taken property to be repaired or replaced, or (B) the time required to complete such repair or replacement exceeds the six months, the Issuer shall instruct the Trustee to call for mandatory redemption in an aggregate principal amount equivalent to the amounts deposited in the Net Awards Account, pursuant to the provisions of Article III hereof, and the Trustee shall so call such Bonds for redemption. Such Bonds shall be called in the order of priority set forth in Section 8.10 hereof. Any excess of such proceeds shall be paid to the County.

(e) As used in this Section, the terms "repair" and "replace" include (without limitation) the construction or acquisition of replacement or substitute property, structures, machinery, equipment or other improvements having a fair market value (but not necessarily the same function) at least equal to the fair market value immediately prior to such loss, damage, destruction or taking of the property lost, damaged, destroyed or taken.

(f) The Issuer shall adjust losses and the Issuer shall cause the Manager to adjust losses under property insurance policies related to the Real Property, in conformity with this Indenture, as promptly as practicable and with due regard to the interests of the Trustee and the Owners of the Bonds. Any adjustment of any loss, damage or destruction in an amount in excess of \$20,000 under any policy of casualty insurance and any settlement or payment of indemnity in an amount in excess of \$20,000 under any such policy shall be evidenced by an appropriate certificate, filed with the Trustee, signed by an authorized officer of the Issuer. In the event of any adjustment of loss, damage or destruction in an amount in excess of \$500,000, or any settlement or payment of indemnity in an amount in excess of \$500,000, such certificate shall be accompanied by the written acknowledgment of the Issuer and the Trustee

SECTION 12.09 Access and Reporting. The Issuer shall permit the representatives of the Trustee, and the Holders of \$1,000,000 or more in face amount of

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Bonds Outstanding, at any time or from time to time, upon two Business Days' notice, to inspect all of such of its properties, books and records as pertain to the Project. The Issuer shall maintain a system of accounting, with respect to the Project, established and administered in accordance with sound business practices to permit preparation of financial statements in conformity with generally accepted accounting principles. The Issuer, at its expense, shall furnish or cause to be furnished to the Trustee and to the Holders of \$1,000,000 or more in face amount of Bonds Outstanding, the following:

(a) **Annual Statements.** As soon as practicable and in any event within one hundred twenty (120) days after the end of each fiscal year, audited financial statements, covering the operations of the Facility for such fiscal year, including consolidated statements of income, consolidated balance sheets and statements of changes in financial position, each accompanied by statements in comparative form for the preceding fiscal year and an opinion issued in accordance with generally accepted auditing standards as approved by the American Institute of Certified Public Accountants and signed by an Independent Certified Public Accountant, to the effect that the financial statements have been prepared in accordance with generally accepted accounting principles and fairly present the financial condition of the Project as of such date. Such financial statements and opinion shall be in form acceptable to the Issuer. A copy of such financial statements and opinions shall be furnished to the County. Such financial statements shall be accompanied by a special report issued and signed by the independent certified public accountant referred to above, stating that such person has reviewed this Indenture and the Mortgage and that during the performance of his examination of the financial statements referred to above, no Events of Default were noted, or, if any Events of Default were noted, specifying the nature thereof, the period of existence thereof, and the action proposed to be taken to correct such Event of Default. Such financial statements shall also be accompanied by certificates of the Issuer and the Manager (i) setting forth that there exists no default or defaults or any event which with the giving of notice or the passage of time would become a default with respect to any loans, notes, debentures, bonds, leases or other debt instruments of such entity then outstanding, or, if any default or defaults exist, specifying the nature thereof, the period of existence thereof and what action such entity proposes to take with respect thereto and (ii) establishing compliance with the rate covenant set forth in Section 12.01 hereof.

(b) **Roll.** Within thirty (30) days after each calendar quarter, a certified inmate/detainee/criminal roll as of the end of such calendar quarter.

(c) **Unaudited Operating Statements and Construction Progress Reports.** Within forty-five (45) days after the end of each calendar quarter, unaudited quarterly financial statements, including occupancy (broken out by payor category), vacancy and percentage of collections respecting the Facility, as well as the extent of Days' Cash on Hand pursuant to the requirements of Section 12.01(b) hereof, certified by the Issuer and the Manager, showing income and expenses, profits, and losses for the preceding calendar quarter; and monthly construction progress reports provided every thirty (30) days during the period that the Facility is being constructed.

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all charge, lien or encumbrance and the Trustee shall forthwith transfer such moneys to the County upon request by the County therefor; and

(b) title to the Project shall be vested in the County, without demand or further action on its part free of the lien of this Indenture and of the leases which the Issuer may have entered into with the tenants thereof, and free of all other charges, liens or encumbrances, including leases, management contracts and other similar encumbrances.

For purposes of this Section 12.13, the Bonds are "discharged" when cash for the payment of all outstanding principal and interest is available at the place of payment on the final maturity date, or on the redemption date fixed pursuant to this Indenture and interest on the Bonds ceases to accrue thereon, and all other amounts required to be paid by the Issuer hereunder have been paid. Encumbrances that do not significantly interfere with the enjoyment of the Real Property, such as are most easements to utility companies, are not considered encumbrances for purposes of this Section.

SECTION 12.14 County's Right to Defeasance.

(a) At any time that there are any Bonds Outstanding, the County shall have all of the rights of the Issuer to defease the Bonds pursuant to the provisions of Article VII hereof, and in the event of the exercise of such right, all references in Article VII, and elsewhere in this Indenture, pertaining to the rights of the Issuer to defease the Bonds shall be understood to refer to the County except that, in addition to the amounts ordinarily payable by the Issuer to bring about a defeasance of the Bonds, the County shall also pay all other reasonable costs, if any, incident to such defeasance.

(b) If the County exercises this right of defeasance, the County shall obtain fee title, free of all charges, liens and encumbrances (including the leases of units in the Project that may have been entered into by the Issuer) and exclusive possession of the Real Property underlying the Project, and any additions and improvements to that Real Property, subject to Permitted Encumbrances.

(c) If the County exercises its right under this Section 12.14, the Issuer must immediately cancel all encumbrances on the Project, including leases and management contracts. Any lease, management contract, or other similar encumbrance on the Project will be considered immediately cancelled if the lessee management company or other user vacates the Project within a reasonable time, generally not to exceed ninety (90) days, after the date the County exercises its right under this Section. Encumbrances that do not significantly interfere with the enjoyment of the Project, such as most easements granted to utility companies, are not considered encumbrances for purposes of this Section. Leases with a remaining term of less than one (1) year and in existence as of the date of execution hereof shall be deemed to be encumbrances that do not significantly interfere with enjoyment of the Project and shall be exempt from the requirement that the Issuer cancel them upon the exercise of the County's rights under this Section.

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(d) **Other Financial Statements.** Forthwith after the issuance thereof, any other financial statements of Issuer prepared by any independent accountant or any in-house staff accountant of the Issuer and furnished directly or indirectly to any other creditor.

(e) **Notice of Incipient Default.** The Issuer will notify the Trustee and the Holders of the Bonds immediately of the occurrence of any Event of Default hereunder or the occurrence of any other event which with the giving of notice, the passage of time, or both, will become an Event of Default hereunder.

(f) **Other Information.** Such other documents and information, including but not limited to those documents or that information described in (a) through (e) above in this Section 12.09, relating to the affairs of the Issuer and the Project as the Trustee and the Holders of not less than ten percent (10%) of the principal amount of the Bonds Outstanding reasonably may request from time to time.

SECTION 12.10 Additional Debt. The Issuer will issue no additional debt or debt obligations, except for Additional Bonds issued pursuant to the provisions hereof, unless such debt or debt obligations shall specifically provide: (a) that such debt is in all respects junior and subordinate to the Bonds issued hereunder; (b) that such debt is non-recourse to the Issuer other than cash-flow in excess of amounts necessary to pay the Outstanding Bonds; and (c) that such debt does not constitute a claim against the Issuer to the extent that funds are insufficient to pay such debt. In no event shall any default with respect to any subordinate debt constitute a default with respect to any Outstanding Bonds.

SECTION 12.11 Environmental Cleanup; Reports. The Issuer shall at all times operate the Project in such manner as to avoid any environmental contamination of all or any part of the Project and shall immediately commence and complete with due diligence any action necessary to cure any such environmental contamination.

SECTION 12.12 Engineering Report. The Issuer shall retain an independent architect or engineer to examine the Project and to recommend a schedule of maintenance and repair for the Project. The deposit to the Repair and Replacement Reserve Account of the Operation and Maintenance Fund shall be adjusted for the Fiscal Year beginning October 1, 2008, and not less frequently than every fifth Fiscal Year thereafter to the extent necessary to provide funds necessary to implement such schedule of maintenance and repair.

SECTION 12.13 Reversion to the County. At the time that all Bonds are discharged (as defined in this Section), but not when the Bonds are deemed paid pursuant to Article VII hereof:

(a) all of the moneys and securities remaining in the various funds and accounts created under this Indenture (except for such amounts and securities as may have been pledged to the Trustee by the Issuer under Article VII hereof to bring about a defeasance of all or any Bonds or Authorized Denominations thereof shall inure to the benefit of the County, without demand or further action on the part of the County, free of

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SECTION 12.15 County's Right to Purchase

(a) Notwithstanding anything to the contrary herein, at any time that there are any Bonds Outstanding, the County shall have all of the rights to purchase the Real Property, other than the Real Property on which the actual Facility is located, provided that all resulting revenues be paid to the Trustee to be used to retire the bond indebtedness.

(b) If the County exercises this right of purchase, the County shall obtain fee title to the Real Property that is purchased, free of all charges, liens and encumbrances.

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ARTICLE XIII

MISCELLANEOUS

SECTION 13.01 Successors of the Issuer. In the event of the dissolution of the Issuer, all the covenants, stipulations, promises and agreements in this Indenture contained, by or on behalf of, or for the benefit of, the Issuer, shall bind or inure to the benefit of the successors of the Issuer from time to time and any entity, officer, board, commission, agency or instrumentality to whom or to which any power, property or duty of the Issuer shall be transferred.

SECTION 13.02 Parties in Interest. Except as herein otherwise specifically provided, nothing in this Indenture expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the Issuer, the Trustee, the County, the Registrar, the Paying Agent and the Owners of Bonds issued hereunder any right, remedy or claim under or by reason of this Indenture, this Indenture being intended to be for the sole and exclusive benefit of the Issuer, the Trustee, the County, the Registrar, the Paying Agent and the Owners of Bonds issued hereunder.

SECTION 13.03 Severability. If anyone or more of the provisions of this Indenture or of the Bonds shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Indenture or the Bonds; this Indenture and the Bonds shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

SECTION 13.04 No Personal Liability of Issuer Officials. No covenant or agreement contained in the Bonds or in this Indenture shall be deemed to be the covenant or agreement of any official, officer, agent or employee of the Issuer in his individual capacity, and neither the members of the Issuer nor any official executing the Bonds shall be liable personally on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

SECTION 13.05 Bonds Owned by the Issuer. In determining whether Owners of the requisite aggregate principal amount of the Bonds have concurred in any direction, consent or waiver under this Indenture, Bonds which are owned by the Issuer (unless the Issuer, owns all Bonds which are then Outstanding, determined without regard to this Section 13.05) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, except that, for the purpose of determining whether the Trustee shall be protected in relying on any such direction, consent or waiver, only Bonds which the Trustee knows are so owned shall be so disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Trustee the pledgee's right to act with respect to such Bonds and that the pledgee is not the Issuer or any person directly or indirectly controlling or controlled by or under direct or indirect common control with the Issuer. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee.

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Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent hereunder.

SECTION 13.09 Consents. Any consents that may be required to be given by the Owners of the Bonds before an action is taken hereunder shall be given by the Owners of the Bonds as were such as of the Record Date, and in the event the Bonds are being held under a book entry system, the consent to be obtained shall be that of the Beneficial Owners of the Bonds. Any amendments which require the consent of any specified percentage of Bondholders shall not take effect until such consent is filed with the Trustee.

SECTION 13.10 Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Indenture, shall not be a Business Day, such payment may, unless otherwise provided in this Indenture, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture, and no interest shall accrue for the period after such nominal date.

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SECTION 13.06 Counterparts. This Indenture may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original: but such counterparts shall together constitute but one and the same Indenture.

SECTION 13.07 Governing Law. The laws of the State shall govern the construction and enforcement of this Indenture and of all Bonds issued hereunder.

SECTION 13.08 Notices. Except as otherwise provided in this Indenture, all notices, certificates, requests, requisitions or other communications by the Issuer, the County, the Trustee, the Registrar, or the Paying Agent, pursuant to this Indenture shall be in writing and shall be sufficiently given and shall be deemed given when mailed by registered or certified mail, return receipt requested, postage prepaid, addressed as follows:

Issuer: Baker Correctional Development Corporation
Attn: Danny Thomas, Project Manager
P.O. Box 958
1190 W. Macclenny Avenue
Macclenny, Florida 32063

Counsel to Issuer: Terence M. Brown, Esq.
Brown & Broling
486 North Temple Avenue
Starke, Florida 32091

The County: Baker County, Florida
55 North Third Street
Macclenny, Florida 32063

Trustee, Bond Registrar and Paying Agent: Bank of Oklahoma, N.A.
One Williams Center
Tulsa, Oklahoma 74192

Manager: Baker County Sheriff's Office
Attention: Sheriff
1190 West Macclenny Avenue
Macclenny, Florida 32063

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IN WITNESS WHEREOF, Baker Correctional Development Corporation has caused this Indenture to be executed by its President or Vice President and attested by its Secretary and its official seal to be impressed hereon and duly attested, and the Trustee has caused this Indenture to be executed in its behalf and its corporate seal to be impressed hereon and duly attested, all as of the day and year first above written.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION

(SEAL)

By: _____
President

Attest:

Secretary

STATE OF FLORIDA

COUNTY OF BAKER

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that _____ and _____, personally known to me to be the same persons whose titles are, President and Secretary, respectively, of Baker Correctional Development Corporation subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, and delivered the said instrument as the free and voluntary act of said Corporation and as their own free and voluntary act, for the uses and purposes therein set forth and took an oath.

Given under my hand and notarial seal this ____ day of February, 2008.

Notary Public

My Commission Ends:
Name:
Address:

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BANK OF OKLAHOMA, N.A., as Trustee

[SEAL]

By: _____
Its: Vice President and Corporate Trust Officer

STATE OF FLORIDA
COUNTY OF BAKER

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that _____, personally known to me to be the same person whose title is, Vice President of Bank of Oklahoma, N.A., subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that he, being thereunto duly authorized, signed, and delivered the said Instrument as the free and voluntary act of said Bank and as his own free and voluntary act, for the uses and purposes therein set forth and took an oath.

Given under my hand and notarial seal this ____ day of February, 2008.

Notary Public

(SEAL)

My Commission Ends: _____
Name: _____
Address: _____

Personally Known ___ or
Produced Identification ___
Type of Identification _____
Produced

EXHIBIT "A"

LEGAL DESCRIPTION OF REAL PROPERTY

ACCEPTANCE BY THE COUNTY

Baker County, Florida, hereby accepts all of the rights granted to it pursuant to this Indenture, and approves the terms and conditions of the Bonds, as defined herein, as of the date hereof, February 1, 2008.

BAKER COUNTY, FLORIDA

(SEAL)

By: _____
Chairman

Attest:

Deputy Clerk

STATE OF FLORIDA
COUNTY OF BAKER

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that _____, and _____, personally known to me to be the same persons whose titles are, Chairman and Deputy Clerk of the Board of County Commissioners of Baker County, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that they, being thereunto duly authorized, signed, and delivered the said instrument as their free and voluntary act of said County and as their own free and voluntary act, for the uses and purposes therein set forth and took an oath.

Given under my hand and notarial seal this ____ day of February, 2008.

Notary Public

(SEAL)

Personally Known ___ or
Produced Identification ___
Type of Identification _____
Produced

EXHIBIT "B"

FORM OF BOND

No. AR- _____ § _____

UNITED STATES OF AMERICA
STATE OF FLORIDA
BAKER CORRECTIONAL DEVELOPMENT CORPORATION
FIRST MORTGAGE REVENUE BOND
(BAKER COUNTY DETENTION CENTER PROJECT), SERIES 2008

Maturity Date, Dated Date Interest Rate CUSIP

REGISTERED OWNER:

PRINCIPAL AMOUNT:

Baker Correctional Development Corporation (the "Issuer"), a not-for-profit corporation duly organized and existing under the laws of the State of Florida (the "State"), for value received, hereby promises to pay (but only out of the Revenues of the Issuer, as hereinafter defined) to the Registered Owner stated above or registered assigns, on the Maturity Date stated above, or upon earlier redemption, the Principal Amount stated above, together with interest on said Principal Amount payable semiannually on August 1 and February 1 of each year, commencing August 1, 2008, from the Dated Date, or from the most recent date to which interest has been paid, whichever is later, until payment of said Principal Amount has been made or duly provided for, at the interest rate specified above. Principal and premium, if any, is payable upon the presentation and surrender hereof at the principal corporate trust office (the "Principal Office") of Bank of Oklahoma, N.A., Tulsa, Oklahoma, as Trustee (the "Trustee") and Paying Agent (the "Paying Agent") under the Indenture (hereinafter defined). The interest on this Bond is payable by check mailed to the Registered Owner hereof at his address as it appears on the Bond Registrar, at the close of business on the 15th day of the month (whether or not a business day) next preceding the interest payment date (the "Record Date"), irrespective of any transfer of this Bond subsequent to such Record Date and prior to such interest payment date, unless the Issuer shall be in default payment of interest due on such interest payment date, except that the Paying Agent will make payments of interest on such Bonds by wire transfer if permitted by the Indenture. In the event of any such default, such defaulted interest shall be payable to the Registered Owner of this Bond at the close of business on a special record date for the payment of defaulted interest as established by notice mailed by the Paying Agent to the Registered Owner of this Bond not less than fifteen (15) days preceding such special record date. Payment of the principal of, premium, if any, and interest on this Bond shall be in lawful money of the United States of America. If interest has not been paid, then no interest shall accrue on past-due interest.

All acts, conditions and things required to happen, exist and be performed precedent to and in the issuance of this Bond have happened, exist and have been performed as so required.

This Bond shall not be valid or become obligatory for any purpose or be entitled to any benefit or security under the Indenture until it shall have been authenticated by the execution by the Trustee of the Certificate of Authentication endorsed hereon.

THIS BOND SHALL NOT BE A DEBT OF BAKER COUNTY, FLORIDA, NOR OF ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR OF THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF, AND NEITHER BAKER COUNTY, FLORIDA, NOR ANY CITY OR COUNTY IN THE STATE OF FLORIDA, NOR THE STATE OF FLORIDA OR ANY POLITICAL SUBDIVISION THEREOF SHALL BE LIABLE THEREON, NOR IN ANY EVENT SHALL THIS BOND BE PAYABLE OUT OF ANY FUNDS OTHER THAN THOSE OF THE ISSUER RELATING TO THE PROJECT, AND THEN ONLY TO THE EXTENT EXPRESSLY PROVIDED IN THE INDENTURE THIS BOND SHALL NOT CONSTITUTE AN INDEBTEDNESS WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT OR BOND LIMITATION OR RESTRICTION.

This Bond is one of the duly authorized issue of First Mortgage Revenue Bonds, (Baker County Detention Center Project), Series 2008, of the Issuer (the "Bonds"). The Bonds have been issued in one series, designated the First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008 (the "Bonds"). The Bonds are issued under and pursuant to the Constitution and laws of the State, particularly Florida Statutes Annotated, Sections 125.01 and 130.01, as amended (the "Act"), a resolution duly adopted by the Issuer, and a Trust indenture, dated as of February 1, 2008 (the "Indenture"), between the Issuer and the Trustee. The Bonds are being issued to finance the costs of the Project as defined and further described in the Indenture. The Project is to be owned by the Issuer.

All terms capitalized herein and not otherwise defined herein shall have the meaning assigned to them in the indenture.

The Bonds shall initially be authenticated on the date of delivery and shall bear interest from the Dated Date. Bonds issued in exchange for or upon the registration or transfer of Bonds on or after the first Interest Payment Date thereon shall bear interest from and be dated as of the interest Payment Date immediately preceding the date of the Trustee's authentication thereof, unless the date of such authentication shall be an Interest Payment Date to which interest on the Bonds has been paid in full or duly provided for in accordance with the terms hereof, in which case, they shall be dated as of such Interest Payment Date, or unless this Bond is authenticated prior to February 1, 2008, in which event such Bond shall bear interest from February 1, 2008, provided, however, that if, as shown by the records of the Trustee, interest on the Bonds is in default, such Bonds shall bear interest from the date on which interest was last paid on such Bonds, or, if no

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The Bonds are also subject to special mandatory redemption prior to maturity in whole at any time on the earliest practicable date selected by the Trustee, and in no event later than ninety (90) days, following the occurrence of a Determination of Taxability. The redemption price of the Bonds to be redeemed in such event shall be 105% of the principal amount thereof plus interest accrued to the redemption date.

The Bonds are also subject to mandatory redemption in part prior to maturity by lot, in such manner as shall be determined by the Trustee, through Amortization Installments by operation of the Amortization Account, at redemption prices equal to 100% of the principal amount thereof plus interest accrued to the redemption date, on February 1 in the years and amounts as set forth in the Indenture.

The Bonds are also subject to mandatory redemption at the price of par plus interest accrued to the date of redemption if the Bonds shall be accelerated following the occurrence of an Event of Default as described in Section 8.02 of the Indenture.

The Bonds are subject to redemption prior to their stated date of maturity at the option of the Issuer, in whole on any date on or after February 1, 2018, or in part, by lot in increments of \$5,000, on February 1, 2018, or on any Interest Payment Date thereafter, in such order of maturities as the Issuer may elect at the following redemption prices (expressed as percentages of the principal amount of the Bonds so redeemed) plus accrued interest to the date of redemption if redeemed in the following years:

Redemption Period (Both Dates Inclusive)	Redemption Price
February 1, 2018 - January 31, 2019	102%
February 1, 2019 - January 31, 2020	101%
February 1, 2020 and thereafter	100%

In the event of a partial redemption of any Term Bond, Amortization Installments for such Term Bond shall be reduced in such manner as the Trustee may determine to reflect such redemption.

If any of the Bonds are called for redemption, the Trustee shall give notice, in the name of the Issuer, of the redemption of such Bonds, which notice shall be given as provided in the Indenture.

Any Bonds and portions thereof which have been duly selected for redemption and which are deemed to be paid in accordance with the Indenture shall cease to bear interest on the specified redemption date and shall thereafter cease to be entitled to any lien, benefit or security under the Indenture except to receive payment of the redemption price thereof.

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interest has been paid on the Bonds, from the Dated Date. No interest shall accrue on past-due interest.

The Bonds are equally and ratably secured, to the extent provided in the Indenture, by the pledge thereunder of the "Revenues," which term means (i) all rentals, revenues, grants (including rent subsidies) and fees, receivable in respect of the Project, including, without limitation, any receipts from concessionaires servicing the Project, any vending machine and laundry machine or similar receipts, with respect to the Project (but exclusive of security deposits for residential or concessionaire units in the Project to the extent such security deposits are not applied to the payment of rentals); (ii) Net Awards; (iii) interest earned on moneys deposited in any fund or account under the Indenture, except the Rebate Fund; (iv) any monetary recovery obtained by the Trustee through the exercise of its rights under the Mortgage (as defined in the Indenture), subject to the application thereof as provided in the Mortgage; (v) all other moneys deposited into the Revenue Fund from whatever source; and (vi) all proceeds thereof. In no event shall the term "Revenues" apply to the funds on deposit in the Rebate Fund.

Anything herein to the contrary notwithstanding, in no event shall the Interest rate borne by this Bond exceed the Maximum Interest Rate.

Upon surrender for transfer or exchange of any Bond at its Principal Office, the Trustee shall authenticate and deliver in the name of the transferee or transferees in the case of transfer, or in the name of the Owner in the case of an exchange, a new fully registered Bond or Bonds of Authorized Denominations of the same maturity in the aggregate principal amount which the Owner is entitled to receive.

The Issuer and the Trustee shall not be required to issue or register the transfer of any Bonds during a period beginning on the Record Date (or the Special Record Date if an Event of Default as defined in the Indenture shall have occurred), and ending at the close of business on an Interest Payment Date or the redemption or maturity date, as the case may be.

The Issuer, the Trustee and the Paying Agent may treat the person in whose name a Bond is registered on the books of the Issuer maintained by the Trustee as the absolute Owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

This Bond shall be subject to special mandatory redemption prior to maturity, at the price of the principal amount thereof and interest accrued thereon to the date of redemption, in whole on any date or in part on any Interest Payment Date upon the transfer of moneys to the Principal Account from the Net Awards Account, as provided in the Indenture.

The Bonds shall be subject to special optional redemption at the price of the principal amount thereof, plus accrued interest thereon on the date of redemption, and without premium, in whole or in part on any date in the event that credit enhancement or a rating shall be obtained for all or part of the Bonds.

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The Owner of this Bond shall have no right to enforce the provisions of the Indenture, or to Institute action to enforce the covenants therein, or to take any action with respect to any default under the Indenture, or to Institute, appear in or defend any suit or other proceeding with respect thereto, except as provided in the Indenture.

With certain exceptions as provided therein, the Indenture may be modified or amended only with the consent of the Owners of not less than sixty percent (60%) in aggregate principal amount of the applicable series of Bonds outstanding under the Indenture.

Reference is hereby made to the indenture, a copy of which is on file with the Trustee for the provisions, among others. With respect to the nature and extent of the rights, duties and obligations of the Issuer, the Trustee, the Registrar, and the Owners of the Bonds and for the definitions of capitalized terms not defined herein. The Owner of this Bond, by the acceptance hereof, is deemed to have agreed and consented to the terms and provisions of the Indenture.

The Issuer, the Trustee, the Registrar and the Paying Agent may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for all purposes, whether or not this Bond is overdue, and neither the Issuer, the Trustee, the Registrar nor the paying Agent shall be affected by any notice to the contrary.

No covenant or agreement contained in this Bond or in the Indenture shall be deemed to be a covenant or agreement of any official, officer, agent or employee of the Issuer in his individual capacity, and neither the members of the Issuer, nor any official executing this Bond, shall be liable personally on this Bond or be subject to any personal liability or accountability by reason of the issuance or sale of this Bond.

This Bond shall not be entitled to any right or benefit under the Indenture, or be valid or become obligatory for any purpose, until this Bond shall have been authenticated by the Trustee, or its successor as Trustee or a duly authorized authenticating agent, by execution of the certificate of authentication inscribed hereon.

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IN WITNESS WHEREOF, the Issuer has caused this Bond to be signed by the manual or facsimile signature of its President and its seal or a facsimile thereof to be imprinted hereon and attested by the manual or facsimile signature of its Secretary, all as of the Dated Date hereof.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION

(SEAL)

By: _____
President

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This Bond is one of the Bonds of the issue described in the within mentioned Indenture.

BANK OF OKLAHOMA, N.A.
as Trustee

By: _____
Authorizing Officer

Authentication Date:

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EXHIBIT "C"

\$45,000,000 BAKER CORRECTIONAL DEVELOPMENT CORPORATION FIRST MORTGAGE REVENUE BONDS (BAKER COUNTY DETENTION CENTER PROJECT), SERIES 2008, dated February 14, 2008, fully registered and numbered from R-1; bearing interest from their dated date (payable August 1, 2008, and semiannually thereafter on August 1 and February 1 in each year) at the rates and maturing on the dates as follows:

Amount	Maturity	Interest Rate
\$1,120,000.00	2/01/2011	6.00%
1,185,000.00	2/01/2012	6.00%
1,260,000.00	2/01/2013	6.00%
1,335,000.00	2/01/2014	6.40%
1,420,000.00	2/01/2015	6.40%
1,510,000.00	2/01/2016	6.40%
1,605,000.00	2/01/2017	6.40%
1,710,000.00	2/01/2018	7.50%
1,835,000.00	2/01/2019	7.50%
1,975,000.00	2/01/2020	7.50%
2,125,000.00	2/01/2021	7.50%
2,285,000.00	2/01/2022	7.50%
2,455,000.00	2/01/2023	7.50%
2,640,000.00	2/01/2024	7.50%
2,835,000.00	2/01/2025	7.50%
3,050,000.00	2/01/2026	7.50%
3,275,000.00	2/01/2027	7.50%
3,525,000.00	2/01/2028	7.50%
3,785,000.00	2/01/2029	7.50%
4,070,000.00	2/01/2030	7.50%

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EXHIBIT "D"

DEPOSIT OF BOND PROCEEDS

At closing \$43,807,500 in proceeds of the Bonds (that is, \$45,000,000 in aggregate principal amount of the Bonds, minus the Underwriter's discount of \$1,192,500), was deposited with the Trustee.

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EXHIBIT "G"

REQUISITION FORM FOR THE REPAIR AND REPLACEMENT RESERVE ACCOUNT OF THE OPERATION AND MAINTENANCE FUND

Requisition No. -

To: Bank of Oklahoma, N.A., Tulsa, Oklahoma as Trustee

Re: \$45,000,000 Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008

This Requisition from the Repair and Replacement Reserve Account of the Operation and Maintenance Fund is delivered to you pursuant to Section 5.08 of the Indenture, dated as of February 1, 2008 (the "Indenture"), by and between Baker Correctional Development Corporation (the "Issuer") and Bank of Oklahoma, N.A., as Trustee (the "Trustee"). Reference is made to the Repair and Replacement Reserve Account created in Section 5.01(d) of the Indenture securing the above-captioned Bonds.

The Issuer hereby requisitions from the Repair and Replacement Reserve Account the amounts indicated below and request that such amounts be wired directly to the Project Account (No. _____) created under the Management Agreement, as defined in the Indenture and maintained at _____.

Purpose Amount Requisitioned

In support of this requisition, the undersigned hereby certifies as follows:

- (1) He (She) is the Issuer's Authorized Representative as defined in the Indenture.
(2) The amount requested shall be used only to pay the costs of major expenditures with respect to the Facility during the thirty (30) days following the date of this requisition.
(3) That as of the date hereof the balance on deposit in the aforementioned Project Account is \$ _____.

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(4) That the attached invoices, bills, receipts, etc., totaling \$ _____ represent proper proof of expenditures made from the Project Account for the costs of major expenditures with respect to the Facility during the thirty (30) days preceding the date of this requisition.

(5) There is no mechanics', materialmens', suppliers', vendors' or other similar lien or right to lien, chattel mortgage or conditional sale contract, or other contract or obligation which should be satisfied or discharged with respect to those expenditures mentioned in paragraph 4 above.

Executed by the undersigned on _____, 2008.

By: _____ Issuer's Authorized Representative

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APPENDIX B
FORM OF THE MORTGAGE

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B. By the Indenture, the Issuer has assigned to the Trustee, to secure payment of the Bonds, the Revenues (as defined in the Indenture) which term includes, *inter alia*, any recovery or payment that the Trustee may obtain or be entitled to by reason of its rights under this Mortgage, the Indenture and that certain Interlocal Agreement, dated as of February 1, 2008 (hereinafter the "Interlocal Agreement") between the Issuer and Baker County, Florida (hereinafter the "County").

C. Under the terms of the Indenture, the Issuer is obligated payments of principal and interest to the Trustee, with respect to the Bonds.

This document was prepared by:

Richard B. Miller, Esq.
Georgia Bar No. 508175
Sell & Melton, L.L.P.
P.O. Box 229
Macon, Georgia 31202-0229
(478) 464-5342

MORTGAGE AND SECURITY AGREEMENT
(Baker County Detention Center Project)

THIS MORTGAGE AND SECURITY AGREEMENT (the "Mortgage"), dated as of February 1, 2008, from BAKER CORRECTIONAL DEVELOPMENT CORPORATION (hereinafter the "Issuer" or "Mortgagor"), a not-for-profit corporation formed and existing under the laws of the State of Florida, to Bank of Oklahoma, N.A., a national banking association with a corporate trust office in Tulsa, Oklahoma, as trustee (hereinafter, together with its respective successors and assigns, collectively called the "Mortgagee" or "Trustee"), under the circumstances summarized in the following recitals (the capitalized terms not defined in the recitals being used therein shall be as defined in Article I hereof):

EXEMPT PER DEPARTMENT OF REVENUE:
INTANGIBLE TAX AND DOCUMENTARY STAMP TAX

WITNESSETH;

A. Pursuant to the Act, the Issuer has sold and delivered its First Mortgage Revenue Bonds (Baker Correctional Development Corporation Project), Series 2008 (hereinafter the "Bonds"), in the aggregate principal amount of \$45,000,000, the amount secured by this Mortgage. The Bonds have been designated the First Mortgage Revenue Bonds (Baker Correctional Development Corporation Project), Series 2008. The Bonds have been issued pursuant to that certain Trust Indenture, dated as of February 1, 2008, between the Issuer and the Trustee (the "Indenture"). Reference is hereby made to the Indenture, a counterpart of which is on file and available for inspection at the Notice Address. The terms of the Indenture are incorporated herein by reference.

equipment; all alarm, safety, electronic, telephone, music, entertainment and communications equipment and systems; all janitorial, maintenance, cleaning, window washing, vacuuming, landscaping, and recreational equipment and supplies; and any other items of property, real, personal or mixed, wherever kept or stored, if acquired by the Mortgagor with the intent of incorporating them in and/or using them in connection with the Site or any improvements to the Site; together also with all additions thereto and replacements and proceeds thereof; all of which foregoing items described in this paragraph (b) are hereby declared to be part of the real estate and encumbered by this Mortgage; and

(c) Any award, remuneration, settlement or compensation heretofore made or hereafter to be made by any governmental authority with respect to the Mortgaged Property or any part thereof ("Awards"), all proceeds (including premium refunds) payable or to be payable under each policy of insurance relating to the Site and for the Facility or any part thereof ("Insurance Proceeds"), and all rentals, revenues, payments, repayments, income, proceeds, issues, profits, charges and moneys derived by the Mortgagor from the Site or the Facility and the use, operation and leasing of all or any portion thereof, and all leases and tenancies and occupancy agreements of any nature whatsoever (and any extensions and renewals thereof) or hereafter granted by or on behalf of the Mortgagor affecting all or any portion of the Site or the Facility (the "Leases") and all escrow funds held with respect thereto (other than tenant security deposits); and

(d) All easements, rights of way or use, strips and gores of land, streets (open or proposed), alleys, passages, sewer rights, waters, water courses, water rights and powers, minerals, crops, timber, shrubs, landscaping and other emblems now or hereafter located on or above or under the Site or any part thereof, and all estates, rights, titles, interests, revisions, remainders, liberties, permits, licenses, privileges, franchises, servitudes, tenements, hereditaments and all appurtenances now or hereafter belonging to or anyway appertaining to the Site or the Facility; and

(e) All rights of the Mortgagor in, to, under, by virtue of, arising from or growing out of any and all present or future contracts, instruments, accounts, general intangibles, insurance policies, permits, licenses, trade names, goodwill plans, appraisals, reports, paid fees, choses-in-action, subdivision restrictions or declarations or other intangibles whatsoever now or hereafter dealing with, affecting or concerning the Site or the Facility or any portion thereof or interest therein, including but not limited to: (i) all contracts, plans and permits for or related to the Site or its development or the construction or refurbishing of the Facility, including, any contracts with architects, engineers, general contractors, suppliers, service providers, or other contractors, (ii) any agreements for the provision of water or sewer services or other utilities to the Site, (iii) all payment, performance and/or other bonds, (iv) any unearned premiums on any insurance policies, (v) the Leases and any Rents derived from the Mortgaged Property or the Site (except for security deposits held on behalf of tenants), any contracts now existing or hereafter made for the sale by Mortgagor of all or any portion of the Site and/or the Facility, the Leases or any right or interest therein or deriving therefrom, including any deposits paid by any purchasers (howsoever such deposits may be held) and any proceeds of such sales contracts, including any purchase-money notes and mortgages made by such purchasers (and the Mortgagor agrees that it

NOW, THEREFORE, as an inducement to and in consideration of the purchase of the Bonds by the purchasers thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and to secure: (i) the payment of the Bonds and any Additional Bonds, (ii) the payment and performance of all obligations of the Issuer or the Trustee under the Mortgage Documents, including the payments required of the Issuer when due under the Indenture, (iii) the payment of any amounts advanced or costs incurred by the Mortgagee to protect the Mortgaged Property (as hereinafter described) or in enforcement of the Mortgage Documents, and (iv) the performance and observance of each covenant and agreement of the Mortgagor in the Mortgage Documents (all of the foregoing obligations of the Mortgagor are referred to herein as the "Obligations"), the Mortgagor does hereby bargain, sell, convey, mortgage, assign and grant a security interest in and transfer unto the Mortgagee, and its successors and assigns, all of the right, title and interest of the Mortgagor in and to the following property (the "Mortgaged Property");

(a) The real estate comprising approximately ninety (90) acres described in Exhibit "A" attached hereto (collectively, the "Site"); and

(b) Except for the Sheriff's Furniture and Equipment, as defined herein, all buildings, structures, additions, improvements, facilities, fixtures, fittings, machinery, apparatus, installations, furniture, equipment and other property, now or hereafter located in, upon or under, or based at the Site or used in connection with the ownership, operation, maintenance, management or leasing of the Site or any buildings structures or improvements thereon (collectively, the "Facility"), including without limitation: all machinery, equipment, appliances, fixtures, conduits and systems for generating or distributing air, water, heat, air conditioning, electricity, light, fuel or refrigeration, or for ventilating or sanitary purposes, or for the exclusion of vermin or insects, or for the removal of dust, refuse, sewage or garbage, or for fire prevention or extinguishing; all elevators, escalators, lifts and dumbwaiters; all motors, engines, generators, compressors, pumps, lift stations, tanks, boilers, water heaters, furnaces and incinerators; all furniture, furnishings, fixtures, appliances, installations, partitions, shelving, cabinets, lockers, vaults and wall safes; all carpets, carpeting, rugs, underpadding, linoleum, tiles, mirrors, wall coverings, windows, storm doors, awnings, canopies, shades, screens, blinds, draperies and related hardware, chandeliers and light fixtures; all plumbing, sinks, basins, toilets, faucets, pipes, sprinklers, disposals, laundry appliances and equipment, and kitchen appliances and

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shall have no right to sell or encumber or contract to sell or encumber all or any portion of the Site, the Facility, the Leases or any right or interest therein or deriving therefrom without the express prior written consent of the Mortgagee), (vi) any declaration of condominium, restrictions, covenants, easements or similar documents now or hereafter recorded against the title to all or any portion of the Site, and (vii) the agreements pursuant to which the Developments were purchased from the Sellers; and

(g) (i) All licenses, permits, approvals, certificates and agreements with or from all boards, agencies, departments, governmental or otherwise, relating directly or indirectly to the ownership, use, operation and maintenance of the Mortgaged Property, or the construction of development improvements on the Mortgaged Property, whether heretofore or hereafter issued or executed (collectively, the "Licenses"), said boards, agencies, departments, governmental or otherwise being hereinafter collectively referred to as "Governmental Authorities"; (ii) all deposits made in connection therewith; and (iii) all contracts and agreements to provide utilities to the Site; and

(h) All right, title and interest of the Mortgagor in and under any agreements by and between Mortgagor and any contractors, architects or engineers concerning the Site (collectively, the "Contracts"); and

(i) All funds and investments held under the Indenture or any Mortgage Documents and all earnings thereof, the Revenues, all bank accounts and any and all other security and collateral of any nature whatsoever now or hereafter given for the repayment of the indebtedness or the performance and discharge of the Obligations of the Mortgagor under the Indenture and the Mortgage Documents; and

(j) The Management Agreement.

TO HAVE AND TO HOLD the Mortgaged Property unto the Mortgagee, its successors and assigns, in fee simple forever;

PROVIDED, HOWEVER, that, if the Mortgagor shall pay or cause to be paid to the Mortgagee the principal and interest and all other sums payable or to become payable with respect to the Obligations and shall also fully perform all of the covenants, conditions and terms of this Mortgage and the other Mortgage Documents and shall not permit or keep or suffer to occur any default under this Mortgage or any other Mortgage Documents, then this Mortgage shall cease, terminate and be void, but shall otherwise remain in full force and effect.

PROVIDED, FURTHER, that the rights of the Mortgagee under this Mortgage in and to the Mortgaged Property hereby given and conveyed to the Trustee subject to Permitted Encumbrances;

AND, IT IS HEREBY COVENANTED that this Mortgage is given and the Mortgaged Property is to be held upon the terms herein set forth.

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ARTICLE I

DEFINITIONS

SECTION 1.01 Use of Defined Terms. In addition to the words and terms elsewhere defined in this Mortgage or by reference to another document, the words and terms set forth in Section 1.02 hereof shall have the meaning therein set forth unless the context or use expressly indicated different meanings or intent. Such definitions shall be equally applicable to both the singular and plural forms of any of the words and terms therein defined. Capitalized words appearing herein and not otherwise defined shall have the meaning assigned to them in the Indenture:

SECTION 1.02 Definitions. As used herein:

“Act” means the Florida Statutes Annotated, Sections 125.01 and 130.01, as amended, and other provisions of applicable law.

“Affiliate” means any Person which directly or indirectly, through one or more intermediaries controls, or is controlled by, or through one or more intermediaries controls, or is controlled by, or is under common control with, the Person specified.

“Bond Fund” means the trust fund by that name created pursuant to Section 5.01 of the Indenture.

“Bond Legislation” means the Act and the resolution of the Mortgagor providing for the issuance of the Bonds.

“Bonds” means those certain \$45,000,000 Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008, issued pursuant to the Indenture.

“Commercial Code” means the Uniform Commercial Code as enacted in the State, as from time to time duly amended or supplemented.

“Construction Account” means the trust account by that name created by Section 5.01 of the Indenture.

“Construction Liens” includes construction liens created under Florida law.

“County” means Baker County, Florida.

“Event of Default” means any of the events described as an Event of Default in Section 7.02 hereof.

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As to Mortgagor’s
Counsel:

Terence M. Brown, Esq.
Brown & Broling
486 North Temple Avenue
Starke, Florida 32091

As to Mortgagee:

Bank of Oklahoma, N.A.
One Williams Center
Tulsa, Oklahoma 74192

“Obligations” means the performance and observance of each covenant and agreement of the Mortgagor in the Mortgage Documents.

“Outstanding” means such term as defined in the Indenture.

“Permitted Cost Fund” means the Permitted Cost Fund created by Section 5.01 of the Indenture.

“Permitted Exceptions” or “Permitted Encumbrances” means at any time: (i) general real estate taxes and assessments not yet due and payable or being contested in accordance with the provisions of this Mortgage; (ii) easements for public way, ingress and egress, private and public utilities, and light and air, provided that such easements which do not materially restrict or impair the intended use of the Project or adversely affect its fair market and rental value; (iii) any condition or title for which the Title Insurer shall insure the Trustee against loss or damage by the issuance of such Title Insurer’s endorsement; (iv) this Mortgage and all encumbrances defined as “Permitted Encumbrances” in the Indenture; (v) liens for labor and materials provided to the Project for which payment is not yet due or which are being contested in accordance with the provisions of this Mortgage and which are subordinate to the lien of this Mortgage; (vi) the reversionary interest of the County set forth in the deed of conveyance from the County to the Issuer of the Site, which reversionary interest shall be subordinate to the lien of this Mortgage and of the Indenture and (vii) such other title exceptions as may be specifically set forth as Permitted Encumbrances on Exhibit “B” to this Mortgage.

“Person” means any individual, corporation, partnership, joint venture, association, joint stock company, trust company, trust, unincorporated organization or government or any agency or political subdivision thereof.

“Premiums” means those premiums for insurance policies described in Section 3.05(a) hereof.

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“Flood Insurance” means insurance described in Section 3.03(c) hereof.

“Force Majeure” means any cause beyond the control of the Mortgagor, and any Affiliate thereof, and shall include but not be limited to acts of God, acts of a public enemy, insurrection, riot, strike or labor disputes, fire, explosion, flood, blizzards, other severe weather conditions, breakdown of or damage to a plant, equipment or facilities, interruption to transportation, embargo, orders of injunctions of a federal, state or local court, agency or governmental body having jurisdiction, acts of civil or military authority, or inability to obtain materials, supplies, or equipment from others because of similar causes.

“Indenture” means the Trust Indenture dated as of even date with this Mortgage between the Issuer and the Trustee, as amended or supplemented from time to time.

“Insurance Requirements” means those insurance requirements described in Section 4.01 hereof.

“Issuer” means the Mortgagor.

“Interlocal Agreement” means that certain Interlocal Agreement, dated as of February 1, 2008, between the Issuer and the County.

“Legal Requirements” means those legal requirements described in Section 4.01 hereof.

“Management Agreement” means the agreement pertaining to the management of the Project between the Issuer and the Manager, dated as of February 1, 2008, as amended from time to time.

“Manager” means the Baker County Sheriff’s Office or such other person or entity as may be selected from time to time by the County as Manager under the Management Agreement.

“Mortgage” means this Mortgage and Security Agreement, as amended or supplemented from time to time.

“Mortgage Documents” means this Mortgage, the Indenture, the Interlocal Agreement, any UCC financing statements related hereto, and any other instruments or documents executed by the Mortgagor from time to time in favor of any Mortgagee in connection with the Obligations.

“Notice Address” means.

As to Mortgagor:

Baker Correctional Development Corporation
Attn: Danny Thomas, Project Manager
P.O. Box 958
1190 W. Macclenny Avenue
Macclenny, Florida 32063

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“Project” means the Site, the Facility and the Mortgaged Property, including all rights appurtenant thereto.

“Required Property Insurance Coverage” means the insurance coverage specified in Section 3.03 hereof.

“Restoration” means the restoration or rebuilding of the Project, as described in Section 3.03(e) hereof.

“Revenue Fund” means the trust fund by that name created pursuant to Section 5.01 of the Indenture.

“Revenues” shall have the same meaning assigned to it in the Indenture.

“Sheriff’s Furniture and Equipment” shall have the same meaning assigned to it in the Indenture.

“State” means the State of Florida.

“Tax and Insurance Deposits” means the deposits by the Mortgagor for the payment of Taxes and Premiums, as defined in Section 3.05(a) hereof.

“Taxes” means those taxes, assessments and other governmental charges described in Sections 3.01 and 3.05(a) hereof.

“Title Insurer” means Attorneys Title Insurance Fund, Inc.

“Trustee” means Bank of Oklahoma, N.A., Tulsa, Oklahoma, as Trustee, and any successor Trustee, at the time serving as such under the Indenture.

SECTION 1.3 Interpretation. Any reference to a section or provision of the Constitution of the State, or to a section, provision or chapter of the Act or the Florida Statutes, includes the section, provision or chapter as amended, modified, revised, supplemented or superseded from time to time; provided, that no amendment, modification, revision, supplement or superseding section, provision or chapter shall be applicable solely by reason of this provision, if it constitutes in any way an impairment of the rights or obligations of the Issuer, the Trustee, the owners of any Bonds, the Mortgagee, or the Mortgagor under the Indenture, the Bond Legislation, the Bonds, the Mortgage Documents or any other instrument or document entered into in connection with any of the foregoing.

The terms “hereof,” “hereby,” “herein,” “hereto,” “hereunder,” and similar terms refer to this Mortgage; and the term “hereafter” means after, and the term “heretofore” means before, the date of delivery of this Mortgage. The word “may” shall mean “may, but shall not be required to,” and the word “including” shall mean “including but not limited to.” Words of the masculine

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gender include the feminine and neuter, and when the sense so indicates words of the neuter gender may refer to any gender.

ARTICLE II

PRESERVATION OF SECURITY

SECTION 2.01 Representations and Warranties. The Mortgagor represents and warrants that (i) the Mortgagor is lawfully seized with a good and marketable fee simple title to the Site and has good and marketable title to all properties and rights included in the Mortgaged Property, subject only to Permitted Encumbrances, (ii) the Mortgagor has full right and authority to sell, mortgage, encumber and convey the Mortgaged Property as provided herein, and (iii) the Mortgagor will warrant and defend to the Mortgagee such title to the Mortgaged Property and the lien and interest of the Mortgagee against all claims and demands, and will maintain the priority of the lien of, and the security interest granted by, this Mortgage upon the Mortgaged Property until the Mortgagor shall be entitled to defeasance as provided herein.

The Mortgagor warrants, represents and agrees that there is and has been no discharge or disposal of any hazardous waste or other toxic substance (as such terms are defined by any applicable federal, state, or local governmental law, rule, ordinance or regulation) on any real property subject to this Mortgage, or contamination of the real property subject to this Mortgage by any such substances; that any storage or utilization of any hazardous or toxic substances or utilization is, has been, and will be at all times, in full compliance with all applicable federal, state or local laws, rules, ordinances, and regulations. The Mortgagor warrants that a study of the real property has been conducted by a qualified person prior to its making the recitals in this section.

SECTION 2.02 Recordation. The Mortgagor, at its expense, shall cause this Mortgage, any instruments supplemental hereto, financing statements, including all necessary amendments, supplements and appropriate continuation statements, to be recorded, registered and filed, and to be kept recorded, registered and filed in such manner and in such places as may be required in order to establish, preserve and protect the lien of this Mortgage, subject only to Permitted Encumbrances, as a valid first mortgage lien on all real property, fixtures and interests therein included in the Mortgaged Property and a valid, perfected security interest in all tangible and intangible personal property, fixtures and interest included in the Mortgaged Property (including any such properties acquired after the execution hereof).

SECTION 2.03 After-Acquired Property. It is the intent hereof to secure payment of the aforesaid Bonds and to secure any other amount or amounts that may be added to the mortgage indebtedness under the terms of this instrument or the Indenture, whether such additions are obligatory or are to be made at the option of the Mortgagee, or otherwise, within twenty years (20) from the date hereof, to the same extent as if such future advances are made on the date of execution of this mortgage. The total amount of indebtedness that may be so secured may decrease or increase from time to time, but the total unpaid balance so secured at one time shall not exceed \$45,000,000 (Forty-Five Million Dollars), plus interest thereon, and any

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governmental charges of any kind whatsoever, foreseen or unforeseen, ordinary or extraordinary, that may now or at any time hereafter be assessed or levied against or with respect to the Mortgaged Property or any part thereof (including any taxes levied upon or with respect to the Revenues, income or profits of the Mortgagor from the Mortgaged Property) which, if not paid, may become or be made a lien on the Mortgaged Property, or any part thereof, or a charge on such revenues, income or profits (collectively, "Impositions"). The Mortgagor shall exhibit to the Mortgagee copies of the official receipts of payment therefor. Notwithstanding the foregoing, the Mortgagor may, at its expense and after prior notice to the Mortgagee, by appropriate proceedings diligently prosecuted, contest in good faith the validity or amount of any Impositions, and the Mortgagor need not pay the items so contested during the period of contest; provided, however, that such non-payment will not subject the Mortgaged Property or any part thereof to the risk of imminent loss or forfeiture. During the period of (and as a condition to) such contest when the Impositions, so contested remain unpaid, the Mortgagor shall deposit into escrow with the Trustee such excess moneys, (if any) as are available pursuant to the terms of Section 5.06(b)(viii) of the Indenture, equal in amount to the amount of such contested Impositions, and interest or penalties thereon, if such nonpayment would result in a lien on the Mortgaged Property, or any part thereof, senior to or on a parity with the lien hereof, or if such Imposition exceeds \$50,000. During the time that such contested amount are held in escrow by the Trustee, they will not be a part of the Revenues, and the Trustee shall be entitled to reasonable compensation by the Mortgagor to maintain of such escrow.

SECTION 3.02 Construction and Other Liens. The Mortgagor shall not permit any mechanics' or other liens to be filed or to exist against the Mortgaged Property by reason of work, labor, services or materials supplied or claimed to have been supplied to, for or in connection with the Mortgaged Property or to the Mortgagor or any one holding the Mortgaged Property or any part thereof through or under the Mortgagor. If any such lien shall be filed, the Mortgagor shall, within thirty (30) days after the filing thereof but subject to the right to contest as set forth herein, cause the same to be discharged of record by payment, deposit, bond, order of a court of competent jurisdiction or otherwise. Notwithstanding the foregoing, the Mortgagor may, at its expense and after prior written notice to the Mortgagee, by appropriate proceedings duly instituted and diligently prosecuted, contest in good faith the validity of the amount of any such lien; provided, however that such nonpayment will not subject the Mortgaged Property or any parts thereof to the risk of imminent loss or forfeiture. During the period of (and as a condition to) such contest when such lien or claim remains unpaid, the Mortgagor shall deposit into escrow with the Trustee such excess moneys, (if any) as are available pursuant to the terms of Section 5.06(b)(viii) of the Indenture, equal to the amount of such contested lien or claim, and interest or penalties thereon, if such nonpayment would result in a lien on the Mortgaged Property, or any part thereof senior to or on a parity with the lien hereof, or if such amount exceeds \$50,000. In lieu of such deposit, the Mortgagor may deliver a mechanics' lien release bond or title insurance endorsement insuring against any loss or damage to the Mortgagor by reason of such lien or claims. While such contested amounts are held in escrow by the Trustee, they will not be a part of the Revenues, and the Trustee shall be entitled to reasonable compensation by the Mortgagor to maintain such escrow.

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disbursements made for the payment of taxes, levies, or insurance on the mortgaged property, with interest on such disbursements at a rate of interest equal to the yield on the Bonds as defined in the Indenture.

SECTION 2.04 Liens and Encumbrances. Except as permitted by the Mortgage Documents, the Mortgagor shall not directly or indirectly create or permit to remain (and will promptly discharge) any mortgage, lien, encumbrance or charge on, pledge of, security interest in or conditional sale or other title retention agreement with respect to the Mortgaged Property or the interest of the Mortgagor or the Mortgagee therein or any Revenues, income, profits or other sums arising from the Mortgaged Property (including any lien, encumbrance or charge arising by operation of law) other than Permitted Encumbrances.

The mention in any such financing statement of (a) the rights in or the proceeds of any insurance policy, (b) any Award in eminent domain proceedings for a taking or for loss of value, (c) the Mortgagor's interest as lessor in any present or future Lease or right to income growing out of the use or occupancy of the Site or the Facility, whether pursuant to lease or otherwise, or (d) any other item included in the definition of the Mortgaged Property, shall not alter any rights of the Mortgagee herein nor impair the priority of the Mortgagee's lien and security interest on the Mortgaged Property; such mention is to protect the Mortgagee if any court holds that notice of the Mortgagee's priority of interest with respect to any such portion of the Mortgaged Property must be filed in the Commercial Code records in order to be effective against or to take priority over any particular class of Persons, including the federal government and any subdivision, agency or instrumentality of the federal government.

SECTION 2.06 No Claims Against Mortgagee. Nothing contained in this Mortgage shall constitute any request by the Mortgagee, express or implied, to perform any labor or services or to furnish any materials or other property for the Mortgaged Property or shall give the Mortgagor any right, power or authority to contract for or permit the performance of any labor or services or the furnishing of any materials or other property to give rise to a claim against the Mortgagee or a claim that a lien based on the performance of such labor or services or the furnishing of any such materials or other property is prior to the lien hereof.

SECTION 2.07 Security for Bonds. This Mortgage is intended to secure all Bonds issued under the Indenture, including any Additional Bonds. This Mortgage shall become effective upon its delivery, and shall be delivered to the office of the Clerk of the Circuit Court of Baker County, Florida, for recordation, recordation fees if any, having been paid by the Mortgagor.

ARTICLE III

TAXES, MECHANICS' LIENS AND INSURANCE

SECTION 3.01 Payment of Taxes and Other Governmental Charges. In accordance with Section 3.05 hereof, the Mortgagor shall pay, promptly when due and before penalty or interest accrue thereon, all taxes, assessments, whether general or special, and other

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SECTION 3.03 Insurance. The following "Required Property Insurance Coverage" shall be maintained in effect with respect to the Project at all times:

(a) All-risk property insurance against loss and/or damage due to perils, including but not limited to perils such as fire, windstorm, smoke, lightning, explosion, riot, hail, vandalism, malicious mischief, collapse, and other perils not customarily excluded from an "all-risk" policy in amounts not less than the full replacement value of the Project and Developments from time to time; and

(b) Comprehensive general public liability insurance protecting against death, bodily injury and property damage, in the combined amount of \$1,000,000, including coverage for contractual liability, personal injury and broad form property damage providing coverage for all explosion, collapse and underground (XCU) hazards, independent contractors and subcontractors, product/completed operations, all in said amount; and

(c) Flood insurance, if the Project is located in an area designated as a special flood hazard area pursuant to the Flood Disaster Protection Act of 1973, as amended, or other applicable law, with such insurance to be at least the amount available under the National Flood Insurance Program, within thirty (30) days of the request therefor by the Mortgagee, and if available under policies issued by other sources, then in such additional amounts as the Trustee may reasonably require; and

(d) All-risk builder's risk coverage for the full completed replacement value of the Project during the period prior to the completion of any restoration or rebuilding of the Project ("Restoration"), with a completed operations endorsement, in amounts not less than the full replacement value of the applicable portion of the facility from time to time and bearing an agreed amount endorsement; and

(e) Statutory workers' compensation coverage; and

(f) Employer's liability coverage in the amount of not less than \$1,000,000; and

(g) Umbrella excess liability coverage providing "following form" coverage over the insurance coverages required by clauses (b) and (f) of this Section 3.03 in the annual aggregate amount of \$2,000,000.

SECTION 3.04 Insurance Policies.

(a) All insurance policies shall be in accordance with the requirements of this Mortgage and the Indenture. All insurance described in Section 3.03 shall name the Mortgagee as the insured.

(b) The insurance described in clauses (b), (g) and (h) of Section 3.03 must name the Issuer and the Trustee as additional insureds. The insurance described in Clauses (a), (c), (d), (e) and (f) of Section 3.03 must insure the interest of the Mortgagee in the Project as mortgagee;

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must contain a waiver of the right of subrogation satisfactory to the Trustee, and a provision that interests of the Trustee shall not be invalidated by any act or omission of the Mortgagor or owner of the Project, or any part thereof; and must include a standard non-contributory mortgage loss payable clause in favor of the Trustee. All insurance policies shall contain a provision that the Issuer and the Trustee shall receive not less than thirty (30) days prior written notice before any expiration, cancellation or modification of, or material reduction in coverage under such policies shall become effective and shall provide that no claims shall be paid thereunder without at least ten (10) days prior written notice to the Trustee and the Issuer. The Mortgagor shall immediately give notice to the Trustee of any notice received by the Mortgagor of any expiration, cancellation or modification of, or material reduction in coverage under, any such policy. The requirements of this paragraph (b) shall apply to any separate policies of insurance taken out by the Mortgagor concurrent in form or contributing in the event of loss with the insurance policies described in Section 3.03.

(c) Each insurer must be an authorized insurer in the State. Certificates of insurance will be filed by the Mortgagor with the Trustee within 10 days of the effective date of the applicable policy. If, within 30 days of receipt of such certificate, the Trustee objects to the qualifications, financial or otherwise, of the insurer, Mortgagor will obtain such insurance with another insurer acceptable to the Trustee.

(d) All insurance premiums shall be paid in full at least one month in advance and duplicate originals of all insurance policies with premiums prepaid (accompanied by paid premium receipts) shall be delivered to the Mortgagee at the time the Bonds are issued and thereafter, in the case of the renewal or replacement of insurance policies about to expire, not less than thirty (30) days prior to such expiration date.

(e) Approval or acceptance by the Mortgagor or the Trustee, of any insurance policies shall not be deemed a representation by the Mortgagor or the Trustee as to the adequacy of coverage of such insurance policies or the solvency of the insurer.

(f) If the Mortgagor fails to procure, pay the premium for, or deliver to the Mortgagee any of the insurance policies or renewals as required herein, the Mortgagee may elect, but shall not be obligated, to effect such insurance and pay the premiums therefor. The Mortgagor shall pay to the Mortgagee on demand any premiums so paid with interest thereon, to the extent permitted by law, at a rate of interest equal to two percent (2%) per annum above the interest rate on the Bonds, from the time of the advance for such payment by the Mortgagee, and said advance and interest shall be part of the Obligations secured by the Mortgage.

(g) In the event of the foreclosure of this Mortgage, or other transfer of title to the Mortgaged Property, or any part thereof, by non-judicial foreclosure sale or deed in lieu of foreclosure, the purchaser of the Mortgaged Property, or such part thereof, shall succeed to all of the Mortgagor's rights, including any rights to unexpired insurance and unearned or returnable premiums, in and to all insurance policies required by this Section and Section 3.03 hereof, subject to limitations on assignment of blanket policies and limited to such rights as relate to the Mortgaged Property or such part thereof. If the Mortgagee shall acquire title to the Mortgaged

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ARTICLE IV

MAINTENANCE AND USE OF MORTGAGED PROPERTY

SECTION 4.01 Compliance with Legal and Insurance Requirements. The Mortgagor, at its expense, shall promptly comply with all Legal Requirements and Insurance Requirements, and shall procure, maintain and comply with all permits, licenses and other authorizations required for any use being made of the Mortgaged Property, or anticipated to be made, and for the proper construction, installation, operation and maintenance of the Mortgaged Property. The Mortgagor shall comply with any instruments of record at the time in force burdening the Mortgaged Property or any part thereof. As used in this Section, "Legal Requirements" means all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of, and agreements with, all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, and any restrictions or agreements of record, which now or at any time hereafter may be applicable to the Mortgaged Property or any part thereof, or any use, anticipated use or condition of the Mortgaged Property or any Persons employed thereon including all zoning, building, land use, noise abatement, occupational health and safety and other governmental requirements relating to health, safety, welfare and environmental protection. "Insurance Requirements" means all provisions of any insurance policy covering or applicable to the Mortgaged Property, all requirements of the issuer of such policy, and all orders, rules, regulations and other requirements of the National Board of "Fire Underwriters (or any other body exercising similar functions) applicable to or affecting the Mortgaged Property or its occupancy, operation or use. The Mortgagor may, at its expense and after prior notice to the Mortgagee, by any appropriate proceedings diligently prosecuted, contest in good faith any Legal Requirement and postpone compliance therewith pending the resolution or settlement of such contest; provided, that (i) such postponement does not materially affect in an adverse manner the lien or security interest hereof to any part of the Mortgaged Property or subject the Mortgage, the Mortgagee or the Mortgaged Property, or any part thereof, to the risk of civil or criminal liability or other loss, damage or forfeiture, and (ii) the Mortgagor shall deposit in escrow with the Mortgagee pending such contest moneys sufficient (including interest thereon) to cover the cost of compliance with such contested Legal Requirement.

SECTION 4.02 Maintenance and Use of Mortgaged Property. The Mortgagor hereby covenants that, at its expense, it will keep or cause to be kept the Mortgaged Property in good order and condition (ordinary wear and tear excepted) and will make all necessary or appropriate repairs, replacements and renewals thereof, interior, exterior, structural and non-structural, ordinary and extraordinary, foreseen and unforeseen. The Mortgagor will not do, or permit to be done, any act or thing which might increase the risk of fire or other hazard to the Mortgaged Property or any part thereof or would increase any Premium payable with respect to the Mortgaged Property, or which would or could result in the cancellation of any insurance policy on the Mortgaged Property or the Mortgagor, nor materially impair the value or usefulness of the Mortgaged Property or any part thereof. The Mortgagor will not commit or permit any waste of the Mortgaged Property or any part thereof, and will not permit any unlawful occupation, business or trade to be conducted on the Mortgaged Property or any part

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Property, or any part thereof, the Mortgagee shall thereupon (as between the Mortgagor and the Mortgagee) become the sole and absolute owner of the insurance policies and all proceeds payable under the insurance policies for the Mortgaged Property, or such part thereof, required by this Section and Section 3.03, with the sole right to collect and retain all unearned or returnable premiums thereon for the Mortgaged Property, or such part thereof.

SECTION 3.05 Deposits for Taxes and Insurance Premiums.

(a) To assure the payment of all taxes, assessments and other governmental charges provided in Section 3.01 ("Taxes") and of all premiums for insurance policies required to be maintained hereunder ("Premiums"), when due and payable, the Mortgagor shall deposit with the Trustee moneys to pay Taxes and Premiums as provided in the Indenture.

(b) When the Bonds are fully paid, performed and satisfied, any remaining Tax and Insurance Deposits shall be paid to the Mortgagor or purchaser of the Mortgaged Property following any judicial foreclosure or non-judicial foreclosure sale or conveyance by deed in lieu of foreclosure.

(c) The provisions of this Mortgage are for the benefit of the Mortgagor and the Mortgagee. No provision of this Mortgage shall be construed as creating in any party other than the Mortgagor, the Mortgagee and the owners of the Bonds any rights in and to the Tax and Insurance Deposits or any rights to have the Tax and Insurance Deposits applied other than to the payment of Taxes and Premiums. The Mortgagee shall have no obligation or duty to any third party to collect Tax and Insurance Deposits and may waive or postpone any requirement to make such Tax and Insurance Deposits in whole or in part at any time and from time to time.

SECTION 3.06 Worker's Compensation Coverage. The Mortgagor shall maintain or cause to be maintained in connection with the Mortgaged Property any worker's compensation coverage required by the applicable laws of the State.

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thereof. The Mortgagor shall, at its expense, promptly comply with the Management Agreement and all rights of way or use, privileges, franchises, servitudes, licenses, easements, tenements, hereditaments and appurtenances forming a part of the Mortgaged Property and all instruments creating or evidencing the same, to the extent compliance therewith is required of the Mortgagor thereunder.

SECTION 4.03 Disposition of Mortgaged Property, Liens and Encumbrances. The Mortgagor shall not sell, convey, assign, transfer, lease or dispose of, all or any part of the Mortgaged Property, or any interest therein, or enter into any agreement for any of the foregoing, without consent of the Mortgagee.

The Mortgagor shall not directly or indirectly create or permit to remain, and will promptly discharge, any mortgage, lien, encumbrance or charge on, pledge of, security interest in or conditional sale or other title retention agreement with respect to all or any part of the Mortgaged Property, or any interest therein, or any Revenues, income or profits or other sums arising from the Mortgaged Property of any part thereof including any lien, encumbrance or charge by operation of law) other than Permitted Encumbrances described in Section 2.04 hereof. Mortgagor may, however, contest the imposition of such encumbrance and may permit such encumbrance to remain for so long as Mortgagor shall actively pursue such contest if Mortgagor shall deliver to Trustee an opinion of counsel to the effect that the existence of such encumbrance for the applicable period will not endanger or adversely affect the lien of this Mortgage.

It is recognized that while the Site contains approximately ninety (90) acres of land, the real estate required to contain the Improvements defined in the Indenture is limited to less than twenty-five (25) acres (the "Project Site") within the Site.

The Mortgagor shall have the right and option to sell up to seven (7) acres of that portion of the Site that does not interfere with or encroach upon the Project Site in order to satisfy the Mortgagor's obligation on a note in the amount of \$200,000.00 held by the County, as maker. It is expected that said seven (7) acres will be sold shortly after the issuance of the Bonds, so as to satisfy the outstanding note to the County. The sale of such seven (7) acres shall not be subject to the requirements set forth in the following paragraph.

The Mortgagor shall also have the right and option to sell that portion of the Site that does not interfere with or encroach upon the Project Site, provided that the net proceeds of any such sale shall be used first to augment the Reserve Account on hand with the Trustee under the Indenture to the extent of up to \$723,000.00; second, if such sale is closed on or prior to December 31, 2009, to add to the Contingency Reserve Account an amount of up to \$129,063.13; third, to satisfy the Days' Cash on Hand Requirement defined in the Indenture; and fourth, to redeem Bonds on the next Interest Payment Date. For example, if a portion of the Site is sold, and the net proceeds from such sale total \$902,063.13, then \$723,000.00 of such proceeds shall be deposited into the Reserve Account, \$129,063.13 shall be deposited into the Contingency Reserve Account, and the remaining \$50,000.00 shall be used to redeem Bonds on

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the next Interest Payment Date, at par, assuming that the Days' Cash on Hand Requirement is not deficient.

ARTICLE V

DAMAGE, DESTRUCTION AND CONDEMNATION

SECTION 5.01 Damage to or Destruction of Mortgaged Property. In any case of any damage to or destruction of the Mortgaged Property or any part thereof, the Mortgagor will promptly give or cause to be given written notice thereof to the Mortgagee generally describing the nature and extent of such damage or destruction and hereby covenants to comply with any obligations imposed thereon under the Indenture. Subject to the provisions of the Indenture, the Mortgagor shall (whether or not any Insurance Proceeds received for such damage or destruction are sufficient for such purpose) promptly commence and complete, or cause to be commenced and completed, the Restoration of the Facility as nearly as practicable to the value, condition and character thereof existing immediately prior to such damage or destruction, with such changes or alterations, however, as the Mortgagor may deem necessary for proper operation of the Mortgaged Property and as may be approved by the Mortgagee and in compliance with all applicable Legal Requirements.

SECTION 5.02 Use of Insurance Proceeds. In connection with the repair or restoration of the Mortgaged Property pursuant to Section 5.01 hereof, Insurance Proceeds shall be paid to and held by the Trustee in the Net Awards Account created under the Indenture. The Insurance Proceeds shall be applied as set forth in the Indenture.

SECTION 5.03 Eminent Domain. If title to or the temporary use of the Mortgaged Property, or any part thereof, is taken by any governmental body through the exercise of the power of eminent domain, the Mortgagor will promptly give written notice thereof to the Mortgagee, describing the nature and extent of such taking and hereby covenants to comply with any covenants imposed thereon under the Indenture. Any Awards received shall be paid to and held by the Trustee in the Net Awards Account of the Operation and Maintenance Fund under the Indenture. The Awards shall be applied in accordance with the Indenture.

ARTICLE VI

EVENTS OF DEFAULT; REMEDIES

SECTION 6.01 Right to Perform Covenants. If the Mortgagor shall fail to make any payment or perform any act required to be made or performed hereunder (including, without limitation, the payments described in Article III hereof) or under the other Mortgage Documents, the Mortgagee without demand upon the Mortgagor and without waiving or releasing any obligation or default, may make such payment or perform such act for the account and at the expense of the Mortgagor, and may enter upon the Mortgaged Property or any part thereof for such purpose and take all such action thereon as, in its sole opinion, may be necessary or appropriate therefor. All payments so made by the Mortgagee and all costs, fees and expenses

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breach thereof, shall constitute a waiver of any such term or of any such breach. No waiver of any breach shall affect or alter this Mortgage, which shall continue in full force and effect with respect to any other then existing or subsequent breach.

SECTION 6.07 Discontinuance of Proceedings and Restoration of Status Quo. The Mortgage enforces any right, power or remedy under this Mortgage by foreclosure, entry or otherwise, and such proceedings shall have been determined adversely to the Mortgagee, the parties shall be restored to their former positions and rights hereunder, and all rights, powers and remedies of the Mortgagee shall continue as if no proceeding had been taken.

SECTION 6.08 Reversion to the County. At the time that all Bonds are discharged (as defined in Section 12.13 of the Indenture), but not when the Bonds are deemed paid pursuant to Article VII of the Indenture:

- (a) all moneys and securities remaining in the various funds and accounts under the Indenture (except for amounts and securities pledged to the Trustee by the Issuer under Article VII of the Indenture to defease the Bonds) shall inure to the benefit of the County, without demand or further action on the part of the County, free of all charge, lien or encumbrance and the Trustee shall forthwith transfer such moneys to the County; and
- (b) each item of Mortgaged Property shall revert to the County, without demand or further action on its part, free of the lien of this Indenture and of the leases which the Issuer may have entered into with the tenants thereof, and free of all other charges, liens or encumbrances, including leases, management contracts and other similar encumbrances.

SECTION 6.09 County's Right to Defeasance. The County is granted the right to defease the Bonds and to obtain title to the Project pursuant to and in the manner described in Section 12.14 of the Indenture.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01 Additional Security. Without notice to or consent of the Mortgagor and without impairment of the lien and rights created by this Mortgage, the Mortgagee may accept from the Mortgagor, or from any other person or persons, additional security for the indebtedness secured by this Mortgage. Neither the giving of this Mortgage nor the acceptance of any such additional security shall prevent the Mortgagee from resorting first to such additional security, or first to the security created by this Mortgage, in either case without affecting the lien hereof and the rights conferred hereunder.

SECTION 7.02 Release and Discharge. If all of the sums due under the Obligations shall have been paid in full and all other sums payable under the Mortgage Documents by the Mortgagor shall have been paid in full and the Mortgagor shall have complied

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incurred in connection therewith or in connection with the performance by the Mortgagee of any such act, together with the interest thereon from the date of payment or incurrence at an annual rate equal to two percent (2%) per annum above the interest rate on the Bonds, which interest shall, together with such interest, be additional Obligations secured by this Mortgage and shall be paid by the Mortgagor to the Mortgagee on demand. In any action to collect such indebtedness or to foreclose this Mortgage, the Mortgagee shall be entitled to recover such expenses in such action except as limited by law or judicial order or decision entered in such proceedings.

SECTION 6.02 Events of Default. Any one or more of the following events shall be an Event of Default under this Mortgage:

- (a) The occurrence of any "Event of Default" as defined in the Indenture; or
- (b) The transfer or encumbrance of any interest in the Mortgaged Property, or the transfer of any interest in the Mortgagor in violation of the Indenture; or
- (c) Any representation or warranty made by the Mortgagor herein in the Indenture, the Construction Account Agreement or in any other Mortgage Document, shall prove to be untrue or incorrect in any material respect; or
- (d) The breach of any covenant of the Mortgagor under the Mortgage, the Construction Account Agreement, or any other Mortgage Document.

SECTION 6.03 Remedies. If an Event of Default on the part of the Mortgagor shall have occurred and be continuing, the Mortgagee, at any time, at the Mortgagee's election, may exercise in the manner set forth in the Indenture any or all or any combination of the remedies conferred upon or reserved to it under the Indenture. Any moneys received by the Mortgagee pursuant to the exercise of such remedies shall be applied as provided in Section 7.04 of this Mortgage.

SECTION 6.04 Application of Proceeds. Any moneys (including the proceeds of any sale, by foreclosure or otherwise, of the Mortgaged Property or any part thereof or any interest therein) received by the Mortgagee, pursuant to the exercise of any remedies provided in this Mortgage, the other Mortgage Documents or by law, shall be applied to redeem and retire Bonds to the extent such moneys shall permit.

SECTION 6.05 Provisions Subject to Applicable Law. All rights, powers and remedies provided herein may be exercised only to the extent that the exercise thereof does not violate the provisions of the Indenture, any applicable law, and are intended to be limited to the extent necessary so that they will not render this Mortgage invalid, unenforceable or not entitled to be recorded, registered or filed under any applicable law.

SECTION 6.06 No Waiver by Mortgagee. No failure by the Mortgagee to insist upon the strict performance of any term hereof or to exercise any right, power or remedy after a

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with all the terms, conditions and requirements of the Mortgage Documents, then this Mortgage shall be null and void and of no further force and effect. Upon the written request and at the expense of the Mortgagor, the Mortgagee will promptly execute and deliver such proper instruments of release and discharge as may reasonably be requested to evidence such defeasance, release and discharge.

SECTION 7.03 Inspection. The Mortgagee and its representatives are hereby authorized to enter upon and inspect the Mortgaged Property at any time during normal business hours during the term of this Mortgage.

SECTION 7.04 Expenses. The Mortgagor will, to the extent permitted by law, immediately upon demand, pay or reimburse the Mortgagee for all reasonable attorneys' fees, costs and expenses incurred by the Mortgagee in any proceedings involving an insolvent or a debtor under federal bankruptcy law, or in any action, proceeding or dispute of any kind in which the Mortgagee is a party, or appears as an intervenor or party plaintiff or defendant affecting or relating to any of the Mortgage Documents, the Mortgagor or any of the Mortgaged Property, including the foreclosure of this Mortgage or any other lien on the Mortgaged Property, any condemnation action involving the Mortgaged Property, or any action to protect the security hereof. Any amounts paid or incurred by the Mortgagee as a result of the application of this Section, shall, except as may be limited by law or judicial order or decision entered in any action to foreclose this Mortgage, be added to the indebtedness secured hereby and secured by the lien and security interest of this Mortgage.

SECTION 7.05 Books, Records and Accounts. The Mortgagor shall keep and maintain or will cause to be kept and maintained such accounts, books and records as are required of it by the Indenture, and shall make them available to such persons and under such circumstances as is provided in the Indenture.

SECTION 7.06 No Merger. It being the desire and intention of the parties hereto that this Mortgage and the lien thereof do not merge in fee simple title to the Mortgaged Property, it is hereby understood and agreed that, should the Mortgagee acquire any additional or other interests in or to the Mortgaged Property or the ownership thereof, then, unless a contrary intent is manifested by the Mortgagee as evidenced by an appropriate document duly recorded, this Mortgage and the lien thereof shall not merge in the fee simple title, toward the end that this Mortgage may be foreclosed as if owned by a stranger to the fee simple title.

SECTION 7.07 General Provisions. This Mortgage shall be deemed to be made under the laws of the State of Florida and for all purposes shall be governed by and construed in accordance with the laws of the State of Florida and shall inure to the benefit of and be binding upon the Mortgagor, the Mortgagee and their permitted successors and assigns. If any term or provision of this Mortgage shall be held to be invalid, illegal or unenforceable, the validity of the remaining provisions hereof shall in no way be affected thereby. The captions or headings herein shall be solely for convenience.

-20-

SECTION 7.08 Amendments, Changes and Modifications. Except as otherwise provided in this Mortgage, this Mortgage may not be effectively amended, changed, modified, altered or terminated without the prior written consent of the Mortgagee.

SECTION 7.09 Notice and Payment. Until the Bonds have been paid in full or until the Bonds are deemed paid pursuant to Article VII of the Indenture, and as long as no amounts are in default pursuant to the Indenture, all funds paid to the Mortgagee under this Mortgage shall, after payment to third parties of any amounts required or permitted to be so paid pursuant to this Mortgage, be so paid to the Trustee and disbursed by it in accordance with the terms of the Indenture. When the Bonds have been paid in full, and all other amounts due to the Trustee and secured hereunder have been paid or provided for, the Trustee shall pay any amounts remaining in the Bond Fund or the Revenue Fund as provided in the Indenture.

IN WITNESS WHEREOF, the Mortgagor has executed this Mortgage as of the date hereof.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION

(SEAL)

By: _____
President

Name: _____

Attest: _____
Secretary

Name: _____

STATE OF FLORIDA

COUNTY OF BAKER

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that _____ personally known to me to be the same person whose title is President of Baker Correctional Development Corporation, subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that he, being thereunto duly authorized, signed, and delivered the said instrument as the free and voluntary act of said Corporation and as his voluntary act, for the uses and purposes therein set forth and took an oath.

Given under my hand and notarial seal this ___ day of February, 2008.

Notary Public

(SEAL)

My Commission Ends: _____
Name:
Address:

Personally Known ___ or
Produced Identification ___
Type of Identification
Produced _____

IN WITNESS WHEREOF, the Trustee has executed this Mortgage as of the date hereof.

BANK OF OKLAHOMA, N.A.
as Trustee

[SEAL]

By: _____
Its: Vice President and Trust Officer

STATE OF GEORGIA

COUNTY OF BIBB

I, _____, a Notary Public in and for the said County in the State aforesaid, do hereby certify that _____ personally known to me to be the same person whose title is _____ of Bank of Oklahoma, N.A., subscribed to the foregoing instrument, appeared before me this day in person and severally acknowledged that he, being thereunto duly authorized, signed, and delivered the said instrument as the free and voluntary act of said Corporation and as his voluntary act, for the uses and purposes therein set forth and took an oath.

Given under my hand and notarial seal this ___ day of February, 2008.

Notary Public

(SEAL)

My Commission Ends: _____
Name:
Address:

Personally Known ___ or
Produced Identification ___
Type of Identification
Produced _____

EXHIBIT B

BAKER CORRECTIONAL DEVELOPMENT CORPORATION

PERMITTED ENCUMBRANCES

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APPENDIX C
FORM OF THE INTERLOCAL AGREEMENT

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INTERLOCAL AGREEMENT WITH RESPECT TO
BAKER COUNTY DETENTION CENTER PROJECT
TO BE FINANCED WITH PROCEEDS OF
\$45,000,000 BAKER CORRECTIONAL DEVELOPMENT CORPORATION
FIRST MORTGAGE REVENUE BONDS
(BAKER COUNTY DETENTION CENTER PROJECT),
SERIES 2008

INTERLOCAL AGREEMENT
between
COUNTY OF BAKER (FLORIDA)
and
BAKER CORRECTIONAL DEVELOPMENT CORPORATION

THIS INTERLOCAL AGREEMENT, dated as of February 1, 2008, between the COUNTY OF BAKER, a political subdivision duly created and existing under the Constitution and laws of the State of Florida (the "County"), and BAKER CORRECTIONAL DEVELOPMENT CORPORATION, a Florida not-for-profit corporation (the "Issuer"), revoking and replacing in its entirety that certain Interlocal Agreement, dated as of July 1, 2007, between the County and the Issuer;

WITNESSETH:

In consideration of the respective representations and agreements hereinafter contained and in furtherance of the mutual public purposes hereby sought to be achieved, the County and the Issuer agree as follows:

ARTICLE I

DEFINITIONS

In addition to the words and terms elsewhere defined in this Interlocal Agreement, the following words and terms as used herein shall have the following meanings unless the context or use indicates another or different meaning or intent:

"Act" means Florida Statutes Annotated, Sections 125.01 and 130.01.

"Bond" or "Bonds" means the \$45,000,000 Baker County Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008, to be issued pursuant to the Resolution.

"Bond Fund" means the Bond principal and interest fund created pursuant to the terms of the Resolution.

"Code" means the Internal Revenue Code of 1986, as amended, and applicable regulations thereunder.

"County" means the County of Baker, Florida, a political subdivision created and existing under the Constitution and laws of the State of Florida.

Dated as of February 1, 2008

This Interlocal Agreement relates to the issuance of \$45,000,000 in aggregate principal amount of Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008

This instrument was prepared by:

Sell & Melton, L.L.P.
577 Mulberry Street, Fourteenth Floor
Macon, Georgia 31201

"Facility" means the 512-bed detention facility for the incarceration of inmates, detainees and criminals, and the administrative offices for the Sheriff of Baker County to be constructed by the Issuer as part of the Project.

"Interlocal Agreement" means this Interlocal Agreement, dated as of February 1, 2008, between the County and the Issuer.

"Manager" means the Baker County Sheriff's Office or such other person or entity as may be selected from time to time by the County.

"Permitted Cost Fund" means the Project Fund created pursuant to the terms of the Resolution into which proceeds of the Bonds will be deposited.

"Project" means the acquisition of approximately ninety (90) acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals and the administrative offices for the Sheriff of Baker County.

"Resolution" means that certain Bond Resolution of the Issuer, adopted on December 17, 2007, pursuant to which the Bonds are issued and secured, and any supplements or amendments thereto.

"Trustee" means that certain institution designated by the Issuer in the Resolution as Trustee, Bond Registrar, Paying Agent, Authenticating Agent and Custodian of the Project Fund and the Bond Fund, or any successor Trustee under the Resolution.

ARTICLE II

REPRESENTATIONS

Section 2.1. Representations by the County. The County makes the following representations as the basis for the undertakings on its part herein contained:

- (a) The County wishes to provide a jail or incarceration facility, including related buildings and works, for the housing and incarceration of inmates, detainees and criminals.
- (b) The County has determined that the construction and development of the Project will create approximately sixty (60) new jobs, will be in the best interests of the County, will serve other predominately public purposes set forth in the Act.
- (c) The County has the power to enter into this Interlocal Agreement and perform its obligations hereunder and has duly authorized the execution and delivery of this Interlocal Agreement.

- (d) The County is not subject to any law, ordinance, rule or regulation, or any order or decree of any Court, governmental authority or other tribunal, or any contractual provision or limitation of any nature whatsoever, which in any way restricts or prevents it from entering into this Interlocal Agreement or performing its obligations hereunder.

Section 2.2. Representations by the Issuer. The Issuer makes the following representations as the basis for the undertakings on its part herein contained:

- (a) The Issuer is a Florida nonprofit corporation incorporated to satisfy the requirements of Revenue Ruling 63-20.
- (b) The Issuer declares that the issuance of the Bonds and the construction and development of the Project and use thereof constitute lawful and valid public purposes consistent with the provisions of the Act.
- (c) The Issuer has the power to enter into this Interlocal Agreement and to perform all obligations contained herein.
- (d) The Issuer has by proper corporate action been duly authorized to execute and deliver this Interlocal Agreement.
- (e) The Issuer is not subject to any by-law, rule or regulation, or any order or decree of any court, governmental authority or tribunal or any contractual limitation or provision of any nature whatsoever which in any way limits, restricts or prevents it from entering into this Interlocal Agreement or performing its obligations thereunder.

ARTICLE III

TERM OF AGREEMENT; CONSTRUCTION
AND DEVELOPMENT OF PROJECT

Section 3.1. Term Hereof. The term of this Interlocal Agreement is thirty (30) years and is coextensive with the term of the Bonds.

Section 3.2. Issuance of Bonds; Construction and Installation of Project. The Issuer agrees to authorize, sell, issue and deliver the Bonds, and to use the proceeds thereof and other moneys (if any) available to it to finance the Project.

Section 3.3. Services of the Issuer to be Rendered Under this Interlocal Agreement. In addition to agreeing to finance the Project through the issuance of the Bonds, the Issuer agrees, in consideration of the County's commitments and agreements under this Interlocal Agreement, that the Issuer's services with respect to the Project shall include, without limitation:

COUNTY'S OBLIGATIONS HEREUNDER;
SECURITY FOR BONDS; OTHER PROVISIONS

- (a) building and installing the Facility and coordinating with the County and its agencies and subordinate entities on the construction and installation of the Facility;
- (b) approving any changes deemed necessary or desirable in connection with the Project;
- (c) arranging for and coordinating with the County the supervision of all plans necessary to construct and install the Facility, including the preparation of budgets for various stages of development;
- (d) letting all contracts necessary to implement the construction and installation of the Facility and supervising all improvements so as to assure the prompt completion thereof;
- (e) arranging for and coordinating with the County the provision of all insurance necessary in connection with the Project, if any;
- (f) performing general management and administrative services in connection with the construction and installation of the Facility until the management of the Facility is assumed by the County;
- (g) collecting, managing and investing Bond proceeds and other moneys to be used in constructing and installing the Facility and keeping books of account and records concerning all of the Issuer's activities in connection with the construction and installation of the Facility;
- (h) contracting for and providing all necessary legal, appraisal and accounting services in connection with the construction and installation of the Facility.

Section 3.4. Services of the County to be Rendered Under This Interlocal Agreement. In consideration of the Issuer's commitments and agreements under this Interlocal Agreement, the County's services with respect to the Project shall include, without limitation, coordinating with the Issuer the supervision of all plans necessary to construct and install the Facility, including preparation of budgets for various stages of development.

Section 3.5 Disbursement of Project Fund Moneys. Under the Resolution, moneys in the Project Fund shall be disbursed by the Trustee upon receipt of a requisition appropriately signed by a representative authorized by the Issuer. The Issuer agrees to appoint such authorized Issuer representative with the advice and consent of the County.

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Valorem Revenues. Neither this Interlocal Agreement nor the obligations of the County hereunder shall be construed as a pledge of or a lien on all or any legally available Non-Ad Valorem Revenues of the County. The obligations of the County herein to consider budgeting and appropriating are subject in all respects to the provisions of Florida law, including but not limited to Chapter 129, Florida Statutes, and are subject, further, to the payment of services and programs which are for essential public purposes affecting the health, welfare and safety of the inhabitants of the County.

Section 4.2. This Interlocal Agreement as Security for the Bonds. The parties agree and intend that this Interlocal Agreement shall constitute security for the benefit of the owners of the Bonds, and the obligations of the parties hereunder shall be absolute and unconditional and shall not be abated or reduced because of damage to or destruction of the Project, failure to complete the construction and installation of the Project or failure of the Issuer to perform any of its obligations thereunder, or for any reason whatsoever so long as the Bonds remain outstanding and unpaid. Further, the County agrees that it shall not withhold or set-off against any payments required hereunder because of any claimed breach of this Interlocal Agreement by the Issuer or for any other reason whatsoever. The parties further agree that they will not amend this Interlocal Agreement in any manner which would limit, prejudice or adversely affect the rights of the holders and owners of the Bonds.

Section 4.3. No Full Faith and Credit or Taxing Power Pledged. The parties agree that the Bonds shall not be deemed to constitute a general debt, liability or obligation of the Issuer, the County, the State of Florida, or any political subdivision or agency thereof, or a pledge of the faith and credit of the Issuer, or of the State of Florida, or of any political subdivision or agency thereof, but the Bonds shall be payable solely from the revenues provided therefore in certain financing documents to be executed in connection therewith, and the Issuer will not be obligated to pay the Bonds or the interest thereon except from the revenues and proceeds pledged therefore, and neither the faith and credit nor the taxing power of the Issuer, the County, or the State of Florida, or any political subdivision or agency thereof, will be pledged to the payment of the principal of premium, if any, or interest on the Bonds. The parties further agree that neither the holders of the Bonds nor anyone else shall be able to compel use of the ad valorem taxing power to service the Bonds.

ARTICLE V

MISCELLANEOUS

Section 5.1. Use of Proceeds; Amounts Remaining in the Project Fund. The parties agree with the holder of the Bonds that the proceeds of the Bonds and the Project itself will be used for such purposes and in such manner so that the interest on the Bonds shall be and remain excludable from gross income for federal income tax purposes. When the Project shall have been completed and such fact shall have been evidenced by a certificate delivered to the Trustee from the President of the Issuer and, at such time, should there be any balance in the Project Fund, such balance shall be applied at the

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Section 4.1. County's Payment Obligations Hereunder. If thirty (30) days prior to any interest payment date, principal payment date or redemption date with respect to payment of the Bonds, as the case may be, the amount on deposit in the Bond Fund is not sufficient to make all payments with respect to the principal of, redemption premium, if any, sinking fund installments for, and interest on the Bonds which are required to be made on such date, the Trustee shall promptly give telephonic notice (to be promptly confirmed in writing) stating the amount of such deficiency to the County, the Manager and the Issuer. Promptly upon receipt of such notice, the Issuer shall pay the amount of such deficiency (hereinafter the "Deficiency") to the Trustee in immediately available funds. In the event the Issuer fails promptly (within 24 hours of receipt of telephonic notice) to make such payment, the County shall use its "best efforts" to make such payment from sources other than ad valorem taxes (hereinafter "Non-Ad Valorem Revenues") as shall be sufficient to pay the Deficiency. The County shall provide for appropriations on a best-efforts basis from Non-Ad Valorem Revenue sources to assist in replenishing that certain Debt Service Reserve Fund (hereinafter the "Debt Service Reserve Fund") described in that certain Trust Indenture (hereinafter the "Indenture") between the Issuer and the Trustee, dated as of February 1, 2008, as shall be sufficient to replenish the Debt Service Reserve Fund up to the level required under the terms of the Indenture. Upon receipt of such funds from the Issuer or County (or from the Manager), the Trustee shall deposit them to the appropriate account in the Bond Fund defined in the Indenture. Such obligations to consider budgeting and appropriating do not create any lien upon or pledge of such Non-Ad Valorem Revenues; nor do they preclude the County from pledging in the future its Non-Ad Valorem Revenues; nor do they require the County to levy and collect any particular Non-Ad Valorem Revenues; nor do they give the holders of the Bonds a prior claim on the Non-Ad Valorem Revenues as opposed to claims of general creditors of the County. Such obligations to consider budgeting and appropriating Non-Ad Valorem Revenues are subject in all respects to the prior payment of obligations secured by a pledge of such Non-Ad Valorem Revenues heretofore or hereafter entered into (including the payment of debt service on bonds and other debt instruments).

Anything in this Interlocal Agreement to the contrary notwithstanding, it is understood and agreed that all payments, if any, made by the County hereunder shall be payable from the portion of Non-Ad Valorem Revenues considered for budgeting and appropriating as provided for hereunder, and nothing herein shall be deemed to pledge ad valorem tax revenues or to permit or constitute a mortgage or lien upon any assets owned by the County; and no holders of the Bonds or any other person may compel the levy of ad valorem taxes on real or personal property within the boundaries of the County. Notwithstanding any provisions of this Interlocal Agreement or in the Bonds to the contrary, the County shall never be obligated to maintain or continue any of the activities of the County which generate user service charges, regulatory fees or any Non-Ad

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option of the Issuer to purchase Bonds in the open market for cancellation or be deposited into the Bond Fund created in the Resolution.

Section 5.2. Continuing Disclosure Requirements. The County and the Issuer covenant and agree that they will cooperate with each other for the benefit of the owners of the Bonds to provide (i) certain financial information and operating data relating to the County (the "Operating and Financial Data") annually to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and to the state information depository (the "SID"), if any, and (ii) notices of the occurrence of certain events, if deemed by the County to be material (the "Material Events Notices"), to each NRMSIR or the Municipal Securities Rulemaking Board and to the SID, if any. The Operating and Financial Data and the Material Events Notices may be obtained from the person indicated in a Disclosure Certificate to be executed and delivered in connection with the issuance of the Bonds by the Issuer and the County. This covenant and the covenants in the Disclosure Certificate are made in order to assist the underwriter of the Bonds in complying with Securities and Exchange Commission Rule 15c2-12 (the "Rule"). The County agrees that the primary obligation for complying under the Disclosure Certificate will be that of the County. The Disclosure Certificate shall be in the form prepared by bond counsel in connection with the Bonds and approved by the County and the Issuer, whose approval shall be evidenced by the execution and delivery thereof by the appropriate County and Issuer officials.

Section 5.3. Amounts Remaining in Bond Fund. It is agreed by the parties hereto that any amounts remaining in the Bond Fund after payment in full of the Bonds in accordance with the provisions of the Resolution and after payment of any fees, charges and expenses of the Trustee shall be paid over by the Trustee to the County.

Section 5.4. Subsequent Agreements; Sunshine and Open Meetings Laws. It is anticipated that the services of the Issuer, Manager and County herein will be provided for in detail in subsequent agreements. It is understood and agreed, however, that the Issuer shall operate in full compliance with Florida's Sunshine and Open Meetings Laws, Chapters 119 and 286, Florida Statutes.

Section 5.5. Inspections and Audits. The County shall have the right at any time, without notice and without cause, to inspect and audit the books and records of the Issuer and the Issuer shall maintain its books and records so that they are at all times available for that purpose and shall fully cooperate in that regard.

Section 5.6. Severability. In the event any provision of this Interlocal 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 5.7. Execution in Counterparts. This Interlocal 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.

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Section 5.8. Captions. The captions or headings in this Interlocal Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision hereof.

IN WITNESS WHEREOF, the County and the Issuer have caused this Interlocal Agreement to be executed in their respective corporate names and their respective seals to be hereunto affixed and attested by their duly authorized officers, all as of the date first above written.

BAKER CORRECTIONAL
DEVELOPMENT CORPORATION

(SEAL)

By: _____
President

COUNTY OF BAKER

Attest:

(SEAL)

By: _____
Chairman, Board of Commissioners
of Baker County, Florida

Secretary

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Attest:

Clerk, Board of Commissioners
of Baker County, Florida

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APPENDIX D
FEASIBILITY STUDY

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Baker Correctional Development Corporation

***A Feasibility Analysis
for a
Correctional Center***

December 2007

Prepared By:

GSA, Limited

413 Black Diamond Court
Fairview, TX 75069

972-838-8715

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INTRODUCTION

Having provided secure bed space to the US Marshal's Service (USMS) for a number of years Baker County (County) determined that the USMS, as well as the Bureau of Immigration and Customs Enforcement (ICE), has a substantial need for short-term detention beds in Florida. With its jail becoming increasingly difficult to properly maintain the County is also experiencing a need for new and additional secure beds. Construction of a new correctional facility (Proposed Facility) with bed capacity beyond what is currently available in the County Jail is, thus, viewed by County officials as an opportunity to address the County's own current and future bed need. Concurrently, it presents an opportunity to offer beds for rental to the Federal agencies that, in turn, would produce economic benefits to the County through job creation and infusion of new revenue into the County economy.

Baker County Location and Economy

Baker County is located approximately 30 miles west of Jacksonville, Florida with its northern border defined by the Georgia/Florida state boundary. The City of McClenney is the County seat and the community in which the Proposed Facility will be located. With an area of 585 square miles the County's current population, according to the State of Florida (State), is approximately 26,300 residents.

Although the County is rural in character it is located adjacent to the major population center in northeast Florida. Interstate Highway I-10 offers direct high-speed access to Jacksonville where it intersects with I-95, a major north-south artery connecting Miami with many of the eastern seaboard's major metropolitan areas. I-10 also links the County with all of north and panhandle Florida and on to the west into Alabama.

The character of the County is changing as a result of the growth of the Jacksonville metropolitan area. Land values in the metropolitan area combined with ease of travel to McClenney make the community attractive for commuting to jobs in the Jacksonville area. As a result residential development is occurring at a relatively rapid pace and is expected to continue that trend into the future.

As delineated in the following table steady but modest increase in County population has been experienced since the 2000 US Census of Population. A forecast of the County's future population prepared by the State of Florida projects a continuation of the historical trend with the total resident population expected to reach 29,600 by 2010 and growing to 33,400 by 2015.

Year	Total County Population	Year	Total County Population
Historical		Projected	
2000	22,250	2008	27,401
2001	22,593	2009	28,500
2002	22,936	2010	29,600
2003	23,279	2011	30,360
2004	23,622	2012	31,120
2005	23,963	2013	31,880
2006	25,203	2014	32,640
2007	26,302	2015	33,400

Table 1: Historical and projected resident population of Baker County. Data for 2000, 2005, 2010 and 2015 from the *Baker County Sheriff's Office Level of Service Study*, Northeast Florida Regional Council, August 2005. Year 2006 data from the US Bureau of the Census and all other years interpolated by GSA, Ltd.

Location Selected for the Facility

A site located adjacent to the McClenney city limits has been selected for the Proposed Facility and the Corporation has received a commitment to sell from the current owner. The site, which will be annexed to the City, contains approximately 90 acres of relatively flat land with a limited amount of wetlands area. Water and sewer lines are currently available to provide the level of service needed to support the Proposed Facility's potable water, sewage disposal and fire protection needs. Approximately 20 acres will be allocated for construction and possible expansion of the Proposed Facility while the remainder of the site area will be made available for other purposes. Specific plans for the site area not needed for the Proposed Facility have not been defined at this time but potential uses include other County government facilities. Sale of a portion of the property is possible.

Access to the site is from a main City street and it is located within a five-minute drive of the County Courthouse and existing jail.

The Facility Design Concept

Design plans for the Proposed Facility indicate a single level complex, with tiered housing, containing facility administration and support services, including food service, medical, laundry and intake. Office space for the Baker County Sheriff's Department and a courtroom will also be included within the structure. The site plan provides for future addition of two housing units that will be attached to the building. The building will be located within a fenced security perimeter.

Housing will be in two person cells. The plan based on the two person cells organized into 48 and 64 bed housing units offers a high degree of flexibility to house multiple classifications of detainees. Flexibility is, thus, available to respond to the needs of different client agencies and to fluctuations in detainee mixes.

Building design has been structured to permit construction of two additional housing units containing a total of 256 beds. Building infrastructure and support spaces have been designed to accommodate the potential expansion of the building. Future expansion, if needed, will not require additions to such areas as food service and laundry.

The Corporation has entered into a design/build contract with an architectural/construction team experienced in secure facility construction in Florida to design and construct the Proposed Facility. Design is now complete and the permitting process is nearing completion.

Objectives of the Project

As defined by the Corporation the Proposed Facility will:

- Contain approximately 512 secure detention beds and all necessary support spaces such as food service, medical, recreation and education appropriate to operating a detention facility meeting the standards of the State of Florida and ICE. Space will be included in the Proposed Facility for a courtroom with capability for video hearings. The design and site area availability will permit future addition of an additional 512 beds. Support spaces will be constructed initially to accommodate the total possible expansion.
- Accommodate the County's long-term secure bed need.
- Contain bed capacity in excess of the County's own need to provide secure housing to Federal agencies under an Intergovernmental Agreement (IGSA) between the County and ICE or USMS.
- Foster economic development of the County by creating new jobs and related business opportunity.

Key Considerations of the Project

Key considerations of the project may be summarized as follows:

- The Corporation will construct the Proposed Facility and be responsible for retiring the incurred debt. It will rent the beds on a daily basis to the County who, in turn, anticipates renting

the beds not needed to house County inmates to ICE and, possibly, the USMS with revenue received by the Corporation from the County used to retire the debt and meet operational costs.

- The Proposed Facility will be constructed on land to be acquired by the Corporation
- The secure housing space to be provided by the Proposed Facility is intended to meet a present and anticipated need of the County and ICE to house detainees under the jurisdiction of the two governmental agencies. Beds will also be made available for USMS use to the extent that ICE and the County do not require them.
- The County will provide operational and management staff and be the contracting agency with user agencies. Contracting will, thus, be on a government - to – government basis .
- The Proposed Facility will be designed to open with a bed capacity of approximately 512. Support areas will be designed to serve a population in excess of 1,000. The design will, thus, permit future addition of approximately 512 beds and the plans indicate that a future building can be attached to the original construction.

Potential Obstacles to Project Success

Several factors must be recognized as impacting potential success as defined by the Corporation's ability to retire the debt:

- There is no assurance that the County will successfully enter into suitable detainee housing contracts with other governmental entities that have custody responsibilities. There is also no assurance that any contract for the housing of detainees will yield sufficient payments per prisoner per day to meet the Proposed Facility's financial obligations.
- The Corporation has no contractual guarantee that any specified number of detainees will be housed in the Proposed Facility for any defined period.
- The Corporation has no contractual guarantee that other governmental jurisdictions will not make housing space available to the expected client agency or that other detention facilities will not be constructed to service the target market.
- The market focus is ICE, which is currently responsible on a daily basis for a large number of individuals in custody; however, future economic conditions, legislative change and

Federal government policy could change the numbers of persons for which ICE is responsible.

Factors Mitigating the Potential Obstacles

The factors listed above define potentially significant risks to potential purchasers of the Bonds, and the vast majority of them are linked to influences over which the Corporation or the County has no meaningful degree of control. At a minimum, therefore, decisions made by potential purchasers of the Bonds must carefully balance two sets of variables. The potential obstacles described above include many but not all of the variables that raise questions about the short- and long-term feasibility of the project. Several counterbalancing variables must also be considered:

- ICE and the USMS make extensive use of local detention facilities throughout the United States to house prisoners under their jurisdictions.
- The Proposed Facility will be located in an area where the secure bed need of the Federal agencies has grown dramatically in recent years.
- Although currently using several facilities in Florida the number of available beds does not meet the need of ICE and no beds are currently available to the Agency in reasonable proximity to its expanding Jacksonville office.
- The Proposed Facility will be located within approximately 30 miles of the Federal courthouse in Jacksonville. Holding detainees in close proximity to Federal courthouses is an important consideration for both ICE and the USMS because limiting the distance detainees must be transported for court appearances improves security and allows for rapid response to judicial scheduling demands.
- The Sheriff proposes to provide transportation to and from the Jacksonville courthouse. This will relieve ICE of the need to use its agents for transportation duties and allow focusing of the Agency's limited resources on its core mission.
- Baker County's need for secure beds is growing and the Sheriff is committed to using the Proposed Facility to meet the County's total need and will pay a bed use rate comparable to Federal users; consequently, although increased County need will reduce the inventory of beds available to federal users the revenue stream will be unaffected.
- Although the level of ICE use is subject to budgetary and political impacts these issues less affect use by the USMS because the Agency is responsible for holding all individuals

charged with Federal crimes while they are in the adjudication process; consequently, its need for detention beds must continue.

- The Proposed Facility will operate under standards established by the State of Florida and meet the standards of ICE. The latter represent the highest level of federal agency standards ensuring that use by any federal agency can be obtained.

The Role of this Study

It is the judgment of the Corporation and the County that the ICE and USMS need for secure housing is growing and recent initiatives of the Federal government relative to immigration enforcement will increase ICE's need for secure beds in Florida. However, it is also the judgment of the Corporation that its purposes would be served by the preparation of a feasibility study by an independent consultant who has expertise in adult corrections with particular experience in facilities serving ICE and the USMS. This feasibility study, consequently, was commissioned by the Corporation to provide an independent evaluation of that judgment by a firm specializing in local government and justice systems facility feasibility and planning analysis.

The study was prepared by GSA, Ltd. (Feasibility Consultant) with Howard R. Geisler as the principal author. **To assure the independence of the Firm's work, GSA, Ltd.'s fee for professional services has been paid in full by the Corporation and is not contingent upon the sale of the Bonds.**

A summary of GSA, Ltd.'s corporate credentials and the principal author's resume are provided in Appendix A. GSA, Ltd. has specialized in facility needs planning for detention and corrections facilities nationally for over 35 years. Mr. Geisler is a planning specialist who has conducted studies for more than 70 detention and corrections systems. He has also prepared feasibility studies for 35 privatized correctional facilities. The majority of these studies have been for facilities designed to serve the USMS and ICE. He has recently completed studies for facilities currently serving, or intended to serve, the USMS and ICE in Texas, Arizona and Florida, the USMS in Michigan and South Dakota, multiple Federal agencies in Montana, the US Marshals Service District of New Mexico and the ICE Seattle Region. His experience with county and state government detention needs analysis is extensive and he has recently completing projects with that focus in Texas, Nevada, Kentucky and Louisiana. The principal author of the study serves as an independent outside manager of a privately owned detention facility servicing a contract with ICE in Tacoma, Washington. In that role he has responsibility for oversight relative to the facility meeting its debt service obligations. Thus, the firm and its principal study author are well qualified to offer an expert professional judgment of the feasibility of the project.

This document reviews the issues the Feasibility Consultant deems to be most relevant to an assessment of the project and the analyst's best professional judgment regarding overall project feasibility. There is no assurance that this judgment is valid in any or all of its particulars or that it reflects the judgment of the Corporation, the County, or any other party associated with the proposed project. ICE, USMS and Baker County have provided statistical data relative to detainee populations.

The study is based on clearly defined assumptions that, in the Feasibility Consultant's opinion, represent a reasonable estimation of the need for such a facility. A substantial body of statistical data relative to crime and incarceration is available and used in this study; however, use of this data must be tempered by the basic fact that detention and correction needs are "system driven". Incarcerated populations can fluctuate in response to factors such as changing legislation, law enforcement emphasis and the simple availability of beds.

PROJECTED USE OF THE PROPOSED FACILITY

The Proposed Facility has been designed as a secure detention facility with the capability of safely housing security classifications ranging from low to high and with the ability to house both male and female detainees consistent with legal requirements relative to visual and sound separations. It will replace the current Baker County Jail providing capacity needed to meet the County's increasing requirement for secure beds to house detainees in its custody. The majority of the Proposed Facility's beds, however, will initially be designated for rental to other governmental agencies. The number of beds available for rental will decline as the County's custody requirements increase in response to County population and economic growth.

Potential Users of the Proposed Facility's Beds

Although the design for the Proposed Facility provides the levels of security needed by local and state correctional authorities the prime client is projected to be ICE. The USMS represents a second potential user. This focus is reflective of the County's experience in housing detainees in custody of Federal agencies and statements by ICE officials that ICE has a need for a facility in northeast Florida. Further supporting this market focus is the location of Baker County relative to the areas where these agencies house detainees and have regular contacts with the Federal courts.

With an Intergovernmental Service Agreement (IGSA) currently in force between Baker County and the USMS the County has both experience housing Federal detainees and an established service agreement that, based on the experience of other jurisdictions, has the potential to be modified to encompass a higher level of use and that can be used by other federal agencies. Geographically, the County is located within an approximate 30 minute drive of the Jacksonville Federal Courthouse and is relatively near a Florida Department of Corrections processing facility where significant numbers of deportable aliens are taken into ICE custody upon release from State custody. A focus on serving Federal agencies is, consequently, reasonable.

Unique Characteristics of Detention Management Impacting on Occupancy

Management of correctional facilities is dictated by a set of characteristics unlike those typical of business operations and other governmental activities. Overriding all aspects of correctional management is the need for security. Although ensuring that detained individuals cannot escape from the facility is obvious and is a function of both building design and staffing, management of the population size and composition is of equal importance in the operation of a safe facility.

Full occupancy of an apartment or hotel can be considered desirable from the standpoint of revenue return and is the objective of the owner; however, in a correctional facility full occupancy is not desirable. Daily variances in intakes and transfers combined with a need to separate population components dictate that a percentage of the facility's beds remain available. For example, it is common for detainees to arrive at a detention center in groups. This is particularly true with federal agencies where individuals are apprehended in targeted operations and where agencies such as the Border Patrol may hold individuals for a short period of time until staffing is available to execute a transfer to a federal magistrate. Similarly, individuals appearing before a magistrate may also be held in a courthouse until the end of the day regardless of the time of their hearing to allow for USMS efficiency in executing transfers to a detention facility.

Blocks of beds frequently become available during the course of a day as transfers out of a facility can also involve groups of detainees. Such factors as the scheduling of aircraft used to execute deportations or ground transportation to a US Bureau of Prisons facility dictate that individuals are held until a sufficient number is obtained to fit the transport mode (air transfers typically involve groups of 120 detainees). Daily fluctuations of detainee movement can thus cause what would appear to be underutilization of beds on specific days.

A second operational requirement can also produce what may appear as bed underutilization. Internal separation of detainees is a critical aspect of correctional management. Gender separation is the basic classification but several levels within each of the gender classifications are necessary. In the case of a facility holding immigration related detainees separation by nationality and language might be considered appropriate while separation by security classification is common in all types of detention facilities. In the latter case segregation is used to protect detainees from one another, such as isolating sex offenders, a group that is typically subject to attack from individuals in the general population, or separating members of different gangs from one another.

Separation of individuals who may be used as witnesses against another detainee is also a common practice. Health related concerns such as incidences of infectious diseases may require grouping infected individuals in a single housing unit, a unit with capacity beyond the number of contagious detainees. Segregation management can, thus, result in situations where the number of individuals appropriate for housing in separate areas may be less than the available beds in the specific housing unit. As an example, a detention center needs to separate 10 detainees from the general population for specific reasons while the smallest housing unit in the facility contains 40 beds. The result is that for a period of time 30 beds are unavailable for use.

Separation needs demand that a percentage of the beds in any detention facility be unoccupied and available for use at any time. The hard use a detention facility is subjected to also results in unused capacity as housing units are removed from use for repair and maintenance. Recognizing these needs correctional authorities recommend that approximately 5% to 10% of the total capacity of any facility be reserved for population management and maintenance use. Thus, if the average daily occupancy of a 500-bed facility is between 450 to 475 detainees it should be considered to be operating at full effective capacity. Stated another way an average daily occupancy falling between 90% and 95% should be considered maximum occupancy.

It is important to understand that the occupancy level of a detention facility must be viewed in a time context. Population management requirements impact on bed availability each day and counts are typically taken at a specific hour. Concurrently, the in and out flow of a detention facility can have daily and seasonal fluctuations resulting from such factors a weather, holidays and the governmental budget cycle. For example, during the November/December holiday period many illegal entrants return home to Mexico and Central America resulting in less northerly border crossings. Following the holiday period crossing activity, and apprehensions, increases.

Apprehension activity may also decrease as the end of the Federal budget cycle nears as available funding for detention housing and apprehension activities declines. With a new budget a significant increase can occur. Public and political pressures can also cause law enforcement agencies to intensify apprehension activities such as large-scale raids. This can result in large groups of detainees appearing at the facility and subsequently moving out.

Baker County Bed Need

As a county government Baker County has a responsibility to house individuals charged with State and local offenses that are in the adjudication process or are sentenced to periods of local confinement following conviction. The County operates a jail for this purpose but use of its total capacity is being approached and, for physical condition reasons, it is in need of replacement. It is the County's intent to terminate use of that facility once the Proposed Facility is constructed. Consequently, an estimate of the County need for jail beds in future years is essential to validating the designed size of the Proposed Facility and the level of bed use that must be obtained from other agencies to generate the revenue needed to meet all financial obligations.

County Jail Population Since 2000

Projection of jail bed need relies heavily on historical use trends and the total magnitude of the jurisdiction's total population. Average daily population of County-

responsible inmates housed in the Baker County Jail has increased steadily over the past five years with current occupancy approaching the safe maximum level. Occupancy of the Baker County Jail since 2002, defined in terms of average daily population, is illustrated in the following table. Also shown is the recent history of USMS occupancy as well as the ratio of County-responsible jail inmates to the resident County population.

Year	Average Daily Population County Inmates	County Inmate Ratio to 1,000 County Residents	Average Daily Population Federal Inmates
2002	69	3.01	58
2003	76	3.26	60
2004	90	3.81	49
2005	99	4.13	35
2006	104	4.13	37
2007	117	4.45	14

Table 2 : Historical average daily population of County-responsible inmates and USMS detainees housed in the Baker County Jail. Data from Baker County Jail records.

Projected Need for Beds to House Baker County Responsible Inmates

Baker County is responsible for housing persons detained on local and state charges while they are involved in the adjudication process as well as individuals receiving sentences on those charges that involve no more than one year of incarceration. Over the past five years the average number of persons held each day for these reasons has ranged from a high of 117 to a low of 69 with a steady growth seen each year. As shown in Table 2 the County is likely to need up to 224 beds to house those inmates in the custody of the Sheriff within the next five to ten years. This clearly indicates that a replacement for the existing jail will be necessary in the near future on the basis of County need for beds alone.

A projection of the potential average daily population of County-responsible inmates is shown in the following table. This projection is produced from an historical trend analysis of jail occupancy (excluding federal inmates) applied to the anticipated future County resident population.

Year	County Resident Population	Jail ADP to County Population Ratio	Jail ADP
2007	26,302	4.45	117
2008	27,401	4.56	125
2009	28,500	4.72	135
2010	29,600	4.88	144
2011	30,360	5.04	153
2012	31,120	5.20	162
2013	31,880	5.36	171
2014	32,640	5.52	180
2015	33,400	5.68	190

Table 3: Projection of average daily population of Baker County-responsible inmates.

The projection shown in Table 3 defines the anticipated average daily population. As the term implies, this represents the average number of beds needed over a given period of time. However, planning for effective management of a jail must consider the need for flexibility in managing the inmate population. Because the population of a jail will exceed the average at varying times it is necessary to add a factor to the base projection to allow for peaking over the average. It is also necessary to allow for segregation requirements. As discussed previously, the need for gender separation combined with the variables in daily admissions can result in periods where some beds are unusable. Additionally, the nature of the population at any time can necessitate separation, and loss of useable beds, for classification purposes. Finally, the hard use a correctional facility receives typically results in the temporary loss of beds for maintenance purposes.

Applying these factors, termed population management factors, to the base bed need projection results in the number of beds that should be planned for County use defined in the following table.

Year	Base Bed Need (ADP)	Peaking	Segregation	Total BedNeed
2007	117	12	9	138
2008	125	13	10	148
2009	135	14	10	159
2010	144	14	11	169
2011	153	15	12	180
2012	162	16	12	190
2013	171	17	13	201
2014	180	18	14	212
2015	190	19	15	224

Table 4: Projection of the number of beds needed to management the Baker County-responsible inmate population.

ICE Need for Detention Beds Nationally

Information disseminated by newspapers, legislative bodies and ICE presents a picture of vast numbers of illegal immigrants at-large in the United States and crossing the borders each day. A lack of consistency can be seen in published reports for past years and the total numbers quoted by the various sources are equally inconsistent. It is clear, however, from the numbers of individuals detained and removed in past years that a significant population subject to arrest and deportation exists. Increased fiscal, technical and physical resources along with directives to the enforcement agencies point to more and more individuals being detained. The most recent trends, although the reported statistics are generalized and impossible to verify, indicate that the focus and resources is bearing fruit. This suggests that, in the relatively short term, the ICE need for secure beds will continue to grow.

Recognizing the apparent numbers of persons currently residing in the United States illegally and the continuing numbers of persons attracted by the world-wide image of the opportunities available in the United States for honest income and a better life, as well as for criminal gain, it is reasonable to assume that regardless of the barriers (physical and human) being placed by the border protection agencies attempts to enter will continue. A cursory review of immigration control efforts in other countries such as Australia, the United Kingdom and Spain shows that the problem of illegal immigration is not unique to the United States. Efforts by other countries to control their borders combined with the relative ease of travel throughout the World and economic conditions in countries from which illegal aliens have traditionally come from suggests that attempts to illegally enter the United States will not be deterred. Increased difficulty in crossing the US borders is, however, likely to increase the number of criminal offenders.

With the significant pressure being placed on ICE to apprehend and deport illegal aliens and resources have been made available to the Agency in recent years to intensify its efforts. Large numbers of persons who have entered this country illegally are at large and many of these individuals are subject to deportation. ICE policy, reflecting its limited manpower and secure bed resources, has, historically, been to apprehend many illegal entrants and, following an administrative hearing, release the individual with a promise to appear at a future time. Few of these individuals appeared as required and remain at large. Substantial numbers of these fugitives are defined as criminal aliens, a term applied to persons who have violated criminal laws in addition to immigration law and/or who are defined as a threat to national security.

In addition to the illegal aliens at large in the United States significant numbers of persons meeting that definition are serving sentences for criminal law violations in state, local and Federal jails and prisons. These individuals are subject to deportation upon release and should be transferred to ICE jurisdiction at that time. Historically, many of these individuals were released at the conclusion of their sentences and disappeared into the Nation's population. Under a new policy ICE has dedicated agents to working with jails and prisons to identify inmates that should be deported when they complete their sentences. ICE agents also work with probation and parole authorities to identify individuals supervised by these agencies who are subject to deportation. Moreover, the Senate budget appropriation bill for FY 2008 is proposing three billion dollars for border security. Among its provisions is the funding to give ICE the fiscal resource to detain up to 45,000 aliens per day. Funding is also incorporated for continued increase in Border Patrol staffing and the acquisition of added tools to assist law enforcement agencies in apprehending illegal entrants. Cooperative arrangements have also been developed between ICE and local law enforcement agencies to train police and detention officers in immigration law so that they may identify illegal entrants in the course of their routine duties. These efforts point to an increasing number of individuals in ICE custody and the need for ICE to hold individuals for relatively long periods of time while a complicated legal process is completed.

ICE is not bound by regional or jurisdictional boundaries in determining where detainees are housed. It works to ensure that no detainable or deportable alien is released into a community by identifying bed availability and moving aliens to facilities throughout the United States to match demand with supply. In July 2006, ICE established the Detention Operations Coordination Center (DOCC). The DOCC allows ICE to make the best possible use of its detention capacity by monitoring cases across the United States in order to shift cases from field offices with limited detention space to those with available detention space. Aliens are also detained at the most appropriate locations based on characteristics such as nationality and expected length of detention.

Detention bed need is increasing significantly as a direct result of the National Fugitive Operations Program (NFOP). This program, which funded fifty-two ICE Fugitive Operations Teams in fiscal year 2006, has allowed ICE to create teams of agents assigned to ICE field offices throughout the United States who are charged with identifying, locating, apprehending and removing fugitive aliens from the United States. NFOP priority is placed on apprehending fugitives who pose a threat to national security and community safety. The work of these teams has increased the number of fugitives subject to enforcement activities from 11,206 in FY05 to 19,858 FY06.

Court activity is an important indicator of the need for detention beds both in terms of the number of persons apprehended and the length of stay in detention as cases move through the adjudication process. Over the last five years, immigration court filings among the more than 200 immigration judges in 50 immigration courts have risen 31 percent, from more than 282,000 to almost 369,000. The Board of Immigration Appeals in Washington, D.C., experienced a 45 percent increase in workload during that period with cases increasing from nearly 27,000 to nearly 39,000. According to the Department of Justice, its federal court immigration caseload increased by 434 percent between FY97 and FY05, from near 3,200 cases to approximately 17,000 cases. Significantly, criminal immigration case filings also increased from 2,145 cases in FY02 to 18,145 in 2005, an increase of 746 percent

Facts presented in the above paragraphs illustrate a dramatic increase in the capabilities of ICE to apprehend aliens and the number that are being apprehended. It is also clear that ICE has adopted a formalized approach to accommodating the growing detained population that maximizes the use of available bed space. With a proactive focus on apprehension and with particular emphasis on individuals considered to be a threat to safety and security the ICE need for bed space is growing in excess of the sheer numbers of individuals apprehended. Processing time for individuals in this category significantly exceeds that of an individual detained for simple illegal entry; consequently, the length of time spent in detention is longer and that translates into less bed turnover.

ICE's Secure Bed Need Nationally

ICE uses over 300 detention facilities throughout the United States. Approximately 65 percent of detained illegal entrants are housed in facilities operated by state or local governments, about two percent are in federal prisons, about 14 percent are in ICE-owned facilities and the balance of approximately 19 percent are housed in contractors' facilities. In total, the jails, prisons and detention centers used by ICE nationally are currently holding approximately 23,000 illegal immigrants on an average day, an increase from approximately 18,000 in July 2006.

In 2005, more than 100,000 detained individuals were released on their own recognizance following apprehension with instructions to appear for adjudication or deportation at a specified date. Estimates showed that up to 65% of these individuals failed to appear as ordered. Between 2001 and 2006, ICE estimates that approximately 623,000 aliens who were released on their own recognizance have failed to appear as ordered. Current policy now requires detention until after the actual court hearing and a focus has been placed on apprehending those that fail to appear. This, combined with the increased fiscal and personnel resources available to ICE, implies that greater numbers of individuals will be apprehended and detained.

Federal courts in Arizona and Texas have recently initiated policies that require all illegal entrants to be held for a court appearance. These test locations have established a formal program specifically directed at elimination of what has been termed a “catch and release” policy. The effect is to dramatically increase the number of incarcerations in the subject areas. All aliens apprehended crossing the border are now charged with an offense, the severity of which is determined by the number of entries and the circumstances of the entry, and are incarcerated until adjudicated and receive a jail to be served after adjudication. A sentence of up to 15 days is common for simple entry. Three courts are currently using this approach and it is likely the program will be extended to other court jurisdiction. To do so, however, require detention beds.

National security threats represent another area of ICE focus. In the first six months of 2005, 91,516 aliens from countries that are defined as sponsoring terrorism or protecting terrorists were apprehended. Approximately 45,000 of these were released awaiting final orders of removal. This number is of significance beyond its sheer magnitude in terms of needed detention beds. Deportation to the countries included under this definition is difficult at best. Those countries have established difficult, if not impossible, procedures that must be followed for a person to be accepted and some refuse to accept anyone. The impact of this on ICE is that the length of stay in custody of such individuals is lengthily, tying up beds for periods that can substantially exceed the average length of stay involved in the expedited removal process of approximately 19 days and the average of 90 days for aliens not eligible for expedited removal. Longer length of stay translates directly into bed need pressure. With a focus on apprehension of criminal aliens the overall average length of stay is likely to remain high.

The mandates direct that ICE remove detained individuals as expeditiously as possible and the impact of this can be seen. In FY 2006 ICE executed 204,300 removals. Of those removals executed in FY 2006, 50,222 were by air using the Justice Prisoner and Alien Transportation System (JPATS). Use of this system continues to increase and ICE has recently initiated air removals directly chartered by the Agency.

The following table presents a summary of the estimated deportable alien population.

Year	Deportable Aliens	Apprehensions	Formal Removals	Total Beds Available to ICE
2002	1,062,279	231,077	192,697	19,081
2003	1,046,422	267,365	189,856	18,000
2004	1,264,232	275,680	204,290	18,000
2005	1,291,142	296,963	208,521	18,000
2006	1,206,467	277,487	204,300	18,000
2007	1,334,037	306,829	233,300	23,375

Table 5: Historical workload activity of ICE nationally. Data from ICE reports.

As shown in Table 5 *Apprehensions* can be equated to a period of detention while the *Formal Removals* column indicates the number of individuals removed from the United States

Using apprehensions as the measure of the ICE need for beds it is possible to estimate the potential average daily population that can be expected to be in ICE custody if beds were available to house that population. This estimate is shown in the following table and compared to the approximate number of beds currently available to ICE

Year	Apprehensions	Potential Detention ADP	Total Beds Available to ICE	Bed Deficiency
2002	231,077	32,921	19,081	13,840
2003	267,365	38,090	18,000	20,090
2004	275,680	39,275	18,000	21,275
2005	296,963	42,307	18,000	24,307
2006	277,487	39,532	18,000	21,532
2007	306,829	43,713	23,375	20,338
2008	318,251	45,340	23,375	21,965
2009	317,507	45,234	23,375	21,859
2010	327,963	46,723	23,375	23,348
2011	343,096	48,879	23,375	25,504
2012	347,403	49,493	23,375	26,118

Table 6: Potential bed deficiency of ICE nationally. Data from ICE reports.

The ICE Need for Detention Beds in Florida

Although difficult, if not impossible, to quantify it is important to illustrate the magnitude of the population that can potentially be housed in the Proposed Facility. A general analysis of the total ICE detention population can be developed using past trends adjusted by the more generalized recent data. The nature of the ICE operation indicates that a total national projection is the only useful vehicle in defining the potential future occupancy of the Proposed Facility. Unlike population projections for the USMS or local jails a source area defined by political or district boundaries cannot be realistically used. Detainees in the custody of ICE are housed and moved by the Agency based on bed availability, the varying numbers of individuals coming into custody in different geographical regions and the need to stage groups of individuals for deportation by various transportation means.

ICE is organized on a district basis nationally with the State of Florida included within a district that also includes Puerto Rico and the US Virgin Islands. Although the Florida District operates a large government owned detention center (Krome Service Processing Center) in Miami it relies on local government detention facilities to meet over one-half of its current bed need. Availability of beds for ICE use in these facilities fluctuates based on the host governments' own need for beds; they are obligated to give first priority to detainees being held for, or sentenced by, State courts. The facilities used by ICE's Florida District are located within a large geographical area extending from Key West at the very tip of Florida to Alachua County in the northern part of the State.

With a substantial portion of its bed availability subject to periodic fluctuation ICE is faced with an ongoing need to adjust detainee-housing locations. The logistical demands are further increased by the need to move detainees between multiple locations and, in severe weather events to relocate large numbers of detainees on short notice. Attorney access to detainees is negatively impacted by the dispersion of holding facilities. From an operational efficiency and cost perspective it would be advantages to reduce the number of locations used by the ICE Florida District. It can, thus, be argued that with no increase in bed need ICE would be well served by several facilities each containing a relatively large number of guaranteed beds.

Much uncertainty exists relative to the ICE Florida District's future demand for beds. National estimates suggest that significant numbers of illegal aliens are living and working within the United States. Budget constraints combined with bed space availability is causing ICE to be selective in its enforcement efforts emphasizing apprehension of illegal entrants with serious criminal charges pending. Initiatives of ICE involving agents reviewing local jail and state prison inmate files to identify illegal entrants, as well as task forces formed to focus on intensified apprehension efforts, are working to increase the need for beds; however, the degree to which these programs are

implemented is influenced by staffing budgets and secure bed availability. In other words, ICE can only apprehend individuals if staff is available to conduct apprehensions and beds are available to house the detainees. Contract facilities providing transportation services, as proposed by Baker County are being used nationally by ICE as a means of obtaining large blocks of beds in a single location and as one approach to reallocating ICE's limited staff resources from transporting detainees to providing the core service of law enforcement.

Future ICE Bed Need in Florida

Projection of ICE's future bed need in Florida is rendered difficult because of a lack of hard data relative to historical need patterns. National figures are available relative to total apprehensions and detentions by the Agency but district data is not available. This is primarily because apprehensions and detentions by any district reflect budget availability. The amount of budget each district receives each year dictates the numbers of staff it is allocated and the funding available for bed rental. In the case of the Florida District the budget for the current year effectively allows the District to hold an average daily population of approximately 2,200 detainees.

ICE's current daily use of beds in Florida represents an increase of approximately 800 beds over the past two years. The actual number of beds used in any year reflects budget constraints rather than need for beds. Agency estimates indicate that approximately 4,000 beds could be used at this time if funds and beds were available. That compares to an estimate made in 2005 that 2,500 beds were needed in that year (1,400 were budgeted). Illustrative of the overall magnitude of the potential detention need of the Florida District is the estimate made in 2005 that the illegal alien population of Florida was 780,00. A recent study by the Center For Immigration Studies places that number currently at just over one million.

ICE has used approximately 23,000 beds nationally in recent years with the Florida District using approximately 11% of those beds. Assuming that the historical ratio continues, the potential level of Florida District bed use funding could reach almost 5,300 beds by 2012. Using that measure ICE will need approximately 4,800 beds in Florida in 2009, the likely first year of operations for the Proposed Facility.

A projection of the potential level of ICE bed use in the Proposed Facility is shown in the following table. Potential detentions are used as the baseline. The current ratio of available beds in the Proposed Facility to total beds available to ICE nationally is applied to potential detentions. This assumes that ICE will add beds nationally based on the budget allocation to reach approximately 45,000 nationally and the percentage allocated to Florida will remain in proportion. Theoretically, the Proposed Facility could obtain a higher level of use than this ratio implies but with the level of interest nationally to build beds for ICE use it is prudent to assume that other beds will be constructed in areas that offer a location advantage to ICE.

Year	Potential Detentions ADP	Florida District as a % of the National ADP	Potential Need of the Florida District
2007	43,713	10.70%	4,677
2008	45,340	10.70%	4,851
2009	45,234	10.70%	4,840
2010	46,723	10.70%	4,999
2011	48,879	10.70%	5,230
2012	49,493	10.70%	5,296

Table 7: Potential bed need of the ICE Florida District.

The projection presented in Table 7 reflects the national need of ICE, a valid base for projecting given the ICE approach to use beds where available and where it best serves the need of the Agency. ICE is not constrained by district or regional boundaries.

The following defines the potential level of use ICE could make of the Proposed Facility. The indicated number of new beds in other locations is not based on specific plans. It reflects informal statements of an ICE official that the Agency would like to have at least one additional facility available and the current operation of a facility in South Florida designed for expansion and currently operating at or near capacity with ICE detainees. The estimate of bed funding for Florida is based on the plan to have approximately 45,000 beds funded nationally and the assumption that the funding for Florida will remain consistent with the current ratio to national funding. The deficiency then represents the potential average daily population the Proposed Facility could capture.

Year	Potential Need of the Florida District	ICE Beds Available	Potential New Beds in Other Locations	Available to Florida At 45,000 National Bed Allocation	Deficiency
2008	4,266	2,200	1,000	4,235	1,035
2009	4,257	2,200	1,000	4,235	1,035
2010	4,397	2,200	1,500	4,235	535
2011	4,600	2,200	1,500	4,235	535
2012	4,657	2,200	1,500	4,235	535

Table 8: Potential use of the proposed facility by the ICE Florida District.

It should be understood that the numbers shown in Table 8 are heavily assumption based. The need of the Florida District is calculated on the basis of a national projection that assumes a continued emphasis on apprehension of illegal aliens. The assumption can be validated based on the number of such individuals wanted on criminal charges and an emphasis of ICE in apprehending this category of illegal alien. Reducing the national projection to Florida potential reflects the additional assumption that the Florida District will continue to receive a budget allocation consistent with its historical percentage of the national allocation. A final assumption defines the possible number of competitive beds that may be developed. ICE has expressed a desire to have one or two additional facilities in Florida available for its use. The estimate of that potential number is based on the existence of one facility in south Florida, and well positioned to serve ICE, that can potentially expand and the likelihood that other jurisdictions will consider building a facility to respond to ICE needs.

The USMS Need for Detention Beds

Three USMS districts encompass the State of Florida. The Central District, in which Baker County is located, is headquartered in Tampa with regional offices located in Fort Myers, Orlando and Jacksonville. Detainees in custody of the District are being held for court appearances in those cities or are being held for transfer to BOP to serve a sentence.

USMS Need For Secure Beds

Currently, the Jacksonville office of the USMS Central District of Florida holds approximately 205 individuals each day. These detainees are held in four facilities. Three of these are county government operated jails in Florida and the fourth is a privately operated detention center located in South Georgia. Twenty-five detainees are held in the Duval County Jail in Jacksonville and ten each are held in the Nassau and Baker County jails. The balance of the USMS need is met in a facility owned and operated by a private corrections company located in Folkston, Georgia approximately 45 miles north of Jacksonville.

Although Georgia is outside the jurisdiction of the USMS Jacksonville office it has been necessary for the USMS to obtain a contract there because of a lack of available beds in its jurisdictional area. The contract with the facility provides for a USMS use level of 175 to 200 beds. The facility constructed an addition specifically to serve ICE but that agency elected to not use the beds and the USMS then entered into a contract for their use. It is located approximately 15 miles further from the Jacksonville courthouse USMS office than it is to the Baker County Jail but the facility provides a transportation service to the USMS. Although outside the jurisdictional area of the USMS Middle District of Florida, there is no prohibition under USMS policy for the district to house its detainees outside the District..

The current average daily population of approximately 205 held by the USME Jacksonville office is expected to increase in the near future in response to two factors. Population of the Jacksonville area is increasing and with added population and economic development it can be expected that criminal activity will grow. Prosecutions are also expected to increase from the recent budgeting of six new federal prosecutors for the Jacksonville office, a doubling of the current staffing. This occurred in response to the inability of the office to keep pace with the workload and the combination of increasing population and added court resources should result in more individuals being prosecuted.

It is important to note that immigration related cases represent a significant portion of the workload of many USMS offices as they assume custody of aliens charged with criminal offenses. In the case of the Jacksonville office approximately 65% of the workload involves US citizens held for criminal violations. This has increased from 50% in recent years suggesting a growth in USMS workload separate from the immigration related detention activity.

Projected Use of the Baker County Jail by the USMS

Although a doubling of the prosecutor staff cannot realistically result in a comparable increase in the detention caseload because not all individuals being prosecuted are incarcerated and others are held for very brief periods of time it will have an impact. A reasonable estimate would be that an approximate 25% effect would be felt. This should then bring the detained population of the Jacksonville office to approximately 250 individuals per day.

It would be advantageous to the USMS to house all individuals in its custody in the three Florida counties it now uses based simply on distance from the Jacksonville courthouse; all are within approximately 30 minutes drive time. With a contract in place with a private facility located at a not unreasonable distance from Jacksonville and providing transportation to the USMS it can be expected that the USMS will continue its use and that facility will be aggressive in retaining the business. Duval County (Jacksonville) has drastically reduced the number of beds available to the USMS and growth of that county suggests that it will not be in a position to increase the availability of beds for USMS use. Although Nassau County has recently opened a new jail its incarcerated population has increased rapidly limiting the number of beds it can make available to the USMS.

These facts suggest that a prudent estimate of USMS use in the Proposed Facility be based on the impact of the anticipated increase in prosecutor staff and the continued use of the bed resources currently available to the USMS. This indicates that the USMS will continue to use beds as follows:

Current population:

Folkston	170
Duval	25
Nassau	<u>10</u>
Total	205

Projected bed need with added prosecutors 256

Balance to Baker 51

This represents a conservative estimate of potential use. With increased population growth in the Jacksonville area it can be expected that federal crimes will increase. At the same time additional capacity is available to the USMS at Folkston. Conversely, the USMS could cease using that facility at some future point and reallocate the use to Baker.

Total Potential Bed Use

Projection of the bed need of Baker County can reasonably be made from an analysis of historical trends. The County must incarcerate individuals charged with State offenses. Alternatives that can reduce the total numbers are possible but, in general, the trends define a reasonable estimate of secure bed needs. Similarly, the USMS detains individuals who have been arrested by Federal law enforcement agencies for criminal offenses and it is obligated to hold these individuals within the requirements of the Courts. Incarceration trends of that agency are, therefore, reasonable indicators of future need and funding for bed use can be assumed.

ICE bed need, on the other hand, is much more policy and budget driven. Various estimates suggest that at any time more than 100,000 illegal immigrants are at large in the United States. This a reflection of the resource limits constraining ICE from apprehending a larger number. Consequently, the potential use of the Proposed Facility's beds by ICE must be based on assumptions relative to the ability of the Agency to finance apprehension and detention and policy regarding the degree to which immigration law is enforced.

These factors suggest that the feasibility of the Proposed Facility must be addressed from the perspective of the minimum level of use determined from the most reasonable indicators. Definition of a higher use level reflective of assumptions relative to ICE's future budget allocations and willingness to use the proposed facility as a replacement for currently used jails offers an indicator of a reasonable maximum use level.

Average Daily Population

Year	Baker County	ICE	USMS	Total
2009	159	1,035	51	1,245
2010	169	535	51	755
2011	180	535	51	766
2012	190	535	51	776

Table 9: Potential use of the Proposed Facility's beds.

As shown in Table 9 a decline in potential population is shown to occur from 2009 to 2010. This is not the result of a need decline but, rather, is the result of applying the assumed availability of other facilities developed to serve ICE. This suggests that planning should consider the potential available population estimate for 2010 and beyond as more reasonable possibilities.

FACILITY FEASIBILITY

Construction of a facility offering a contractual secure detention service is proposed as an approach to generation of revenue and jobs in the County as well as to obtain a needed new County jail. With a policy focus on serving ICE and the significant bed need of that agency, it can be inferred that the beds will be attractive to the Federal agency. That assumption is reinforced by the location of the County relative to an area where ICE has historically experienced a high demand for detention beds and which is in reasonable proximity to an ICE district office currently being expanded.

A judgment that a demand exists for the Proposed Facility's beds, and the analysis presented above presents numbers that can be interpreted as indicating the potential for full use, is not in itself, an indicator of project feasibility. This is one part of the equation but the ability of the Proposed Facility to obtain the number of bed rentals needed to meet its occupancy goal over the period needed to retire the capital debt is a second element. Consequently, a judgment on the potential feasibility of constructing and operating the proposed facility must be based on an evaluation of:

- Potential supply and demand.
- Revenue potential.
- Acceptance by the ICE and the USMS.

Potential Bed Use

The bed need assumptions presented above suggest that ICE, the USMS and Baker County in combination could, at a minimum, use approximately 1,244 beds per day in the first year of operation. Use would likely decline to approximately 754 beds per day by 2010 if it can be assumed that other jurisdictions will respond to the ICE desire to have the availability of at least one additional facility in Florida. With an operational capacity of 512 beds it is, therefore, likely that the Proposed Facility's capacity will be exceeded at opening reflecting a conservative estimate. This estimate assumes an increase in ICE budget levels and continued use by that agency of all beds it currently uses in other local jails, along with the development of new beds in other locations. The key issue to be considered is whether ICE will receive the funding increase needed to purchase that level of bed use. Need projections suggest that ICE can apprehend that number of illegal aliens but to do so they must have the funding for staff and bed use.

The best available information indicates that no other correctional facilities are being planned in the focus area to serve the ICE and USMS need. With county jails in

Florida generally operating at capacity levels it is likely that bed availability pressures on the Federal agencies will increase as the local governments require more of their capacity to house local-responsibility detainees. The recent need for the USMS to obtain contract bed space in Georgia to house detainees in custody of the Jacksonville office is indicative of this situation. It can, essentially, be said that the need of the Federal agencies, and local governments, in Florida is increasing while the bed resource is, at best remaining stable.

Potential Rental Return

Debt service and operational costs will be paid from bed rentals to be received from the Proposed Facility's user agencies. Income received from the rentals must be sufficient to meet the total annual debt service payments for each year of the lease and be sufficient to cover annual operating costs.

Bed Rental Rates Paid by ICE and the USMS in Florida

Daily bed rental rates are calculated by the Federal agencies based on an analysis of the contract facility's operational and debt service costs. The objective is to ensure fairness for the operator and the user. Currently, ICE and the USMS are paying per bed day rates of between \$52 and \$85 to counties in Florida. The average falls between \$55 and \$72 per bed day. Recognizing that it is likely that a use agreement will not be obtained until the Proposed Facility is substantially available for occupancy an estimated daily bed use rate based on current rates adjusted to reflect the probable operational costs in 2009 is used in this analysis.

Cash Flow Analysis

A preliminary operational budget has been prepared for the Proposed Facility and is used here as a key component of an estimated cash flow analysis.

The proposed bed rental rates do not include transportation services. Although transportation is a critical service in terms of enhancing the attractiveness of the Proposed Facility to potential users it is not necessary to incorporate that cost into the per bed day rental rate. ICE typically treats this as a separate charge. The Baker County Sheriff indicates a desire to provide transportation to and from the federal courthouse in Jacksonville on a regular basis to ICE and this must be considered a critical element given the staff limitations and workload of the ICE. For example, depending on the number of detainees being transported, a minimum of two transport officers must be assigned. With transports occurring virtually every day a significant cost accrues to the ICE. Moreover, with limited manpower the ICE must dilute its overall efforts relative to fugitive apprehension and court security to meet transportation needs. Provision of transportation for a fee outside the bed use contract amount represents a positive factor in that it makes using the Proposed Facility more attractive to the Federal agencies

The following cash flow analysis illustrates potential income at several average occupancy levels. It is assumed in this analysis that ICE will be the primary user of the Proposed Facility and the USMS and Baker County will pay the same daily rate for beds they use.

Occupancy levels of 95, 90, 85, 80 and 72% are shown to illustrate the potential return at each level. 100% occupancy is not recommended for a detention facility because of the need to maintain flexibility for segregation of detainees. Revenue and costs shown are based on the preliminary budget, adjusted to reflect the indicated occupancy levels, and a chargeable rate appearing to be consistent with that ICE would find appropriate. The first full year of operation is assumed to be 2010,

Percent Revenue Occupancy	Revenue Capacity 512				
	95%	90%	85%	80%	72%
Estimated Revenue					
Bed Rental	\$ 14,337,807	\$ 13,583,186	\$ 12,828,564	\$ 12,073,943	\$ 10,866,549
Telephone/Commissary/Reimbursements	\$ 266,304	\$ 252,288	\$ 238,272	\$ 224,256	\$ 201,830
Interest Income	176,501	167,409	158,109	148,808	133,927
Total Revenue	\$ 14,780,612	\$ 14,002,883	\$ 13,224,945	\$ 12,447,007	\$ 11,202,306
Estimated Expense Excluding Debt Service	8,670,028	8,236,527	7,803,025	7,369,524	6,936,022
Total Available For Debt Service	\$ 6,110,584	\$ 5,766,356	\$ 5,421,920	\$ 5,077,483	\$ 4,266,284
Debt Service	\$ 4,152,967	\$ 4,152,967	\$ 4,152,967	\$ 4,152,967	\$ 4,152,967
Coverage Ratio	1.47	1.39	1.31	1.22	1.03
Average Daily Population	486	461	435	410	369

Table 10: Cash flow analysis based on the estimated budget prepared by GSA, Ltd. in cooperation with the Baker County Sheriff's Office.

As illustrated in Table 10, if the Proposed Facility, containing 512 beds, were to operate at 95% capacity at the rate of \$80.76 per bed day in its first full year of operations it would generate the revenue needed to meet all operational and debt service costs with an estimated coverage ratio of 1.47. Using the \$80.76 rate 72% of capacity would be the break-even point. This indicates a level of flexibility to respond to cost adjustments needed to reflect actual operational experience and the possibility of occupancy fluctuations.

Acceptance by ICE

Statistically, a need for secure housing for ICE and the USMS use is evident in the North Florida area. This has been clear for a number of years and projections suggest

that the need will continue in the near future. Success of the Proposed Facility, therefore, will be significantly impacted by how it responds to several operational issues.

As of this writing, the County has received no firm commitments to use the proposed facility. This is not surprising and it is unlikely that such commitments will be obtained in advance of facility availability. Unless a specific solicitation is issued, and none has been made for this project, it is standard policy of Federal agencies to make no formal commitment to use a facility until significant evidence of its availability is presented.

Three factors may be defined that suggest the proposed facility will be highly desirable to the ICE and USMS.

- Location and Service
- Design and Operating Standards
- Bed Rental Charge

Location and Service

Projections described in previous pages indicate a clear, and growing, need for beds to house ICE and USMS detainees. The projections show that ICE could use all of the proposed facility's beds while still continuing its use of the local government facilities it currently uses.

Although currently using several local government facilities, the current number of beds used by ICE is significantly less than the identified need. With an expanding Jacksonville office and no available detention facilities in the northeast Florida area ICE is faced with significant operational costs relative to holding and transporting detainees. With a Florida Department of Corrections processing facility near Baker County and a focus of ICE to remove aliens convicted of criminal offenses the potential exists for a significant increase in the incarceration requirements of the Agency.

Baker County's location is also well suited for holding USMS detainees awaiting transfer to BOP. I-10 is located several miles south of the site selected for the Proposed Facility and is used by a regularly scheduled BOP bus service. The Proposed Facility could effectively serve as an en-route holding point and will represent a convenient pick up point for detainees being transferred by both ICE and USMS.

Design and Operating Standards

Assurance must be given to potential clients of any contractual facility that the detainees they transfer will be housed in a safe, healthy environment meeting or exceeding their own standards. The design for the Proposed Facility is intended to meet Florida State standards as well as those of ICE.

Rental Cost

The preliminary operational budget combined with the debt service estimate indicates that a competitive rate charge is very possible. A rate of \$80.76 per day is likely to be the base charge by 2010 reflecting an annual adjustment from a current rate falling in the current upper range of rates paid by ICE (approximately \$48 to \$85). This projected rate is also consistent with the rate that ICE is likely to arrive at when it calculates the rate it will pay based on the preliminary budget developed for the Proposed Facility. Although ICE currently pays lower rates in Florida the County should be able to obtain the projected rate because of the level of service to be provided and because it can dedicate a large bed capacity in a favorable geographic location to ICE.

Is it Feasible to Open and Operate this Facility

In summary, although recent history indicates that ICE and the USMS will have a continued near term demand for secure beds, the demand will be heavily influenced by Federal budgets and the possibility of change in immigration law. This indicates a level of risk that must be considered. Beds are clearly needed by ICE, as well as the USMS, and projections presented in this analysis suggest that the need will continue.

Factors indicating potential success are:

- The ICE Florida District has historically seen a high percentage of the Agency's detentions nationally.
- An ICE office and Federal courthouse are located approximately 30 miles from the Proposed Facility site.
- The Proposed Facility is designed to provide a high level of security and to accommodate a range of detainee classifications. This allows flexibility to adjust to changing detention needs and to offer beds to any agency having the need for secure beds.
- The projected daily payment rate needed is within the range of payments made by ICE in Florida assuming cost increase to the first full year of operations and is likely to be consistent with an ICE calculation of a fair rate.

- Projections of bed need indicate that by 2010 approximately 755 beds could be used in the Proposed Facility by ICE, the USMS and Baker County.
- The Proposed Facility will serve as the Baker County Jail and the County will pay for beds it uses at the same rate as other potential clients. The County will need approximately 33% of the beds in 2010.

Risk factors that must be considered are:

- The exclusive source of revenues pledged by the Corporation to retire debt will consist of bed rental income received from one or more governmental entities for the housing of detainees in the Proposed Facility.
- There is no expectation that any contract the County might enter into with any other agency which has detainee custody responsibilities would contain a guarantee to house a guaranteed number of detainees for a specific period of time.
- Estimates of ICE demand used in this analysis reflect a continuation of current policies related to Federal law enforcement; therefore, assurance can not be given that a demand for the Proposed Facility's beds will persist over the life of the complex.
- The projections of need and commitment to construction by potential client jurisdictions are heavily policy based and can result in significant margin of error in supply and demand projections.
- If the County were to fail to contract with ICE, the County would be forced to look elsewhere to obtain bed occupancy or convert the proposed facility to another use. The latter action would be difficult due to the specialized nature of the building. However, the potential exists to seek other agencies with detention responsibilities and the facility design allows flexibility to house other types of detainees.
- Relaxation of immigration laws could substantially reduce the workload of ICE.

Opinion of the Feasibility Consultant

Recognizing that any projection of jail or prison bed demand is subject to a broad array of variables, it is the opinion of the Feasibility Consultant that the Proposed Facility has the potential for success in terms of the bed need of ICE, Baker County and the

USMS. It proposes to offer a recognizably desirable service and will be located in relative proximity to an ICE expanding regional office and the Jacksonville Federal Courthouse. Complementing this is the fact that the ICE bed demand projected over the next five years indicates that an unmet need, allowing for continued use by ICE of facilities it currently uses in Florida and possible addition of one or more new facilities, for beds in excess of the Proposed Facility's capacity will exist. Adding to the potential ICE demand is the need of the USMS. Estimates used in this analysis reflect only a portion of that Agency's potential need, a level of use that a USMS official has informally indicated would be made while continuing use of its existing contract facilities. Greater use by the USMS is possible if the Agency would reduce its use of the private facility it currently uses. With a policy to give preference to government operated facilities this may be considered possible.

Factors described above suggest that ICE will utilize all of the available beds not needed by Baker County. The numbers suggest that the potential exists to utilize a portion of the planned future added bed capability; however, with.

The cash flow analysis indicates that, if the Sheriff obtains the indicated per diem payments and can operate within the proposed budget, the Proposed Facility would generate sufficient revenue to cover all operational and debt service costs with an occupancy level of as low as approximately 72%. The projections, however, indicate that full occupancy is possible in the year of opening. Although Baker County will be using a portion of the available beds it will be obligated to pay a bed day rate consistent with that paid by the Federal agencies; therefore, beds it will use will not impact negatively on income to the Corporation. Moreover, the County is obligated to house detainees under the jurisdiction of its courts and must allocate funds for such housing.

These facts combine to indicate a need for the Proposed Facility and a high probability of financial success.

Qualifications of GSA, Limited and the Principal Consultant

GSA, Limited specialized exclusively in facility and service delivery planning and needs assessment for government. Although working with the full spectrum of government operations, the justice system represents a significant focus of the Firm's work. GSA, Limited serves the justice system nationally preparing detention and correction beds needs assessments, court system projections, facility programs, court staffing studies, courtroom utilization analyses, law enforcement workload projections and facility location studies. The firm is an organization dedicated to developing objective determinations of justice system needs derived from operational and functional analysis. Staff understands justice system operations and the financial realities of local government.

With a corporate background extending back to 1949, GSA brings the experience of working with more than 400 city, county and state justice systems and governments in virtually every state. Court system clients have ranged in size from the City of New York to Nye County, Nevada (one judge). Geographically the location of systems served has extended from San Diego County, California to Bergen County, New Jersey. Similarly, the firm's work with detention and corrections encompasses detention systems as large as Orange County, Florida with over 3,000 beds to county jails as small as 16 beds.

Preparation of independent feasibility analyses of proposals to construct correctional facilities using revenue bond financing evolved as a specialty service offered by the Firm in the early 1990's. To date 25 such studies have been prepared by the Firm for projects proposed in Texas, Georgia, Alabama, Louisiana, New Mexico and Arizona.

Law enforcement agencies served by GSA, Limited have included the City of Charlotte, NC; Metro Dade, FL; the New Jersey State Police; the City of Cocoa, FL; Sacramento, CA; Broward County, FL; Montgomery County, MD and Lexington-Fayette Urban County, KY.

The following are some of the **judicial systems** GSA, Limited has served:

San Diego County, CA	Camden County, NJ
San Joaquin County, CA	Mercer County, NJ
State of Colorado	Middlesex County, NJ
City and County of Denver, CO	Morris County, NJ
Douglas County, CO	City of New York, NY
Dade County, FL	Alamance County, NC
Orange County, FL	Beauford County, NC
Cook County, IL	Caswell County, NC
Kane County, IL	Cumberland County, NC
McHenry County, IL	Davidson County, NC
Winnebago County, IL	Durham County, NC
City of Carson City, NV	Guilford County, NC
Nye County, NV	Haywood County, NC
Bergen County, NJ	Transylvania County, NC

Allegheny County, PA
Blair County, PA
Lawrence County, PA
Northampton County, PA
Colleton County, SC
State of Utah
Arlington County, VA

Charles City County, VA
Loudoun County, VA
Prince William County, VA
Rockingham County, VA
Clark County, WA
Ozaukee County, WI
City of Baltimore, MD

Detention and corrections clients served by GSA, Limited include:

Hood County, TX
City of New York, NY
Kankakee County, IL
Northampton County, PA
Baltimore County, MD
Douglas County, CO
Delaware County, PA
City of Jonesboro, LA
Monroe County, PA
Walworth County, WI
State of North Carolina
Zapata County, TX
State of Virginia
Buncombe County, NC
Warren County, VA
City of Huron, SD
City of Crystal City, TX
Davidson County, NC
Sandusky County, OH
Scott County, MN
The Navajo Nation, AZ
McKinley County, NM
York County, SC
Haywood County, NC
Dougherty County, GA

Rockingham County, VA
Orange County, FL
Guilford County, NC
Hudspeth County, TX
Otero County, NM
Botetot County, VA
Henry County, VA
Durham County, NC
Cook County, IL
Karnes County, TX
Hertford County, NC
Colleton County, SC
San Joaquin County, CA
Garza County, TX
Prince William County, VA
Nye County, NV
Smith County, TX
City of Pecos, TX
Coleman County, TX
Cumberland County, NC
Haskell County, TX
Wake County, NC
City of Monahans, TX
Dickens County, TX
BICE Seattle District, WA

Law enforcement clients served by GSA, Limited include:

City of Charlotte, NC
Lexington Fayette Urban County, KY
Broward County, FL
City/County of Denver, CO
Arlington County, VA
City of Dublin, OH
Boston Metropolitan Police, MA
Metro Dade, FL

City of Sacramento, CA
City of Cocoa, FL
Maryland State Police
Montgomery County, MD
Howard County, MD
City of Gaffney, SC
City of Hilliard, OH
Orange County, FL

The background of the principal consultant for this study is as follows:

Resume of Howard R. Geisler, Justice Facility Planner

As a specialist in government operational needs planning, Mr. Geisler has more than thirty-five years consulting experience that includes a varied background in demographic analysis, staff needs projection, space programming, facility use problem solving, and government service delivery planning.

Mr. Geisler has served in planning positions with both city and county government. He was previously employed as a senior staff member with two consulting firms serving government clients throughout the United States. He has conducted a wide range of planning, management and facility use and operations studies for over four hundred governmental jurisdictions.

Although he works with a wide range of local government service delivery and operations issues, the justice system represents a significant element of Mr. Geisler's work. He has directed a wide range of studies for detention/correction, law enforcement and court systems throughout the United States. His work with detention and corrections facilities has included more than 100 bed needs assessments and space and architectural programs. It has also encompassed post analyses, staffing plan preparation and policy and procedure manual development. An extensive range of jurisdictional size has been included in this work. He has completed studies for detention systems with over 8,000 beds and for systems as small as 16 beds.

Detention and Corrections projects completed by Mr. Geisler include architectural programs for 1,500 and 500 bed maximum-security state institutions for the Commonwealth of Virginia. Other examples of completed projects include an architectural program and staffing plan for a 600-bed jail for Dougherty County (GA), an architectural program and policy manual for a 125-bed jail for Collection County (SC), a bed need analysis for a 6,000 bed system in Orange County (FL) and a needs assessment for the Cook County (IL) detention and criminal courts system. His corrections work has also included a warehouse system plan for the New York City Department of Corrections and a needs assessment for the City's court system (five counties), a needs assessment for the Haywood County (NC) justice system and a needs assessment for the Durham County (NC) justice system.

Mr. Geisler has prepared feasibility studies for 25 revenue producing correctional facilities. These have included recent studies for Zapata, Coleman, Hood, Karnes and Dickens Counties as well as the cities of Pecos City and Monahans, all in Texas, the City of Jonesboro, in Louisiana, and Otero County, NW Mexico, relative to the feasibility of constructing correctional facilities for contract use. He serves on the Board of Managers of a bankruptcy remote corporation that leases a detention facility to a private Operator

contracting with US Immigration and Customs Enforcement to house detainees in the Pacific Northwest.

He also works extensively with courts and law enforcement. His experience with the court system has included preparation of needs assessments and master plans for the City of New York (NY), Randolph County (NC), Denver (CO), Bergen County (NJ), Transylvania County (NC) and Dade County (FL). He has prepared law enforcement facility master plans for more than 60 jurisdictions including Charlotte (NC), Brookline (MA), Cathedral City (CA), Cocoa (FL), Metro Dade (FL) and the New Jersey State Police.

Mr. Geisler has also worked extensively with the juvenile justice system and has completed a master plan and operational budget for a twelve county regional juvenile detention center in South Carolina, space needs plans for five North Carolina State Training Schools, a study of juvenile detention needs in a 20 county area in Texas and a juvenile justice center for Northampton County (PA). He has also prepared bed need studies and space plans for juvenile justice systems in Colorado, Oregon, Washington and Utah.

Mr. Geisler's background also includes experience working as part of a program manager's team as well as serving as an advisor to counties implementing justice system needs assessments.

Relevant Detention and Corrections Project Experience

Durham County, NC
Cook County, IL
Baltimore County, MD
Walworth County, WI
Warren County, VA
Wake County, NC
Botetourt County, VA
Colleton County, SC
Nye County, NV
Douglas County, CO
City of New York
Delaware County, PA
Monroe County, PA
Jackson County, NC
Beaufort County, NC
Guilford County, NC
Davidson County, NC
Orange County, FL
Coleman County, TX
Hood County, TX
The City of Jonesboro, LA
Dickens County, TX
Otero County, NM

Garza County, TX
Isleta Del Sol Nation, TX
Jackson County, TX
Liberty County, GA
Clark County, WA
Douglas County, OR
Flathead County, MT
Dougherty County, GA
State of Virginia
Buncombe County, NC
Henry County, VA
Prince William County, VA
Franklin County, NC
Hertford County, NC
Karnes County, TX
The Navajo Nation, AZ/NM/UT
Zapata County, TX
Kankakee County, IL
Wake County, NC
Sandusky County, OH
Haywood County, NC
Pecos City, TX
City of Monahans, TX

Relevant Law Enforcement Project Experience

Town of Castle Rock, CO
City of Frederick, MD
City of Cocoa, FL
City of Charlotte, NC
City of Hendersonville, TN
City of Atlantic City, NJ
City of South Lake Tahoe, CA
City of Overland Park, KS
City of Wilmington, DE
El Dorado County, CA
Ventura County, CA
Montgomery County, MD
City of Newton, MA
City of Hayward, CA
City of Revere, MA
Sacramento County, CA
City of Harrisonburg, VA
Village of Buffalo Grove, IL
US Secret Service
Alamance County, NC
Washington County, NC
Bergen County, NJ

Town of Brookline, MA
Frederick County, MD
Town of Hampstead, MD
Mecklenburg County, NC
Township of Cherry Hill, NJ
City of Beloit, WI
City of Roseville, MN
Metro-Dade County, FL
Broward County, FL
Maryland State Police
MD Public Safety Training Cntr
City of Bloomington, MN
Howard County, MD
Boston Metropolitan Police, MA
City of Sacramento, CA
Arlington County, VA
Borough of Hollidaysburg, PA
Cumberland County, NC
Borough of S. Plainfield, NJ
Haywood County, NC
Davidson County, NC
Bureau of Alcohol, Tobacco & Firearms

Relevant Court System Project Experience

Ozaukee County, WI
Sandusky County, OH
Haywood County, NC
Mercer County, NJ
Dade County, FL
Alamance County, NC
San Diego County, CA
Cumberland County, NC
Burlington County, NJ
Randolph County, NC
District Court of Maryland
City/County of Denver, CO
Nye County, NV

Winnebago County, IL
Olmsted County, MN
Durham County, NC
City of New York, NY
Cook County, IL
San Joaquin County, CA
Maricopa County, AZ
Middlesex County, NJ
Winnebago County, IL
Northampton County, PA
Lawrence County, PA
Douglas County, CO
Bergen County, NJ

Prior to establishing his specialty in government service delivery planning, Mr. Geisler served as a city and county planner in California responsible for preparation and administration of community development plans, ordinances, and capital improvement programs.

A graduate of UCLA in geography with a specialization in urban and regional planning, Mr. Geisler attended graduate programs in planning at California State University, Northridge, and Los Angeles. He is a member of the American Planning Association and the Association of American Geographers.

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APPENDIX E
FINANCIAL FORECAST

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**BAKER CORRECTIONAL
DEVELOPMENT CORPORATION
(A Component Unit of Baker County)**

FORECASTED FINANCIAL REPORT
(Compiled)

Statement of Net Deficit as of February 1, 2008
Years Ending September 30, 2017

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LBA CERTIFIED PUBLIC ACCOUNTANTS, PA

Page 1

INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Directors
Baker Correctional Development Corporation
Macclenny, Florida

We have compiled the accompanying forecasted statement of net deficit of the Baker Correctional Development Corporation (the "Corporation"), (a component unit of Baker County) as of February 1, 2008, and the statements of cash flows for the ten years ending September 30, 2017, in accordance with attestation standards established by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of a forecast information that is the representation of management and does not include evaluation of the support for the assumptions underlying the forecast. We have not examined the forecast and, accordingly, do not express an opinion or any other form of assurance on the accompanying statements or assumptions. Furthermore, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after the date of this report.

LBA Certified Public Accountants, P.A.

January 10, 2008

THE LBA GROUP

LBA Certified Public Accountants, PA • LBA Financial Planning Partners, LLC
LBA Healthcare Consulting Services, LLC • LBA Retirement Plan Services, LLC

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
(A Component Unit of Baker County)
FORECASTED STATEMENT OF NET DEFICIT
FEBRUARY 1, 2008

ASSETS

CURRENT ASSETS:

Cash	\$ 10,554
Prepaid insurance	<u>330</u>
Total Current Assets	<u>10,884</u>

PROPERTY AND EQUIPMENT:

Automobiles	18,949
Land	<u>66,282</u>
	85,231
Less: Accumulated depreciation	<u>(3,158)</u>
Total Property and Equipment	<u>82,073</u>

TOTAL ASSETS **\$ 92,957**

LIABILITIES AND NET DEFICIT

CURRENT LIABILITIES:

Accounts payable	\$ 4,272
Note payable	<u>200,000</u>
Total Current Liabilities	<u>204,272</u>

NET DEFICIT:

Invested in capital assets	82,073
Unrestricted	<u>(193,388)</u>
Total Net Deficit	<u>(111,315)</u>

TOTAL LIABILITIES AND NET DEFICIT **\$ 92,957**

See accompanying summary of significant assumptions and accounting policies and accountant's report.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
(A Component Unit of Baker County)
FORECASTED STATEMENTS OF CASH FLOWS
FOR THE TEN YEAR PERIOD ENDING SEPTEMBER 30, 2017

	FYE 9/30/2008	FYE 9/30/2009	FYE 9/30/2010	FYE 9/30/2011	FYE 9/30/2012	FYE 9/30/2013	FYE 9/30/2014	FYE 9/30/2015	FYE 9/30/2016	FYE 9/30/2017
Beginning Cash Balance	\$ 37,130	\$ 43,366,028	\$ 42,542,655	\$ 44,566,429	\$ 46,390,318	\$ 48,714,829	\$ 51,167,091	\$ 53,746,113	\$ 56,456,527	\$ 59,296,539
Cash Inflows:										
Bond Issuance	45,000,000	-	-	-	-	-	-	-	-	-
State Grant	155,000	-	-	-	-	-	-	-	-	-
Projected Bed Income	-	3,932,160	12,073,943	13,854,850	14,917,055	15,215,396	15,519,704	15,830,098	16,146,700	16,469,634
Telephone/Commissary Income	-	73,728	224,256	252,288	266,304	266,304	266,304	266,304	266,304	266,304
Interest Income	-	77,480	154,960	154,960	154,960	154,960	154,960	154,960	154,960	154,960
Total Cash Inflows	<u>45,155,000</u>	<u>4,083,368</u>	<u>12,453,159</u>	<u>14,262,098</u>	<u>15,338,319</u>	<u>15,636,660</u>	<u>15,940,968</u>	<u>16,251,362</u>	<u>16,567,964</u>	<u>16,890,898</u>
Cash Outflows:										
Salaries & Wages	127,560	868,007	3,472,026	3,888,669	4,160,876	4,244,093	4,328,975	4,415,555	4,503,866	4,593,943
Holiday	-	11,207	44,826	50,205	53,719	54,794	55,890	57,008	58,148	59,311
Over-time Pay	-	53,863	215,450	241,304	258,195	263,359	268,626	273,999	279,479	285,068
Incentive Pay	-	5,549	22,195	24,858	26,598	27,130	27,673	28,227	28,791	29,367
FICA	-	64,108	256,432	287,204	307,308	313,454	319,723	326,118	332,640	339,293
Medicare Taxes	-	15,018	60,072	67,281	71,990	73,430	74,899	76,397	77,925	79,483
Retirement	-	180,028	720,112	806,525	862,982	880,242	897,847	915,804	934,120	952,802
Life & Health Insurance	-	168,014	672,055	752,702	805,391	821,499	837,928	854,687	871,781	889,216
Health Insurance Premiums	-	4,599	18,397	20,605	22,047	22,488	22,938	23,396	23,864	24,342
Unemployment Comp	-	7,228	28,910	32,379	34,646	35,339	36,045	36,766	37,502	38,252
Professional Services	-	121,754	487,014	545,456	583,638	595,310	607,217	619,361	631,748	644,383
Other Contractual	65,838	7,375	29,500	33,040	35,353	36,060	36,781	37,517	38,267	39,032
Travel	-	2,048	8,192	9,175	9,817	10,014	10,214	10,418	10,627	10,839
Communications	2,634	7,885	31,539	35,324	37,796	38,552	39,323	40,110	40,912	41,730
Transportation	444	5,735	22,938	25,691	27,489	28,039	28,599	29,171	29,755	30,350
Utilities	-	62,125	248,500	278,320	297,802	303,758	309,834	316,030	322,351	328,798
Equipment Lease	-	5,427	21,709	24,314	26,016	26,536	27,067	27,608	28,161	28,724
Insurance & Surety	3,387	58,625	234,500	262,640	281,025	286,645	292,378	298,226	304,190	310,274
Repair & Maintenance	-	5,710	22,838	25,579	27,369	27,916	28,475	29,044	29,625	30,218
Jail Supplies	-	14,849	59,395	66,522	71,179	72,603	74,055	75,536	77,046	78,587
Office Supplies	-	2,856	11,425	12,796	13,692	13,966	14,245	14,530	14,820	15,117
Operating Supplies	-	162,525	650,100	728,112	779,080	794,661	810,555	826,766	843,301	860,167
Education	-	3,380	13,520	15,142	16,202	16,526	16,857	17,194	17,538	17,889
Dues/Membership	-	513	2,050	2,296	2,457	2,506	2,556	2,607	2,659	2,712
Contingency	-	2,458	9,830	11,010	11,780	12,016	12,256	12,501	12,751	13,006
Trustee Fee	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
Debt Service P&I	1,618,739	3,058,360	3,058,360	4,183,560	4,181,860	4,175,960	4,173,490	4,168,873	4,168,585	4,162,313
Total Cash Outflows	<u>1,826,102</u>	<u>4,906,741</u>	<u>10,429,385</u>	<u>12,438,208</u>	<u>13,013,808</u>	<u>13,184,397</u>	<u>13,361,946</u>	<u>13,540,948</u>	<u>13,727,952</u>	<u>13,912,717</u>
Cash Inflows Over (Under) Outflows	<u>43,328,898</u>	<u>(823,373)</u>	<u>2,023,774</u>	<u>1,823,890</u>	<u>2,324,510</u>	<u>2,452,263</u>	<u>2,579,022</u>	<u>2,710,414</u>	<u>2,840,012</u>	<u>2,978,181</u>
Ending Cash Balance	\$ 43,366,028	\$ 42,542,655	\$ 44,566,429	\$ 46,390,318	\$ 48,714,829	\$ 51,167,091	\$ 53,746,113	\$ 56,456,527	\$ 59,296,539	\$ 62,274,720
EBITDA	\$ (52,363)	\$ 2,234,987	\$ 5,082,134	\$ 6,007,450	\$ 6,506,370	\$ 6,628,223	\$ 6,752,512	\$ 6,879,287	\$ 7,008,597	\$ 7,140,494
Debt Coverage Ratio	(0.15)	0.73	1.66	1.44	1.56	1.59	1.62	1.65	1.68	1.72
Bonds Payable										
Beginning Balance	\$ -	\$ 45,000,000	\$ 45,000,000	\$ 45,000,000	\$ 43,840,000	\$ 42,610,000	\$ 41,310,000	\$ 39,930,000	\$ 38,465,000	\$ 36,905,000
Borrowed (Repaid)	45,000,000	-	-	(1,160,000)	(1,230,000)	(1,300,000)	(1,380,000)	(1,465,000)	(1,560,000)	(1,655,000)
Ending Balance	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 45,000,000</u>	<u>\$ 43,840,000</u>	<u>\$ 42,610,000</u>	<u>\$ 41,310,000</u>	<u>\$ 39,930,000</u>	<u>\$ 38,465,000</u>	<u>\$ 36,905,000</u>	<u>\$ 35,250,000</u>
Bond Interest	\$ 1,418,739	\$ 3,058,360	\$ 3,058,360	\$ 3,023,560	\$ 2,951,860	\$ 2,875,960	\$ 2,793,490	\$ 2,703,873	\$ 2,608,585	\$ 2,507,313

See accompanying summary of significant assumptions and accounting policies and accountant's report

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
(A component unit of Baker County)
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND
ACCOUNTING POLICIES**

NOTE 1: NATURE AND LIMITATIONS OF FORECASTS

These financial forecasts present to the best of management's knowledge and belief, the Corporation's expected financial position and the cash flows for the forecasted period. The forecasted information reflects management's judgment as of January 10, 2008, the date of forecast, of the conditions it expects and its expected course of action.

The forecasted information was prepared for the purpose of obtaining a \$45 million bond to finance the facility construction. The assumptions disclosed herein are those that management believes are significant to forecast. Because events and circumstances frequently do not occur as expected, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Corporation

The Corporation is a component unit of Baker County, and was established to own, construct and operate a new jail facility for the County. The facility will have 512 beds for use by Federal and County needs, and should become operational in 2009. The facility will also house the Baker County Emergency Operations Center.

Revenue Recognition

The Corporation recognizes revenue when the beds are utilized.

Cash and Cash Equivalents

For the purpose of reporting cash flows, the Corporation considers all cash and highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, currently five years for the automobile.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
(A component unit of Baker County)
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND
ACCOUNTING POLICIES**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Use of Estimates

The process of preparing forecasted financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Accordingly, actual results may differ from estimated amounts.

Income Taxes

The Corporation has applied for and expects to receive tax exempt status under IRS code section 501 (c) 3. As such, there is no provision for income taxes.

NOTE 3: INCOME ASSUMPTIONS

Bed Income

The facility is expected to be under construction during the first two fiscal years presented in the forecast. The facility will begin operation during fiscal year 2010 and expects to have 512 beds available.

The occupancy rate for fiscal year 2010 and the first quarter of 2011 is expected to be 80%, increasing to 90% for the remaining of 2011 and the first quarter of 2012. Beginning in the second quarter of 2012 until 2017 the occupancy rate is expected to be 95%.

Daily rental rates are expected to be \$80 per day during fiscal year 2009 and the first quarter of 2010 for both Federal and County bed usage. Thereafter, they are expected to increase 2% each year.

Interest Income

Interest income is calculated based on the assumed debt service reserve fund using a rate of 4.25% for each of the fiscal years presented.

Telephone/Commissary Income

Telephone/Commissary income is calculated as \$1.50 per inmate based on the total number of beds available and the occupancy rates described under bed income.

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
 (A component unit of Baker County)
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND
 ACCOUNTING POLICIES**

NOTE 4: EXPENSE ASSUMPTIONS

Expenses in 2008 were based on historical costs adjusted for additional legal and construction fees related to the construction of the facility. The facility is expected to become operational in the last quarter of fiscal year 2009. Beginning at this point, expenses were forecasted based on expected costs to operate the jail taking occupancy into account. The expenses after fiscal year 2009 are adjusted according to an inflationary rate as the jail continues to increase in capacity.

NOTE 5: REVENUE BONDS

The Corporation is obtaining \$45 million in revenue bonds in 2008 to be used as follows:

Facility Construction	\$ 30,650,000
Architect and Engineer	2,000,000
Acquisition (Land)	3,000,000
Construction Period Interest (net of interest income)	3,520,000
Finance Costs	1,419,500
Construction Period Operating Costs	650,779
Miscellaneous	721
Debt Service Reserve	<u>3,759,000</u>
	<u>\$ 45,000,000</u>

The bonds will mature on three separate dates and have interest ranging from 5.99% to 7%. Interest is to be paid semi-annually over the life of the bonds.

Commencing on February 1, 2011 the Corporation will begin making principal payments and continue on February 1st of each year as follows:

2011	\$ 1,160,000
2012	1,230,000
2013	1,300,000
2014	1,380,000
2015	1,465,000
Thereafter	<u>38,465,000</u>
	<u>\$ 45,000,000</u>

BAKER CORRECTIONAL DEVELOPMENT CORPORATION
(A component unit of Baker County)
**SUMMARY OF SIGNIFICANT FORECAST ASSUMPTIONS AND
ACCOUNTING POLICIES**

NOTE 6: NOTE PAYABLE

The \$200,000 note payable relates to an advance from Baker County to help pay pre-development costs incurred by the Corporation before the bonds are issued. This note is payable in full when the bonds are issued or in July of 2008, whichever is earlier.

NOTE 7: STATE GRANT

The Corporation is expecting a grant from the State of Florida in the amount of \$155,000 in fiscal year to be used for furnishing of the Baker County Emergency Operations Center that will be located in the Corporation's facility.

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APPENDIX F

LETTER OPINION OF COUNSEL TO THE ISSUER

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Terence M. Brown, P.A.
John Lyon Broling

BROWN
&
BROLING
Attorneys at Law

February 5, 2008

486 N. Temple Avenue
P.O. Box 40
Starke, Florida 32091
Telephone: (904) 964-8272
Facsimile: (904) 964-3796
Email: info@brownandbroling.com

James A. Swan
Senior Vice President
Bergen Capital Incorporated
777 Terrace Avenue
Third Floor
Hasbrouck Heights, NJ 07604

Re: \$45,000,000.00 Baker Correctional
Development Corporation Bond Issue

Dear Mr. Swan:

I have been asked by Mr. Danny Thomas to render an opinion as to whether there are any statutes or laws which would prevent or otherwise prohibit Baker Correctional from receiving and housing out-of-state inmates.

As I interpret the question, out-of-state inmates refers to male or female offenders who have been convicted or court-committed to a detention or correctional facility in a state other than Florida.

Based on my research of applicable laws and statutes, Baker Correctional would not be statutorily prohibited from housing out-of-state inmates. To the contrary, it is the public policy of the State of Florida to cooperate in such matters with other states. Florida Statute 941.56 is titled Interstate Corrections Compact. It specifically states that it is the policy of the State of Florida and each of the party states to provide detention facilities on a basis of cooperation with one another to serve the interest of society and to effect economies in capital expenditures and operational costs.

I hope that this adequately addresses your question. Please advise if I can be of any further assistance.

Sincerely,

Terence M. Brown

TMB/ms
cc: Danny Thomas

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APPENDIX G

EXECUTIVE SUMMARY OF THE APPRAISAL

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EXECUTIVE SUMMARY

Property Identification: 91.15± Acres of vacant land

Effective Date of Appraisal: June 28, 2007

Interest Appraised: Fee Simple

Location: The subject is located on the east side of SR 228 (North Fifth Street) between North Boulevard and CR 23B in Macclenny, Baker County, Florida.

Zoning: RS-2 (Residential Single Family) and RC-1 (Residential Conventional)

Site Data: 91.15± Acres

Highest and Best Use:
As Is Future residential subdivision

Estimated Marketing Period: 12 to 18 months

Opinion of Market Value:

Subject to the assumptions and limiting conditions and definition of market value as set forth in this report, our opinion of the market value of the fee simple interest of the property legally described herein "As Is", as of June 28, 2007, is:

**THREE MILLION DOLLARS
(\$3,000,000)**

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APPENDIX H

BALANCE SHEET OF THE CONTRACTOR

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Ajax Building Corporation
Balance Sheet
November 30, 2007

Interim

Assets

Current Assets

Cash and Cash Equivalents	406,874
Investments	97,629
Contract Receivables	30,399,689
Other Receivables	197,291
Earnings in Excess of Billings	2,799,340
Investment in Joint Venture	1,010,841
Other Current Assets	349,384
Total Current Assets	<u>35,261,048</u>

Building, Property, Plant & Equipment

Office Equipment	1,065,414
Vehicles	1,796,494
Machinery & Equipment	952,074
Building & Improvements	2,020,029
Land	1,462,718
Total Building, Property, Plant & Equipment	<u>7,296,729</u>
Less Accumulated Depreciation	2,105,637
Net Property, Plant & Equipment	<u>5,191,092</u>

Other Assets

CSV Officers Life Insurance	250,541
Other Assets	156,937
Total Other Assets	<u>407,478</u>

Total Assets	<u><u>40,859,618</u></u>
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Liabilities/Stockholder Equity

Current Liabilities

Long-term Debt, Current	0
Accounts Payable	28,474,454
Accrued Payroll expense	532,542
Billings in Excess of Earnings	1,601,640
Other Current Liabilities	114,698
Total Current Liabilities	<u>30,723,334</u>

Long-term Liabilities

Mortgage Payable	2,290,263
Notes Payable	164,537
Deferred Compensation	51,500
Total Long-term Liabilities	<u>2,506,300</u>

Total Liabilities	33,229,634
--------------------------	------------

Stockholder's Equity

Common Stock	16,591
Additional Paid-in-Capital	58,288
Unrealized Gains on Equities	19,385
Distributions	1,329,296
Retained Earnings	7,189,456
Current Year Net Income	2,584,660
Less Treasury Stock	(909,100)
Total Stockholders Equity	<u>7,629,984</u>

Total Liabilities & S/H Equity	<u><u>40,859,618</u></u>
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Unaudited

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APPENDIX I

FORM OF OPINION OF BOND COUNSEL

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MITCHEL P. HOUSE, JR.
ED S. SELL, III
JOHN A. DRAUGHON, SR.
R. CHIX MILLER
JEFFREY B. HANSON
KEVIN T. BROWN
JON R. HAWK
JULIA H. MAGDA
BLAKE EDWIN LIENBY
AIMEE J. HALL
MARY BETH HAND
CHRISTY CROWE CHILDERS
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E. S. SELL, JR.
1917-2007
ANDREW W. MCKENNA
1918-1981
DOYE E. GREEN, SR.
1932-2007

OF COUNSEL
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February 14, 2008

Baker Correctional Development Corporation
1190 W. Macclenny Avenue
P.O. Box 958
Macclenny, Florida 32063

Baker County, Florida
c/o Terence M. Brown, Esq.
Brown & Broling
486 North Temple Avenue
Starke, Florida 32091

Bank of Oklahoma, N.A.
One Williams Center
Tulsa, Oklahoma 74192

Brown & Broling
486 North Temple Avenue
Starke, Florida 32091

Re: \$45,000,000 Baker Correctional Development Corporation First Mortgage
Revenue Bonds (Baker County Detention Center Project), Series 2008

Gentlemen:

We have acted as Bond Counsel in connection with the issuance of the Baker Correctional Development Corporation First Mortgage Revenue Bonds (Baker County Detention Center Project), Series 2008, in the aggregate principal amount of \$45,000,000 (the "Bonds"), and in that regard, we have examined (a) the Constitution and laws of the State of Florida, specifically Florida Statutes Annotated, Sections 125.01 and 130.01, as amended (collectively, the "Act"); (b) the Bond Resolution of the Baker Correctional Development Corporation (the "Issuer"), adopted December 20, 2007, with respect to the issuance of the Bonds (the "Resolution"); (c) the Trust Indenture, dated as of February 1, 2008 (the "Indenture") between the Issuer and Bank of Oklahoma, N.A. (the "Trustee"); (d) the Interlocal Agreement, dated as of February 1, 2008 (the "Interlocal Agreement"), between the Issuer and the County of Baker (Florida) (the "County"), relating to the issuance of the Bonds, and such other documents, certificates and proceedings as we deemed necessary or appropriate to form the opinion hereinafter expressed.

The Bonds are being issued in the aggregate principal amount of \$45,000,000, dated February 14, 2008, and bear interest from date at rates ranging from 6.00% to 7.50% per annum,

payable semi-annually on the first (1st) day of each August and February (each an "Interest Payment Date"), beginning on August 1, 2008, until the final maturity of the Bonds.

The Bonds are being issued to (1) provide funds to the Issuer to finance the cost of the acquisition of approximately 90 acres of land located at parcel numbers 29-2S-22-0000-0000-0080 and 29-2S-22-0000-0000-0081 in Baker County, Florida in Baker County, Florida and the construction thereon of a 512-bed jail facility for the incarceration of inmates, detainees and criminals, and the construction thereon of administrative offices for the Baker County Sheriff's Office (hereinafter the "Project"), and (2) paying expenses related to the issuance of the Bonds.

The County and the Issuer have entered into the Interlocal Agreement under which the Issuer has agreed to issue the Bonds to finance the Project, and the County has agreed that if after having received sufficient notice as specified in the Interlocal Agreement that the amount on deposit in the Bond Fund is not sufficient to make all payments with respect to the principal of, redemption premium, if any, sinking fund installments for, and interest on the Bonds which are required to be made (the "Deficiency"), the County has agreed that it shall use its best efforts to make such payment from sources other than ad valorem taxes as shall be sufficient to pay the Deficiency.

The Issuer has represented and covenanted in the Resolution that it will not, subsequent to the date hereof, intentionally use any portion of the proceeds of the Bonds to acquire higher yielding investments or to replace funds which were used directly or indirectly to acquire higher yielding investments, except as may be otherwise permitted by Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), and that it will comply with the arbitrate rebate requirements, if any, of Section 148 of the Code and will not take any actions which would cause the interest on the Bonds to be includable in the gross income of the registered owner of the Bonds for federal income tax purposes. The inaccuracy of any such representations or the failure of the Issuer to comply with any of such covenants may cause interest on the Bonds to become subject to federal income taxation retroactive to the date of issuance of the Bonds.

Based upon the foregoing, we are of the opinion that as of this date:

(a) The Issuer is a not-for-profit organization organized and existing under the laws of the State of Florida.

(b) The Bonds have been duly authorized, executed and delivered on behalf of the Issuer and constitute the legal, valid and binding obligation of the Issuer, enforceable in accordance with their terms.

(c) The Bonds are a limited obligations of the Issuer payable solely from the payments derived from the Issuer's operation of the Facility and from revenues (if any) derived from the Interlocal Agreement as more fully set forth in the Resolution. Neither the State of Florida nor any political subdivision thereof, including the County, is obligated to pay the

principal of the Bonds or the interest thereon or other costs incident thereto except from the Issuer's operation of the Facility and from revenues (if any) derived from the Interlocal Agreement.

(d) The Indenture has been duly authorized, executed and delivered on behalf of the Issuer and the Trustee and constitutes the legal, valid and binding obligation of the Issuer and Trustee, enforceable in accordance with its terms.

(e) The Mortgage and Security Agreement, dated as of February 1, 2008 (the "Security Agreement") has been duly authorized, executed and delivered on behalf of the Issuer and constitutes the legal, valid and binding obligation of the Issuer enforceable in accordance with its terms.

(f) The Interlocal Agreement has been duly authorized, executed and delivered on behalf of the Issuer and the County and constitutes the legal, valid and binding obligation of the Issuer and the County, enforceable in accordance with its terms.

(g) Pursuant to the Resolution, the payments to be received by the Issuer under the Interlocal Agreement have been pledged to secure the payment of the principal of, redemption premium (if any), and interest on the Bonds.

(h) There is currently one taxpayer in Baker County who recently spoke before the Baker County Commission in opposition to the Interlocal Agreement, suggesting that he might sue to enjoin the issuance of the Bonds. The County believes that the potential suit is without merit.

(i) Assuming the accuracy of the factual representations made by the Issuer and the continued compliance by the Issuer with its covenants regarding federal tax law, the interest on the Bonds is, under the provisions of the Code as presently construed, not includable in the gross income of the registered owner of the Bonds for federal income tax purposes and is not a specific preference item for purposes of the corporate or individual alternative minimum taxes; however, with respect to corporations (as defined for federal income tax purposes), however, such interest is taken into account in determining adjusted current earnings.

(j) Ownership of the Bonds may result in collateral Federal income tax consequences to certain taxpayers, including, without limitation, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, foreign corporations engaged in a trade or business in the United States and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry the Bonds. In addition, for purposes of the Superfund Amendments and Reauthorization Act of 1986, "alternative minimum taxable income" includes interest on all tax-exempt bonds to the same extent and in the same manner as in the Code.

(k) Passive investment income, including interest on the Bonds, may be subject to Federal income taxation under Section 1375 of the Code for Subchapter S corporations that have Subchapter S earnings and profits at the cost of the taxable year, if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income; and the receipt of interest on the Bonds may cause disallowance of the earned income credit under Section 32 of the Code.

(l) There may be additional modifications or amendments to the Code or other additional proposals, such as the Superfund Act described above, that, if enacted into law, would cause interest on the Bonds to be subject to Federal income tax, and there can accordingly be no assurance that such modifications, amendments for proposals will not adversely affect the exclusion from gross income for Federal income tax purposes of interest on the Bonds.

(m) Prospective owners of the Bonds should consult with their own tax advisors with respect to the foregoing and other tax consequences of owning the Bonds. Other than this opinion with respect to the exclusion of interest on the Bonds from gross income pursuant to Section 103 of the Code for Federal income tax purposes described above, we express no opinion with regard to any other Federal tax consequences of owning the Bonds. It should be noted that we express no opinion with respect to any exemption from any taxes imposed by the State of Florida or any other state on the Bonds or the interest or income thereon.

(n) We express no opinion regarding other federal income tax consequences caused by the receipt or accrual of interest on the Bonds.

(o) The rights of holders of the Bonds and the enforceability thereof and of the Resolution and the Indenture, Security Agreement and Interlocal Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting the enforcement of creditors' rights generally or principles or equity applicable to the availability of specific performance or other equitable relief.

Very truly yours,

SELL & MELTON, L.L.P.

By: _____
A Partner

