

PROPERTY REPORT
NOTICE & DISCLAIMER

BY OFFICE OF INTERSTATE LAND SALES REGISTRATION
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

The Interstate Land State Full Disclosure Act specifically prohibits any representation to the effect that the Federal Government has in any way passed upon the merits of, or given approval to, this subdivision, or passed upon the value, if any, of the property.

It is unlawful for any one to make, or cause to be made to any prospective purchaser, any representation contrary to the foregoing or any representations which differ from the statements in this Property Report. If any such representations are made, please notify the Office of Interstate Land Sales Registration at the following address:

Office of Interstate Land Sales Registration
HUD Building, 451 Seventh Street, S.W.
Washington, D.C. 20410

Inspect the property and read all documents. Seek professional advice.

Unless you received this Property Report prior to or at the time you enter into a contract, you may void the contract by notice to the seller.

If you received the Property Report prior to or at the time you enter into a contract, you may void the contract by notice to the seller.

1. NAME (S) OF DEVELOPER: Diamondhead Corporation
ADDRESS: Bay St. Louis, Mississippi 39520
2. NAME OF SUBDIVISION: "Diamondhead"
LOCATION: Hancock County, Mississippi
 - a. EFFECTIVE DATE OF PROPERTY REPORT: AUG 25 1976

IMPORTANT READ CAREFULLY

NAME OF SUBDIVISION: "Diamondhead"

By signing this receipt of acknowledge that you have received a copy of the Property Report prepared pursuant to the Rules and Regulations of the Office of Interstate Land Sales Registration, U. S. Department of Housing and Urban Development.

Received by.....

Street Address.....

Date.....

City..... State.....

Zip.....

Notwithstanding your signature by which you acknowledged that you received the Property Report you still have other important rights under the Interstate Land Sales Full Disclosure Act.

WARNING: THE DEVELOPER IS NOT LEGALLY OBLIGATED FOR SOME OF THE PROPOSALS WHICH HE HAS INCLUDED IN THIS PROPERTY REPORT.

PROSPECTIVE LOT PURCHASERS ARE ADVISED TO NOTE ITEM 8d WHICH DISCLOSES CERTAN LOTS SUBJECT TO FLOODING: CLOSE ATTENTION SHOULD ALSO BE GIVEN TO ITEMS 7 AND 9 WHICH OUTLINE COSTS FOR MEMBERSHIP (WHICH IS MANDATORY) IN THE PROPERTY OWNERS ASSOCIATION.

2. b. THIS OFFERING CONSISTS OF the 6,902 lots at Diamondhead listed below by Phase, Unit, and Block.

PHASE I	UNITS	BLOCK	LOTS	NUMBER OF LOTS
1	1	1	1-29	29
		2	1-10	10
		3	1-58	58
		4	1-52	52
		5	1-15	15
		6	1-10	10
		7	1-41	41
		8	1-27	27
		9	1-58	58
		10	1-33	33
		11	1-26	26
		12	1-2	2
		13	1-24	24
		14	1-16	16
		15	1-9	9
			Total	<u>410</u>
2	1	1	1-59	599
		2	1-17	17
		3	1-35	35
		4	1-34	34
		5	1-77	77
		6	1-19, 26-36	30
		7	1-34	34
		8	1-29	29
		9	1-15	15
		10	1-42	42
		11	1-25	25
		12	1-2	2
			Total	<u>399</u>
3	1	1-95	95	
4	1	1	1-66	66
		2	1-22	22
		3	1-26	26
		4	1-13	13
		5	1-68	68
		6	1-33	33
		7	1-27	27
		8	1-30	30
		9	1-55	55
		10	1-21	21
		11	1-15	15
			Total	376
6	1	1	1-37	37
		2	8-23	16
		4	1-21	21
		5	1-24	24
		6	1-17	17
				Total
7	1	1	1-19	19
		2	1-23	23
		3	1-26	26
		4	1-24	24
		5	1-22	22
		6	1-68	68
		7	1-10	10
		8	1-29	29
			Total	<u>221</u>

8	1	9-21	13
	2	9-24	16
	3	1-47	47
	4	1-73	<u>73</u>
		Total	149
9	1	1-60	60

PHASE II	UNITS	BLOCK	LOTS	NUMBER OF LOTS
	1	1	1-31	31
		2	1-9	9
		3	1-37	37
		4	1-10	10
		5	1-13	13
		6	1-68	68
		7	1-9	9
		8	1-8	8
		9	1-5	5
		10	1-11	11
		11	1-99, 107-119	<u>112</u>
			Total	313
	2	1	1-50	50
		2	1-95	95
		3	1-16	16
		4	1-8	8
			Total	<u>169</u>
	3	1	1-96	96
		2	1-87	87
		3	1-26	26
		4	1-20	20
		5	1-68	68
		6	1-106	106
		7	1-66	<u>66</u>
			Total	469
	4	1	1-9	9
		2	1-18	18
		3	1-33	33
		4	1-79	<u>79</u>
			Total	139
	4A	5	1-47	47
		6	1-3	3
		7	1-20	20
		8	1-15	15
		9	1-20	20
		10	1-6	6
		11	1-81	81
		12	1-69	69
		13	1-85	<u>85</u>
			Total	346
	5	1	1-5	5
		2	1-35	35
		3	1-18	18
		4	1-29	29
		5	1-15	15
		6	1-65	65
		7	1-95	95
		8	1-69	69
		9	1-6, 51-118	<u>74</u>
			Total	405

6	1	1-8	8
	2	1-14	14
	3	1-5	5
	4	1-55	55
	5	1-77	77
	6	1-95	95
	7	1-4	4
	8	1-14	14
	9	1-100	100
	10	1-59	59
	11	1-7	<u>7</u>
		Total	438
7	1	1-35	35
	2	1-59	59
	3	1-25	25
	4	1-68	68
	5	1-58	58
	6	1-87	87
	7	9-29	21
	8	1-28	28
	9	1-26	26
	10	1-4	4
	11	1-11	11
	12	1-16	16
	13	1-89	<u>89</u>
		Total	527
7A	1	1-75	75
	2	1-40	40
	3	1-31	31
	4	1-42	42
	5	1-52	52
	6	1-28	28
	7	1-39	<u>39</u>
		Total	307
8	1	1-16	16
	2	1-79	79
	3	1-43	43
	4	1-69	<u>69</u>
		Total	207
8R	1	1-14	14
9	1	1-12	12
	2	1-78, 86-88	81
	3	1-12	12
9R	1	1-15	15
10	1	1-47	47
	2	1-57	57
	3	1-130	130
	4	1-54	54
	5	1-23	23
	6	1-6	6
	7	1-6	6
	8	1-31	31
	9	1-26	26
	10	1-24	24
	11	1-15	15
	12	1-17	17
	13	1-13	13
	14	1-10	10
	15	1-19	19
	16	1-5	5

17	1-5	5
18	1-2	2
19	1-33	33
20	1-36	36
21	1-27	27
22	1-3	3
	Total	589

11	1	1-24	24
	2	1-32	32
	3	1-31	31
	4	1-54	54
	5	1-38	38
	6	1-71	71
	7	1-49	49
	8	1-55	55
	9	1-32	32
	10	1-13	13
	11	1-78	78
	12	1-17	17
	13	1	1
	Total		495

PHASE III	UNITS	BLOCK	LOTS	NUMBER OF LOTS
	1	1	1-11	11
		2	1-116	116
		3	1-131	131
		4	1-132	132
		5	1-58	58
		6	1-12	12
		7	1-8	8
		8	1-71	71
		Total		539
		Grand Total		6,902

Subdivision Plat Maps showing these lots are recorded in Plat Book 4 of the Hancock County, Mississippi records at the pages shown below:

<u>Phase Number</u>	<u>Unit Number</u>	<u>Plat Book 4 – Page Numbers</u>
I	1	1-4, 33-34
	2	19, 20
	3	18
	4	7
	6	9
	6 (First Addition)	17
	7	10
	7 (First Addition)	14-15
	8	11
8 (First Addition)	26-27	
9	12, 13	
II	1	43-45
	2	21, 22
	3	23-25
	4	28-29
	4-A	30-32
	5	37-40
	6	41, 42
	7	48-50
7-A	55-57	
8	51-52, 101-102	

	9	53-54, 103-104
	10	60-63
	11	64-66
III	1	67-70

3. LIST NAMES AND POPULATIONS OF SURROUNDING COMMUNITIES AND LIST DISTANCES OVER PAVED AND UNPAVED ROADS TO THE SUBDIVISION.

NAME OF COMMUNITY	POPULATION	DISTANCE OVER PAVED ROADS	UNPAVED ROADS	TOTAL
a. Bay St. Louis, Mississippi (Hancock County)	6,752	15 Miles	0	15 Miles
b. Gulfport, Mississippi	40,791	19 Miles	0	19 Miles
c. Biloxi, Mississippi	48,486	35 Miles	0	35 Miles
d. New Orleans, Louisiana	593,471	58 Miles	0	58 Miles

4. COMPLETE ALL ITEMS UNDER THIS PARAGRAPH REGARDLESS OF WHETHER THE SALE WILL BE AN INSTALLMENT OR CASH SALE.

- a. WILL THE SALES CONTRACT BE RECORDABLE? YES OR NO?

No.

- b. IN THE ABSENCE OF RECORDING THE CONTRACT OR DEED, COULD THIRD PARTIES OR CREDITORS OF ANY PERSON HAVING AN INTERSET IN THE LAND ACQUIRE TITLE TO THE PROPERTY FREE OF ANY OBLIGATION TO DELIVER A DEED? YES OR NO?

Yes. In the absence of recording the contract or deed ,your right to the title of the land may be defeated by such third parties as subsequent purchasers or creditors of any person having an interest in the land.

- c. STATE WHETHER AND/OR WHEN THE CONTRACT OR DEED WILL BE RECRODED, AND WHO WILL RECORD IT. STATE WHO WILL BEAR THE COSTS OF RECORDATION, AND THE AMOUNT OF THOSE COSTS ARE TO BE BORNE BY THE PURCHASER.

The contract will not be recorded. The deed will be recorded at developer's expense after you pay the balance of the contract and, in the developer's discretion, in other circumstances. Under certain circumstances, purchasers in limited areas of the country may be eligible to purchase an annuity from the developer at the time of their lot purchase. This program is voluntary. If you are eligible to purchase an annuity from the developer together with your lot and you elect to participate in the annuity program, you will be entitled to receive a deed to your property upon execution of a deed of trust to your lot and an assignment of your annuity policy to secure payment of the balance of the purchase price. The annuity program is not mandatory.

- d. WHAT PROVISION, IF ANY, HAS BEEN MADE FOR REFUNDS IF BUYER DEFAULTS? IF NONE, AND THE BUYER'S PAYMENTS ARE TO BE RETAINED, STATE WHETHER HIS LOSS WILL BE LIMITED TO THE AMOUNT OF HIS PAYMENTS TO DATE, OR WHETHER HE WILL BE RESPONSIBLE TO THE DEVELOPER OR HIS ASSIGNEES FOR ADDITIONAL DAMAGES OR FOR THE BALANCE OF HIS CONTRACT.

There are no provisions for refund if you default. You are responsible for payment of the entire price. In the event you default on your payments you will lose your lot and be subject to additional costs.

e. STATE PREPAYMENT PENALTIES OR PRIVILEGES, IF ANY.

If buyer is not in default, prepayment of the entire balance may be made without penalty.

5. IS THERE A BLANKET MORTGAGE OR OTHER LIEN ON THE SUBDIVISION OR PORTION THEREOF IN WHICH THE SUBJECT PROPERTY IS LOCATED? YES OR NO? IF YES, LIST BELOW AND DESCRIBE ARRANGEMENTS, IF ANY, FOR PROTECTING INTERESTS OF THE BUYER IF THE DEVELOPER DEFAULTS IN PAYMENT OF THE LIEN OBLIGATION. IF THERE IS SUCH A BLANKET LIEN, DESCRIBE ARRANGEMENTS FOR RELEASE TO A BUYER OF INDIVIDUAL LOTS WHEN THE FULL PURCHASE PRICE IS PAID.

<u>TYPE OF LIEN</u>	<u>EFFECT ON BUYERS IF DEVELOPER DEFAULTS</u>
a. Mortgage and Deed of Trust to secure indebtedness to First National City Bank, et al., lenders.	This document provides that, notwithstanding any default by developer, the lender will release a lot upon receipt of evidence that purchasers have paid in full and have complied with the terms and conditions of the contract or upon assignment to the lender of the deed of trust given by purchaser to developer.
b. Mortgage to U. S. Trust Company, as Corporate Trustee, in the amount of 15,000,000 (only lots in Phase II, Units 7 and 7A). (Lots subject to this mortgage are also subject to a second mortgage in favor of lenders in 5 (a) above).	If the developer defaults, you may lose your financial interest in the property. Developer can secure releases so long as it is not in default. There are no provisions by which you can pay release fees.
c. Mortgage to Wachovia Bank and Trust Company, as Trustee, in the amount of \$7,500,000 (only Phase II, Unit 10, Lots 1-35, Block 2; Lots 1-130, Block 3; Lots 1-54, Block 4; Lots 1-7 and 18-23, Block 5; Lots 1-6, Block 7; Lots 1-18, Block; Lots 1-8, Block 13; Lots 8-10, Block 14; Lots 1-17, Block 19; and Lots 1-36, Block 20). (Lots subject to this mortgage are also subject to a second mortgage in favor of lenders in 5(a) above).	(Same as above)

6. DOES THE OFFERING CONTEMPLATE LEASES OF THE PREPerty IN ADDITION TO, OR AS DISTINGUISHED FROM, SALES? YES OR NO? IF YES, A LEASE ADDENDUM MUS TBE COMPLETED, ATTACHED, AND MADE A PART OF THE PROPERTY REPORT.

No.

7. IS BUYER TO PAY TAXES, SPECIAL ASSESSMENTS, OR TO MAKE PAYMENTS OF ANY KIND FOR THE MAINTENANCE OF COMMON FACILITIES IN THE SUBDIVISION (A) BEFORE TAKING TITLE OR SIGNING OF LEASE OR (B) AFTER TAKING TITLE OR SIGNING OF LEASE? IF YES, COMPLETE THE SCHEDULE BELOW:

- a. Yes.
- b. Yes.

<u>Type of Payment</u>	<u>Approximate Amount of Buyer's Annual Payments</u>
a) Taxes	Consult local taxing authorities.

b) Special assessments

Consult local taxing authorities.

c) Payments to property owners association, etc. for maintenance and operation of common facilities, streets, etc.

In accordance with your contract, for so long as developer or its subsidiaries own the common facilities in the subdivision, any increases in assessments for maintenance and operation are limited and cannot exceed percentage wise the increase in the Cost of Living Index occurring after January 1, 1973, using \$10.00 a month or \$120.00 a year as a base. Your current monthly assessment payment is \$12.50. Developer is obligated to convey its interest in all common recreational facilities and streets to the property owners association by January 1, 1985, for \$1.00 and may do so after January 1, 1976. After such conveyance the expense of operation and maintenance of each facility so conveyed will be borne by the property owners association and the amount of assessments for operation and maintenance of these facilities will be determined by the property owners association. The Diamondhead Fire District also has the power to levy taxes to support the fire protection service see Item 10 for charges in connection with utility service.

d) Other

There is an initiation fee of \$500.00 for membership in the Diamondhead Yacht and Country Club. Reasonable fees are charged for the use of recreational facilities, as indicated in 9. The facilities listed in 9 are not open to the general public and are available for use only by purchasers, guests of purchasers, Diamondhead Corporation, and guests of Diamondhead Corporation.

8. a. WILL BUYER'S DOWN PAYMENT AND INSTALLMENT PAYMENTS BE PLACED IN ESCROW OR OTHERWISE SET ASIDE? YES OR NO? IF YES, WITH WHOM? IF NOT, WILL TITLE BE HELD IN TRUST OR IN ESCROW?

No. Your payments will not be held in escrow or trust.

9. b. EXCEPT FOR THOSE PROPERTY RESERVATIONS WHICH LAND DEVELOPERS COMMONLY CONVEY OR DEDICATE TO LOCAL BODIES OR PUBLIC UTILITIES FOR THE PURPOSE OF BRINGING PUBLIC SERVICES TO THE LAND BEING DEVELOPED, WILL BUYER RECEIVE A DEED FREE OF EXCEPTIONS? YES OR NO? IF NO, LIST ALL RESTRICTIONS, EASEMENTS, COVENANTS, RESERVATIONS AND THEIR EFFECT UPON BUYER.

No.

(1) No oil, gas or other minerals or mineral rights are conveyed to buyer.

(2) A Declaration of Restrictions, Conditions, Easements, Covenants, Agreements, Liens and Charges, which applies to all lots in this registration, provides for such things as architectural control of construction, property usage, common area usage, liens, and charges against lots, and other provisions for the benefit of property owners and/or the development. A copy of this declaration is furnished to buyer at time of purchase. See 8 (c).

(3) Property taxes on the developer's property are customarily paid in the year after they accrue. Taxes fro the current tax year and the immediately preceding tax year constitute a lien against the property until paid.

(4) All lots are subject to drainage and utility easements of at least 10 feet in the front and rear and 5 feet along the side. In addition, the following lots are subject to drainage and/or utility

easements which are greater than the normal size allotted to front, rear, and side lot line easements:

<u>PHASE I</u>	<u>UNIT</u>	<u>BLOCK</u>	<u>LOTS</u>	<u>TYPE OF EASEMENT</u>
	1	1	20	Side easement 10'
			21	Side easement 10'
	1	3	19	Side easement 10'
			20	Side easement 10'
			23	Side easement 10'
			24	Side easement 10'
	1	4	4	Side easement 10'
			5	Side easement 10'
			15	Side easement 10'
	1	4	16	Side easement 10'
			46	Side easement 10'
			47	Side easement 10'
			49	Side easement 10'
			50	Side easement 10'
	1	7	3-14	Rear easement 30'
			15-24	Rear easement 30'
	1	9	36	Side easement 10'
			27	Side easement 10'
	4	5	7-19	Power easement 150'
			42-47	Power easement 150'
	6	4	21	Side easement 20'
	6	6	17	Side easement 10'
	7	3	8	Power easement 75'
	7	4	7	Power easement 75'
	8	3	10	Side easement 15'
			11	Side easement 15'
		3	24-30	Rear easement 15'
		4	23	Side easement 15'
			24	Side easement 15'
			21-32	Rear easement 15'
PHASE II				
	4A	8	10	Side easement 20'
			11	Side easement 20'
	5	2	5-16	Rear easement 15'
		2	10	Side easement 15'
			11	Side easement 15'
		2	25-35	Rear easement 20'
	5	3	1	Side easement 15'
			8	Side easement 15'
			9	Side easement 15'
	5	5	1	Side easement 15'
			12	Side easement 15'
			13	Side easement 15'
	5	6	28	Side easement 20'
			29	Side easement 20'
			51	Side easement 20'
			52	Side easement 20'
			45-50	Rear easement 20'
			55-59	Rear easement 20'
	6	4	22-40	Rear easement 15'
			42	Rear easement 15'
			44-50	Rear easement 15'
		5	62-65	Rear easement 15'
			67-77	Rear easement 15'
		7	2	Side easement 20'
			3	Side easement 20'
		10	1	Rear easement 15'
			7-13	Rear easement 15'
			22-24	Rear easement 15'
	7	4	22-23	Side easement 20'
		5	1	Side easement 20'
			58	Side easement 20'

	5	11-13	Rear easement 20'
		37-52	Rear easement 20'
	13	1	Rear easement 20'
		36-41	Rear easement 20'
		58-78	Rear easement 20'
		89	Rear easement 20'
7	7	20-21	Side easement 10'
	8	8-9	Side easement 10'
		24-25	Side easement 10'
8	1	7-9	Side easement 10'
8	1	15-16	Side easement 10'
8	4	9-10	Side easement 10'
		27-28	Side easement 10'
		31-32	Side easement 10'
	2	43-44	Side easement 10'
		52-53	Side easement 10'
		72-73	Side easement 10'
	3	30-31	Side easement 10'
		39-40	Side easement 10'
9	1	4-5	Side easement 10'
		11-12	Side easement 10'
	2	16-17	Side easement 10'
		47-48	Side easement 10'
		87-88	Side easement 10'
11	8	12-13	Side easement 15'
		39-40	Side easement 15'
	9	21-22	Side easement 15'
PHASE III			
	1	26-28	Rear easement 30'
		30-48	Rear easement 30'
		73-76	Rear easement 30'
		87-90	Rear easement 30'
		113-116	Rear easement 30'

c. LIST THE PERMISSIBLE USES OF THE PROPERTY BASED UPON THE RESTRICTIVE COVENANTS, AND WHICH ARE CONSISTENT WITH LOCAL ZONING ORDINANCES.

Each unit is subject to a separate Declaration which is given to you with this Property Report. Each Declaration provides:

- (1) That your lot is for single family use only.
- (2) That your lot may not be subdivided without developer's approval.
- (3) That you must obtain developer's approval of your plans and building before beginning any construction, grading or similar activity in order to assure harmony of development. The developer may alter your plans to build on or use your lot.
- (4) That you must observe certain front, rear, and side line restrictions and certain minimum restrictions with respect to the size of your home.
- (5) That the construction of docks and storage of boats be restricted.
- (6) That you observe other general residential restrictions designed to provide a pleasant environment for your neighbors.
- (7) That the developer may grant variances to overcome practical difficulties under certain conditions.
- (8) That you must connect to the central water and sewer systems.
- (9) That there is an easement along your lot lines for utilities and drainage. Also see question 8-b.

(10) That the assessment set out in questions 7 shall be a lien on your lot.

d. LIST ALL EXISTING OR PROPOSED UNUSUAL CONDITIONS RELATING TO THE LOCATION OF THE SUBDIVISION AND TO NOISE, SAFETY OR OTHER NUISANCES WHICH AFFECT OR MIGHT AFFECT THE SUBDIVISION.

Modern sewage treatment facilities, a small private airport, electric and telephone overhead wires, and recreational facilities such as horseback riding facilities are located within the development. The Mississippi gulf coast is in the path of some hurricanes. The area is wooded and may be subject to brushfires and forest fires.

The following lots are subject to flooding:

PHASE I

Unit 2 - Block 1, Lots 1-18 and 22-42
Block , Lots 2-3
Block 4, Lots 1-6 and 10-19

Unit 2 - Block 5, Lots 1-57
Block 8, Lots 1-15 and 18-29
Block 9, Lots 1-15
Block 10, Lots 1-42
Block 11, Lots 1-15

Unit 3 - Block 1, Lots 1-70 and 93-95

Unit 6 - Block 1, Lots 1-37
Block 2, Lots 8-23
Block 4, Lots 1-11 and 21
Block 5, Lots 4-18
Block 6, Lots 1-5 and 17

Unit 9 - All Lots

PHASE II

Unit 1 - All Lots

Unit 9 - Block 1, Lots 1-12
Block 2, Lots 1-26, 87-88
Block 3, Lots 3-5

Unit 10 - Block 1, Lots 23-37
Block 3, Lots 44-53, 60-69, 79-114
Block 5, Lot 4 and 21-22
Block 7, Lot 1

Unit 11 - Block 1, Lots 1-5
Block 3, Lots 24-31
Block 4, Lots 1, 24-27 and 29-30
Block 8, Lots 35-43
Block 9, Lots 10-32
Block 10, Lots 1-2 and 11-13

PHASE III

Unit 1 - Block 2, Lots 37-116
Block 3, Lots 37-101
Block 4, Lots 15-118 and 132
Block 5, Lots 1-58
Block 6, Lots 7-12
Block 7, Lots 1-8
Block 8, Lots 43-47

Engineering data available to developer indicates that the foregoing lots are within a 100-year flood plain with an estimated high water of 12.5 feet above mean sea level. The

Corps of Engineers and the U. S. Geological Survey have made surveys to determine flood prone areas. All areas within the Diamondhead project below 12.5 feet above mean sea level have been determined to be flood prone. Area is subject to land use requirements requiring building techniques as indicated in Item 16.

The subdivision area is designated as a special hazard area under the federal flood insurance program for hurricanes and flooding caused by hurricanes. Flood insurance is available, and it may be required in connection with federally related home loans. The approximate cost of such insurance is related to the elevation of the structure. The current rate for a structure built at the 12.5 foot elevation is \$3.11 per \$1,000.00 annually, and the rate decreases as the elevation increases. A home built at the 14.1 foot level could be insured at a premium rate of \$.70 per \$1,000.00 annually.

9. LIST ALL RECREATIONAL FACILITIES CURRENTLY AVAILABLE, PROPOSED, OR PARTLY COMPLETED (E.G., SWIMMING POOLS, GOLF COURSES, SKI SLOPES, ETC.) AND COMPLETE THE FOLLOWING FORMAT FOR EACH FACILITY. STATE WHO WILL OWN THE FACILITIES.

i.	ii.	iii.	iv.	v.	vi.
Facility	% Complete	Estimated Completion Date	Financial Assurance Of Completion	Developer Obligated?	Buyer's Costs or Assessments
a) Yacht Club	100%	NA	NA	NA	See Below
b) Diamondhead Airport	100%	NA	NA	NA	See Below
c) Diamondhead Country Club (Clubhouse and 18-hole course)	100%	NA	NA	NA	See Below
d) Riding Club and Trails	100%	NA	NA	NA	See Below
e) 3 Recreational Centers	100%	NA	NA	NA	See Below
f) 6 Lakes: (5 are complete 1 is proposed)	100%	NA	NA	NA	See Below
	0%	December 31, 1977	None	Yes	See Below
g) Camper Park	100%	NA	NA	NA	See Below
h) Formal Entrance	100%	NA	NA	NA	See Below
i) Swim and Tennis Club at the Country Club with two tennis courts	100%	NA	NA	NA	See Below
j) Second Golf Course	20%	December 31, 1977	None	Yes	See Below
k) Tennis World	100%	NA	NA	NA	See Below
l) Canals adjoining lots in Units 6 and 9 of Phase I and certain lots in Units 1 and 9 of Phase II	100%	NA	NA	NA	See Below

All of the above facilities are currently owned by the developer. The developer is obligated to convey its interest in these facilities to the Diamondhead Country Club and Property Owners' Association not later than January 1, 1985 and not before January 1, 1976 for a nominal consideration. As set forth in Item 7 there is a \$500 initiation fee for the Country Club. The assessments described in Item 7 support the operation and maintenance of the facilities. In addition certain use fees are charged including boat storage fees, greens fees and cart rental fees at the golf course, fees at Tennis World, fees in connection with riding facilities and other similar fees which are subject to variation and increase. Tennis World is designed to accommodate expansion of up to 22 courts, although the developer is not obligated to build any additional courts. The sixth lake which was originally scheduled for completion by December 31, 1976, has now been rescheduled for completion by December 31, 1977 as a result of other revisions to the developer's construction schedule.

Permits for canal construction adjacent to lots 60-68, 71-79, and 91-96 of Block 11, Unit 1, Phase II have not been obtained. No further sales of such lots will be made pursuant to this Property Report until and unless a permit is issued by the Corps of Engineers.

10. STATE AVAILABILITY OF THE FOLLOWING IN THE SUBDIVISION: STATE ANY ESTIMATED COSTS OR ASSESSMENTS TO BUYER OR LESSEE. IF ONLY PROPOSED OR PARTLY COMPLETED, STATE ESTIMATED COMPLETION DATE, STATE PROVISIONS TO ASSURE COMPLETION, AND GIVE AN ESTIMATE OF ALL COSTS TO BUYER OR LESSEE, INCLUDING MAINTENANCE COSTS.

a. ROADS

1. ACCESS:

PAVED –

U.S. Interstate 10 provides access to the subdivision.

UNPAVED –

None

2. ROAD SYSTEM WITHIN THE SUBDIVISION:

PAVED –

All roads in Phase I have been hard surfaced to a minimum of 20 foot width.

UNPAVED –

Other roadways within the subdivision have been cleared and have a two-lane dirt surface of at least 20 feet minimum width. Minimum width of the private roadway is 50 feet. All lots in this offering can be reached by conventional automobile.

All roadways will be hard surfaced with a single course bituminous surface treatment or equivalent at least 20 feet in width and are scheduled to be completed at the time set forth below, unless prevented by an Act of God, labor dispute, or other similar cause. As homes are constructed on each road or section of road the developer will upgrade the surfacing of the road servicing the home to include a six inch sand-clay-gravel base or equivalent and a one and one-half inch bituminous surface treatment or equivalent. The estimated cost of the developer to complete the road surfacing to final specifications is also set forth in the chart below:

Phase	Unit(s)	Approximate Percentage of Completion of Single Course Bituminous Surface Treatment (Minimum) Hard Surfaced Roads	Expected Completion Date for Single course Bituminous Surface Treatment (minimum) Hard Surfaced Roads	Estimated Cost to Complete to Final Specifications
Phase I	All	100%	Complete	-0-
Phase II	1 (except Block 2, Lots 1-9; block 4, Lots 1-10; and Block 11, Lots 16-28, 31-40, 57-99, and 107-111)	80%	December 31, 1976	\$102,400
	*			
	2	100%	Complete	-0-
	3	100%	Complete	-0-
	4	87%	June 30, 1976	\$22,600
	4A	95%	June 30, 1976	\$36,800
	5	93%	September 30, 1976	\$71,100
	6	95%	September 30, 1976	\$43,100
	7	83%	December 31,	\$118,600

	7A (except Block 3: Lots 10-15, Block 4: Lots 9-16, and Block 5: Lots 2- 22) *	90%	1976 September 30, 1976	\$55,400
	8 and 8R (except Unit 8, Block 2: Lots 53- 64) *	94%	June 30, 1976	\$24,400
	9 and 9R (except Unit 9R, Block 1: Lots 1- 15) *	90%	June 30, 1976	\$8,000
	10 (except Block 3: Lots 90-102 and Block 5: Lots 18- 22) *	77%	December 31, 1976	\$206,100
	11	81%	December 31, 1976	\$110,900
Phase III	1	81%	December 31, 1976	\$88,880

* Hard surfaced roads to the following lots are scheduled for completions by December 31, 1980: Phase II: Lots 1-9 of Block 2, Lots 1-10 of Block 4 and Lots 16-28, 31-40, 57-99, and 107-111 of Block 11, Unit 1; Lots 10-15 of Block 3, Lots 9-16 of Block 4, and Lots 2-22 of Block 5 in Unit 7A; Lots 53-64 of Block 2 in Unit 8; Lots 1-15 of Block 1 in Unit 9R; Lots 90-102 of Block 3 and Lots 18-22 of Block 5 in Unit 10.

All roads in Phase II were originally scheduled for completion by December 31, 1975. Unusually rainy weather in the Mississippi Gulf Coast area during 1974 and 1975, the inability of certain independent construction contractors to adhere to certain schedules, and unfavorable economic conditions which contributed to a slowdown in home construction and lot sales within the subdivision during late 1974 and 1975 were the primary reasons for these revisions to the construction schedule.

Developer will be responsible for maintenance of the road system in the subdivision until the same is conveyed to the Property Owners' Association (not later than January 1, 1985 nor earlier than January 1, 1976). After such conveyance the maintenance of the road system will be the responsibility of the Property Owners' Association. Each lot owner will pay those periodic assessments described in Item 7, part of which will be used for the maintenance of the road system.

b. UTILITIES:

1. WATER:

Treatment and storage facilities with approximately 500,000-gallon storage capacity and a production capacity from currently operational wells of approximately 150,000 gallons per hour are currently operational. The status of water line construction is set forth on the schedule below. Subsequent to the applicable completion date lines will be extended to purchaser's lot 60 days after commencement of home construction and payment of the connection fee. When all facilities are completed the water supply will be adequate to service the anticipated population of the area.

The developer has not obtained a permit from local and state authorities for the construction and installation of water lines in Phase III. The developer may not be able to obtain the required permit or license and although he has proposed to obtain a permit and complete the facility, he may not be able to carry out his proposal.

Diamondhead Utility Company, Bay St. Louis, Mississippi, a Mississippi Corporation and a subsidiary of the developer, will operate the water and sewer systems and will impose charges for such service. The rates and service of the water utility operation of the developer or its subsidiary will be

regulated as a public utility matter under Mississippi law by the Mississippi Public Service commission.

Reasonable connection charges (currently \$100.00 and subject to increase upon application to and approval by the Mississippi Public Service Commission) are charged. The current rate schedule for residential use is as follows:

- First 3,000 gallons at \$1.167 per 1,000 gallons
- Next 2,000 gallons at 1.00 per 1,000 gallons
- Next 5,000 gallons at 0.80 per 1,000 gallons
- Next 5,000 gallons at 0.65 per 1,000 gallons
- Next 5,000 gallons at 0.50 per 1,000 gallons

All over 20,000 gallons per month at 0.40 per 1,000 gallons
 Minimum Monthly Charge - \$3.50
 Plus applicable taxes

Trunk water lines are scheduled to be extended throughout the areas of the subdivision on the following schedule at the estimated cost to the developer as shown below unless prevented by an act of God, labor dispute, or similar cause.

Phase	Unit (s)	Estimated Percentage Completion of Trunk Lines	Expected Date of Completion of Trunk Lines	Estimated Total Cost to Complete to Each Lot
Phase I	All Units	100%	Complete	-0-
Phase II	10 (except Block 3: Lots 90-102 and Block 5: Lots 18-22) *	95%	June 30, 1976	\$143,000
	Units 1, 2, 3, 4, 4A, 5, 6, 7, 7A, 8, 8R, 9, 9R and 11 (except as set forth below) *	100%	Complete	\$167,500
Phase III	1	40%	December 31, 1978	\$134,300

* Trunk lines to service the following lots are scheduled for completion by December 31, 1980: Phase II: Lots 57-99, 107-111 of Block 11 in Unit 1; Lots 10-15 of Block 3, Lots 9-16 of Block 4, and Lots 2-22 of Block 5 in Unit 7A; Lots 53-64 of Block 2 in Unit 8; Lots 1-15 of Block 1 in Unit 9R; Lots 90-102 of Block 3 and Lots 18-22 of Block 5 in Unit 10.

Completion of lines in all of Phase II was originally scheduled for December 31, 1976. Unusually rainy weather in the Mississippi Gulf Coast area during 1974 and 1975, the inability of certain independent construction contractors to adhere to certain schedules, and unfavorable economic conditions which contributed to a slowdown in home construction and lot sales within the subdivision during late 1974 and 1975 were the primary reasons for these revisions to the construction schedule.

If you wish to use your lot prior to the installation of the central water system, you will be required to install your own individual water system, and you will be required to connect to the central water system. Since the use of the wells or other individual water systems is not contemplated, there is no assurance that you could obtain a permit to construct such a system on your lot, and there is no estimate of the cost to construct such a system.

Developer has not set aside any money or entered into any bond, escrow, or trust arrangement to assure completions of the water system. Accordingly, there is no assurance, other than the promise of the developer, that the water system will be completed.

2. ELECTRICITY:

Electric service is available in the subdivision area from Coast Electric Power Association, Bay St. Louis, Mississippi, a public utility company regulated by the State of Mississippi Public Service Commission. Electrical lines have been extended into the subdivision but not to each individual lot. The utility has given no schedule of completion. Based upon experience to date can be expected to extend lines as development and home building progresses but the developer can give no assurance of any fixed schedule. You should check with supplier to determine applicable rates and installation charges which are subject to increase. The installation charge applicable on March 15, 1976 was \$15.50 plus a \$5.00 membership charge.

3. GAS:

Natural gas is not available in the subdivision. Bottled gas is not permitted under current rules. The alternate fuel source is electricity.

4. TELEPHONE:

Telephone service is available in the subdivision area from South Central Bell Telephone Company, Post Office Box 1660, Gulfport, Mississippi which is a public utility company regulated by the State of Mississippi Public Service Commission. The extension of the telephone facilities is the responsibility of the utility. Based upon experience to date it is expected that the utility will provide telephone facilities on a request basis but the developer can give no assurance of any fixed schedule. You should check with the supplier to determine applicable rates and installation charges which are subject to increase. The installation charge applicable on March 15, 1976 was \$31.00.

5. SEWAGE DISPOSAL:

Treatment facilities with an approximately 260,000 gallon per day capacity are currently operational. The status of sewer line construction is set forth in the schedule below. Subsequent to the completion dates set forth below sewage lines will be extended to the lots of individual purchasers upon 60 days request after the commencement of the home construction and payment of the connection fee.

The developer has not obtained a permit from local and state authorities for the constructions and installation of sewage collection lines in Phase III. The developer may not be able to obtain the required permit or license and although he has proposed to obtain a permit and complete the facility, he may not be able to carry out his proposal.

Diamondhead Utility Company, a corporation and a subsidiary of the developer, with operate the water and sewer systems. The developer is responsible for installation.

In order to accommodate the requirements of the projected population of the subdivision, expansion of the sewage treatment facilities will be required. Because of changing requirements of state health officials and the uncertain rate of home construction, no final expansion plans have been developed or submitted for approval. It is expected that revenues generated by additional customers of the utility system will provide a basis of support which will enable the utility system to secure capital financing for all required expansion of the treatment system, but there are no bonds or other such specific measures to assure that the expansion of the sewage treatment facility will take place as necessary.

The rates and service of the utility operation are regulated by the State of Mississippi Public Service Commission. The current cost of connection to the system is \$150.00 (and subject to increase upon application to and approval by the Mississippi Public Service Commission), and the current monthly rate for residential service is \$3.50 plus applicable taxes.

Sewer truck lines have been or will be extended to the various areas of the subdivision on the following schedule unless prevented by an act of God, labor dispute or similar cause. The current estimated completions status is also set forth below and the estimated cost to complete:

Phase	Unit (s)	Estimated Percentage Completion of Trunk Lines	Expected Date of Completion of Trunk Lines	Estimated Total Cost to Complete to Each Lot
Phase I	All Units	100%	Complete	-0-
Phase II	10 (except Block 3: Lots 90-102 and Block 5: Lots 18-22) *	90%	June 30, 1976	\$160,000
	11	50%	June 30, 1976	\$120,000
	Units 1, 2, 3, 4, 4A, 5, 6, 7, 8, 8R, 9, 9R and 11 (except as set forth below) *	100%	Complete	\$98,000
Phase III	1	10%	December 31, 1978	\$230,000

Trunk lines to service the following lots are scheduled for completion by December 31, 1980: Phase II: Lots 57-99, 107-111 of Block 11 in Unit 1; Lots 10-15 of Block 3, Lots 9-16 of Block 4, and Lots 2-22 of Block 5 in Unit 7A; Lots 53-64 of Block 2 in Unit 8; Lots 1-15 of Block 1 in Unit 9R; Lots 90-102 of Block 3 and Lots 18-22 of Block 5 in Unit 10.

Completion of lines in all of Phase II was originally scheduled for December 31, 1975 and Phase III for December 31, 1976. Unusually rainy weather in the Mississippi Gulf Coast are during 1974 and 1975, the inability of certain independent construction contractors to adhere to certain schedules, and unfavorable economic conditions which contributed to a slowdown in home construction and lot sales within the subdivision during late 1874 and 1975 were the primary reasons for these revisions to the construction schedule.

If you wish to use your lot prior to the installation of the central sewage system, you will be required to install your own sewage system and you will be required to connect to the central sewage system when it is available.

Since the use of septic tanks or other individual sewage disposal systems is not contemplated there is no assurance that you could obtain a permit to construct such a system on your lot, and there is no estimate of the cost to construct such a system.

The developer has not set aside any money or entered into any bond, escrow, or trust arrangement to assure completion of the central sewer system. Accordingly, there is no assurance other than the promise of the developer, that the central sewage facility will be completed.

6. DRAINAGE AND FLOOD CONTROL:

The developer has constructed an open ditch drainage system and storm drainage system and storm drainage system throughout the subdivision. Developer will be responsible for maintenance of the drainage system in the subdivision until the same is conveyed to the property owners' association (not later than January 1, 1985, nor earlier than January 1, 1976). After such conveyance the maintenance of the road system will be the responsibility of the property owners' association. Each lot owner will pay those periodic assessments as stated in Item 7, part of which will be used for the maintenance of the drainage system.

7. TELEVISION:

Television reception is available without reception cost other than an antenna.

c. MUNICIPAL SERVICES:

1. FIRE PROTECTION:

Fire protection is available from the Diamondhead Fire Department, an extension of the Diamondhead Fire Protection district, and a volunteer organization, located in the subdivision.

2. POLICE PROTECTION:

Police protection is available from the Sheriff's Department of Hancock County, Mississippi which has jurisdiction over the area in which the subdivision is located. Its address is City Hall, Main Street, Bay St. Louis, Mississippi. In addition, a private guard service has been established to provide an additional security service for the subdivision. The current guard service will continue until conveyance of roads and common facilities to the Property Owners' Association after which time the Association will determine if security service is to continue. See Question 7-c for an explanation of property owners' assessments for operation of common facilities.

3. GARBAGE AND TRASH COLLECTION:

Garbage and trash collection service is available from Gulf Coast Waste Disposal, Inc., Route 1, Box 365, Bay St. Louis, Mississippi at a current cost of \$6.00 per month per residence paid directly by the lot owner for twice weekly pickup.

4. PUBLIC SCHOOLS:

i. ELEMENTARY SCHOOL:

Hancock North Central School, Kiln, Mississippi, is approximately 12 miles from the subdivision. School bus transportation is provided. Public transportation is not available.

ii. JUNIOR HIGH SCHOOL

Hancock North Central School, Kiln, Mississippi, is approximately 12 miles from the subdivision. School bus transportation is provided. Public transportation is not available.

iii. HIGH SCHOOL

Hancock North Central School, Kiln, Mississippi, is approximately 12 miles from the subdivision. School bus transportation is provided. Public transportation is not available.

5. MEDICAL AND DENTAL FACILITIES:

i. HOSPITAL FACILITIES:

The 75-bed Hancock General Hospital, Bay St. Louis, Mississippi (20 miles from the subdivision) and the 200-bed Gulfport Memorial Hospital, Gulfport, Mississippi, 21 miles from the subdivision, are publicly owned and provide general services.

Ambulance service is available from Mobile-Medic Ambulance Service substation in Bay St. Louis, Mississippi, approximately 15 miles from the entrance to the subdivision.

ii. PHYSICIANS AND DENTISTS:

Physicians' and dentists' offices are located in Bay St. Louis, Mississippi, approximately 15 miles from the subdivision. Public transportation is not available.

6. PUBLIC TRANSPORTATION:

Public transportation is not available from the subdivision to the nearby communities. The nearest public transportation is bus service in Bay St. Louis, Mississippi, approximately 15 miles from the subdivision.

7. U. S. POSTAL SERVICE:

Mail delivery is made within the subdivision, and mail can be picked u at the post office in Bay St. Louis, Mississippi, 15 miles from the subdivision.

11. WILL THE WATER SUPPLY BE ADEQUATE TO SERVE THE ANTICIPATED POPULATION OF THE AREA?

Yes.

12. IS ANY DRAINAGE OF SURFACE WATER, OR USE OF FILL NECESSARY TO MAKE LOTS SUITABLE FOR CONSTRUCTION OF A ONE-STORY RESIDENTIAL STRUCTURE? YES OR NO? IF YES, STATE WHETHER ANY PROVISION HAS BEEN MADE FOR DRAINAGE OR FILL AND GIVE ESTIMATE OF ANY COSTS BUYER WOULD INCUR.

Yes some lots may require minor site drainage and fill, depending on the purchaser's building plans. The cost of such drainage and fill is not expected to exceed \$500.00 unless there are unusual building plans. Lots subject to flooding are listed in the answer to Question 8-d.

13. STATE WHETHER SHOPPING FACILITIES ARE AVAILABLE IN THE SUBDIVISION; IF NOT, STATE THE DISTANCE IN MILES TO SUCH FACILITES AND WHETHER PUBLIC TRANSPORTATION IS AVAILABLE.

There are no shopping facilities in the subdivision. A service station and convenience store are located adjacent to the subdivision. General shopping facilities are located in Bay St. Louis, 15 miles from the center of eth subdivision. Public transportation is not available.

14. APPROXIMATELY HOW MANY HOMES WERE OCCUPIED AS OF JANUARY 1, 1976?

Approximately 104 homes were occupied.

15. a. STATE ELEVATION OF THE HIGHEST AND LOWEST LOTS IN THE SUBDIVISION AND BRIEFLY DESCRIBE TOPOGRAPHY AND PHYSICAL CHARACTERISTICS OF THE PROPERTY.

The lowest lot is 3 feet above sea level and the highest is 105 feet above sea level. The property is rolling sandy loam characterized by an abundance of trees.

b. STATE IN INCHES THE AVERAGE ANNUAL RAINFALL, AND IF APPLICABLE, THE AVERAGE ANNUAL SNOWFALL FOR THE SUBDIVISION OR THE AREA IN WHICH IT IS LOCATED.

The average annual rainfall is approximately 62 inches. The average snowfall is nil.

c. STATE TEMPERATURE RANGES FOR SUMMER AND WINTER, INCLUDING HIGHS, LOWS AND MEANS.

The normal temperatures are as follows:

	<u>Summer</u>	<u>Winter</u>
High	100°	80°
	81°	52°
	62°	25°

16. WILL ANY SUBSURFACE IMPROVEMENT, OR SPECIAL FOUNDATION WORK BE NECESSARY TO CONSTRUCT ONE STORY RESIDENTAIL OR COMMERCIAL STURCTURES ON THE LAND? YES OR NO? IF YES, STATE IF ANY PROVISION HAS BEEN MADE AND SETIMATE ANY COSTS BUYER WOULD INCUR.

Yes, in some areas. Developer recommends construction on pilings, or use of fill, so that the finished floor level of all structures is a minimum 12 ½ feet above mean sea level. A few of the lots covered by this report may have elevations of less than 12 ½ feet. Although the cost of construction on pilings, of the use of fill, is expected to vary, depending on the building plan of a lot owner, developer estimates the usual cost as \$1,000 - \$2,000 for construction on pilings and

up to \$2,500 for the use of fill. A small percentage of the lots could require minor site drainage depending on the purchasers building plans. See answers to Question 12 and 8-d.

17. STATE WHETHER THERE IS PHYSICAL ACCESS (BY CONVENTIONAL AUTOMOBILE) OVER LEGAL RIGHTS-OF-WAY TO ALL LOTS AND COMMON FACILITIES IN THE SUBDIVISION. STATE WHETHER THE ACCESS WILL BE BY PUBLIC OR PRIVATE ROADS AND STREETS AND WHETHER THEY WILL BE MAINTAINED BY PUBLIC OR PRIVATE FUNDS.

All lots subject to this offering can be reached by conventional automobile. Although some of the roads in the development are public, most are private streets over which all lot owners are given perpetual rights of ingress and egress and will be maintained with private funds.

18. HAS THE LAND IN THE SUBDIVISION BEEN PLATTED OF RECORD? YES OR NO? IF NOT, HAS IT BEEN SURVEYED? YES OR NO? IF NOT, STATE ESTIMATED COST TO BUYER TO OBTAIN A SURVEY.

Yes.

19. HAVE THE CORNERS OF EACH INDIVIDUAL LOT BEEN STAKED OR MARKED SO THAT THE PURCHASER CAN IDENTIFY HIS LOT? IF NOT, STATE THE ESTIMATED COST TO THE PURCHASER TO OBTAIN A SURVEY AND TO HAVE THE CORNERS OF HIS LOT STAKED OR MARKED.

Yes.

20. DOES THE DEVELOPER HAVE A PROGRAM IN EFFECT TO CONTROL SOIL EROSION, SEDIMENTATION AND FLOODING THROUGHOUT THE ENTIRE SUBDIVISION? YES OR NO? DESCRIBE THE PROGRAM, IF ANY. HAS THE PLAN BEEN APPROVED OR MUST THE PLAN BE APPROVED BY OFFICIALS RESPONSIBLE FOR THE REGULATION OF LAND DEVELOPMENT? YES OR NO? IS THE DEVELOPER OBLIGATED TO COMPLY WITH THE PLAN? YES OR NO?

Yes. The developer has a soil erosion and storm drainage control plan.

No. The plan has not been submitted for approval by governmental authorities and it is not binding on the developer. Erosion and flooding could result in property damage and could create a health and safety hazard.

21. STATE WHETHER OR NOT THE DEVELOPER HAS A DEFICIT IN RETAINED EARNINGS OR HAS EXPERIENCED AN OPERATING LOSS DURING THE LAST FISCAL YEAR. YES OR NO? IF YES, YOUR ATTENTION IS DIRECTED TO THOSE ITEMS IN THE PROPERTY REPORT WHEREIN THE DEVELOPER MAY HAVE PROMISED TO COMPLETE CERTAIN FACILITIES OR TO DISCHARGE FINANCIAL OBLIGATIONS.

Yes.

22. WHAT ARE THE REQUIREMENTS FOR MEMBERSHIP, ETC., IN THE DIAMONDHEAD YACHT AND COUNTRY CLUB, INC., AND THE DIAMONDHEAD COUNTRY CLUB AND PROPERTY OWNERS' ASSOCIATION, INC.?

a. YACHT AND COUNTRY CLUB. Membership is required for all lot purchasers. Members are required to pay the monthly payments specified in Item 7 (c) of this report and there is an initiation fee of \$500.00. Membership is limited to property owners and the developer. Membership privileges may be extended to guests of property owners and the developer and to the residents of the subdivision renting from the developer or property owner. This organization is a wholly owned and controlled subsidiary corporation of developer.

b. PROPERTY OWNERS' ASSOCIATION. All lot purchasers will be members but there are no dues or other payments required to be paid this association until the conveyance of the common facilities specified in Item 10 of this report at which time the monthly payments by lot purchasers described in Item 7 (c) will be made to the association and may be increased by the association. Membership is limited to property owners and the developer. Membership privileges may be extended to guests of property owners and the developer and to the guests of

property owners and the developer and to the residents of the subdivision renting from the developer or property owner. Employees of developer are elected officers and subject to the provisions of the Charter and Bylaws, have executive control of the organization during their terms of office.

23. STATE WHETHER THE DIAMONDHEAD YACHT AND COUNTRY CLUB HAS EXPERIENCED AN OPERATING LOSS OR DEFICIT. IF SO, EXPLAIN WHETHER OR NOT IT WILL BE NECESSARY TO INCREASE THE ANNUAL DUES TO BE PAID BY THE CLUB MEMBERS.

a. Yes, the Diamondhead Yacht and Country Club has experienced an operating loss due to start-up costs of the Country Club facility.

b. No, it will not be necessary to increase the annual dues to be paid by the club members except to the extent of increases in the cost of living index as set forth in your contract and in Item 7 of this report.

SPECIAL RISK FACTORS

(a) The future value of land is very uncertain; do NOT count on appreciation.

(b) You may be required to pay the full amount of your obligation to a bank or other third party to whom the developer may assign your contract or note, even though the developer may have failed to fulfill promises he has made.

(c) Resale of your lot may be subject to the developer's restrictions, such as limitations on the posting of signs, limitations to the rights of other parties to enter the subdivision unaccompanied, membership prerequisites or approval requirements, or developer's first right of refusal. You should check your contract for such restrictions and also note whether your lien or any other liens on the property would affect your right to sell your lot.

(d) You should consider the competition which you may experience from the developer in attempting to resell your lot and the possibility that real estate brokers may not be interested in listing your lot.

(e) Changing land development and land use regulations by government agencies may affect your ability to obtain licenses or permits or otherwise affect your ability to use the land.

FINANCIAL STATEMENTS

You should carefully review the attached financial statements of the developer (see exhibit A).

Signature of the Senior Executive
Officer of the Developer

Jack A. Furman
Executive Vice President