

LOCAL GOVERNMENT COMMISSION
DECEMBER 1, 2020

1. PLEDGE OF ALLEGIANCE

2. TOAST TO THE FLAG

3. CONFLICT OF INTEREST STATEMENT

4. MINUTES FOR APPROVAL

November 10, 2020

| | |
|-----------------------------|-----------|
| (FINAL) | |
| RELATED INFORMATION | |
| Approximate Per Capita Debt | |
| 11/30/20 | |
| State: | \$ 609 |
| Federal: | \$ 82,417 |

| <u>Unit</u> | <u>Type</u> | <u>Purpose</u> | <u>Amount</u> | <u>Comments</u> | <u>Page Number</u> | <u>Last request to Borrow</u> | <u>Voted/ Non-Voted</u> |
|--|----------------------------------|---|---------------|-----------------|--------------------|-------------------------------|-------------------------|
| Bald Head Island Transportation Authority - Briefing | | | | | | | |
| Update on Cliffside Sanitary District | | | | | | | |
| Update on Town of Eureka | | | | | | | |
| Update on Town of Robersonville | | | | | | | |
| Update on Town of East Laurinburg | | | | | | | |
| Kingstown, Town of | | | | | | | |
| | Resolution (vote required) | | | | | | |
| Franklin, Town of | Financing Agreement | Fire Substation | \$ 400,000 | | 2 | FA 9-2012 \$4.5M | |
| Hickory, City of | Financing Agreement | Multiple Projects | \$ 7,500,000 | | 2 | GO 10-2014 \$40M; FA \$3M | |
| Mooreville, Town of | Financing Agreement (LOBs) | Multiple Projects | \$ 46,500,000 | | 3 | RB 9-2019 \$16.2M | |
| Spencer, Town of | Financing Agreement | Municipal Complex | \$ 2,826,202 | | 5 | FA 6-2010 \$385K | |
| Charlotte Housing Authority | | | | | | | |
| | Revenue | Multi-family Mortgage Note-Abbington-Mt. Holly | \$ 15,000,000 | | 6 | RB 10-2020 \$22M | |
| Monroe, City of | Revenue | Refunding | \$ 13,500,000 | | 7 | FA 6-2020 \$3.1M | |
| Cape Fear Public Utility Authority | | | | | | | |
| | Revolving Loan | Sewer | \$ 7,629,000 | | 8 | RB 10-2019 \$127M | |
| Fayetteville Public Works Commission | Revolving Loan | Sewer | \$ 6,255,105 | | 8 | RL 9-2020 \$17.9M | |
| Fayetteville Public Works Commission | Revolving Loan | Sewer | \$ 16,162,109 | | 8 | RL 9-2020 \$17.9M | |
| Asheville, City of | | | | | | | |
| | General Obligation (BAN Program) | Miscellaneous - Action - rate modification | NA | | 9 | RB 10-2019 \$92M | |
| Clayton, Town of | Revolving Loan | Miscellaneous - Action - loan increase | \$ 3,000,000 | | 9 | RL 9-2020 \$12.0M | |
| Cramerton, Town of | Annexations | Miscellaneous - Action | \$ 4,857 | | 9 | FA 4-2017 \$650K | |
| Raleigh, City of | Financing Agreement (LOBs) | Combine credit providers for each series to 1- Action | NA | | 9 | LOBs 6-2010 \$385K | |
| Cornelius, Town of | | | | | | | |
| | Financing Agreement | Miscellaneous - Non-Action - Rate Modification | NA | | 10 | | |

| UNIT | PROJECT | PROPOSED ISSUE IS NECESSARY AND EXPEDIENT | ADEQUATE NOT EXCESSIVE | DEBT MANAGEMENT | TAX INCREASE | TERMS/OTHER INFORMATION PREFERABLE TO A BOND ISSUE |
|--|---|---|------------------------|---|--|---|
| TOWN OF SPENCER \$2,826,202 Municipal Complex G.S. 160A-20 Installment Purchase Contract Private Placement | This project consists of the purchase of a 20,000 square foot commercial building with a masonry exterior and steel column and beam interior. The proposed facility will be divided into three primary areas; police department, Town administration and Town Council meeting rooms. After construction, USDA will issue a 30 year loan to replace this construction loan | Necessary and expedient because the current building for the town meeting, administration, and police department is not meeting the needs of the town now or in the foreseeable future. | Bids in Hand. | No major deficiencies. No defaults noted. | No tax increase is anticipated. General Fund revenues will provide for debt service. | Bank: Truist bank Approval Rate: 1.54% Term: 14 months Market Rate: 1.00% Payment: Principal and interest at maturity S&P: N/A Moody's: N/A |

Expected Sources and Uses of Funds:

Sources:

| | | |
|----------------|----|------------------|
| Bank Loan: | \$ | 2,826,202 |
| Cash: | \$ | 222,974 |
| Total Sources: | \$ | <u>3,049,176</u> |

Uses:

| | | |
|---------------------------|----|------------------|
| Construction Cost: | \$ | 2,526,489 |
| Engineer or Arch. Fees: | \$ | 27,130 |
| Other Legal/Fiscal Cost: | \$ | 20,000 |
| Administrative Cost: | \$ | 10,000 |
| Cash contribution: | \$ | 50,657 |
| Contingency: | \$ | 140,000 |
| Furnishings and Equipment | \$ | 274,900 |
| Total Uses: | \$ | <u>3,049,176</u> |

Installment purchase contract is more timely than issue of G.O. Bonds

FINANCING TEAM:

Bond Counsel: Pope Flynn, LLC

| Purpose | Estimated Census | Amount | Public Hearing | Bonds Authorized & Unissued | Assessed Valuation | Existing Debt Excluding Enterprise Funds | Tax Rate | Debt Ratios-Excluding Enterprise Funds | | | | | |
|--------------------|------------------|--------------|----------------|-----------------------------|--------------------|--|----------|--|-------|------------|----------|--------------|--------|
| | | | | | | | | To Property Values | | Per Capita | | | |
| | | | | | | | | Before | After | Before | After | | |
| Municipal Building | 3,257 | \$ 2,826,202 | 10/13/2020 | \$ - | \$236,172,214 | 2,939,244 | \$0.66 | 1.24% | 2.44% | \$ 902 | \$ 1,770 | Rowan County | \$ 392 |

| PROJECT | PROJECT IS NECESSARY & EXPEDIENT | AMOUNT OF PROJECT IS ADEQUATE BUT NOT EXCESSIVE | FEASIBILITY | DEBT MANAGEMENT | MARKETABILITY | TERMS/ OTHER INFORMATION |
|--|--|--|---|---|-------------------|--|
| CITY OF CHARLOTTE HOUSING AUTHORITY (now under the name INLIVIAN) MULTIFAMILY HOUSING REVENUE BONDS (Abbington on Mt. Holly), Series 2020 G.S. 159-148; 159-153; 157-17.1 Not to exceed \$15,000,000. The proceeds of the bonds will be used to provide a loan to Charlotte Abbington on Mount Holly, LLC a North Carolina Limited Liability Corporation or an affiliate, for the acquisition, construction and equipping of approx. 102 apartment units located in the City of Charlotte on approximately 8.52 acres. The apartments are targeted for low income family tenants, as well as workforce housing. The apartments will be built in accordance with the specifications provided in the application for low-income housing tax credits (LIHTC) as approved by the NC Housing Finance Agency (NCHFA). | Charlotte Housing Authority has found that the project is necessary to continue to provide an adequate supply of affordable housing for residents of the City. The development will include one, two and three bedroom units, 100% of which will be subject to income and rent restrictions. The Charlotte Housing Authority has allocated 25% of the units PBRA (Property Based Rental Assistance Vouchers). These would be limited to the units serving the 30% AMI residents. | The developer has provided a Phase I Environmental Site Analysis, and a Market Study, along with a construction contract for the project which supports the valuations thereof. The issuer has found that the debt to be incurred in connection with the project is adequate but not excessive. In addition, the Rental Investment section of the NCHFA has reviewed this information and has found it to be reasonable. | The developer has provided 30-year cash flow projections that show debt service coverage for the bonds will range from 1.18X to 1.79X. The lenders have performed their own credit review. | No defaults noted. No major deficiencies. | Private Placement | Term - Approximately 40 years; 40 year amortization Construction period up to 30 months Construction Phase Interest Rate: Fixed 18yr LIBOR swap rate +295 basis pts (currently estimated at 4.05%) Permanent Phase Interest Rate: Fixed rate (currently estimated 4.05%) Structure: Approximately level debt service |

APPROVALS

Amount: Not to exceed \$15,000,000
 Final Maturity: Not to exceed December 31, 2060
 Interest Rate: Tax-exempt not to exceed 12.0%

FINANCING TEAM

Bond Counsel: McGuireWoods LLP
 Issuer's Counsel: The Banks Law Firm, P.A.
 Borrower: Charlotte Abbington on Mount Holly, LLC
 Trustee: The Bank of New York Mellon Trust Company, N.A.
 Purchaser: Deutsche Bank AG
 Placement Agent: Stern Brothers & Co.
 Majority Owner Representative: Boston Capital Finance LLC
 Borrower's Counsel: Coleman Talley LLP and The Banks Law Firm, P.A.
 Purchaser's Counsel: Kutak Rock LLP
 LIHTC Equity Investor: Red Stone Equity Partners, LLC
 LIHTC Equity Investor Counsel: Nixon Peabody LLP

Sources of Funds

| | | |
|------------------------|-----------|-------------------|
| First Mortgage | \$ | 12,200,000 |
| Tax Credit Equity | \$ | 4,962,513 |
| City of Charlotte Loan | \$ | 2,000,000 |
| LISC (CHOIF funds) | \$ | 1,775,000 |
| Deferred Developer Fee | \$ | 13,350 |
| Total Sources | \$ | 20,950,863 |

Uses of Funds

| | | |
|---------------------------------|-----------|-------------------|
| Land acquisition | \$ | 1,432,500 |
| Construction | \$ | 15,023,165 |
| Fees and soft costs | \$ | 2,619,268 |
| Financing and Costs of Issuance | \$ | 1,334,054 |
| Interest, Reserves and Other | \$ | 541,876 |
| Total Uses | \$ | 20,950,863 |

| PROJECT | | PROJECT IS NECESSARY & EXPEDIENT | AMOUNT OF PROJECT IS ADEQUATE BUT NOT EXCESSIVE | FEASIBILITY | DEBT MANAGEMENT | MARKETABILITY | TERMS/ OTHER INFORMATION |
|---|---------------|---|---|---|--|--|--|
| CITY OF MONROE | | Necessary and expedient to avail the City's utility system of currently lower financing costs. The terms of the accepted financing proposal will produce a Net Present Value savings of approximately \$1,058,000 or 8.04% of the bonds refunded. | The refunding is current and all related funds requirements are known or may be accurately estimated. | The refunding will produce nominal cash savings averaging approximately \$75,500 per year over the next 14 fiscal years. Total debt service coverage for FY2020 was 3.68Xs. | No major deficiencies. defaults noted. | The lending is a direct bank placement. A proposal from the bank has been received and accepted contingent on Local Government Commission approval of the transaction. | Term: Approximately 13.5 years Interest Rate: Fixed Structure: Amortization of the refunding principal will provide approximately level realization of savings as allowable by the structure of the refunded bonds and their related repayment resources over the term of the refunded series. |
| G.S. 159; Article 5 | | | | | | | |
| Combined Enterprise System Revenue Refunding Bond, Series 2020A | \$ 6,560,000 | | | | | | |
| Combined Enterprise System Revenue Refunding Bond, Series 2020B | \$ 6,776,000 | | | | | | |
| Direct Bank Placement | | | | | | | |
| Amount not to exceed: | \$ 13,500,000 | | | | | | |

Current refunding of the City's Combined Enterprise System Revenue Refunding Bonds, Series 2011 (the "2011 Bonds") and the 2014 State Revolving Fund Loan (the "2014 SRF").

Series 2020A:

| | |
|---|---------------|
| Pertaining to the Series 2011 refunded bonds: | |
| Originally issued | \$ 19,620,000 |
| Outstanding currently | \$ 7,405,000 |
| Balance to be refunded | \$ 6,435,000 |

Series 2020B:

| | |
|------------------------------------|--------------|
| Pertaining to the Series 2014 SRF: | |
| Originally issued | \$ 9,622,065 |
| Outstanding currently | \$ 6,735,445 |
| Balance to be refunded | \$ 6,735,445 |

Amount not to exceed: \$13,500,000

Approvals

Series 2020 A
Final maturity: Not beyond 2028
Interest Rate not to exceed: 0.92%

Approvals

Series 2020B
Final Maturity: Not beyond 2034
Interest Rate not to exceed: 1.40%

FINANCING TEAM

Bond Counsel: Parker Poe Adams & Bernstein LLP
Lender: Truist Bank, N.A. (STI Institutional & Government Inc.)
Lender's Counsel: Moore & Van Allen PLLC
Financial Advisor: First Tryon Advisors
Trustee/Registrar: Wells Fargo Bank, N.A.

Expected Sources and Uses of Funds:

| | Series 2020A | Series 2020B | Total |
|----------------------------------|---------------------|---------------------|----------------------|
| Sources: | | | |
| Revenue Bond at par: | \$ 6,560,000 | \$ 6,776,000 | \$ 13,336,000 |
| City Contribution | \$ 74,976 | \$ 15,368 | \$ 90,344 |
| Total Sources | \$ 6,634,976 | \$ 6,791,368 | \$ 13,426,344 |
| Uses: | | | |
| Refunding Deposit | \$ 6,574,131 | \$ 6,750,814 | \$ 13,324,945 |
| Issuance Costs | \$ 60,000 | \$ 40,000 | \$ 100,000 |
| Additional Proceeds (other uses) | \$ 845 | \$ 554 | \$ 1,399 |
| Total Uses | \$ 6,634,976 | \$ 6,791,368 | \$ 13,426,344 |

| UNIT | PROJECT | PROPOSED ISSUE IS NECESSARY AND EXPEDIENT | ADEQUATE NOT EXCESSIVE | DEBT MANAGEMENT | FEASIBILITY/ TAX INCREASE | TERMS/OTHER INFORMATION PREFERABLE TO A BOND ISSUE | MARKETABILITY |
|--|--|--|--|---|---|--|---------------|
| CAPE FEAR PUBLIC UTILITY AUTHORITY Sewer \$7,629,000 G.S. 159G-22 Revolving Loan | Rehabilitation and/or replacement of existing force main that is beyond its life cycle with approximately 11,500 LF of 24-inch force and 4200 20-inch force main matching the existing diameters and capacity. | Necessary and expedient because the discharge force main was installed primarily in 1970 and the design life for a sewer force main is typically 50 years. | Cost estimates provided by Cape Fear Public Utility Authority. | No major deficiencies. No defaults noted. | The projection of net revenues prepared by the unit indicates that future revenues will be adequate to cover the cost of operations and debt service. Water: \$33.78 Sewer: \$33.80 | Loan from State of North Carolina Term: 20 years The rate, as established under this program for the respective loan, State or federal, is not to exceed 4%. | N/A |
| FAYETTEVILLE PUBLIC WORKS COMMISSION Sewer \$6,225,105 G.S. 159G-22 Revolving Loan | This project consists of the elimination and abandonment of six lift stations to include South Hampton, Peartree Estates, Camden Woods, Steeple Chase, Lake Upchurch, and Camden Glen and rerouting flows from these lift stations with the installation of 5,650 linear feet of 12-inch and 8,600 linear feet 8-inch gravity sewer to connect to new gravity outfall; along with the installation of 41 four feet manholes and 5 feet manholes. | Necessary and expedient to provide a means of conveying collected sewerage from areas previously annexed, protect the environment by providing a means of replacing septic systems in the annexation areas that will eventually fail, and provide for future growth by installing a means of collecting sewerage from additional areas beyond those required for the areas previously annexed. | Cost estimated provided by WK Dickinson & Co., Inc. | No major deficiencies. No defaults noted. | The projection of net revenues prepared by the unit indicates that future revenues will be adequate to cover the cost of operations and debt service. Water: \$33.72 Sewer: \$45.12 | Loan from State of North Carolina Term: 20 years The rate, as established under this program for the respective loan, State or federal, is not to exceed 4%. | N/A |
| FAYETTEVILLE PUBLIC WORKS COMMISSION Sewer \$16,162,109 G.S. 159G-22 Revolving Loan | This project includes the installation of approximately 22,900 linear feet of 24-inch and 10,850 linear feet of 18-inch gravity sewer, installation of 44 four feet manholes; removal and replacement of pavement, roadways, driveways and curbs, and sedimentation and erosion control devices. | Necessary and expedient to provide a means of conveying collected sewerage from areas previously annexed, protect the environment by providing a means of replacing septic systems in the annexation areas that will eventually fail, and provide for future growth by installing a means of collecting sewerage from additional areas beyond those required for the areas previously annexed. | Cost estimates provided by WK Dickinson & Co., Inc. | No major deficiencies. No defaults noted. | The projection of net revenues prepared by the unit indicates that future revenues will be adequate to cover the cost of operations and debt service. Water: \$33.72 Sewer: \$45.12 | Loan from State of North Carolina Term: 20 years The rate, as established under this program for the respective loan, State or federal, is not to exceed 4%. | N/A |

MISCELLANEOUS:

City of Asheville

ACTION ITEMS:

The City of Asheville requests the Commission to approve a Rate Modification to its Short-Term Bond Draw Program (which was approved by the Commission on June 2, 2020), to substitute a rate of interest equal to the SIFMA Index plus 0.58% per annum (58 basis points) in place of the current rate of interest (80% of the LIBOR Index plus 1.38%). Both are variable rate structures. Additionally, the fee for "unused proceeds" will be reduced by 10 basis points. The modified interest rate and unused proceeds fee will produce significant savings for the City over the term of the Draw Program and LIBOR is to be universally phased out in December 2021. The "Rate Modification Date" is January 4, 2021. The Lender, Bank of America, N.A., has agreed to the modifications and Staff recommends approval.

Town of Clayton

The Town is requesting approval for an increase of additional funds on a State Revolving Loan. The loan is for the construction of a new advanced biological water treatment facility (Neuse River Water Reclamation Facility). The requested dollar amount is for design and engineering to bring the project to bid. The original loan was approved by the LGC on September 1, 2020 for \$12,000,000 of the \$15,000,000 requested by DEQ. The Town is requesting approval of the remaining \$3,000,000 for a total of \$15,000,000. This increase is necessary because the second requested Memorandum of Understanding ("MOU") has now been obtained from the second major user (Novo Nordisk). This MOU was not available during the original LGC approval.

Town of Cramerton

The Town of Cramerton and the following fire departments have requested approval of an annexation payment schedule developed in accordance with G.S. 160A-31.1, whereby the Town will make lump sum payments for the Town's proportionate share of outstanding debt as follows:

| Volunteer Fire Department | Effective Annexation Date | Payment Period | Reimbursement |
|----------------------------------|----------------------------------|-----------------------|----------------------|
| New Hope VFD | 12/13/2018 | 2021 | \$ 1,582 |
| New Hope VFD | 8/20/2020 | 2021 | \$ 2,894 |
| Community Fire Dept. | 11/21/2019 | 2021 | \$ 381 |

City of Raleigh

The City of Raleigh is requesting LGC approval to substitute the liquidity (SBPA*) and remarketing agent on the outstanding variable rate 2005B-1 VRDB's* to PNC Bank. The City would like to bring both the 2005B-2's and the 2005B-1's under one credit provider. The City originally had to split the credit providers for each series between Wells Fargo and PNC (as successor to RBC) during the 2008 financial crisis. The City believes that this provides a more seamless approach to the SBPA renewals with one institution moving forward. Secondly, the City evaluated in great detail Wells Fargo's proposal to renew its current SBPA. The City determined, in conjunction with their financial advisor, that the cost of renewing the current SBPA with Wells Fargo was not cost effective. Therefore the decision was made to substitute the liquidity provider and remarketing agent to PNC after a review of the proposals. The 2005B-1 SBPA associated with this substitution will mirror the currently outstanding 2005B-2 SBPA provided by PNC Bank.

* SBPA - Standby Bond Purchase Agreement

* VRDB - Variable Rate Demand Bond

MISCELLANEOUS:

Town of Cornelius

(NON-ACTION ITEMS):

The Town has negotiated rate modification with Truist Bank to its existing, privately held, tax exempt, installment purchase:
effective 12/24/2020 (modification date)

| Original Date | Original Amount* | Current Balance | Previous Rate | New Rate | Interest Savings | Maturity Date |
|---------------|------------------|-----------------|---------------|----------|------------------|---------------|
| 6/4/2019 | \$ 657,000 | \$ 563,143 | 2.97% | 1.84% | \$ 17,500 | 6/24/2026 |

LGC Informational Item

Bald Head Island Transportation Authority Series 2021 Revenue Bonds

December 1, 2020

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| 6 | BHITA Due Diligence Initiatives |
| 7 | Transaction Summary |
| 10 | Pro Forma Financial Results |
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Overview of Authorizing Legislation

- On July 18, 2017 Senate Bill 391, known as the Ferry Transportation Authority Act, was approved.
 - The purpose of the Ferry Transportation Authority Act is to authorize the creation of an Authority to provide reliable and safe public ferry transportation services in its service area.
 - The Ferry Transportation Authority Act established an 11 member Board of Trustees consisting of the Mayor and Mayor Pro Tempore of the municipality only accessible by the vessel (Village of Bald Head Island), as well as 9 appointed members. The appointed members include 1 by the Governor, 2 by the General Assembly, 3 by the Secretary of the Department of Transportation, 1 by the Board of Commissioners of the County where the Authority is located (Brunswick County), 1 by the elected Board of the municipality where the mainland terminal of the Authority is located (Southport), and 1 by the elected Board of a municipality only accessible by vessel (Village of Bald Head Island). The Board of Trustees will serve various three-year staggered terms.
 - Additionally, the Ferry Transportation Authority Act establishes the Financial Accountability, Funds, General Powers, and the process for establishing Rates, Fees, Charges, Routes, and Schedules.
- The Bald Head Island Transportation Authority ("BHITA" or the "Authority") received its Certificate of Incorporation from the Department of the Secretary of State on August 23, 2017.

BHITA Board, Staff, and Consultants

Board of Trustees

| Trustee | Appointed By: |
|--------------------------------|-----------------------------|
| Ms. Susan Rabon (Chair) | Governor |
| Mr. Robert Howard (Vice Chair) | Brunswick County |
| Mr. Landan Zimmer (Secretary) | NCDOT |
| Mr. David Jessen (Treasurer) | General Assembly |
| Dr. Rex Cowdry | NCDOT |
| Mr. Jed Dixon | NCDOT |
| Mr. Paul Cozza | General Assembly |
| Mr. Jim Powell | City of Southport |
| Mayor Andy Sayre | Village of Bald Head Island |
| Mayor Pro Tem Michael Brown | Village of Bald Head Island |
| Mr. Claude Pope | Village of Bald Head Island |

Staff

| Staff | Role |
|----------------|--------------------------|
| Ms. Deb Straub | Interim Finance Director |

Consultants

| Consultant | Role |
|----------------------------------|------------------------------------|
| Davenport & Company LLC | Financial Advisor |
| McGueWoods LLP | Bond Counsel |
| UBS Financial Services Inc. | Bond Underwriter |
| Parker Poe Adams & Bernstein LLP | Underwriter's Counsel |
| HMS Global | Feasibility & Valuation Consultant |
| Mercator International LLC | Bond Feasibility Consultant |
| KOPOO | Vessel Surveys |
| Moffatt & Nichol | Marina Infrastructure Surveys |
| Earl Worsley | Real Estate Appraiser |
| S&ME | Environmental Consultant |
| Dixon Hughes Goodman | Auditor |
| US Bank National Association | Bond Trustee |

BHITA Service Area

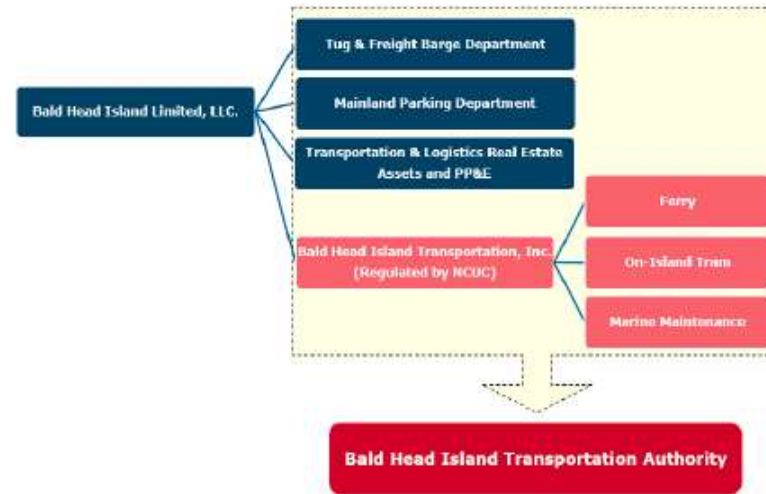
BHITA Facilities & Ferry Route



Deep Point Marina Facilities (Southport)



Bald Head Island Companies to be Acquired by Authority



Completed BHITA Due Diligence Initiatives

- Asset / Infrastructure Due Diligence
 - Vessel Survey Reports - KOPOO
 - Marina Infrastructure Due Diligence Report (Deep Point Marina and Bald Head Island Marina) - Moffatt & Nichol
 - Real Estate Appraisals (Deep Point Marina and Bald Head Island Marina) - Earl Worsley
 - Environmental Reports (Deep Point Marina and Bald Head Island Marina) - S&ME
 - Title and Surveys on Real Estate (Deep Point Marina and Bald Head Island Marina)
 - System Valuations and Financial Projections - HMS Global
- Financial Due Diligence
 - Historical Financial Review (Monthly, Calendar Year, and Fiscal Year)
 - Pro Forma Financial Models (Monthly and Fiscal Year)
 - Bond Feasibility Study - Mercator International LLC
 - Operational Plan Option Analysis
 - Credit Rating Indicative Ratings - Moody's, S&P and Fitch
- Legal Due Diligence / Documentation
 - Asset Purchase Agreement
 - Operating and Transition Services Agreement
 - Bond Documents

Transaction Summary

| Transaction System Revenue Bonds, Series 2021A (Tax-Exempt) and Series 2021B (Taxable) | |
|--|---|
| Issuer: | Bald Head Island Transportation Authority |
| Seller and Operator: | Bald Head Island Limited, LLC |
| Par Amount: | \$52,370,000 |
| Rating: | TBD, indicative ratings requested from Moody's, S&P and Fitch |
| Tax Status and Structure: | Series A: Senior Lien Tax-Exempt (non-MT) fixed rate, fully amortizing 30-year level debt comprising ~95% of par issued Series B: Senior Lien Taxable fixed rate, fully amortizing 30-year level debt comprising ~5% of par issued (subject to tax opinion) Up to \$ 6 million of the financing may be issued as deferred, level debt with interest only for the first ten years |
| Purpose: | Proceeds of the Bonds will 1) finance the \$47,750,000 acquisition of the Bald Head Island Ferry Transportation System (the "System") from Bald Head Island Limited, LLC (the "Seller"); 2) fund a debt service reserve and operating and maintenance reserve fund; 3) fund \$1.0 million of working capital; 4) pay (up to 3 months) capitalized interest on the Bonds; 5) fund certain costs of issuance |
| The System: | The System is comprised of four primary service functions: (1) the transportation of passengers via ferry to-and-from the island and the mainland City of Southport, North Carolina; (2) the on-island tram transportation of ferry passengers; (3) the vehicle parking operation at the Deep Point Marina in the City; and (4) the tug & freight barge operation, which transports supplies and equipment to-and-from the Island |
| Pledged Revenues: | Net revenue pledge after providing for the Operating and Maintenance Expenses. Includes all revenues, income, proceeds, tolls, rents, proceeds of ticket sales, parking revenue, lease moneys, returns and charges derived from the ownership of the Facilities and the operation of the System. Not payable from any other funds and not a debt of the State nor of any Political Subdivision thereof. |
| Rate and Charges: | Independently set by the Authority, no external approvals required. |
| Rate Covenant: | To produce Net Revenues in each Fiscal Year in an amount equal to 130% of the Annual Principal and Interest Requirements of all Senior Bonds Outstanding in such Fiscal Year, decreases to 105% for any Subordinate Bonds |
| Additional Bonds Test: | The rate covenant on a historical basis and 145% of the Annual Principal and Interest Requirements on all Senior Bonds then proposed to be Outstanding on a forward basis based on net revenues projected by a Independent feasibility consultant |
| DSRF Requirement: | Funded with the Bonds at the lesser of the 3-pronged test |
| O&M Reserve Requirement: | Funded with the Bonds at 25% of FY 2022 Operating and Maintenance Expenses as projected in the Feasibility Report, revised each year based on the budgeted O&M for the following year |
| Capital Improvement Fund Requirement: | 20% of the five-year cash funded capital improvement plan for the System, funded in equal monthly installments over 12 months beginning July 1, 2021; minimum required balance of \$500,000 |
| Interest: | Semi-annually on February 1 and August 1 of each year, commencing August 1, 2021 |
| Optional Redemption: | 10-year par call |
| Financial Advisor: | Davenport & Company LLC |
| Bond/Authority Counsel: | McGuireWoods LLP |
| Seller's Counsel: | Murchison, Taylor & Gibson PLLC |
| Senior Manager: | UBS Financial Services Inc. |
| Underwriter's Counsel: | Parker Poe Adams & Bernstein LLP |
| Feasibility Consultant: | Mercator International LLC |

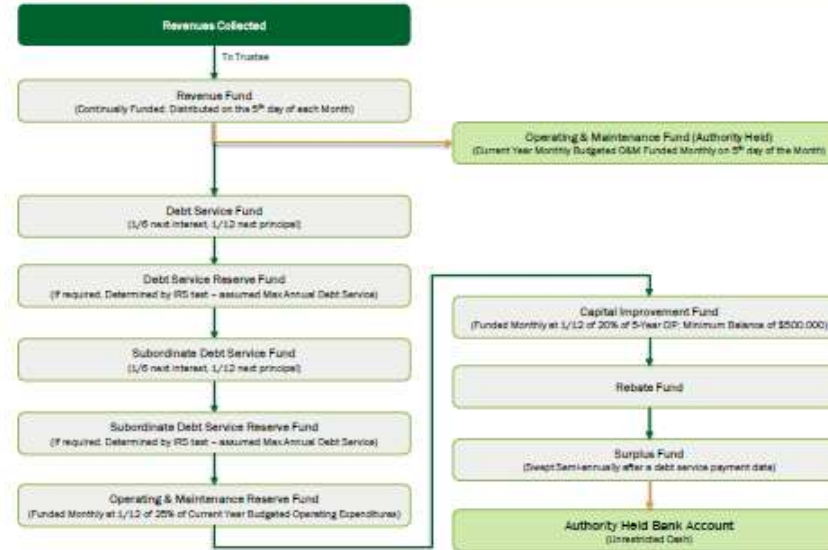
Estimated Sources and Uses of Funds*

| Sources of Funds | |
|------------------|------------------------|
| Par Amount | \$52,370,000.00 |
| Premium | 3,774,303.30 |
| Total | \$56,144,303.30 |

| Uses of Funds | |
|-------------------------------------|------------------------|
| Cash Due at Closing for Acquisition | \$47,750,000.00 |
| Working Capital | 1,000,000.00 |
| Debt Service Reserve Fund | 3,463,875.00 |
| Operating and Capital Reserve Fund | 1,640,868.00 |
| Cost of Issuance | 1,500,000.00 |
| Underwriter's Discount | 785,550.00 |
| Additional Proceeds | 4,010.30 |
| Total | \$56,144,303.30 |

Bald Head Island Transportation Authority

Draft Indenture Flow of Funds as of 12/1/2020



Pro Forma Financial Results – Base Case (Median Scenario)

■ The feasibility consultant, Mercator, has prepared a detailed feasibility study projecting the Net Revenue Available for Debt Service under a base case (median) scenario as well as a series of sensitivity scenarios. The results of the base case projections are summarized below:

| A | B | C | D | E | F | G | H | I |
|-------------------|--------------|--------------|--|--------------|-----------------------|---------------------------|---|--------------------|
| Fiscal Year | Revenues | Expenses | Net Revenue Available for Debt Service | Debt Service | Debt Service Coverage | Unrestricted Cash Balance | Restricted Cash Balance (Excluding O&M) | Total Cash Balance |
| Jan 2021-Jan 2021 | \$ 4,947,227 | \$ 3,256,794 | \$ 1,690,433 | \$ - | 0.00x | \$ 1,380,058 | \$ 1,640,858 | \$ 3,020,916 |
| 2022 | 11,838,565 | 6,553,472 | 5,275,113 | 2,596,679 | 2.03x | 1,787,247 | 2,173,976 | 3,970,223 |
| 2023 | 12,265,154 | 6,921,696 | 5,343,458 | 3,171,269 | 1.67x | 2,201,399 | 2,690,633 | 4,892,032 |
| 2024 | 12,521,761 | 7,131,036 | 5,390,725 | 3,629,653 | 1.48x | 2,454,910 | 3,448,657 | 5,903,567 |
| 2025 | 13,511,564 | 7,519,351 | 6,192,213 | 3,937,763 | 1.61x | 3,542,261 | 4,185,898 | 7,728,159 |
| 2026 | 13,780,558 | 7,519,122 | 6,261,436 | 3,839,945 | 1.63x | 4,099,100 | 4,411,932 | 8,511,032 |
| 2027 | 14,026,367 | 7,722,112 | 6,304,255 | 3,838,114 | 1.64x | 5,826,334 | 4,572,800 | 10,399,134 |
| 2028 | 15,197,884 | 7,937,189 | 7,260,695 | 3,840,145 | 1.89x | 8,076,321 | 4,305,119 | 12,381,440 |
| 2029 | 16,461,874 | 8,154,358 | 7,307,515 | 3,835,937 | 1.91x | 10,585,395 | 3,895,086 | 14,470,481 |
| 2030 | 16,814,527 | 8,383,350 | 7,431,177 | 3,837,905 | 1.94x | 13,337,295 | 3,320,945 | 16,658,233 |
| 2031 | 17,051,170 | 8,629,081 | 8,422,089 | 3,837,778 | 2.20x | 17,244,949 | 3,266,872 | 20,511,821 |
| 2032 | 17,302,808 | 8,838,843 | 8,463,965 | 3,845,048 | 2.19x | 20,320,141 | 3,479,243 | 23,799,384 |
| 2033 | 17,697,438 | 9,076,876 | 8,620,562 | 4,880,651 | 1.84x | 23,717,348 | 3,896,231 | 27,713,579 |
| 2034 | 18,103,685 | 9,329,336 | 8,774,349 | 4,120,403 | 2.13x | 28,268,802 | 4,436,758 | 32,705,560 |
| 2035 | 18,472,854 | 9,593,381 | 8,879,473 | 4,129,573 | 2.16x | 32,981,405 | 4,695,789 | 37,677,194 |
| 2036 | 18,833,428 | 9,846,817 | 8,986,610 | 4,129,178 | 2.18x | 37,794,031 | 4,953,380 | 42,747,411 |
| 2037 | 19,294,820 | 10,114,851 | 9,179,969 | 4,127,017 | 2.23x | 42,835,970 | 5,219,876 | 48,055,846 |
| 2038 | 21,753,507 | 10,388,810 | 11,364,697 | 4,124,858 | 2.76x | 50,401,026 | 5,484,823 | 55,885,849 |
| 2039 | 23,186,342 | 10,678,642 | 12,507,699 | 4,128,385 | 2.99x | 58,810,359 | 4,716,405 | 63,526,764 |
| 2040 | 24,928,314 | 10,973,337 | 13,954,977 | 4,127,432 | 3.18x | 64,630,145 | 4,990,817 | 69,720,962 |

Key Financing Elements and Next Steps

- Bond, Legal and Financial Documents
 - Preliminary Official Statement
 - Trust and Supplemental Indentures
 - Findings Resolution
 - Asset Purchase Agreement
 - Operating and Transition Services Agreement
 - Audited Annual Financials From December 31, 2017 Through December 31, 2019 and Reviewed Financials Through June 30, 2020

- Bond Feasibility Report
 - Objective
 - Ferry and On-Island Tram
 - Parking, tug and freight barge operations
 - Demand Analysis
 - Financial Analysis, cash flow forecasts and fare increases
 - Conclusion

- Key Dates
 - December 8: Special BHITA Meeting to Approve Findings Resolution and Asset Purchase Agreement
 - Week of December 14: Receipt of Indicative Ratings
 - Week of January 4: LQC Approval Request and BHITA Approval of Bond Documents
 - Week of January 18/25: Pricing
 - Week of February 2: Closing

Municipal Advisor Disclosure

The enclosed information relates to an existing or potential municipal advisor engagement.

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