

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. The 2021 Bonds may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy the 2021 Bonds nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2021

NEW ISSUE - BOOK-ENTRY ONLY

Ratings: Moody's:
S&P:
Fitch:
(See "RATINGS" herein)

[BC to confirm] *In the opinion of McGuireWoods LLP, Bond Counsel, under existing law assuming compliance by the Authority with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), (a) interest on the 2021A Bonds (i) is excludable from gross income for federal income tax purposes and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax, (b) interest on the 2021B Bonds is taxable as ordinary income for federal income tax purposes, and (c) interest on the 2021 Bonds is exempt from State of North Carolina income taxation. See the caption "TAX TREATMENT" herein.*

§[A AMOUNT]*	§[B AMOUNT]*
BALD HEAD ISLAND TRANSPORTATION AUTHORITY TRANSPORTATION SYSTEM REVENUE BONDS SERIES 2021A	BALD HEAD ISLAND TRANSPORTATION AUTHORITY TRANSPORTATION SYSTEM REVENUE BONDS SERIES 2021B (TAXABLE)

Dated: Date of Issuance

Due: As shown on inside front cover

The §[A Amount]* Bald Head Island Transportation Authority Transportation System Revenue Bonds, Series 2021A (the "2021A Bonds") and the §[B Amount]* Bald Head Island Transportation Authority Transportation System Revenue Bonds, Series 2021B (Taxable) (the "2021B Bonds" and together with the 2021A Bonds, the "2021 Bonds") and the interest and premium, if any, thereon will be limited obligations of the Bald Head Island Transportation Authority (the "Authority") and will be payable from Net Revenues and other funds held by the Trustee under the Indenture (as such terms are defined herein) and available for such payment. The 2021 Bonds are being issued to provide funds to (1) finance a portion of the acquisition of the Bald Head Island Ferry Transportation System (the "System") from Bald Head Island Limited, LLC (the "Seller") (as further described herein), (2) fund a debt service reserve fund and operating and maintenance reserve fund, (3) fund working capital for the Authority, (4) pay capitalized interest on the 2021 Bonds, and (5) pay certain costs and expenses relating to the issuance and sale of the 2021 Bonds.

Upon issuance, the 2021 Bonds will bear interest payable semiannually on [February] 1 and [August] 1, of each year, commencing [August] 1, 2021 at the rates, and will mature on the dates and in the amounts, set forth on the inside front cover hereof. [The 2021 Bonds are subject to optional and mandatory redemption prior to maturity as described herein.]

THE 2021 BONDS ARE NOT DEBTS OF THE STATE OF NORTH CAROLINA NOR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY. THE 2021 BONDS ARE NOT PAYABLE FROM ANY FUNDS OF THE AUTHORITY OTHER THAN THE NET REVENUES OF THE AUTHORITY PLEDGED TO THE PAYMENT THEREOF, WHICH PLEDGE IS ON A PARITY WITH ANY ADDITIONAL BONDS ISSUED FROM TIME TO TIME ON A PARITY THEREWITH, ALL AS MORE FULLY DESCRIBED HEREIN.

The 2021 Bonds will initially be issued in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2021 Bonds, and purchases of beneficial ownership interest in such 2021 Bonds will be made in book-entry only form through brokers and dealers who are, or act through, DTC Participants. Purchasers will not be entitled to receive physical delivery of the 2021 Bonds. For so long as any purchaser is the beneficial owner of a 2021 Bond, such purchaser must maintain an account with a broker or dealer who is, or acts through, a DTC Participant in order to receive payment of principal of and interest on such 2021 Bond. See "APPENDIX E – BOOK-ENTRY ONLY SYSTEM."

The 2021 Bonds are offered when, as and if issued by the Authority and accepted by the Underwriters (as defined herein) subject to the approval of the legality of the 2021 Bonds by McGuireWoods LLP, Raleigh, North Carolina, Bond Counsel. Certain legal matters will be passed upon (1) for the Authority by McGuireWoods LLP, Wilmington, North Carolina, (2) for the Underwriters by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and (3) for the Seller by Murchison, Taylor & Gibson PLLC, Wilmington, North Carolina. Davenport & Company LLC, Charlotte, North Carolina is serving as Financial Advisor to the Authority. Mercator International LLC, Kirkland, Washington is serving as Feasibility Consultant. It is expected that delivery of the 2021 Bonds will be made against payment therefor through the facilities of DTC in New York, New York, on or about February [1], 2021.

UBS Financial Services

PNC Capital Markets LLC

January 27, 2021

* Preliminary, subject to change.

MATURITY SCHEDULE*

**[\$[A AMOUNT]]
BALD HEAD ISLAND TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM REVENUE BONDS, SERIES 2021A**

MATURITY ([AUGUST] 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP**
----------------------------------	-----------------------------	----------------------	--------------	----------------

\$ _____, _____% Term Bond Due [August] 1, _____, Yield _____%, CUSIP** _____

**[\$[B AMOUNT]]
BALD HEAD ISLAND TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM REVENUE BONDS, SERIES 2021B (TAXABLE)**

MATURITY ([AUGUST] 1)	PRINCIPAL AMOUNT	INTEREST RATE	YIELD	CUSIP**
----------------------------------	-----------------------------	----------------------	--------------	----------------

\$ _____, _____% Term Bond Due [August] 1, _____, Yield _____%, CUSIP** _____

* Preliminary, subject to change.

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BALD HEAD ISLAND TRANSPORTATION AUTHORITY

Authority Board [to update before posting]

Susan Rabon
Paul Cozza
Landon Zimmer
David Jessen
Rex Cowdry
John (Jed) Dixon

Robert Howard
Jim Powell
Andy Sayre
Michael Brown
Claude Pope

OFFICERS

Susan Rabon, Chair
Robert Howard, Vice Chair

David Jessen, Treasurer
Landon Zimmer, Secretary

BOND COUNSEL

McGuireWoods, Raleigh, North Carolina

AUTHORITY COUNSEL

McGuireWoods, Wilmington, North Carolina

SELLER

Bald Head Island Limited, LLC, Bald Head Island, North Carolina

SELLER'S COUNSEL

Murchison, Taylor & Gibson PLLC, Wilmington, North Carolina

UNDERWRITERS

UBS Financial Services Inc., New York, New York

PNC Capital Markets LLC, [Charlotte, North Carolina]

UNDERWRITERS' COUNSEL

Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina

FINANCIAL ADVISOR

Davenport & Company LLC, Charlotte, North Carolina

FEASIBILITY CONSULTANT

Mercator International LLC, Kirkland, Washington

This Official Statement does not constitute an offering of any security other than the original offering of the 2021 Bonds identified on the cover pages hereof. No dealer, broker, salesman or other person has been authorized by the Authority or the Underwriters to give any information or to make any representations 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 the Authority or the Underwriters. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the 2021 Bonds by any person in any jurisdiction in which it is unlawful to make such offer, solicitation or sale.

Except where otherwise indicated, the Authority has provided all information contained in this Official Statement. The Authority has obtained information in this Official from sources believed to be reliable. The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities under the federal securities laws as applied to the facts and circumstances of this transaction; however, the Underwriters do not guarantee the accuracy or completeness of such information.

U.S. Bank National Association, as Trustee, Paying Agent and Registrar, has not provided, or undertaken to determine the accuracy of, any of the information contained in this Official Statement and makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the 2021 Bonds; or (iii) the status of the interest on the 2021 Bonds.

UPON EXECUTION AND DELIVERY, THE 2021 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “*SECURITIES ACT*”) OR ANY STATE SECURITIES LAW AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE, AND NO INDENTURE WILL BE QUALIFIED WITH RESPECT TO THE 2021 BONDS UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE OR OTHER GOVERNMENTAL ENTITY OR AGENCY WILL HAVE PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2021 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, this document, as the same may be supplemented or corrected by the Authority from time to time, may be treated as an “official statement” with respect to the 2021 Bonds that is deemed final as of the date hereof (or of any such supplement or correction) by the Authority.

THE INFORMATION AND EXPRESSIONS OF OPINION IN THIS OFFICIAL STATEMENT ARE SUBJECT TO CHANGE WITHOUT NOTICE, AND NEITHER THE DELIVERY OF THIS OFFICIAL STATEMENT NOR ANY SALE MADE UNDER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE AUTHORITY OR IN THE OTHER MATTERS DESCRIBED HEREIN SINCE THE DATE HEREOF OR THE EARLIER DATES SET FORTH HEREIN AS OF WHICH CERTAIN INFORMATION CONTAINED HEREIN IS GIVEN.

The information in “**APPENDIX E – BOOK-ENTRY ONLY SYSTEM**” herein has been obtained from The Depository Trust Company, and no representation is made by the Authority or the Underwriters as to the completeness or accuracy of such information.

References herein to laws, rules, regulations, resolutions, agreements, reports, and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to this Official Statement, they will be furnished on request.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This Official Statement contains forecasts, projections, estimates and other forward-looking statements that are based on current expectations but are not intended as representations of fact or guarantees of results, including, without limitation, the information under the heading **“FINANCIAL FACTORS – PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE”** and in **“APPENDIX C – BOND FEASIBILITY STUDY”**. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” “budgets” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act, and any such statements inherently are subject to a variety of risks and uncertainties, certain of which are discussed under the heading **“INVESTMENT CONSIDERATIONS,”** which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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OFFICIAL STATEMENT

**[\$[A AMOUNT]*
BALD HEAD ISLAND TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM REVENUE BONDS
SERIES 2021A**

**[\$[B AMOUNT]*
BALD HEAD ISLAND TRANSPORTATION AUTHORITY
TRANSPORTATION SYSTEM REVENUE BONDS
SERIES 2021B (TAXABLE)**

INTRODUCTION

GENERAL

This Official Statement, which includes the cover pages hereof, the Table of Contents and the Appendices hereto, is provided to furnish certain information in connection with the offer of \$[A Amount]* aggregate principal amount of Transportation System Revenue Bonds, Series 2021A (the “2021A Bonds”) and \$[B Amount]* aggregate principal amount of Transportation System Revenue Bonds, Series 2021B (Taxable) (the “2021B Bonds”) and together with the 2021A Bonds, the “2021 Bonds”), each issued by the Bald Head Island Transportation Authority (the “Authority”).

All information included herein has been provided by the Authority except where attributed to other sources. The summaries and references to all documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such reference or summary is qualified in its entirety by reference to each such document, statute, report or other instrument.

AUTHORIZATION FOR ISSUANCE

The 2021 Bonds are authorized by Article 5 of The State and Local Government Revenue Bond Act (General Statutes of North Carolina, Section 159-80 *et seq.*, as amended) (the “Revenue Bond Act”), a bond order adopted by the Authority on [January __], 2021 (the “Bond Order”), a General Trust Indenture dated as of February 1, 2021 (the “General Indenture”) and a First Supplement to General Trust Indenture dated as of February 1, 2021 (the “First Supplemental Indenture”) and together with the General Indenture, the “Indenture”) each between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The Indenture is summarized in “**APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE ASSET PURCHASE AGREEMENT, AND THE OPERATING AND TRANSITION SERVICES AGREEMENT.**” All capitalized terms not otherwise defined herein shall have the meaning ascribed to such terms in the Indenture.

In addition, the Authority received the required approval of the North Carolina Local Government Commission (the “LGC”) to enter into the Indenture on January 5, 2021. The LGC is a division of the State Treasurer’s office charged with general oversight of local government finance in North Carolina. Its approval is required for substantially all bond issues and other local government financing arrangements in North Carolina. Under Section 159-86 of the General Statutes of North Carolina, as amended, the LGC must determine, prior to approving a proposed revenue bond issue, among other things, that (1) the proposed financing is necessary and expedient, (2) the amount proposed is adequate and not excessive for the proposed purpose of the issue, (3) the proposed project is feasible, (4) the issuer’s debt management procedures and policies are good, or that reasonable assurances have been given that its debt will be managed in strict compliance with law, and (5) the proposed revenue bonds can be marketed at reasonable interest cost to the issuer.

THE ISSUER

As described further under the heading “**THE AUTHORITY,**” the Authority is a public body and body politic and corporate of the State of North Carolina (the “*State*”) created pursuant to the Ferry Transportation Authority Act, North Carolina General Statutes Chapter 160A, Article 29 and organized by resolutions of (i) the Village Council of the Village of Bald Head Island, North Carolina dated August 18, 2017, (ii) the Board of Alderman of the City of Southport, North Carolina dated August 7, 2017, and (iii) the Board of Commissioners of the County of Brunswick, North Carolina dated August 21, 2017. The Authority’s mission is to provide reliable and safe public ferry transportation services in its service area. Specifically, the Authority’s principal focus is to operate a ferry and barge transportation system between Bald Head Island and the mainland City of Southport, North Carolina, thus providing the only means of public transportation to Bald Head island. See “**DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM.**”

THE SELLER & ACQUISITION OF THE FERRY SYSTEM FACILITIES

Bald Head Island Limited, LLC, a Texas limited liability company, and its wholly-owned subsidiary, Bald Head Island Transportation, Inc., a North Carolina C-corporation (collectively, the “Seller”) currently own and operate the Bald Head Island Ferry Transportation System (the “System”), which is comprised of a ferry and on-island tram system, a parking system, and a tug and freight barge system. Specifically, the ferry and on-island tram system is owned and operated by Bald Head Island Transportation, Inc., the parking system is owned and operated by the Mainland Parking Department of the Seller, and the tug and freight barge system is owned and operated by the Tug & Freight Barge Department of the Seller. The Authority will purchase the System and the facilities used to operate the System, including all System operations, real estate, and personal property assets from the Seller pursuant to an Asset Purchase Agreement dated as of [January __], 2021 between the Authority and the Seller. See “THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES” herein.

TRANSITION PLAN

Upon the Authority’s acquisition of the System, the Seller will facilitate transition of the System’s operations to the Authority pursuant to a Bald Head Island Transportation System Operating and Transition Services Agreement dated as of [February 1], 2021 between the Authority and the Seller (the “Transition Agreement”). Under the Transition Agreement, the Seller will manage System operations through its Chief Executive Officer and Chief Financial Officer beginning immediately following the Authority’s acquisition of the System and ending upon the full transition of System operations to the Authority. See “THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES – THE OPERATING AND TRANSITION SERVICES AGREEMENT” herein.

SERVICE AREA

The System provides the only scheduled means of transportation service from the City of Southport, North Carolina across the Cape Fear River to Bald Head Island, North Carolina (the “*Island*”). Visitors to the Island, employees and contractors working on the Island, and Island property owners all access the Island via the System. The Island is a first-class secluded residential and resort community located on the southernmost of North Carolina’s Barrier Islands, approximately 30 miles south of Wilmington, North Carolina. It consists of 12,000 acres, featuring 14 miles of beaches, tidal creeks, dunes, and maritime forests. The Island serves as a source of employment for citizens of the City of Southport, Brunswick County, and other surrounding cities and counties, and has a large tourist population, with visitors peaking during the summer months. See “**SERVICE AREA**” herein.

USE OF PROCEEDS

The 2021 Bonds are being issued to (1) finance a portion of the acquisition of the System from the Seller, (2) fund a debt service reserve fund and operating and maintenance reserve fund, (3) fund working capital for the Authority, (4) pay capitalized interest on the 2021 Bonds, and (5) pay certain costs and expenses relating to the issuance and sale of the 2021 Bonds. See “**PLAN OF FINANCE**” herein.

SECURITY AND SOURCES OF PAYMENT

The 2021 Bonds will be limited obligations of the Authority, and the principal of, premium, if any, and interest on the 2021 Bonds will be payable solely from Net Revenues (as hereinafter defined) of the Authority and other funds held by the Trustee under the Indenture and available for such payment. No security interest in the System will be granted to the Trustee for the benefit of the holders of the 2021 Bonds.

THE 2021 BONDS ARE NOT DEBTS OF THE STATE NOR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY. THE 2021 BONDS ARE NOT PAYABLE FROM ANY FUNDS OF THE AUTHORITY OTHER THAN THE NET REVENUES OF THE AUTHORITY PLEDGED TO THE PAYMENT THEREOF, WHICH PLEDGE IS ON A PARITY WITH ANY ADDITIONAL BONDS ISSUED FROM TIME TO TIME ON A PARITY THEREWITH, ALL AS MORE FULLY DESCRIBED HEREIN.

DESCRIPTION OF THE 2021 BONDS

GENERAL

The 2021 Bonds will be issued in denominations of \$5,000 and any whole multiple thereof. The 2021 Bonds will be dated their date of delivery and bear interest at the rates set forth in the inside front cover page hereof. Interest on the 2021 Bonds will be payable on [February] 1 and [August] 1 of each year, commencing [February] 1, 2021 to the persons whose names appear on the registration books kept by U.S. Bank National Association, as registrar (in such capacity, the “*Registrar*”), on the 15th day (whether or not a business day) of the calendar month next preceding the interest payment date. The 2021 Bonds will mature on the dates and in the principal amounts set forth on the inside front cover page hereof.

The 2021 Bonds will be initially issued under a book-entry only system, and will be registered in the name of Cede & Co., as nominee for The Depository Trust Company (“*DTC*”), New York, New York, which will act as bond depository for the 2021 Bonds. Principal or redemption price of and interest on the 2021 Bonds are payable by U.S. Bank National Association, as paying agent (in such capacity, the “*Paying Agent*”), to Cede & Co., so long as Cede & Co. is the registered owner of the 2021 Bonds, as nominee for DTC, which will, in turn, remit such principal and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (see “**APPENDIX E – BOOK-ENTRY ONLY SYSTEM**” herein).

Should the 2021 Bonds no longer be held in book-entry only form, the 2021 Bonds will be payable and subject to registration and transfer as provided in the Indenture.

REDEMPTION

Optional Redemption

The 2021A Bonds maturing on or before [August] 1, 20__ are not subject to redemption prior to maturity. The 2021A Bonds maturing on or after [August] 1, 20__ may be redeemed before their

maturities at the option of the Authority, from any funds that may be available for such purpose, in whole or in part on any date on or after [August] 1, 20__ . Such redemption may be made, upon notice as provided in the Indenture, at a redemption price equal to 100% of the principal amount of the 2021A Bonds to be redeemed, together with accrued interest to the date fixed for redemption.

The 2021B Bonds are subject to redemption prior to their respective maturities at the option of the Authority, in whole or in part, on any Business Day, at the “*Make-Whole Redemption Price*” (as defined herein). The “*Make-Whole Redemption Price*” is the greater of (i) 100% of the principal amount of the 2021B Bonds to be redeemed and (ii) the sum of the present value of the remaining scheduled payments of principal and interest on the 2021B Bonds to be redeemed, not including any portion of those payments of interest accrued and unpaid as of the date on which the 2021B Bonds are to be redeemed, discounted to the date on which the 2021 Bonds are to be redeemed on a semi-annual basis, assuming a 360-day year consisting of twelve 30-day months, at the Treasury Rate plus [_____ basis points (.__%)], plus, in each case, accrued and unpaid interest on the 2021B Bonds to be redeemed on the redemption date. At the request of the Trustee, the redemption price of the 2021B Bonds to be redeemed at the option of the Authority will be determined by an independent accounting firm, investment banking firm or financial advisor retained by the Authority at the Authority’s expense to calculate such redemption price.

Mandatory Sinking Fund Redemption

[The 2021A Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each year on and after August 1, 20__ by lot at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium as follows:

YEAR	AMOUNT
------	--------

* Maturity

The 2021B Bonds maturing on August 1, 20__ are subject to mandatory sinking fund redemption on August 1 in each year on and after August 1, 20__ by lot at a redemption price equal to the principal amount thereof to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium as follows:

YEAR	AMOUNT
------	--------

* Maturity

NOTICE OF REDEMPTION

The Trustee shall send notice of redemption of any 2021 Bonds to be redeemed by first-class mail, postage prepaid, at least 30 days but not more than 60 days before the redemption to all registered owners of 2021 Bonds to be redeemed in whole or in part, but notice to DTC will be sent as permitted or required by DTC. Failure to mail any notice to any registered owners or any defect in such notice will not affect the validity of any proceedings for such redemption as to any other registered owner to whom such notice is properly given.

Any notice of optional redemption may state that the redemption to be effected is conditioned upon the receipt by the Trustee on or before the redemption date of money sufficient to pay the principal of and interest on the 2021 Bonds to be redeemed. If such notice contains such a condition and money sufficient to pay the principal of and interest on such 2021 Bonds are not received by the Trustee on or prior to the redemption date, the redemption will not be made and the Trustee will, as promptly as practicable thereafter, give notice in the manner in which the notice of redemption was given that such money was not so received.

SELECTION OF 2021 BONDS FOR REDEMPTION

Whenever less than all of the Outstanding 2021 Bonds of a maturity are to be redeemed on any one date, so long as the 2021 Bonds are held in a Book-Entry System (as defined in the First Supplemental Indenture), the 2021 Bonds to be redeemed shall be selected by the Securities Depository (as defined in the First Supplemental Indenture) in accordance with its policies and procedures. If the 2021 Bonds are not held in a Book-Entry System, the Trustee shall select the 2021 Bonds to be redeemed from the Outstanding 2021 Bonds of such maturity by lot.

SECURITY FOR THE 2021 BONDS

PLEDGE OF NET REVENUES

For the payment of the principal of and premium, if any, and interest on the 2021 Bonds as the same become due and payable, the Indenture pledges all money and securities in all funds created by the Indenture, except the Rebate Fund and the Operating and Maintenance Fund, until expended in accordance with the terms of the Indenture, and all Net Revenues. Such pledge shall be and remain paramount and superior to all other pledges the Authority makes now or hereafter.

The Indenture defines “*Net Revenues*” as the portion of Gross Revenues remaining after providing for Operating and Maintenance Expenses.

“*Gross Revenues*” are defined as 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, and from the services provided thereby, and from any Special Project to the extent not otherwise pledged or required to be disposed of under the resolution, trust indenture or other instrument providing for the financing, of such Special Project, all proceeds of business interruption insurance maintained in connection with the Facilities, all interest earned from the investment or deposit of such revenues in any of the funds maintained pursuant to Article VI of the General Indenture, all moneys received by the Authority pursuant to Section 11.02 of the General Indenture, and all other revenues hereafter pledged to the payment of any Bonds, but excluding (i) any gift, grant or contribution to the extent restricted by the donor or grantor to a particular purpose inconsistent with its use for the payment of debt service on Indebtedness, (ii) unrealized gains on any investment or Derivative, (iii) any gain on disposition of assets and (iv) proceeds derived from casualty insurance or condemnation.

“*Operating and Maintenance Expenses*” are defined as all reasonable expenses of maintaining and operating the System, including, among other things, reasonable and usual expenses of administration, operation, maintenance and repair, which may include expenses not annually recurring, costs of billing and collecting the rates, fees and charges for the use of or the services furnished by the System, insurance and surety bond premiums and reserves, other charges and fees necessary for the maintenance of adequate insurance coverage for the Authority and the System, any amounts paid under contracts with third parties for the lease or use of properties or facilities required in the operation of the System, fees and payments for any Credit Facility, legal, engineering and auditing expenses, expenses and compensation of the Trustee, and other expenses of the Authority or the System required to be paid by law or under the General Indenture or any Supplemental Indenture, but will not include (i) any depreciation or amortization expense of the System, (ii) any interest expense on indebtedness or derivatives issued by the Authority, (iii) any maintenance and operation expenses borne by lessees or others using the System, (iv) any transfers to the Operating and Maintenance Revenue Fund, the Capital Improvement Fund, the Rebate Fund or the Surplus Fund pursuant to the General Indenture, (iv) any unrealized losses on any investment or Derivative, and (v) any losses on disposition of assets.

“*Facilities*” are defined as all real and personal property, structures, improvements, buildings, equipment, maritime vessels, vehicles, vehicle parking, trams, shuttle buses, docks, terminals, and other facilities used in the operation of the System that are purchased by the Authority under the Asset Purchase Agreement, and all other such property necessary for the maintenance and operation of the System, including all additions, replacements, improvements renovations, and extensions thereto, dredging and other activity necessary to maintain ferry routes, and any such other facility, building structure, terminal or any other matter or thing which the Authority is authorized under the Enabling Act to acquire, construct, equip, maintain or operate or to finance by the issuance of bonds, but excluding Special Projects.

ESTABLISHMENT OF FUNDS

For so long a time as any sum remains due by way of principal and redemption premium, if any, of, or interest on, any Bonds, the Authority shall (a) collect the Gross Revenues, segregate the same from other revenues of the Authority, and keep the same on deposit in a bank or banks selected by the Authority, and (b) create and at all times maintain such funds as required by the General Indenture. The General Indenture provides for the creation of the funds listed below:

Operating and Maintenance Fund. The Operating and Maintenance Fund is intended to provide funds to pay Operating and Maintenance Expenses. The Authority will pay Operating and Maintenance Expenses from the Operating and Maintenance Fund as they become due and in accordance with the purposes and amounts provided in the Budget. In the event the balance in the Operating and Maintenance Fund is insufficient for its purposes, the Authority will notify the Trustee of such shortfall, and the Trustee will transfer to the Operating and Maintenance Fund such amounts as may be required to pay Operating and Maintenance Expenses first from the Surplus Fund and then from the Operating and Maintenance Reserve Fund. Interest received on and any profit realized from the investment of money in the Operating and Maintenance Fund will be transferred as earned to the Revenue Fund. So long as the Seller or any subsequent Management Company (as defined in the General Indenture) is operating some or all of the System, such funds may be transferred from the Operating and Maintenance Fund to the Seller or any subsequent Management Company in order for the Seller or such Management Company to operate some or all of the System. See “**THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES – THE OPERATING AND TRANSITION SERVICES AGREEMENT**” herein for more information on the Seller’s management of System operations.

Neither the Operating and Maintenance Fund nor the balance therein shall be pledged to secure the Bonds.

Operating and Maintenance Reserve Fund. The Operating and Maintenance Reserve Fund is intended to provide additional funds to pay Operating and Maintenance Expenses to the extent that amounts in the Operating and Maintenance Fund are insufficient. The Authority will request funds from the Operating and Maintenance Reserve Fund for deposit to the Operating and Maintenance Fund in the event the balance in the Operating and Maintenance Fund and the Surplus Fund are insufficient to pay Operating and Maintenance Expenses as a result of unexpected costs and expenses of the System that are not reflected in the Budget. Interest received on and any profit realized from the investment of money in the Operating and Maintenance Reserve Fund will be transferred as earned to the Revenue Fund. The Trustee will disburse amounts held in the Operating and Maintenance Reserve Fund to the Authority for deposit to the Operating and Maintenance Fund upon receipt of a written requisition.

Debt Service Funds related to Senior Bonds. The General Indenture provides that a Debt Service Fund shall be established and maintained for each Series of Senior Bonds Outstanding. The Debt Service Funds are intended to provide for the ratable payment of the principal and redemption premium, if any, of, and interest on, the applicable Series of Senior Bonds. The Debt Service Funds shall at all times be kept in the complete custody and control of the Trustee and withdrawals shall be made only by the Trustee, who shall transmit to each Senior Bondholder, or to the Paying Agent if the Trustee is not the Paying Agent, at such times as may be appropriate, the sums required to pay the principal and redemption premium, if any, of, and interest on, the respective Series of Senior Bonds, and for no other purpose.

Money in a Debt Service Fund shall be invested and reinvested at the direction of the Authority in Investment Obligations maturing not later than the date on which such money is required to pay the interest and/or the principal and interest next maturing on the applicable Series of Senior Bonds. All earnings from such investment shall be added to and become a part of the Debt Service Funds in which such investments are held, and shall be credited against payments that would otherwise be made by the Authority to such Debt Service Fund pursuant to the General Indenture.

The Supplemental Indenture relating to the issuance of any Series of Senior Bonds may create a Capitalized Interest Account with respect to such Series of Bonds. Funds in any Capitalized Interest Account will be transferred to the related Interest Account and used to pay interest on the Senior Bonds for which such Capitalized Interest Account was established. Any earnings from the investment of funds in the Capitalized Interest Account not required to pay interest on the Senior Bonds of any Series during the period for which interest on the Senior Bonds of such Series is capitalized shall be deposited in the Construction Fund or the appropriate Interest Account of the Debt Service Fund related to such Series of Senior Bonds as directed by the Authority. Any earnings from the investment of funds in a Capitalized Interest Account not required to pay interest on the related Senior Bonds of any Series during the period for which interest on the Senior Bonds of such Series is capitalized will be deposited in the Construction Fund or the appropriate Interest Account of the Debt Service Fund as directed by the Authority.

The 2021 Bonds will be Senior Bonds under the General Indenture. The First Supplemental Indenture establishes (1) a Series 2021 Subaccount of the Interest Account of the Debt Service Fund, (2) a Series 2021 Subaccount of the Principal Account of the Debt Service Fund, and (3) a Series 2021 Subaccount of the Capitalized Interest Account of the Debt Service Fund for the 2021 Bonds.

Debt Service Funds related to Subordinate Bonds. The General Indenture provides that a Subordinate Debt Service Fund shall be established and maintained for each Series of Subordinate Bonds Outstanding. The Subordinate Debt Service Funds are intended to provide for the ratable payment of the principal and redemption premium, if any, of, and interest on, the applicable Series of Subordinate Bonds. The Subordinate Debt Service Funds shall at all times be kept in the complete custody and control of the Trustee and withdrawals shall be made only by the Trustee, who shall transmit to each Subordinate Bondholder, or to the Paying Agent if the Trustee is not the Paying Agent, at such times as may be

appropriate, the sums required to pay the principal and redemption premium, if any, of, and interest on, the respective Series of Subordinate Bonds, and for no other purpose.

Money in a Subordinate Debt Service Fund shall be invested and reinvested at the direction of the Authority in Investment Obligations maturing not later than the date on which such money is required to pay the interest and/or the principal and interest next maturing on the applicable Series of Subordinate Bonds. Funds in any capitalized interest account will be transferred to the related Interest Account and used to pay interest on the Subordinate Bonds for which such capitalized interest account was established. All earnings from such investment shall be added to and become a part of the Debt Service Funds in which such investments are held, but shall be credited against payments that would otherwise be made by the Authority to such Subordinate Debt Service Fund pursuant to the General Indenture.

There may be established in the respective Subordinate Debt Service Funds from time to time a Capitalized Interest Account to provide for the payment of interest on the Subordinate Bonds of a particular Series as may be permitted hereunder. Any such account shall be created by the Supplemental Indenture relating to the issuance of the Subordinate Bonds of such Series. Funds in any Capitalized Interest Account will be transferred to the related Interest Account and used to pay interest on the Subordinate Bonds for which such Capitalized Interest Account was established. Any earnings from the investment of funds in the Capitalized Interest Account not required to pay interest on the Subordinate Bonds of any Series during the period for which interest on the Subordinate Bonds of such Series is capitalized shall be deposited in the Construction Fund or the appropriate Subordinate Interest Account of the Subordinate Debt Service Fund related to such Series of Subordinate Bonds as directed by the Authority.

Debt Service Reserve Fund related to Senior Bonds. The General Indenture provides that a Debt Service Reserve Fund may be established or continued for any Series of Senior Bonds. The Debt Service Reserve Funds are intended to insure the timely payment of principal of and interest on the applicable Series of Senior Bonds and to redeem such Senior Bonds prior to their stated maturities. Subject to certain exceptions set forth in the General Indenture, each Debt Service Reserve Fund is to be funded and maintained in an amount equal to the applicable Reserve Fund Requirement established by the applicable Supplemental Indenture so long as the applicable Series of Senior Bonds are outstanding.

In lieu of maintaining and depositing money or securities in the Debt Service Reserve Fund, the Authority may deposit with the Trustee a Reserve Alternative Instrument (as defined in the General Indenture) in an amount equal to all or a portion of the Reserve Fund Requirement. Any Reserve Alternative Instrument will permit the Trustee to draw or obtain amounts under it for deposit in the Debt Service Reserve Fund that, together with any money already on deposit in the Debt Service Reserve Fund, are not less than the Reserve Fund Requirement.

The Trustee will make a drawing on the Reserve Alternative Instrument before its expiration or termination (i) whenever money is required for the purposes for which Debt Service Reserve Fund money may be applied and (ii) unless such Reserve Alternative Instrument has been extended or a qualified replacement for it delivered to the Trustee, in the event the Authority has not deposited money in immediately available funds equal to the Reserve Fund Requirement at least two Business Days preceding the expiration or termination of the Reserve Alternative Instrument.

If the Authority provides the Trustee with a Reserve Alternative Instrument as provided in the General Indenture, the Trustee will transfer the corresponding amount of funds then on deposit in the Debt Service Reserve Fund to the Authority, provided the Authority (i) delivers to the Trustee an opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Senior Bonds the interest on which was excludable

on the date of their issuance and (ii) covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

The First Supplemental Indenture establishes a Series 2021 Account of the Debt Service Reserve Fund. A portion of the proceeds of the 2021 Bond will be transferred to and deposited in the Series 2021 Account of the Debt Service Reserve Fund in accordance with the First Supplemental Indenture.

Debt Service Reserve Fund related to Subordinate Bonds. The General Indenture provides that a Subordinate Debt Service Reserve Fund may be established or continued for any Series of Subordinate Bonds. The Subordinate Debt Service Reserve Funds are intended to insure the timely payment of principal of and interest on the applicable Series of Subordinate Bonds and to redeem such Subordinate Bonds prior to their stated maturities. Subject to certain exceptions set forth in the General Indenture, each Subordinate Debt Service Reserve Fund is to be funded and maintained in an amount equal to the applicable Reserve Fund Requirement established by the applicable Supplemental Indenture so long as the applicable Series of Subordinate Bonds are outstanding.

In lieu of maintaining and depositing money or securities in the Subordinate Debt Service Reserve Fund, the Authority may deposit with the Trustee a Reserve Alternative Instrument in an amount equal to all or a portion of the Reserve Fund Requirement. Any Reserve Alternative Instrument will permit the Trustee to draw or obtain amounts under it for deposit in the Subordinate Debt Service Reserve Fund that, together with any money already on deposit in the Subordinate Debt Service Reserve Fund, are not less than the Reserve Fund Requirement.

The Trustee will make a drawing on the Reserve Alternative Instrument before its expiration or termination (i) whenever money is required for the purposes for which Subordinate Debt Service Reserve Fund money may be applied and (ii) unless such Reserve Alternative Instrument has been extended or a qualified replacement for it delivered to the Trustee, in the event the Authority has not deposited money in immediately available funds equal to the Reserve Fund Requirement at least two Business Days preceding the expiration or termination of the Reserve Alternative Instrument.

If the Authority provides the Trustee with a Reserve Alternative Instrument as provided in the General Indenture, the Trustee will transfer the corresponding amount of funds then on deposit in the Subordinate Debt Service Reserve Fund to the Authority, provided the Authority (i) delivers to the Trustee an opinion of Bond Counsel that such transfer of funds will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Subordinate Bonds the interest on which was excludable on the date of their issuance and (ii) covenants to comply with any directions or restrictions contained in such opinion concerning the use of such funds.

Capital Improvement Fund. The Capital Improvement Fund is intended (a) build up a reasonable reserve for improvements, betterments and extensions of the System, (b) defray the costs and expenses arising from any unforeseen contingency; and (c) restore depreciated or obsolete items of the System. The Authority may use amounts in the Capital Improvement Fund for any of the following purposes:

- (a) To pay reasonable and necessary expenses of the System for major repairs, replacements or maintenance items of a type not recurring annually;
- (b) To pay costs of reconstruction of parts of the System;
- (c) To pay costs of construction of additions to, or extensions of, the System;
- (d) To pay any capital costs for the System; or

(e) To make deposits to the Operating and Maintenance Fund, the Debt Service Fund, or the Subordinate Debt Service Fund.

The Trustee will disburse amounts held in the Capital Improvement Fund to the Authority upon receipt of a written requisition, and the Trustee will disburse amounts as provided in such requisition; provided that, to the extent any funds in the Capital Improvement Fund are needed to make up a shortfall in the Operating and Maintenance Fund, the Debt Service Fund, or the Subordinate Debt Service Fund, the Trustee may transfer funds to such funds without the requirement of a requisition.

Each Fiscal Year, in connection with the preparation of the Budget as required by the General Indenture, the Authority has agreed to review and revise its five year capital improvement plan under then current operating conditions, and in light of then applicable operating, replacement and maintenance costs of the major components of comparable systems, taking into account capital improvements in previous capital improvement plans that have been paid for from the Capital Improvement Fund. The Authority will provide a written copy of such capital improvement plan to the Trustee, and will notify the Trustee in writing of such revised Capital Improvement Fund Requirement for the subsequent Fiscal Year, which shall be to be equal to 20% of such five year capital improvement plan, subject to the Capital Improvement Fund Minimum.

In the event that amounts are disbursed from the Capital Improvement Fund that cause the amount in the Capital Improvement Fund to be less than the Capital Improvement Fund Minimum, [to come]

Rebate Fund. The General Indenture provides that a Rebate Fund shall be established and maintained for each Series of Bonds Outstanding. There will be deposited in each Rebate Fund amounts to be used to pay Rebate Amounts with respect to the related Series of Bonds as may be specified in the Supplemental Indenture and confirmed in a certificate of an Authorized Officer. The Authority will use the balance in a Rebate Fund to pay the Rebate Amounts and any other obligations under Section 148 of the Tax Code in connection with the related Series of Bonds. The Authority may transfer any amounts on deposit in a Rebate Fund that are not needed for such purpose to the Revenue Fund and/or another Fund or Account established under the General Indenture as may be authorized or directed by the Supplemental Indenture and confirmed in a certificate of an Authorized Officer.

Surplus Fund. The General Indenture provides that a Surplus Fund shall be established and maintained, into which will be deposited all amounts required to be deposited pursuant to the General Indenture or any Supplemental Indenture. See “**SECURITY FOR THE BONDS – DISPOSITION OF REVENUES**” herein. The Authority may use money held in the Surplus Fund for any lawful purpose, including, without limitation, for deposit to any fund or account created under the General Indenture or any Supplemental Indenture. Under the General Indenture, the Authority agrees to use available money on deposit in the Surplus Fund to cure any deficit which may exist in the Operating and Maintenance Fund, any Debt Service Fund, any Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, the Operating and Maintenance Reserve Fund, and the Rebate Fund. The Authority may from time to time direct the Trustee to use funds in the Surplus Fund to make deposits to the Operating and Maintenance Fund, any Debt Service Fund, any Debt Service Reserve Fund, any Subordinate Debt Service Fund, any Subordinate Debt Service Reserve Fund, the Operating and Maintenance Reserve Fund, and the Rebate Fund before such deposits are due. On or about the fifteenth day of each February and August, after depositing money to all of the Funds as required by this paragraph and in “**SECURITY FOR THE BONDS – DISPOSITION OF REVENUES**” herein, and as otherwise directed by the Authority, the Trustee shall remit any remaining amounts in the Surplus Fund to the Authority. Amounts so delivered to the Authority shall not become part of the Operating and Maintenance Fund, and shall be accounted for separately from amounts in such Fund.

Construction Fund. The Construction Fund is intended:

- (a) To pay costs incident to the issuance and sale of Bonds;
- (b) To pay the costs of the acquisition, construction, maintenance, improvement, equipment or operation of the System facilities for which Bonds were issued; or
- (c) For such other lawful purposes which will not affect the exclusion from gross income for federal income tax purposes of the interest on any Bonds, provided that a counsel's opinion shall be delivered to the Trustee to that effect.

Pending their use, money in the Construction Fund may be invested and reinvested, at the risk and direction of the Authority, in Investment Obligations having maturities consonant with the need for moneys from such Construction Fund. All income so earned on any such investment shall be retained in the Construction Fund as part of the account in which the investment is held.

Upon the completion of any Project and upon the Trustee's receipt of a certificate from the Authority certifying such completion, the balance of any money remaining in such account in excess of the amount to be reserved for payment of unpaid items of the Cost of the Project will, at the option of the Authority be applied as follows:

- (i) Transferred to any other special account or accounts in the Construction Fund, to the extent money is needed to pay Costs of any other Project; provided that, before any such transfer, the Authority will cause to be delivered to the Trustee an Opinion of Bond Counsel to the effect that the transfer will not adversely affect the exclusion from gross income for purposes of federal income taxation of interest on any Bonds on which interest was excludable from gross income on the date of their issuance;
- (ii) Deposited in the Debt Service Fund or Subordinate Debt Service Fund for the respective Series of Bonds, or the respective account within such Debt Service Fund or Subordinate Debt Service Fund for such respective Series of Bonds, and used in such manner as will not in the Opinion of Bond Counsel adversely affect the exclusion from gross income for federal income tax purposes of interest on any Bonds the interest on which was excludable from gross income on the date of their issuance; or
- (iii) Any excess money will either be used before the expiration of the applicable temporary period under Section 148 of the Tax Code during which it may be invested at an unrestricted yield or will be invested in compliance with any limitations imposed by the Tax Code.

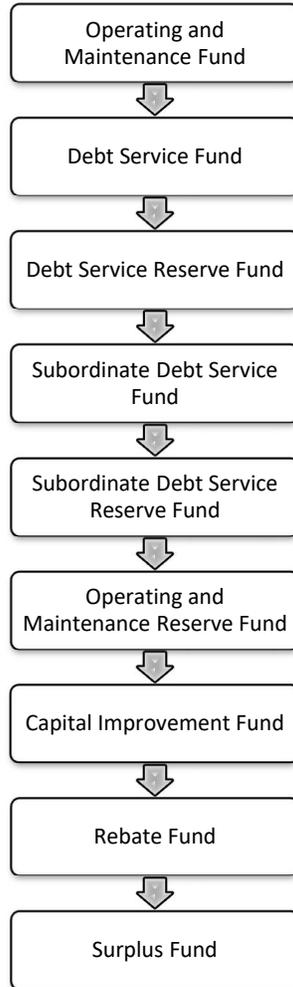
DISPOSITION OF REVENUES

Prior to the beginning of each Fiscal Year, the Authority shall cause to be prepared a budget (the "Budget") for the operation of the System for the next ensuing Fiscal Year (which may be part of the general budget of the Authority). The Budget will set forth the best available estimate of Gross Revenues and the sums which the Authority intends to expend therefrom during the next ensuing Fiscal Year. Such Budget may be revised from time to time and as often as changing conditions require.

While any Bonds are Outstanding, the Authority will collect all Gross Revenues derived from the ownership and operation of the System and cause such Gross Revenues to be deposited in the Revenue Fund, as received, except as otherwise provided for in the General Indenture for investment income on certain funds and accounts created by the General Indenture. During the Transition Period (as defined herein), the Seller will collect and deposit Gross Revenues, as received, in the Revenue Fund, to be allocated as

provided in the General Indenture. See “**THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES – THE OPERATING AND TRANSITION SERVICES AGREEMENT**” herein.

Allocation of Gross Revenues from the Revenue Fund to the several funds established pursuant to the General Indenture shall be made on the basis of the estimates contained in the Budget then in effect. Such allocations shall be made on or before the fifth Business Day before the end of each month in the following order of priority:



FIRST: to the Operating and Maintenance Fund an amount such that the balance on deposit in the Operating and Maintenance Fund will be equal to the amount required to be on deposit in the Operating and Maintenance Fund in the next ensuing month, based on the Budget.

SECOND: to the Debt Service Fund, an amount sufficient to meet the payment of the next installment of principal, premium, if any, and interest on the Senior Bonds. Unless otherwise provided in an applicable Supplemental Indenture, such payment to the Trustee shall be made on the fifth business day immediately preceding the date of payment with respect to the Senior Bonds.

THIRD: to the Debt Service Reserve Fund, if the amount in the Debt Service Reserve Fund or any account, as applicable, therein is less than its respective Reserve Fund Requirement, (i) the amount necessary for the balance therein to equal the Reserve Fund Requirement, but if the

Net Revenues are insufficient therefor, to each account of the Debt Service Reserve Fund pro rata or (ii) if the Debt Service Reserve Fund or any accounts therein is less than 90% of the Reserve Fund Requirement as a result of a valuation of investments therein pursuant to the General Indenture, the amount necessary for the balance therein to equal the Reserve Fund Requirement; but the Authority is not required to transfer in any month more than an amount such that if the same amount were deposited in equal monthly installments over the subsequent 11 months, the Debt Service Reserve Fund or such account therein would equal the Reserve Fund Requirement.

FOURTH: to the Subordinate Debt Service Fund, an amount sufficient to meet the payment of the next installment of principal, premium, if any, and interest on the Subordinate Bonds. Unless otherwise provided in an applicable Supplemental Indenture, such payment to the Trustee shall be made on the fifth business day immediately preceding the date of payment with respect to the Subordinate Bonds.

FIFTH: to the Subordinate Debt Service Reserve Fund, if the amount in the Subordinate Debt Service Reserve Fund or any account, as applicable, therein is less than its respective Reserve Fund Requirement, (i) the amount necessary for the balance therein to equal the Reserve Fund Requirement for such Series of Subordinate Bonds, but if the Net Revenues are insufficient therefor, to each account of the Subordinate Debt Service Reserve Fund pro rata or (ii) if the Subordinate Debt Service Reserve Fund or any account therein is less than 90% of the Reserve Fund Requirement as a result of a valuation of investments therein pursuant to the General Indenture, the amount necessary for the balance therein to equal the Reserve Fund Requirement; but the Authority is not required to transfer in any month more than an amount such that if the same amount were deposited in equal monthly installments over the subsequent 11 months, the Subordinate Debt Service Reserve Fund or such account therein would equal the Reserve Fund Requirement.

SIXTH: to the Operating and Maintenance Reserve Fund, 1/12th of the amount, if any, necessary to be deposited therein so that by the end of the current Fiscal Year, the amount in the Operating and Maintenance Reserve Fund will be equal to the Operating and Maintenance Reserve Fund Requirement.

SEVENTH: beginning July 1, 2021, to the Capital Improvement Fund, 1/12th of the Capital Improvement Fund Requirement; provided that, if at any time as a result of withdrawals from the Capital Improvement Fund to pay for capital improvements pursuant to the General Indenture, the amount on deposit in the Capital Improvement Fund is less than the Capital Improvement Fund Minimum, the amount to be deposited to the Capital Improvement Fund shall be the greater of 1/12th of the Capital Improvement Fund Requirement or 1/24th of the Capital Improvement Fund Minimum until an amount equal to the Capital Improvement Fund Minimum is on deposit in the Capital Improvement Fund;

EIGHTH: to each Rebate Fund, the amounts necessary to provide for the payment of any Rebate Amounts with respect to the related Series of Bonds as confirmed in writing by an Authorized Officer.

NINTH: to the Surplus Fund, the balance remaining after the transfers described above.

RATE COVENANT

In the General Indenture, the Authority has covenanted and agreed to place into effect, to maintain and to revise from time to time, and as often as may be necessary, a schedule of rates, charges

and rentals for the services to be rendered by the System and the uses to be made thereof, which shall, together with any other operating charges, at all times be sufficient:

- (a) To provide funds for the operation and maintenance of the System and such expenses as may be necessary to preserve the same in good repair and working order;
- (b) To produce Net Revenues in each Fiscal Year in an amount equal to not less than (A) [130]% of Annual Principal and Interest Requirements of all Senior Bonds Outstanding in such Fiscal Year, and (B) [105]% of Annual Principal and Interest Requirements of all Senior Bonds Outstanding and Subordinate Bonds Outstanding in such Fiscal Year;
- (c) To provide funds to create and maintain the Debt Service Reserve Funds and Subordinate Debt Service Reserve Funds established in the manner and at the levels required by the applicable Supplemental Indentures;
- (d) To provide funds to create and maintain the Operating and Maintenance Fund at the levels required by the General Indenture;
- (e) To provide funds to create and maintain the Capital Improvement Fund at the levels required by the General Indenture; and
- (f) To discharge all other obligations incurred by the Authority under the General Indenture.

In setting rates and charges for the use of the System, the Authority shall, at all times, comply with the provisions of the Enabling Act relating to the setting of rates, including giving notice of any change of rates as required by North Carolina General Statute Section 160A-686. See **“DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – RESTRICTION ON CHANGES TO RATES, SCHEDULES, AND ROUTES”** herein. The Authority has further covenanted and agreed to promulgate and at all times maintain in effect, rules and regulations, which need not be uniform, covering the use of the System, which shall be designed to promote the maximum and most efficient use thereof.

If as of the end of any Fiscal Year the Authority is not in compliance with the rate covenant in the General Indenture, or if the Authority fails for three consecutive months to make the full deposits to the Interest Account and the Principal Account of the Debt Service Fund which are required by the General Indenture, the Authority will immediately request a Consultant (as defined in the General Indenture) to submit a written report and recommendations for increases in the Authority's rates, fees and charges and/or improvements in the operations of and the services rendered by the System necessary to bring the Authority into compliance with the rate covenant in the General Indenture. The report and recommendations will be filed with the Trustee and the Authority within 120 days from the date of discovery of noncompliance with the rate covenant in the General Indenture. The Authority agrees that it will promptly revise its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consultant to the extent permitted by law and in accordance with the provisions of the Enabling Act. See **“DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – RESTRICTION ON CHANGES TO RATES, SCHEDULES, AND ROUTES”** herein. Upon request, the Authority shall deliver a certificate of an Authorized Officer of the Authority to the Trustee, upon which the Trustee is entitled to rely, stating that it has satisfied the conditions in the General Indenture related to providing a Consultant's report and that the failure to meet the above-referenced rate covenant does not constitute an Event of Default under the General Indenture.

If money is required to be transferred from the Debt Service Reserve Fund to the Debt Service Fund because amounts on deposit in the Debt Service Fund are insufficient to make payments of principal of or interest on the Senior Bonds when due and the amount so transferred is not replenished to the Debt Service Reserve Fund from any available source within 30 days of the date of the transfer, the Authority will immediately request the Consultant to submit a written report and recommendations for increases in the Authority's rates, fees and charges and/or improvements in the operations of and the services rendered by the System necessary to bring the Authority into compliance with the rate covenant in the General Indenture. The Authority agrees to deliver a copy of the report of the Consultant to the Trustee and to implement its recommendations, to the extent permitted by law and in accordance with the provisions of the Enabling Act, within 180 days after the date of the transfer from the Debt Service Reserve Fund.

The Authority will require any Management Company operating the System under a Transition Agreement or other management contract to comply with the terms of the General Indenture regarding Consultant's reports, including implementing the recommendations of the Consultant.

If the Authority promptly revises its rates, fees, charges, operations and services in conformity with the report and recommendations of the Consultant and otherwise follows such recommendations to the extent permitted by law so that the Authority will when its actions become fully effective be in compliance with the rate covenant in the General Indenture, then any failure to meet the rate covenant in the General Indenture will not constitute an Event of Default under the General Indenture so long as no other Event of Default has occurred and is then continuing.

ADDITIONAL BONDS

The General Indenture provides for the issuance, from time to time, of Additional Bonds, which may be Senior Bonds or Subordinate Bonds (each as defined in the General Indenture). The Trustee may authenticate and deliver to or upon the order of the Authority a new Series of Additional Bonds authorized to be issued pursuant to the General Indenture only upon receipt by the Trustee of:

- (a) a copy of the bond order and resolution adopted by the Authority and approving the General Indenture, the related Supplemental Indenture and the transactions related to the Series of Bonds being issued;
- (b) executed copies of the General Indenture and the Supplemental Indenture authorizing the Series of Bonds being issued;
- (c) evidence of approval of the Bonds by the Local Government Commission as required by the Revenue Bond Act;
- (d) a request and authorization to the Trustee of the Authority as to the delivery of such Bonds, signed by an Authorized Officer of the Authority and describing such Bonds to be authenticated and delivered, designating the purchaser or purchasers to whom such Bonds are to be delivered, and stating the purchase price of such Bonds;
- (e) an Opinion of Bond Counsel stating that in the opinion of such counsel, the General Indenture and the Supplemental Indenture authorizing the Series of Bonds are valid and binding upon the Authority and enforceable in accordance with their terms, except as their enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and similar laws relating to the enforcement of creditors' rights generally and to the application of general equitable principles; the General Indenture creates the valid pledge which it purports to create, subject only to the provisions of the General Indenture permitting the application of the pledged Net Revenues and assets for or to the purposes and on the terms and conditions set forth in the General Indenture; and upon the execution,

authentication and delivery thereof, the Bonds of such Series will be duly and validly issued and will constitute valid and binding obligations of the Authority entitled to the benefits of the General Indenture and such Supplemental Indenture;

(f) with respect to the issuance of Senior Bonds to be issued pursuant to the General Indenture, except with respect to the issuance of the first Series of Bonds, the Authority shall deliver either of the following items:

(i) (A) a certificate of an Authorized Officer of the Authority to the effect that each of the funds established by the General Indenture and any Supplemental Indenture (including the Debt Service Reserve Fund, if any) contains the amount of money then required to be on deposit therein, if any; and

(B) a certificate of an Authorized Officer of the Authority to the effect that Net Revenues during the Fiscal Year immediately preceding the Fiscal Year in which such Series of Senior Bonds is to be issued were not less than [130]% of the Annual Principal and Interest Requirements of all Senior Bonds Outstanding in such Fiscal Year; and

(C) a certificate of a Consultant to the effect that (x) for each of the four Fiscal Years following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Senior Bonds, Net Revenues, as shall have been forecasted by the Authority, adjusted to reflect any rate increases adopted and to be in effect during such four Fiscal Years, will not be less than [145]% of the Annual Principal and Interest Requirements on all Senior Bonds then proposed to be Outstanding in each of such four Fiscal Years and (y) beginning with the fifth Fiscal Year following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Senior Bonds, and for each Fiscal Year thereafter, Net Revenues, as shall have been forecasted by the Authority, adjusted to reflect any rate increases [adopted and] to be in effect for such Fiscal Years, will not be less than [145]% of the maximum Annual Principal and Interest Requirements on all Senior Bonds then proposed to be Outstanding in each such Fiscal Year; or

(ii) a certificate of an Authorized Officer of the Authority to the effect that the Annual Principal and Interest Requirements coming due in the then current and in each succeeding Fiscal Year with respect to all Senior Bonds Outstanding immediately prior to the issuance of the Senior Bonds proposed to be issued shall be greater than or equal to the Annual Principal and Interest Requirements in each such Fiscal Year for all Senior Bonds which will be Outstanding immediately after the issuance of the Senior Bonds proposed to be issued;

(g) with respect to the issuance of Subordinate Bonds to be issued pursuant to the General Indenture, [except with respect to the issuance of the first Series of Subordinate Bonds,][*only include if the initial issuance includes subordinate bonds*] the Authority shall deliver either:

(i) the following items:

(A) a certificate of an Authorized Officer of the Authority to the effect that each of the funds established by the General Indenture and any Supplemental Indenture (including the Debt Service Reserve Fund, if any) contains the amount of money then required to be on deposit therein, if any; and

(B) a certificate of an Authorized Officer of the Authority to the effect that Net Revenues during the Fiscal Year immediately preceding the Fiscal Year in which such Series of

Subordinate Bonds is to be issued were not less than [105]% of the Annual Principal and Interest Requirements of all Senior Bonds Outstanding and Subordinate Bonds Outstanding in such Fiscal Year; and

(C) a certificate of a Consultant to the effect that (x) for each of the four Fiscal Years following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Subordinate Bonds, Net Revenues, as shall have been forecasted by the Authority, adjusted to reflect any rate increases adopted and to be in effect during such four Fiscal Years, will not be less than [105]% of the Annual Principal and Interest Requirements on all Senior Bonds and Subordinate Bonds then proposed to be Outstanding in each of such four Fiscal Years and (y) beginning with the fifth Fiscal Year following the later of the date of the delivery of the Bonds of such Series, or the period (if any) for which interest is funded from the proceeds of such Subordinate Bonds, and for each Fiscal Year thereafter, Net Revenues, as shall have been forecasted by the Authority, adjusted to reflect any rate increases [adopted and] to be in effect for such Fiscal Years, will not be less than [105]% of the maximum Annual Principal and Interest Requirements on all Senior Bonds and Subordinate Bonds then proposed to be Outstanding in each such Fiscal Year; or

(ii) a certificate of an Authorized Officer of the Authority to the effect that the Annual Principal and Interest Requirements coming due in the then current and in each succeeding Fiscal Year with respect to all Bonds Outstanding immediately prior to the issuance of the Subordinate Bonds proposed to be issued shall be greater than or equal to the Annual Principal and Interest Requirements in each such Fiscal Year for all Bonds which will be Outstanding immediately after the issuance of the Subordinate Bonds proposed to be issued;

(h) a certificate of an Authorized Officer of the Authority stating that no Event of Default has occurred and is continuing under the General Indenture;

(i) if there shall have been issued any notes or other obligations in anticipation of the receipt of the proceeds of the Bonds of such Series, a certificate of an Authorized Officer of the Authority stating that such obligations will be paid, or provision made for their payment, in full upon the delivery of, and payment for, the Bonds of such Series, which shall constitute evidence satisfactory to the Trustee of such fact;

(j) the amount of the proceeds of the Bonds of such Series to be deposited in any fund or account to be held by the Trustee and such further documents, moneys and securities as are required hereby or by the applicable Supplemental Indenture; and

(k) such additional documents and certificates as Bond Counsel or the Trustee may reasonably require.

If any Series of Bonds contains Variable Rate Indebtedness:

(a) The Supplemental Indenture may provide for and specify a maximum rate of interest on (i) such Bonds and (ii) any reimbursement obligation to a liquidity provider for such Bonds;

(b) Any liquidity provider of such Bonds shall be rated at the time of issuance of such Bonds in the highest or next highest short-term rating category by any two Rating Agencies; and

(c) Any accelerated principal payments or any interest computed at a rate in excess of that on such Bonds due to any liquidity provider for such Bonds pursuant to any reimbursement or other

agreement with such liquidity provider shall be subordinate to the payment of debt service on all Bonds; provided, however, that if the tests referred to in the General Indenture are calculated (and met) assuming such accelerated principal payment and such excess interest amount to the liquidity provider, then such accelerated principal payment and excess interest amount may be on a parity with the payment of debt service on all Bonds.

PERMITTED INDEBTEDNESS AND SPECIAL PROJECT BONDS

Permitted Indebtedness. Pursuant to the General Indenture, the Authority may incur Permitted Indebtedness (as defined in the General Indenture) in any Fiscal Year so long as the aggregate principal amount of Permitted Indebtedness Outstanding (as defined in the General Indenture) does not exceed \$[500,000]; provided that such amount shall not include the amount of Permitted Indebtedness incurred to purchase a replacement passenger ferry (in an amount of up to \$5,000,000), which is permitted in addition to the amount set forth above.

Special Project Bonds. Pursuant to the General Indenture, the Authority reserves the right to issue revenue bonds (“*Special Project Bonds*”) secured by liens on and pledges of revenues and proceeds derived from Special Projects. The Authority may further provide for the security of any such bonds by granting liens on and pledges of Net Revenues of the System that are junior and subordinate to the lien on and pledge of Net Revenues securing payment of the Bonds. The Authority currently has no Special Project Bonds outstanding.

NET REVENUE PLEDGE OF THE AUTHORITY

THE 2021 BONDS SHALL IN NO EVENT CONSTITUTE AN INDEBTEDNESS OF THE STATE WITHIN THE MEANING OF ANY PROVISION, LIMITATION OR RESTRICTION OF THE CONSTITUTION OR LAWS OF THE STATE, NOR A CHARGE, LIEN OR ENCUMBRANCE, LEGAL OR EQUITABLE, UPON ANY PROPERTY OF THE AUTHORITY OR THE STATE OR UPON ANY INCOME, RECEIPTS OR REVENUES OF THE AUTHORITY OR THE STATE EXCEPT THE CHARGE ON THOSE REVENUES DERIVED FROM THE OPERATION OF THE SYSTEM AND PLEDGED TO THE PAYMENT OF THE PRINCIPAL AND REDEMPTION PREMIUM, IF ANY, OF, AND INTEREST ON, THE 2021 BONDS, AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE IS PLEDGED THEREFOR. NO MEMBER OF THE AUTHORITY, NOR ANY PERSON REQUIRED BY THE PROVISIONS OF THE INDENTURE TO SIGN THE 2021 BONDS, SHALL BE LIABLE THEREON.

EVENTS OF DEFAULT

Each of the following events is an “Event of Default” under the General Indenture:

- (a) Payment of the principal or premium, if any, of any of the Bonds is not made when due and payable, either at its stated maturity or by proceedings for redemption or otherwise;
- (b) Payment of any installment of interest on any Bond is made when due or payable;
- (c) Failure by the Authority to observe and perform any covenant, condition or agreement in the General Indenture on the part of the Authority to be observed or performed, other than as referred to in paragraphs (a) and (b) above, for a period of sixty (60) days after written notice, specifying such failure and requesting that it be remedied, has been given to the Authority by the Trustee which may give such notice in its discretion and must give such notice at the written request of Holders of not less than 25% of the principal amount of the 2021 Bonds (or in the case of any such default which cannot with due diligence be cured within such sixty (60)-day period, if the Authority fails to proceed promptly to cure the same and thereafter to prosecute the curing of such default with due diligence), but the Authority will not be deemed in default under this paragraph (c) if by reason of force majeure (as defined in the General

Indenture) the Authority is unable in whole or in part to carry out its agreements contained in the General Indenture;

(d) The Authority shall (i) apply for or consent to the appointment of or the taking of possession by a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) admit in writing its inability, or be generally unable, to pay its debts as such debts become due, (iii) make a general assignment for the benefit of its creditors, (iv) commence a voluntary case under the federal Bankruptcy Code (as now or hereafter in effect), (v) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, (vi) fail to controvert in a timely or appropriate manner, or acquiesce in writing to, any petition filed against itself in an involuntary case under such Bankruptcy Code, or (vii) take any action for the purpose of effecting any of the foregoing; or

(e) A proceeding or case shall be commenced, without the application or consent of the Authority in any court of competent jurisdiction, seeking (i) the liquidation, reorganization, dissolution, winding-up or composition or readjustment of debts of the Authority, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Authority or of all or any substantial part of its assets or (iii) similar relief in respect of the Authority under any law relating to bankruptcy, insolvency, reorganization, winding-up or composition and adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed and in effect, for a period of sixty (60) days, or any order for relief against the Authority shall be entered in an involuntary case under any such law.

REMEDIES UPON DEFAULT

Upon the occurrence and continuance of an Event of Default under the General Indenture, the Trustee may, and upon the written request of the Holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds Outstanding, shall, exercise the following remedies:

(a) Declare all Bonds Outstanding immediately due and payable; and such Bonds shall become and be immediately due and payable, anything in the Bonds or in the General Indenture to the contrary notwithstanding. In such event, there shall be due and payable on the Bonds an amount equal to the total principal amount of all such Bonds, plus all interest accrued thereon and which will accrue thereon to the date of payment; provided, however, that (i) Subordinate Bonds may not be accelerated unless and until the then-Outstanding Senior Bonds have been accelerated, and (ii) if any Senior Bonds are Outstanding, the Holders of Subordinate Bonds may not direct the Trustee to exercise any remedies (an if an Event of Default is continuing, no payments may be made with respect to the Subordinate Bonds until the Senior Bonds are paid). Subordinate Bonds may be accelerated if the Senior Bonds have been accelerated and the Holders thereof may make a claim in any bankruptcy or similar proceeding.

(b) Require the Authority to carry out its duties and obligations under the General Indenture and under the Enabling Act (as defined herein) and the Revenue Bond Act;

(c) Suit upon all or any part of the Bonds;

(d) Civil action to require the Authority to account as if it were the trustee of an express trust for the Holders of Bonds;

(e) Civil action to enjoin any acts or things which may be unlawful or in violation of the rights of the Holders of the Bonds; or

(f) Enforcement of any other right of the Bondholders conferred by law or by the General Indenture.

SOURCES AND USES OF FUNDS

The following table sets forth the estimated sources of funds to be derived from the issuance and sale of the 2021 Bonds and the estimated uses of such funds:

SOURCES OF FUNDS

Principal Amount of 2021A Bonds	_____
[Net] Original Issue [Premium/Discount] of 2021A Bonds	
Principal Amount of 2021B Bonds	
[Net] Original Issue [Premium/Discount] of 2021B Bonds	

TOTAL

USES OF FUNDS

Asset Purchase Price	
Costs of Issuance ¹	_____

TOTAL

¹ Including underwriters' discount, and legal, printing, rating, consulting and miscellaneous fees.

PLAN OF FINANCE

The proceeds of the 2021 Bonds will be used to (1) finance a portion of the acquisition of the System from the Seller, (2) fund a debt service reserve fund and operating and maintenance reserve fund, (3) fund working capital for the Authority, (4) pay capitalized interest on the 2021 Bonds, and (5) pay certain costs and expenses relating to the issuance and sale of the 2021 Bonds.

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements on the 2021 Bonds payable in the Fiscal Years shown.

	2021 BONDS		
YEAR ENDED JUNE 30	PRINCIPAL	INTEREST	TOTAL
TOTAL			

Note: Totals may not add due to rounding.

THE AUTHORITY

ORGANIZATION AND POWERS

The Authority is a public body and body politic and corporate of the State of North Carolina (the “State”) created on July 18, 2017 pursuant to the Ferry Transportation Authority Act, Session Law 2017-120, North Carolina General Statutes Article 29, Section 160A-680 et seq. (the “Enabling Act”) for the specific purpose of acquiring the Facilities from the Seller. Pursuant to the Section 160A-683 of the Enabling Act, the Authority was subsequently organized pursuant to concurrent resolutions of (i) the Village Council of the Village of Bald Head Island, North Carolina (the “Village”) dated August 18, 2017, (ii) the Board of Alderman of the City of Southport, North Carolina (the “City”) dated August 7, 2017, and (iii) the Board of Commissioners of the County of Brunswick, North Carolina (the “County”)

dated August 21, 2017 (collectively, the “*Concurrent Resolutions*”). The Authority received its Certificate of Incorporation from the Department of the Secretary of State on August 23, 2017.

Under the Concurrent Resolutions, the Authority’s purpose is to operate a reliable and safe ferry and barge transportation system to transport passengers and freight between the City and the Island, provide parking facilities for those passengers on the mainland, provide tram service on the Island, enhance the quality of life, mobility, and circumstances of residents of the Village, the City, and the County, and to promote economic development and tourism throughout the Cape Fear region, while protecting and preserving the environment. The Authority has been given broad powers to operate and maintain the System (as defined herein). See “**DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM**” herein.

BOARD MEMBERSHIP

The Authority is governed by a Board of Trustees (the “*Board*”) consisting of eleven voting members. The Board members include the Mayor of the Village, the Mayor Pro Tempore of the Village, and nine appointed members: one by the Governor of North Carolina, two by the General Assembly of North Carolina, three by the Secretary of the Department of Transportation of North Carolina, one by the Board of Commissioners of the County, one by the Board of the City, and one by the Board of the Village. Appointed Board members serve for three-year staggered terms and may not serve more than two consecutive terms.

The members of the Board, their appointor, office, principal occupations and term expiration are as follows, with brief resumes of the Board following the table below: **[to update before posting]**

<u>NAME</u>	<u>APPOINTED BY</u>	<u>OFFICE</u>	<u>OCCUPATION</u>	<u>TERM EXPIRES</u>
Susan Rabon	Governor	Chair		
Robert Howard	Brunswick County	Vice Chair		
David Jessen	General Assembly	Treasurer		
Landon Zimmer	NCDOT	Secretary		
Rex Cowdry	NCDOT	Board Member		
John (Jed) Dixon	NCDOT	Board Member		
Paul Cozza	General Assembly	Board Member		
Jim Powell	City of Southport	Board Member		
Andy Sayre	Mayor	Board Member		
Michael Brown	Mayor Pro Tem	Board Member		
[]	Village of Bald Head Island	Board Member		

Susan Rabon, Chair. **[insert bio]**

Robert Howard, Vice Chair. **[insert bio]**

David Jessen, Treasurer. **[insert bio]**

Landon Zimmer, Secretary. **[insert bio]**

FINANCIAL HISTORY OF THE AUTHORITY

The Authority was formed with the express purpose of acquiring and operating the System. For the last two years, its primary function has been to organize as a public body, and then to determine the value of the System in order to fulfill its statutory mandate to acquire the assets used in operating the

existing private ferry transportation service to the Island at or below their appraised value. It has hired various consultants to provide information as to the status of the assets of the System (including in particular the ferries and the terminals), and a feasibility consultant to analyze the operations of the System. Its staff consists of a finance director working on a contract basis. The City of Southport, one of the entities that formed the Authority, has provided office space, assistance with public notices, and assistance with the duties of the clerk. The Village of Bald Head Island has provided funding for basic operations through an interlocal agreement. Legal counsel representing the Authority in connection with the negotiation of the Asset Purchase Agreement, the feasibility consultant, and the financial advisor will be paid out of the proceeds of the financing.

MANAGEMENT

During the Transition Period, the Seller will manage System operations through its Chief Executive Officer and Chief Financial Officer (collectively, the “*Leased Employees*”). See “**THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES – THE OPERATING AND TRANSITION SERVICES AGREEMENT**” herein. Brief resumes of the Leased Employees follow the chart below:

<u>NAME</u>	<u>OFFICE</u>
Charles (Chad) A. Paul, III	Chief Executive Officer
Shirley Mayfield	Chief Financial Officer

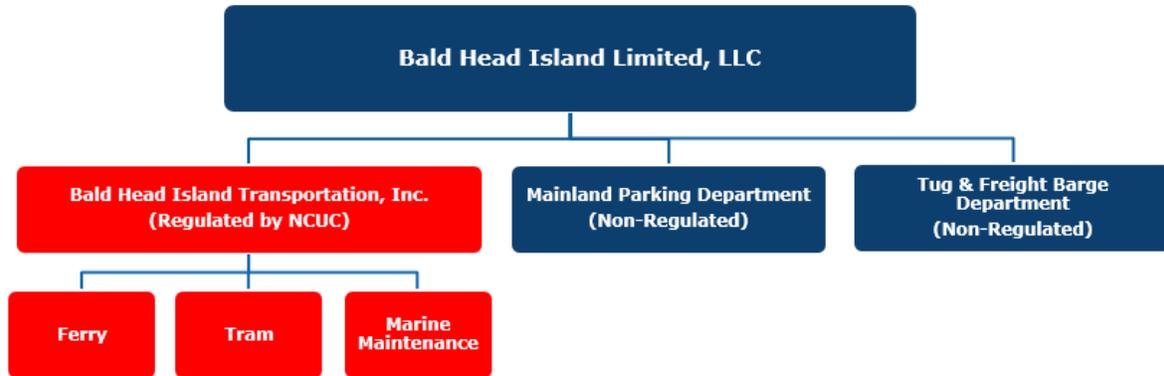
Chad Paul, CEO. [insert bio]

Shirley Mayfield, CFO. [insert bio]

THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES

THE SELLER

The System is currently owned and operated by Bald Head Island Limited, LLC, a Texas limited liability company, and its wholly-owned subsidiary, Bald Head Island Transportation, Inc., a North Carolina C-corporation (collectively, the “*Seller*”). Specifically, the ferry and on-island tram system is owned and operated by Bald Head Island Transportation, Inc., the parking system is owned and operated by the Mainland Parking Department of the Seller, and the tug and freight barge system is owned and operated by the Tug & Freight Barge Department of the Seller.



[paragraph on valuation of assets and methodology for determining value]

THE ASSET PURCHASE AGREEMENT

Pursuant to an Asset Purchase Agreement dated as of [January __, 2021] between the Authority and the Seller, the Authority will acquire the Facilities from the Seller and will operate all current operating companies and departments of the Seller as a combined, non-regulated System. All operations, real estate, and personal property assets related to the System will be sold and transferred to the Authority. The Asset Purchase Agreement is summarized in “**APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE ASSET PURCHASE AGREEMENT, AND THE OPERATING AND TRANSITION SERVICES AGREEMENT.**”

The assets related to the System’s ferry and on-island tram system include, but are not limited to, the following: [to potentially consolidate into more general description if group prefers]

- The following four passenger ferries:

Sans Souci. A 72 ft. monohull aluminum ferry built in 1976 and certified for 150 passengers and 11 baggage dollies. It is the oldest vessel in the fleet, with an estimated remaining service life of three to five years or more. The vessel has an estimated current market value of \$410,000 and was repowered to twin Cummins KTA19-M3 (640 hp each) engines in 2002.

Adventure. A 65 ft. monohull aluminum ferry built in 1987 and certified for 150 passengers and 13 baggage dollies. The vessel has an estimated remaining service life of 13 to 17 years. The vessel has an estimated fair market value of about \$590,000 and was repowered to twin Cummins KTA19-M3 (640 hp each) main engines in 2003.

Patriot. An 82 ft. catamaran aluminum ferry built in 2003 and certified for 150 passengers and 22 baggage dollies. The vessel has an estimated remaining service life of at least 30 years and is powered with twin Cummins KTA19-M3 (640 hp each) main engines.

Ranger. An 82 ft. catamaran aluminum ferry built in 2006 and certified for 150 passengers and 22 baggage dollies. The vessel has an estimated remaining service life of at least 30 years. The vessel is powered with twin Cummins KTA19-M3 (700 hp each) main engines.



- The Deep Point Ferry Terminal Complex (the “*Deep Point Terminal*”) in the City (approximately 13 acres) and Bald Head Island Ferry Terminal Complex (the “*Bald Head Island Terminal*”) (approximately 1.2 acres) on the Island, including the associated docks, landings, piers, moorings, equipment, land and buildings
- 82 baggage dollies and all other associated baggage handling equipment and supplies
- 24 tram trucks, 20 twelve-passenger trams, and 3 cargo trailers used to transport ferry passengers and their baggage to-and-from both terminals
- All gear, radios, baggage supplies, and other equipment used in the performance of on-island transportation and logistics functions
- The Deep Point Marine Maintenance building and all associated vehicles, tools, test equipment, major items and repair parts inventory, consumable supplies, technical manuals, office equipment, docks, quays, and piers.

The assets related to the mainland parking operation include, but are not limited to, the following:

- Four mainland parking lots (General, Premium, Contractor, and Employee lots) consisting of approximately 36-acres
- Roads of ingress and egress to the parking lots
- All associated equipment infrastructure, including area lights, parking equipment, attendant booths, and control systems

The assets related to the tug and freight barge system include, but are not limited to, the following:

- The *Captain Cooper*, a 50 ft x 24 ft pusher tug built in 2017. The tug has a minimum service life of 40 years and its current market value is estimated to be about \$2.1 million.
- The *USS Brandon Randall*, a 100 ft x 32 ft steel deck freight barge built in 1999 that can carry 200 tons of cargo. The barge has an estimated remaining service life of 10 years and has a current market value estimated to be about \$100,000.



- All outfitting equipment, electronics, rigging, and accessories on-board the tug and the barge
- All barge ramps, pumps, and pump houses located at the Deep Point Terminal (approximately 6.3 acres) and the Bald Head Island Terminal (approximately 0.2 acres), together with all associated real estate, bulkheads, pilings, and moorings
- All buildings at the Deep Point Terminal housing the Seller’s Shipping and Receiving Department, Information Technology Department, and the Barge offices, including all Barge office equipment and communications devices used in the tug & freight barge operations such as office computers, printers, radios, and supplies

The Seller will continue to own and operate the Shipping and Receiving Department and the Information Technology Departments. The Authority will lease the existing facility space for those departments to the Seller [lease term?].

THE OPERATING AND TRANSITION SERVICES AGREEMENT

To ensure an orderly transition of the System and its assets to the Authority, the Seller will facilitate transition of the System’s operations upon the Authority’s acquisition of the System pursuant to a Bald Head Island Transportation System Operating and Transition Services Agreement dated as of [February 1], 2021 between the Authority and the Seller (the “*Transition Agreement*”) between the Authority and the Seller. The Transition Agreement is summarized in “**APPENDIX B – SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE, THE ASSET PURCHASE AGREEMENT, AND THE OPERATING AND TRANSITION SERVICES AGREEMENT.**” Under the Transition Agreement, the Seller will manage System operations beginning immediately following the Authority’s

acquisition of the System and ending upon the earlier of (i) the full transition of System operations to the Authority, (ii) the date of termination as provided in the Transition Agreement, or (iii) June 30, 2022 (the “*Transition Period*”). The Seller’s current employees, including its CEO and CFO, will continue to operate the System on behalf of the Authority until the expiration of the Transition Period. See “**THE AUTHORITY – MANAGEMENT**” above.

System operations to be managed include, but are not limited to: (1) staff employment and related human resources functions, (2) information technology functions, (3) accounting and maintenance of books and records, (4) System security operations, (5) emergency response, and (6) all other aspects of operating the System’s facilities, each as further described in the Transition Agreement. During the Transition Period, the Seller will collect all revenues, fees, deposits, and other payments received from operation of the System, including insurance proceeds or condemnation awards, and deposit those amounts into the Revenue Fund held by the Trustee pursuant to the Indenture.

Additionally, under the Transition Agreement, the Seller will assist the Authority with developing an annual budget by recommending to the Authority a line-item operating and capital budget for the System for each Fiscal Year during the Transition Period. In developing the annual budget, the Authority and the Operator will ensure that the System will produce Net Revenues in each Fiscal Year in an amount equal to 130% of the Annual Principal and Interest Requirements on all Senior Bonds Outstanding in such Fiscal Year, determined as set forth in the Indenture. Amounts needed to fund the Operating and Maintenance Reserve Fund and the Capital Improvement Fund to the required levels set forth in the Indenture will be included in the annual budget.

Transition of System operations to the Authority will occur in phases, such that the Authority will be capable of effectively managing all System operations by the end of the Transition Period. The Seller will provide the Board with a series of briefings, site tours, and discussion forums across all applicable functional areas, as well as weekly and monthly reports regarding the ongoing operation of the System, to assist Board members in discharging their governance and oversight responsibilities. The Seller will also provide the Board presentations of performance metrics, financial performance, and related topics on a periodic basis. As System operations are transitioned to Authority management, the Seller will continue providing consulting services to the Authority on such transitioned operations. While the Authority and the Seller have agreed in the Transition Agreement to use commercially reasonable efforts to complete the transition of the System by June 30, 2022, the Transition Period may be renewed as necessary. Prior to or upon the expiration of the Transition Period, employees of the Seller that the Authority wishes to hire to operate the System will become employees of the Authority. Additionally, upon the expiration of the Transition Period, the Board will fully manage all System operations.

SERVICE AREA

Bald Head Island, North Carolina (the “*Island*”) is a first-class secluded residential and resort community located on the southernmost of North Carolina’s Barrier Islands, approximately 25 miles south of Wilmington, North Carolina. It is approximately four miles long from east to west, and 1.5 miles wide at its western-most end, and consists of 12,000 acres, featuring 14 miles of beaches, tidal creeks, dunes, and maritime forests. The Island is not connected to the mainland by bridge or tunnel. Throughout its history, everything necessary to sustain human endeavor on the Island arrived via some sort of vessel crossing the lower Cape Fear River adjacent to the Atlantic Ocean. Today, visitors to the Island, employees and contractors working on the Island, and Island property owners all access the Island via the System.

Approximately 2,000 acres, or 16% of the Island, are available for development, while the remaining 10,000 acres will remain undeveloped. The first modern-era private residences on the Island were built in 1972. The Island now has approximately 1,300 private residences, with building sites available for another 800 to 1,000 units, and is home to approximately 250 year-round residents. The

remainder are second residences and vacation homes. See “APPENDIX C – BOND FEASIBILITY STUDY” for more information on residential unit construction on the Island. Homes and home sites are available in many different environments throughout the Island – forest, golf, ocean, ocean view, dune ridge, harbor, and creek. Home prices can range from \$250,000 condominiums to \$10,000,000 single-family homes, while home site prices range from \$50,000 to approximately \$4,000,000. The median list price of homes on the Island has increased by approximately 25% over the past five years, with a current median list price of \$1,125,000,000, up from \$525,000 in 2016. The annual value of home sales has also increased over the past five years, increasing from \$47,464,750 in 2016 to \$[151,576,987 to update at year end].

The Village of Bald Head Island (the “Village”) is a North Carolina municipality that was incorporated in 1985 and is located on the Island with full and part-time residents. The Village provides administration, police, fire, EMT protection, public works, and water/sewer services to the Island. The Authority is not subject to ad valorem real property taxes of the Village. Instead, a “franchise fee” will be paid annually to the Village, the City of Southport, and Brunswick County to pay for police, fire, and other municipal services.

The Island serves as a source of employment for citizens of the City of Southport, Brunswick County, and other surrounding cities and counties. [**to provide more information].

The Island has a large tourist population, with visitors peaking during the summer months. From 2000 – 2019, the Island had an average of 150,000 visitors per year, with approximately 60% arriving between May and September. These inflows of tourists and vacationers to the Island represent the dominant economic activity and a leading contributor to the Island’s growth. The Island offers visitors several accommodation and vacation packages. Accommodations include a bed and breakfast, private homes, condos, and villas. Rental homes can be found in all the Island’s environments and frequently include one or more electric carts to travel around the Island.

Most Island accommodations include the ability to purchase temporary memberships at the Shoals Club, a 20,000 square foot beach club with expansive decks, pools, fitness room, private parking, and umbrella, chair, and towel-service for adjacent beaches, and the Bald Head Island Club, which features an 18-hole championship golf course, bar and grill, and pro shop. Additional outdoor activities on the Island include golf, sailing, paddle-boarding, crabbing, canoeing, fishing, kayaking, surfing, tennis, running, cycling, nature walks, and historic tours. During the summer months, the Bald Head Island Conservancy offers a “Turtle Walk” to observe the nesting and hatching of loggerhead sea turtles.

The Island also contains a full service marina, yacht club, sailing club, and several dining options, including a full-service grocery store with a café, deli, butcher shop, and ice cream shop. Island shops include retail clothing stores, gift shops, bicycle and cart rentals and repairs, art galleries, the Bald Head Island Club Pro Shop, a hardware store, a jewelry store, the Smith Island Museum, and others. Centrally located in the maritime forest, the Island contains a retail, office, and storage center that houses various independently owned and operated businesses offering a range of construction and home-related goods and services.

FINANCIAL FACTORS

[to conform this whole section to Mercator report format]

HISTORICAL REVENUES, EXPENSES AND CHANGES IN NET POSITION

The following tables are comprised of financial information provided by the Seller related to the System. The Authority has prepared financial statements since its creation, but those financial statements are not included here because they are not material to revenues post acquisition of the Facilities. The Seller has derived following statements of revenues, expenses and changes in net position for the Fiscal Years ended December 31, 2015 to 2019 from its audited financial statements and should be read in conjunction with the Seller's audited financial statements. The audited financial statements of the Seller as of December 31, 2019 and December 31, 2018 are included as Appendix A hereto.

	FISCAL YEAR ENDING DECEMBER 31,				
	2015	2016	2017	2018	2019
Operating Revenues					
Operating Expenses (gains)					
Direct operating expense					
Administrative expense					
Depreciation expense					
Gain on property damage, including insurance recovery					
Total operating expenses					
Operating earnings					
Nonoperating Revenues (expenses)					
Interest income					
Other expense, net					
Gain (loss) on sale of property and equipment, net					
Interest expense					
Unrealized gain (loss) on interest rate exchange agreements					
Contributions, net					
Total nonoperating revenues (expenses)					
Excess revenues over expenses before Capital contributions and special items					
Capital Contributions and special items					
Increase in net position					

Note: All dollars in thousands.

CONDENSED SUMMARY OF NET POSITION

The following condensed summary of net position has been prepared by the Seller from, and should be read in conjunction with, the Seller’s audited financial statements for the Fiscal Years ending December 31, 2015 to 2019.

	FISCAL YEAR ENDING DECEMBER 31,				
	2015	2016	2017	2018	2019
Assets					
Current assets					
Internally designated assets					
Held by trustee for debt service					
Property and equipment, net					
Other Assets					
Total assets	_____	_____	_____	_____	_____
Deferred outflows of resources	_____	_____	_____	_____	_____
Total assets and deferred outflows of resources					
Liabilities					
Current liabilities					
Postretirement obligation, long-term					
Net pension liability					
Long-term debt, net of current maturities	_____	_____	_____	_____	_____
Total liabilities	_____	_____	_____	_____	_____
Deferred inflows of resources	_____	_____	_____	_____	_____
Net position	_____	_____	_____	_____	_____
Total liabilities, deferred inflows and net position	_____	_____	_____	_____	_____

Note: All dollars in thousands.

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following presents management’s discussion and analysis of the Seller’s financial performance for Fiscal Year 2015 through Fiscal Year 2019. This section should be read in conjunction with the entire Official Statement and the Seller’s audited financial statements for the Fiscal Years shown.

Operating Highlights

- [to come]

Financial Highlights

- [to come]

FEASIBILITY REPORT

A Bond Feasibility Study dated [_____], 2021 (the “*Feasibility Report*”) has been prepared by Mercator International, LLC (“*Mercator*”). The Feasibility Report (1) reviews the main operations of the System that the Authority will acquire, (2) provides forecasts for volume, revenue, cost, earnings, and capital expenses of the Authority, and (3) assesses the Authority’s ability to repay the 2021 Bonds. The Feasibility Report is included as Appendix C to this Official Statement.

The Feasibility Report contains certain assumptions and forecasts. Actual results are likely to differ, perhaps materially, from those forecasts. Accordingly, the forecasts contained in the Consultant's Report are not necessarily indicative of future performance, and neither Mercator nor the Authority assumes any responsibility for the failure to meet such forecasts. In addition, certain assumptions with respect to future business and financing decisions of the Authority are subject to change. If actual results are less favorable than the results forecasted or if the assumptions used in preparing such forecasts prove to be incorrect, the amount of Net Revenues may be materially less than forecasted. See "APPENDIX C – BOND FEASIBILITY STUDY."

PROJECTED OPERATING RESULTS AND DEBT SERVICE COVERAGE

[This information is based on an extrapolation of projected Authority operating results based on the Seller's historical operating results.] The following projections of operating results and debt service coverage on the 2021 Bonds for Fiscal Year 2020 have been prepared by the Seller based upon the results of operations of the System for the 12 months ended December 31, 2019 and internal projections for the 2020 Fiscal Year. The projections for Fiscal Years 2021 through 2029 are based upon the Bond Feasibility Study dated [____], 2021 prepared by Mercator International LLC ("*Mercator*") included as Appendix C to this Official Statement. While management believes that the projections are reasonable based on past and current operations and other factors, there is no assurance that the underlying assumptions regarding future events will occur or that these results will be realized. As presented, Net Revenues and Annual Principal and Interest Requirements are shown based upon the definitions of such terms in the Indenture.

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FISCAL YEARS ENDING DECEMBER 31,

	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Operating Revenues ¹										
Operating Expenses ^{1,2}										
Operating Cash Flow										
Other Non-Operating Revenues/(Expenses) ³										
Net Revenues Available for Debt Service										
Principal and Interest on Bonds ⁴										
Debt Service Coverage Ratio on Bonds⁴										
Principal and Interest on Subordinate Lien Obligations ⁵										
Debt Service Coverage on Bonds and Subordinate Lien Obligations ^{4,5}										

Note: All dollars in thousands.

¹ Information provided by Mercator. See Appendix C for additional information.

² Net of non-cash expenses such as depreciation.

³ Includes interest earnings and non-operating expenses.

⁴ Includes debt service on the Outstanding Parity Bonds and Additional Bonds in the combined principal amount of \$215 million, anticipated to be issued in Fiscal Year 2024 and Fiscal Year 2026. Interest on the Additional Bonds has been assumed at 6% per annum. Does not include any estimated impact of the Refunded Bonds.

⁵ Includes debt service on the Existing Subordinate Lien Obligations, and a combined \$195 million in additional Subordinate Lien Obligations to be issued in Fiscal Years 2022, 2025 and 2027 at an assumed interest rate of 4.5% (2022) and 5.0% (2025 and 2027). Payments are net of balloon installments on existing obligations (\$17.6 million in Fiscal Year 2023 and \$8.9 million in Fiscal Year 2025) which are expected to be paid off with Authority cash. The amounts shown include estimated interest payments on the Proviso Loan through Fiscal Year 2025 at a per annum rate of 2.0%, and assume that the principal of the Proviso Loan is fully paid from federal reimbursement in Fiscal Year 2025.

DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM [move to Appendix?]

GENERAL

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 (the “City”); (2) the on-Island tram transportation of ferry passengers; (3) the vehicle parking operation at the Deep Point Terminal in the City; and (4) the tug & freight barge operation, which transports supplies and equipment to-and-from the Island. These service functions are managed by three distinct systems: (1) the ferry and on-island tram system, (2) the Deep Point Terminal parking system, and (3) the tug and freight barge system. Each is discussed in turn below.

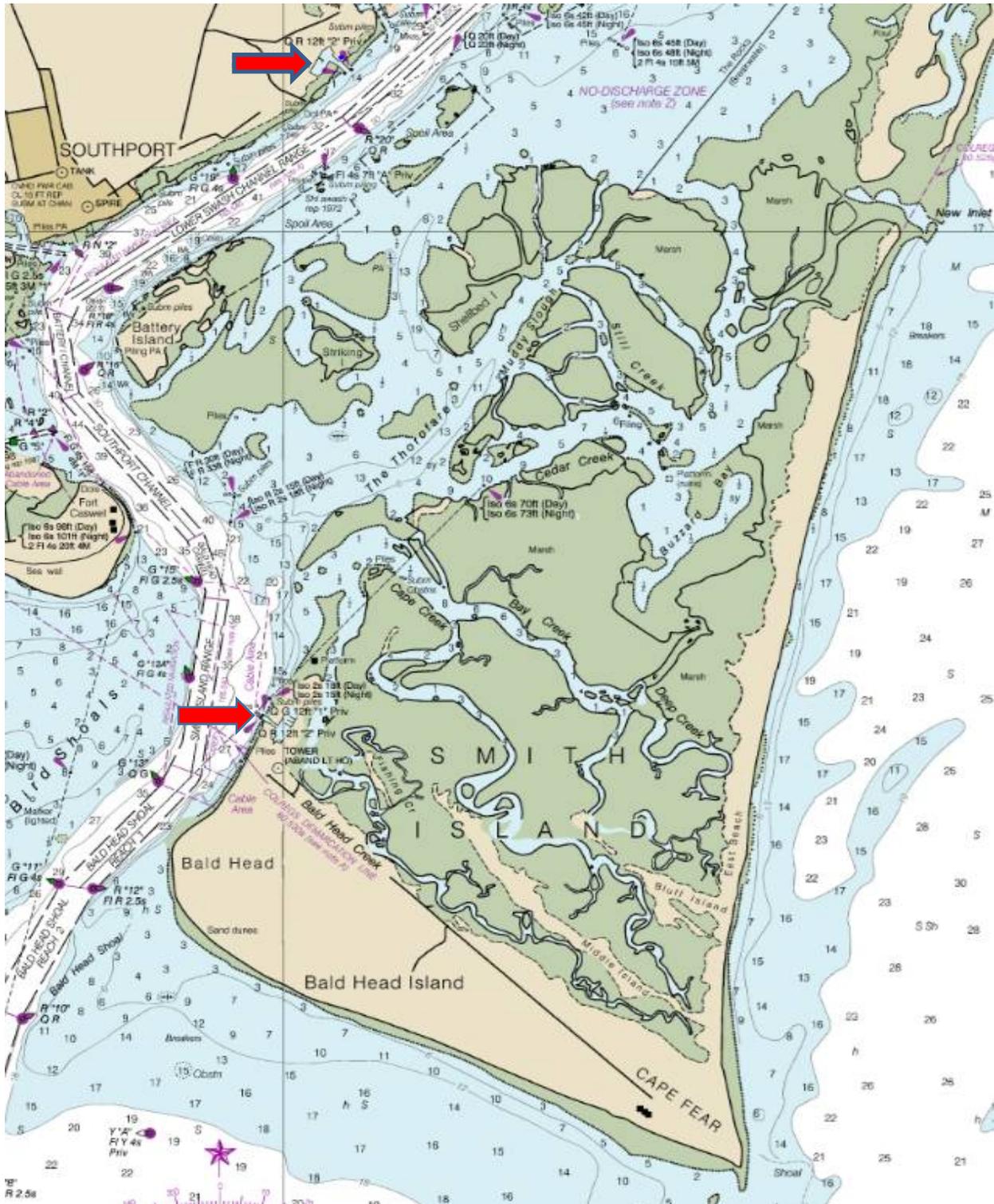
FERRY AND ON-ISLAND TRAM SYSTEM

The ferry and on-island tram system is currently owned and operated by Bald Head Island Transportation, Inc., with approximately 65 full-time staff and an additional 20 part-time staff brought on during peak summer months. Prior to or upon the full transition of the System from the Seller to the Authority, employees of the Seller that the Authority wishes to hire in connection with operation of the System will become employees of the Authority. See “**THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES – THE OPERATING AND TRANSITION SERVICES AGREEMENT**” herein. The ferry and on-island tram system has been a utility regulated by the North Carolina Utilities Commission (the “NCUC”) since 1993. Upon the Authority’s acquisition of the ferry and on-island tram system, the ferry and on-island tram system will no longer be regulated by the NCUC. See “**DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – REGULATION**” herein. Additionally, The ferry and on-island tram system can be divided into three operations: (1) ferry operations, (2) on-island tram operations, and (3) the maintenance and repair department.

Ferry Operations.

The ferry system provides ferry transportation services from the Deep Point Terminal in the City across the Cape Fear River to the Bald Head Island Terminal on the Island. The ferry service carries all regular passenger traffic to and from the Island, including permanent residents, visitors, and the workforce responsible for developing, maintaining, and operating all activities on the Island. Except for private boats, the ferry service provides the only scheduled means of passenger transportation service across the Cape Fear River to-and-from the Island. Ferry operations are conducted using four passenger ferries, each capable of carrying 150-passengers. See “**THE SELLER AND ACQUISITION OF THE FERRY SYSTEM FACILITIES**” for more information on the passenger ferries.

Nautical Chart of Southport, Bald Head Island, and the Cape Fear River (red arrows note the mainland Deep Point Ferry Terminal and the Bald Head Island Ferry Terminal).



The Deep Point Terminal, which houses the mainland-side ferry terminal, opened in June 2009. The terminal has a total area of approximately 76 acres and includes the ferry passenger and administration facility, parking lots, the M&R Department building, and the tug and freight barge areas. The ferry passenger and administration facility is built partially on land and over water. The landside structure is a two-story building which supports the administration offices, passenger drop off and pick up areas, the ferry ticket office, and other small support offices and areas. The waterside structure, which is built on 20x20 inch concrete piles, supports both the passenger waiting area and the ferry vessel passenger and cargo loading and discharge areas.

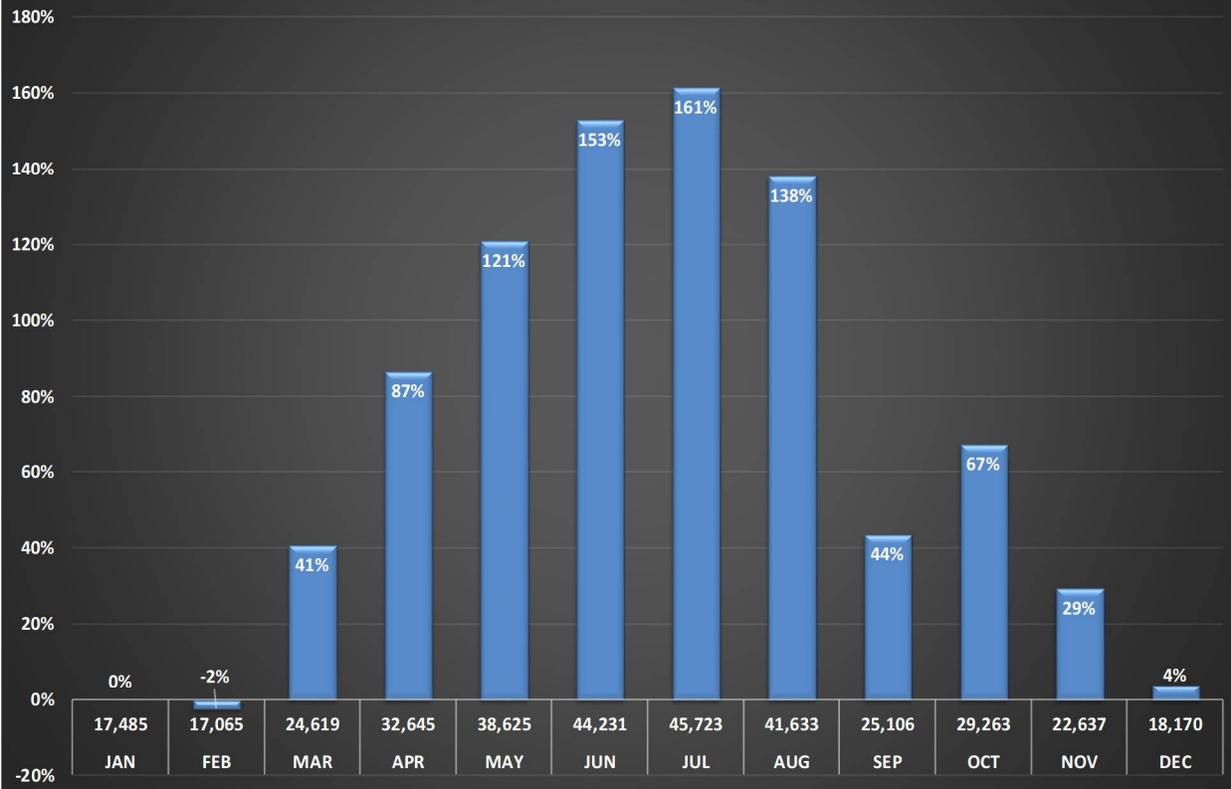
The Bald Head Island facility, the Island-side facility of the ferry system, was constructed in 1982 and has a total land area of approximately 2.25 acres. The facility supports the Bald Head Island Terminal, the passenger drop-off and pick-up area, a parking lot for equipment, the barge landing, and access roadways serving the ferry and barge landing areas.

Ferry service is provided every day of the year with two different seasonal schedules — a summer schedule that runs from April to October, and winter schedule that runs from November to March. A one-way trip between the Deep Point Terminal and the Bald Head Island Terminal is approximately four nautical miles and requires about 30 minutes, including loading and discharge time. This allows each ferry vessel to complete a round-trip voyage every hour from either side. The ferry service makes a minimum of 16 round trip sailings per day during winter season and a minimum of 24 sailings per day during summer season.

The rate of passenger traffic to the Island depends on the seasonal time of year, with vacation and construction traffic increasing during the warmer summer months and slowing during the cooler winter months. The following chart compares monthly passenger volume and shows how seasonal months of the year relate to other months of the year.

[**Footnotes to many of the following tables and charts mention that these are preliminary figures prior to year-end accounting adjustments and reconciliations. Will these adjustments/reconciliations be made prior to posting this POS?]

BALD HEAD ISLAND TRANSPORTATION, INC.
2019 Passenger Percentage Increase from January - FYE 12/31



- (a) 37% of ridership traffic occurs during the 3-month period Jun-Aug;
- (b) 55% of ridership traffic occurs during the 5-month period May-Sep;
- (c) 26% of ridership traffic occurs during the 4-month period Jan-Apr;
- (d) 20% of ridership traffic occurs during the 3-month period Oct-Dec;
- (d) Hurricane Florence (Sept 2018) had significant effects on Ferry and Tram operations during the Q4 2018 -to- Q1 2019 period.
- (e) Preliminary figures prior to year-end accounting adjustments and reconciliations.

Generally, one out of the four ferries are in service during off-peak periods and two out of the four vessels are in service during peak periods. Because the normal summer schedule, with departures every hour throughout the day, can be maintained with just two ferries operating on any given day, the passenger ferries can be cycled in and out of service, providing the required off-duty time for routine maintenance and vessel repairs. The third and fourth ferries can also be used to meet peak demand during high volume periods like holidays and peak-season weekends. In 2019, the average capacity utilization level of the ferry system was approximately 29%, with an average capacity utilization level of 38% during the three-month peak summer season. The approximate annual capacity of the ferry system, using both berths at each of the terminals and all four ferries with 150 passenger capacity each, is estimated to be 535,000 passengers per year. See “APPENDIX C – BOND FEASIBILITY STUDY” for more information on the ferry system’s capacity to meet peak passenger traffic volumes. The ferry system’s ability to meet peak passenger demand could be negatively affected by the ongoing COVID-19 pandemic. See “INVESTMENT CONSIDERATIONS – RECENT DEVELOPMENTS (COVID-19).”

Ferry ticket rates are divided into twelve ticket classes (ten classes and two sub-classes) as shown in the table below. These classes and rates have not changed since January 1, 2011.

BALD HEAD ISLAND FERRY TARIFF CLASSES & RATES		
Fare	Price	Service
Class I General	\$23.00	(a); (b)
Class II Bulk 40	\$17.50	(a); (b)
Class III Bulk 80	\$15.00	(b)
Class IV No Frills	\$14.00	
Class V Contractor	\$14.00	(c)
Class VI Employee	\$14.00	
Class VII Children (d)	\$12.00	(a); (b)
Class VIII Annual Pass	\$1,850.00	(b)
Class IXa Oversized Baggage	\$23.00	
Class IXb Excess Baggage	\$5.00	
Class X One-Way	\$11.50	(b)

(a) Tram Transportation to-and-from Island destination.

(b) Baggage handling "rack-to-rack".

(c) Tram Transport to-and-from Contractor Service Village.

(d) Under age 3-years ride free.

The following table depicts a comparison of the number of passengers transported to the Island (tickets used), revenue from tickets sold, and average revenue per passenger over the past six years, with the busiest months of the season highlighted in yellow. Ferry passenger ticket sales are expected to decrease in 2020 as a result of the COVID-19 pandemic.

BALD HEAD ISLAND TRANSPORTATION, INC.																		
Passenger and Fare Box Data																		
Month	Number of Passengers						Ticketed Passenger Revenue						Average Revenue Per Pax					
	2014	2015	2016	2017	2018 (c)	2019 (d)	2014	2015	2016	2017	2018 (c)	2019 (d)	2014	2015	2016	2017	2018 (c)	2019 (d)
January	10,657	11,660	12,179	13,945	15,096	17,591	174,811	193,504	192,130	228,494	244,520	305,562	16.40	16.60	15.78	16.39	16.20	17.37
February	10,977	11,061	13,033	15,012	15,822	17,172	171,059	171,213	210,686	256,264	262,107	276,049	15.58	15.48	16.17	17.07	16.57	16.08
March	16,282	17,641	23,681	20,965	25,429	24,774	289,000	298,255	401,586	352,314	458,321	434,941	17.75	16.91	16.96	16.80	18.02	17.56
April	24,492	23,698	22,914	28,917	26,171	32,857	439,023	426,995	466,191	520,918	467,649	595,406	17.93	18.02	20.35	18.01	17.87	18.12
May	28,748	29,943	29,403	33,569	32,967	38,861	549,362	577,157	515,387	596,768	583,714	701,689	19.11	19.28	17.53	17.78	17.71	18.06
June	34,959	35,693	37,938	39,948	41,566	44,453	599,430	624,212	664,246	706,487	730,622	789,761	17.15	17.49	17.51	17.69	17.58	17.77
July	38,432	40,807	44,255	46,423	43,628	45,952	661,765	704,337	767,152	824,904	781,778	813,224	17.22	17.26	17.33	17.77	17.92	17.70
August	35,371	34,081	36,584	38,237	40,715	41,842	609,879	601,838	637,072	668,501	713,288	726,848	17.24	17.66	17.41	17.48	17.52	17.37
September	22,079	26,387	27,185	29,879	10,000	25,230	363,636	431,495	476,205	528,487	183,918	439,241	16.47	16.35	17.52	17.69	18.39	17.41
October	23,459	22,143	20,681	28,495	21,074	29,425	424,497	369,400	346,601	494,212	365,309	501,243	18.10	16.68	16.76	17.34	17.33	17.03
November	16,067	16,136	20,190	22,871	20,386	22,757	268,206	252,071	341,446	386,493	334,882	368,112	16.69	15.62	16.91	16.90	16.43	16.18
December	13,350	15,170	15,521	17,513	16,705	18,261	222,840	244,803	253,330	292,217	263,742	312,493	16.69	16.14	16.32	16.69	15.79	17.11
Total	274,873	284,420	303,564	335,774	309,559	359,175	4,773,506	4,895,281	5,272,032	5,856,055	5,389,848	6,264,569	17.37	17.21	17.37	17.44	17.41	17.44
Maximum	38,432	40,807	44,255	46,423	43,628	45,952	661,765	704,337	767,152	824,904	781,778	813,224	\$19.11	\$19.28	\$20.35	\$18.01	\$18.39	\$18.12
Minimum	10,657	11,061	12,179	13,945	10,000	17,172	171,059	171,213	192,130	228,494	183,918	276,049	\$15.58	\$15.48	\$15.78	\$16.39	\$15.79	\$16.08

(a) Figures include Tariff Class X One-Way Ticket.

(b) Figures do NOT include excess baggage or fuel surcharge.

(c) Hurricane Florence (Sept 2018) had significant effects on Ferry and Tram operations during the Q4 2018 -to- Q1 2019 period.

(d) Preliminary figures prior to year-end accounting adjustments and reconciliations.

On-Island Tram Operations.

Personal vehicles belonging to ferry passengers are not transported to the Island. Instead, vehicles are parked in parking lots located adjacent to the Deep Point Terminal. See “**DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – DEEP POINT TERMINAL PARKING SYSTEM**” herein. The Island is almost entirely automobile-free. As a result, an on-island tram service is provided to transport Island residents and guests from the Bald Head Island

Terminal to their on-island destination. A shuttle is provided for employees and contractors to-and-from the employee/contractor center.

The passenger tram fleet and related equipment is currently comprised of 24 tram trucks, 20 passenger trailers, and 82 baggage dollies. Tram service is included with all standard resident and guest tickets. Tram trucks hold up to twelve passengers and make a round-trip between their destinations in just under one hour, picking up passengers and their baggage at the Bald Head Island Terminal, delivering them to their respective destinations, and then picking up outgoing passengers to transport them back to the terminal. The number of trams operated at any point in time is adjusted based on demand, though historically no more than 55% of residents and guests use the tram. In 2019, the tram transported 86,169 ticketed passengers and 1,506 invoiced tram and contractor tram shuttle riders to their on-island destinations.

Maintenance and Repair Department

Ferries are maintained and repaired on-site through the Marine Maintenance and Repair Department (the “*M&R Department*”), which is housed in a marine maintenance facility adjacent to the Deep Point Terminal piers in the City. The M&R Department is well-staffed and equipped to complete routine vessel maintenance and promptly address vehicle repair requests. M&R Department staff handle all main engine overhauls and rebuilds them in-house. Because every vessel has off-service time during each day and a full off-service day on alternating days, vessels are evaluated and repaired at the next scheduled off-service time. Because the M&R Department provides regular service at designated intervals and addresses repairs as needed, ferries are maintained in good condition, ensuring the integrity and long-term service life of the ferries. The average annual maintenance and repair cost per vessel over the last six years has been approximately \$82,000 per year. As the fleet ages, maintenance and repair costs could increase. See “**APPENDIX C – BOND FEASIBILITY STUDY**” for more information on the M&R Department.

Financial Summary of Ferry and On-Island Tram System

The ferry and on-island tram system has operated at a net taxable loss since it began being regulated by the NCUC in 1993. Only the ferry system generates notable revenue. Because on-island tram service is included with all standard resident and guest tickets, the on-island tram system only generates minor revenue to the extent those riding trams or shuttle buses are invoiced for their ride due to their ticket class not including on-Island transportation. The M&R Department generates no meaningful revenues. [*Discuss potential future increase in rates and effect of no longer being regulated by NCUC on revenues]

The following table shows consolidated historical operations of the ferry and on-island tram system:

Historical Consolidated Transportation Income Statement - FYE 12/31

Income Statement	2009 (a)	2010	2011 (b)	2012	2013	2014	2015	2016	2017	2018 (c)	2019 (d)
Ferry Ticket Revenue	3,449,650	3,554,015	4,993,723	4,773,570	4,870,147	4,923,714	5,102,334	5,414,432	5,989,737	5,543,542	6,388,453
Fuel Surcharge	291,648	290,652	2,237	426,035	473,159	412,900	21,298	(253,022)	(334,311)	(309,526)	(118,777)
Other Miscellaneous	17,524	10,915	12,601	11,301	8,538	6,080	4,838	4,344	5,083	6,426	7,521
Gross Revenue	3,758,822	3,855,582	5,008,562	5,210,906	5,351,844	5,342,694	5,128,470	5,165,754	5,660,509	5,240,443	6,277,198
Cost-of-Sales	39,009	49,523	65,822	70,596	72,575	78,462	75,912	79,869	90,111	93,563	96,945
Gross Profit	3,719,813	3,806,059	4,942,741	5,140,310	5,279,269	5,264,232	5,052,558	5,085,885	5,570,398	5,146,880	6,180,252
Operating Expenses											
Salaries & Wages	2,117,771	1,997,592	1,990,179	1,985,468	2,111,960	2,161,825	2,260,809	2,253,281	2,390,697	2,474,047	2,670,119
Operating Expenses (e)	2,981,664	3,829,853	4,008,221	3,936,699	3,907,863	3,463,787	3,130,297	3,003,523	3,098,285	3,203,243	3,335,590
Total Operating Expenses	5,099,435	5,827,444	5,998,400	5,922,167	6,019,823	5,625,613	5,391,105	5,256,805	5,488,981	5,677,291	6,005,709
Operating Income (EBITDA)	(1,379,621)	(2,021,386)	(1,055,659)	(781,858)	(740,554)	(361,380)	(338,547)	(170,919)	81,417	(530,411)	174,544
Other Expense	289,737	175,657	234,723	81,869	235,785	296,996	293,832	342,032	366,612	437,295	365,469
Net Income	(1,669,358)	(2,197,043)	(1,290,382)	(863,727)	(976,340)	(658,376)	(632,379)	(512,951)	(285,195)	(967,706)	(190,926)

(a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.

(b) In 2010 Bald Head Island Transportation, Inc. concluded a rate case with the North Carolina Utilities Commission. New ticket classes and tariffs became effective January 1, 2011.

(c) Hurricane Florence (Sept 2018) had significant effects on Ferry and Tram operations during the Q4 2018 -to- Q1 2019 period.

(d) Preliminary financials prior to year-end tax and non-cash accounting reconciliations.

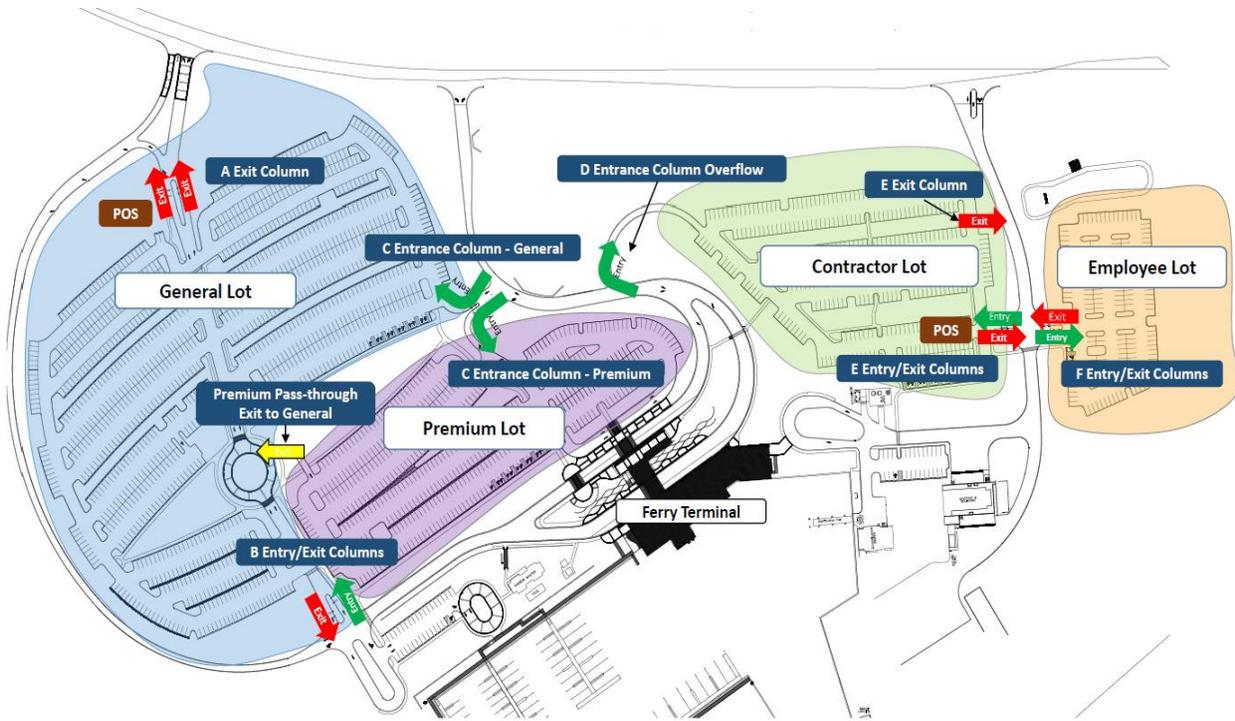
(e) Figures are inclusive of \$1,252,708 in facilities lease expense.

DEEP POINT TERMINAL PARKING SYSTEM

Nearly all ferry passengers park their personal vehicles at the approximately 36.3 acre parking facility located at the Deep Point Terminal. The Deep Point Terminal Parking System is currently owned and operated by the Mainland Parking Department of Bald Head Island Limited, LLC. Unlike the ferry and on-island tram system, the parking system was not previously regulated by the NCUC. See **“DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – REGULATION”** herein for more information on NCUC regulation of the System.

Parking Operations

The parking facility is comprised of four metered parking lots for different groups of users and with different rate structures: a premium lot, a general lot, a contractor lot, and an employee lot.



Parking lots and their corresponding space counts are as follows:

DEEP POINT TERMINAL PARKING (Parking Lot Space Allocation)	
Parking Lot	# Spaces
Premium Parking Lot	396
General Parking Lot (a)	1,021
Contractor Parking Lot (b)	366
Employee Parking Lot	172
Total	1,955

(a) General Parking Lot area expansion (March 2021) will add an additional 167 spaces.

(b) Lot also used by employees in winter and as overflow lot during summer.

Vehicle parking rates by class and by lot are as follows:

DEEP POINT FERRY TERMINAL PARKING RATES					
Class	Premium	General (a)	Contractor	Employee	Overflow
Annual	\$1,200.00	\$1,000.00	\$525.00	\$525.00	n/a
Monthly	n/a	n/a	n/a	\$43.75	n/a
Daily: Jun-Aug	n/a	\$10.00	n/a	n/a	\$10.00
Daily: Sep-May	n/a	\$9.00	\$9.00	n/a	\$9.00

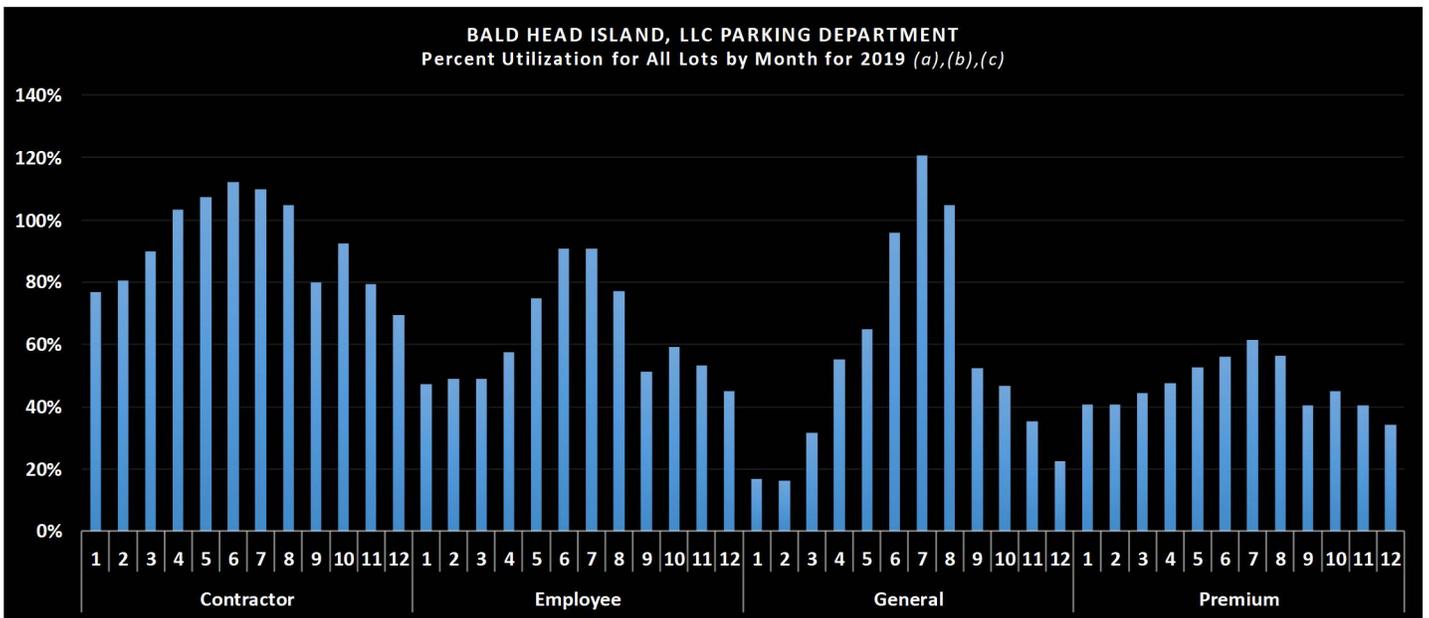
(a) May-Sep: First 2-hours free; \$11.00 per day;

Oct-Apr: First 2-hours free; \$9.00 per day.

(b) Effective July 22, 2019, Daily Parking Rates were increased for the first time since 2009.

General Lot Daily Parking Rates and Contractor Lot Daily Rates were increased by \$1.00.

Because parking operations are tied to the ferry operation, demand for parking is closely related to overall ferry traffic. Parking lot utilization rates are generally less than 50% throughout most of the year, but significantly increase during the peak summer season, when utilization can reach at or above 100%. During peak periods, cars can be parked in un-striped or un-paved spaces, allowing for reported utilization to exceed 100%. In 2019, parking lot utilization averaged 61%, with an average utilization rate of 96% between June and August (peaking at 104% utilization in July). The following chart shows the utilization rates per lot per month for 2019:



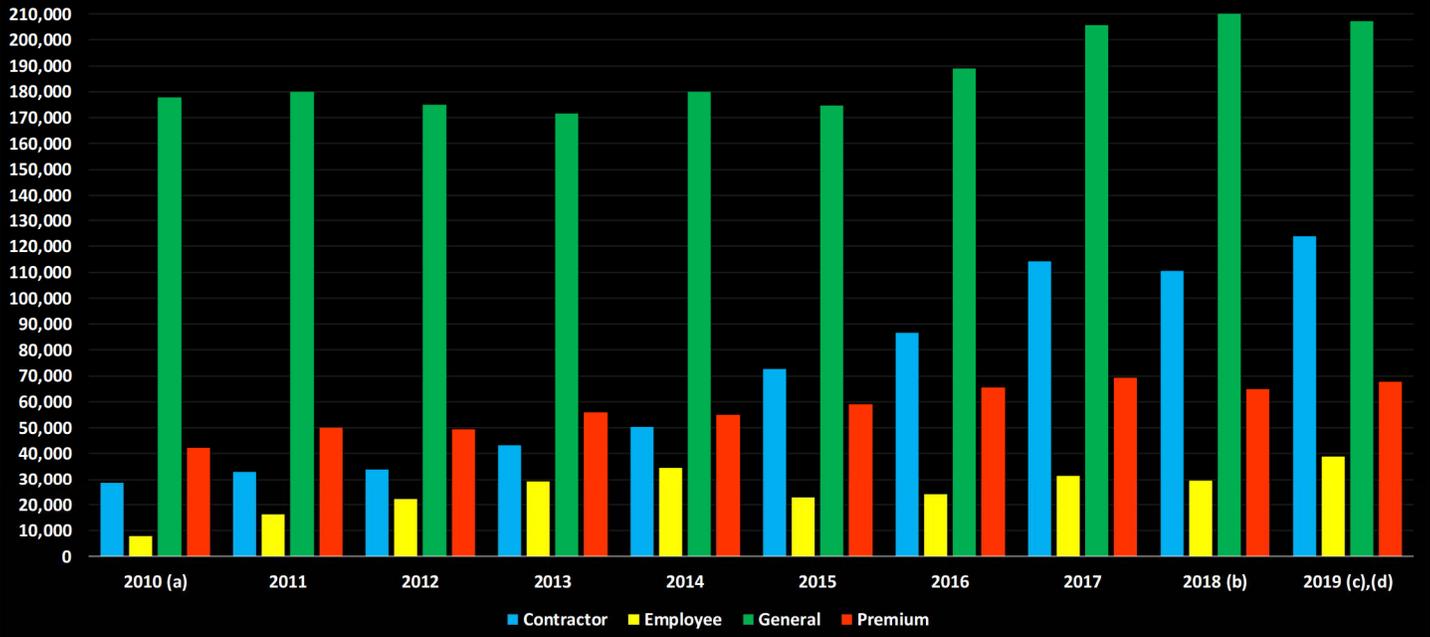
(a) Hurricane Florence (September 2018) had significant effects on Parking Department operations during the Q4 2018 -to- Q2 2019 period.

(b) Effective July 22, 2019, Daily Parking Rates were increased for the first time since 2009. General Lot Daily Parking Rates and Contractor Lot Daily Rates were increased by \$1.00. Annual and Seasonal Parking Rates did not change.

(c) 2019 preliminary financials prior to year-end tax and non-cash accounting reconciliations.

The following chart shows the annual number of parking entrances by lot over the past ten years:

**BALD HEAD ISLAND LIMITED, LLC PARKING DEPARTMENT
Annual Parking Entrances by Lot**



- (a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.
- (b) Hurricane Florence (September 2018) had significant effects on Parking Department operations during the Q4 2018 -to- Q2 2019 period.
- (c) Effective July 22, 2019, Daily Parking Rates were increased for the first time since 2009. General Lot Daily Parking Rates and Contractor Lot Daily Rates were increased by \$1.00. Annual and Seasonal Parking Rates did not change.
- (d) 2019 preliminary financials prior to year-end tax and non-cash accounting reconciliations.

The Authority may expand parking lot capacity by 40% without acquiring land to meet future expected demand or by 64% if certain surrounding land is purchased. See “APPENDIX C – BOND FEASIBILITY STUDY” for more information on parking system capacity and potential for parking lot expansion.

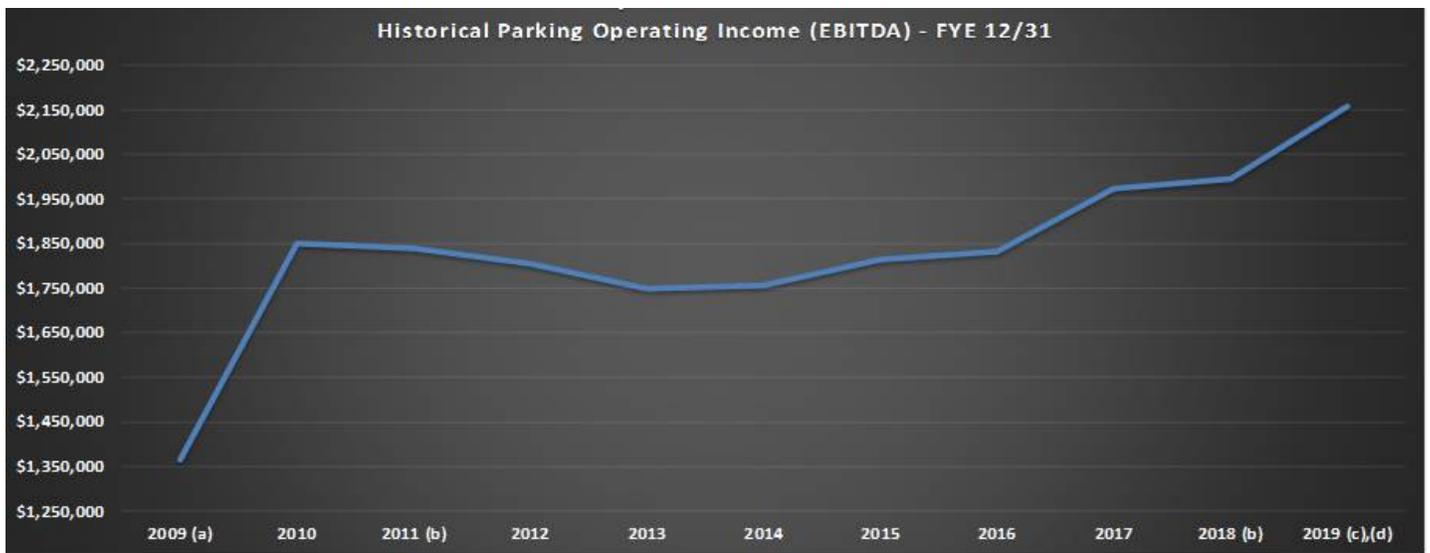
Financial Summary of Deep Point Terminal Parking System

The parking system has historically been a profitable operation. The system’s historical financial performance is detailed in the following tables and charts:

Historical Parking Income Statement - FYE 12/31

Income Statement	2009 (a)	2010	2011	2012	2013	2014	2015	2016	2017	2018 (b)	2019 (c),(d)
Parking Annual-Monthly-Seasonal	666,353	735,658	699,145	687,096	692,891	682,340	714,345	707,652	743,439	854,249	876,704
Parking Daily	1,060,455	1,384,522	1,419,674	1,444,701	1,486,873	1,534,817	1,589,362	1,630,612	1,754,446	1,700,135	1,880,475
Other Miscellaneous	1,315	900	895	700	480	260	213	88	91	340	320
Gross Revenue	1,728,123	2,121,080	2,119,714	2,132,497	2,180,244	2,217,417	2,303,919	2,338,352	2,497,976	2,554,723	2,757,499
Cost-of-Sales	21,521	30,428	32,567	32,354	34,130	36,562	39,705	41,271	44,242	49,969	55,660
Gross Profit	1,706,602	2,090,652	2,087,146	2,100,143	2,146,114	2,180,855	2,264,215	2,297,081	2,453,734	2,504,754	2,701,839
Operating Expenses											
Salaries & Wages	142,289	132,586	130,960	146,896	149,612	162,883	177,655	188,719	193,724	209,514	246,428
Operating Expenses	199,854	107,419	116,689	149,194	247,894	261,080	271,705	276,354	287,376	299,937	298,362
Total Operating Expenses	342,143	240,006	247,649	296,090	397,505	423,963	449,360	465,073	481,100	509,451	544,790
Operating Income (EBITDA)	1,364,459	1,850,646	1,839,497	1,804,053	1,748,609	1,756,891	1,814,855	1,832,008	1,972,634	1,995,303	2,157,049
Other Expense	(379,900)	733,977	628,535	560,946	511,861	473,142	456,714	445,725	478,980	497,103	473,127
Net Income	1,744,359	1,116,669	1,210,962	1,243,107	1,236,748	1,283,749	1,358,141	1,386,283	1,493,653	1,498,200	1,683,922

- (a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.
- (b) Hurricane Florence (September 2018) had significant effects on Parking operations during the Q4 2018 -to- Q2 2019 period.
- (c) Effective July 22, 2019, Daily Parking Rates were increased for the first time since 2009. General Lot Daily Parking Rates and Contractor Lot Daily Rates were increased by \$1.00. Annual and Seasonal Parking Rates did not change.
- (d) 2019 preliminary financials prior to year-end tax and non-cash accounting reconciliations.



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(d) 2019 preliminary financials prior to year-end tax and non-cash accounting reconciliations.

TUG & FREIGHT BARGE SYSTEM

The tug and freight barge system is an essential logistics operation that ensures the Island’s long-term sustainability. Essential items are transported to-and-from the Island through the tug and freight barge system, including food and supplies for restaurants, clubs, and Island based stores, and construction materials, appliances, furnishings, office supplies, fuel, and landscape materials. Trucks carrying material that have to leave the Island, such as trash, garbage, recyclables, and landscape debris, as well as vehicles that home base on the Island in need of maintenance or repair, rely upon the tug and freight barge system for transportation to-and-from the Island.

The tug and freight barge system is currently owned and operated by the Tug & Freight Barge Department of Bald Head Island Limited, LLC. Like the parking system, but unlike the ferry and on-island tram system, the tug & freight barge system was not previously regulated by the NCUC. See **“DESCRIPTION OF THE BALD HEAD ISLAND FERRY TRANSPORTATION SYSTEM – REGULATION”** herein for more information on NCUC regulation of the System.

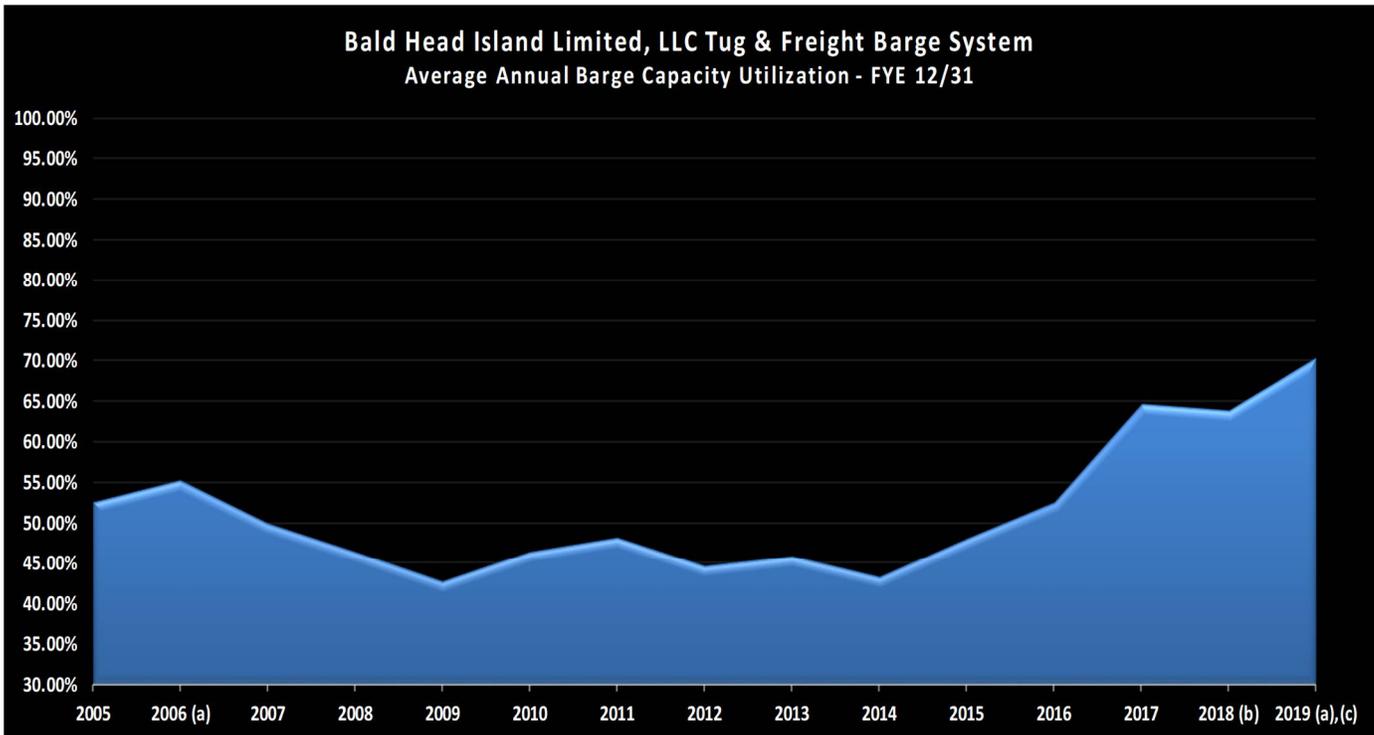
Tug & Freight Barge Operations

Tug and freight barge operations are carried out by a 770 horsepower tug named *Captain Cooper* that tows a 100 ft x 30 ft freight barge named the *USS Brandon Randall*. The freight barge is designed to carry the largest vehicles allowed on U.S. highways, including large highway trucks and construction vehicles, to-and-from the Deep Point Terminal and the Island. Except for passenger baggage transported by ferry, the tug and freight barge service provides the only means to transport supplies and equipment to-and-from the Island. The tug and freight barge are inspected by, and vessel masters are licensed by, the U.S. Coast Guard.

The tug and freight barge system operates during daylight hours on weekdays year-round according to schedules that vary based on seasonal demand. Although rare, the system may operate during a weekend to support special on-island projects in coordination with the Village of Bald Head Island. Round-trip voyages require approximately two hours.

Freight barge tickets are sold based on the space the deck cargo occupies on the barge. One barge ticket is required for each six-foot increment of space used, with partially used increments rounded up to the nearest six-foot increment. Each voyage can accommodate approximately 270 lane-feet of cargo, equaling up to 45 barge tickets per voyage. Effective July 22, 2019, freight barge ticket rates were increased for the first time since 2006 to \$55.00 per round-trip, up from \$50.00 per round trip . Selling and verification of passage purchases is electronically managed, with barge deck crew using wireless tablets to verify customer ticket purchases. Although some minor deck cargo is occasionally loaded directly onto the barge deck, most cargo is stored in trucks and/or trailers owned by the barge customer.

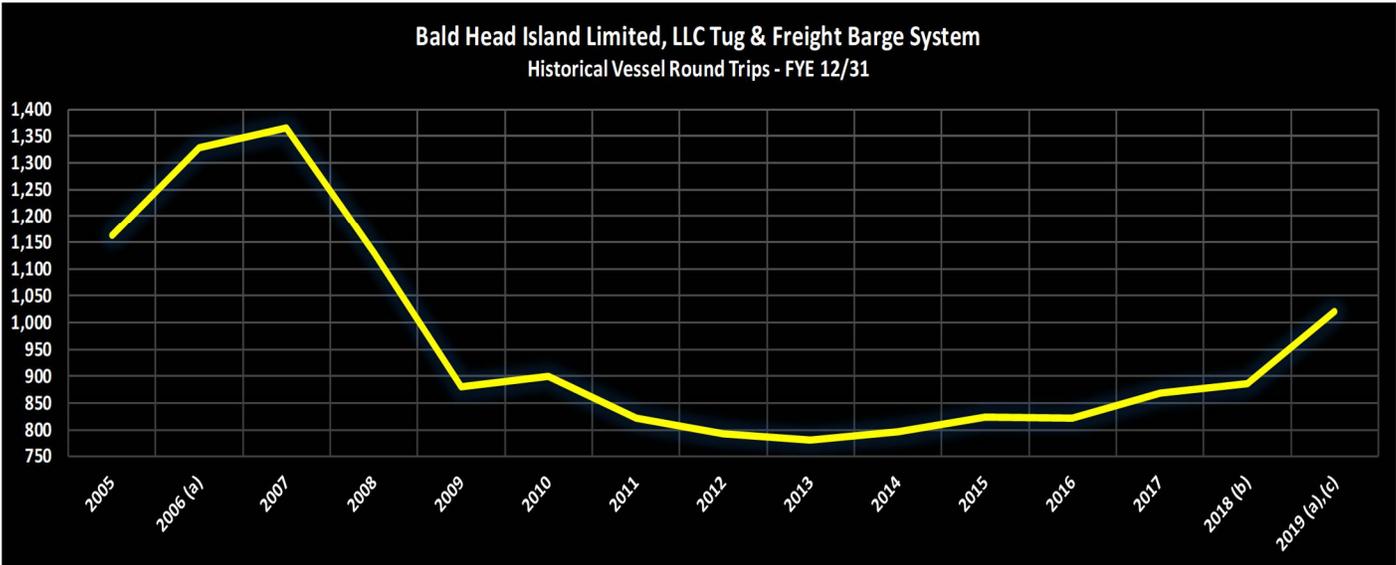
The following tables depict historical annual utilization rates, historical freight barge ticket sale numbers, and round-trip numbers:



(a) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rates were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.
 (b) Hurricane Florence (September 2018) had significant effects on Tug & Freight Barge operations during the Q4 2018 -to- Q2 2019 period.
 (c) Preliminary financials prior to year-end tax and non-cash accounting reconciliations.



(a) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rates were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.
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 (c) Preliminary financials prior to year-end tax and non-cash accounting reconciliations.

The following table depicts a comparison of the number of vehicles transported to the Island and revenue generated from freight barge tickets sold over the past six years, with the busiest months of the season highlighted in yellow:

BALD HEAD ISLAND LIMITED, LLC TUG & FREIGHT BARGE SYSTEM																		
Summary Statistics																		
Month	Number of Vehicles						Ticketed Revenue						Average Fare Box					
	2014	2015	2016	2017	2018 (b)	2019 (c),(d)	2014	2015	2016	2017	2018 (b)	2019 (c),(d)	2014	2015	2016	2017	2018 (b)	2019 (c),(d)
January	331	413	555	635	707	1,133	33,475	44,550	64,525	71,125	74,325	128,100	101.13	107.87	116.26	112.01	105.13	113.06
February	450	433	449	664	756	1,381	41,850	44,100	58,200	72,475	78,150	134,900	93.00	101.85	129.62	109.15	103.37	97.68
March	533	616	752	747	967	1,125	53,275	65,525	92,800	84,225	108,250	117,350	99.95	106.37	123.40	112.75	111.94	104.31
April	713	668	656	834	869	1,335	74,775	79,950	83,400	91,025	93,325	147,450	104.87	119.69	127.13	109.14	107.39	110.45
May	731	723	795	1,059	1,124	1,378	77,475	77,325	92,850	118,350	126,525	156,000	105.98	106.95	116.79	111.76	112.57	113.21
June	698	795	777	1,199	948	1,236	76,325	89,375	91,960	135,175	106,625	136,225	109.35	112.42	118.35	112.74	112.47	110.21
July	787	714	765	892	843	1,139	78,000	87,225	97,675	108,625	102,600	140,460	99.11	122.16	127.68	121.78	121.71	123.32
August	721	621	768	917	939	1,152	74,265	77,950	94,525	105,325	109,725	147,910	103.00	125.52	123.08	114.86	116.85	128.39
September	485	540	598	746	243	763	55,285	70,050	72,000	77,075	23,650	91,855	113.99	129.72	120.40	103.32	97.33	120.39
October	466	500	501	848	1,243	1,028	49,475	57,875	59,525	101,500	110,875	125,825	106.17	115.75	118.81	119.69	89.20	122.40
November	292	493	650	882	1,290	654	36,150	55,675	77,925	91,600	125,085	81,800	123.80	112.93	119.88	103.85	96.97	125.08
December	388	479	465	686	712	660	40,725	55,550	59,200	70,200	81,425	81,040	104.96	115.97	127.31	102.33	114.36	122.79
Total	6,595	6,995	7,731	10,109	10,641	12,984	691,075	805,150	944,585	1,126,700	1,140,560	1,488,915	104.79	115.10	122.18	111.46	107.19	114.67
Maximum	787	795	795	1,199	1,290	1,381	78,000	89,375	97,675	135,175	126,525	156,000	123.80	129.72	129.62	121.78	121.71	128.39
Minimum	292	413	449	635	243	654	33,475	44,100	58,200	70,200	23,650	81,040	93.00	101.85	116.26	102.33	89.20	97.68

(a) Relatively minor amounts of revenue may be attributed to deck cargo which is not associated with a vehicle. The dollar share is negligible due to infrequent carriage of deck cargo.

(b) Hurricane Florence (September 2018) had significant effects on Tug & Freight Barge operations during the Q4 2018 -to- Q2 2019 period.

(c) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rates were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.

(d) Preliminary figures prior to year-end accounting adjustments and reconciliations.

In 2019, the tug and freight barge completed 1,021 round trips to the Island and sold 28,744 freight barge tickets, with an average deck utilization of 70% per trip. The high volume of freight barge traffic in 2019 can be attributed to the substantial amount of repair and rebuilding on the Island after Hurricane Florence hit the Island in September 2018.

Financial Summary of Tug & Freight Barge System

The tug and freight barge system has historically been a profitable operation. The system's historical financial performance is detailed in the following table.

Historical Tug & Freight Barge System Income Statement - FYE 12/31

Income Statement	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018 (a)	2019 (b),(c)
Barge Revenue	779,850	869,300	812,342	723,143	731,225	691,075	805,150	944,585	1,126,700	1,140,560	1,488,915
Village ICE Agent Fee	4,200	4,200	4,200	4,200	4,200	4,200	4,200	5,100	6,000	7,500	10,500
Other Miscellaneous	0	0	1	103	0	0	0	0	0	5,845	0
Gross Revenue	784,050	873,500	816,543	727,447	735,425	695,275	809,350	949,685	1,132,700	1,153,905	1,499,415
Cost-of-Sales	7,073	11,681	9,066	6,835	11,040	8,162	9,981	11,891	14,081	19,526	29,927
Gross Profit	776,977	861,819	807,477	720,611	724,385	687,113	799,369	937,794	1,118,619	1,134,379	1,469,488
Operating Expenses											
Salaries & Wages	154,833	129,871	130,975	140,591	125,831	128,883	137,812	146,054	156,585	161,313	203,898
Operating Expenses	300,315	201,327	282,623	298,649	203,343	230,876	140,541	110,151	181,402	219,257	220,554
Total Operating Expenses	455,148	331,198	413,597	439,240	329,174	359,759	278,353	256,205	337,987	380,569	424,452
Operating Income (EBITDA)	321,830	530,621	393,880	281,372	395,212	327,353	521,015	681,589	780,631	753,809	1,045,035
Other Expense	74,982	67,104	81,990	34,403	49,265	74,665	68,628	47,931	117,368	224,690	230,681
Net Income	246,847	463,517	311,890	246,968	345,946	252,689	452,387	633,658	663,263	529,119	814,355

(a) Hurricane Florence (September 2018) had significant effects on Tug & Freight Barge operations during the Q4 2018 -to- Q2 2019 period.

(b) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rates were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.

(c) Preliminary financials prior to year-end tax and non-cash accounting reconciliations.

[following sections to include the below: to be discussed]

RESTRICTION ON CHANGES TO RATES, SCHEDULES, AND ROUTES

The Enabling Act requires the Authority to maintain the same initial rates, fees, charges, routes, and schedules the Seller had in effect prior to the acquisition of the System. Upon the acquisition of the System from the Seller and in the future, the Authority may change the rates, fees, charges, routes, and schedules only after giving at least 30 days' public notice of such changes.

BILLING AND CREDIT RISK

FUTURE CHANGES IN OPERATIONS

- Rate increases

COMPETITION AND MARKET SHARE

REGULATION

While the parking system and the tug & freight barge system was never regulated by the NCUC, the ferry and tram system has been regulated by the NCUC since 1993. Upon the Authority's acquisition of the System, the ferry and tram system will no longer regulated by the NCUC. The Authority will formulate, approve, and publish rates for the passenger ferry, on-island tram, parking, and tug & freight barge services.

[to include further discussion of effects of no longer being a regulated utility]

- Can purchase vessel fuel forward based on demand rather than at spot fuel rates as previously required by NCUC (fuel is the largest variable cost in the System)
- Can align and coordinate ferry schedules with passenger demand and seasonality instead of having to do a Rate Case with NCUC
- Less tariffs?

MAINTENANCE DREDGING OPERATIONS

CAPITAL PLANNING

- Replacement of passenger ferry
- Parking lot expansion?

RETIREMENT PLANS

OTHER POST-EMPLOYMENT BENEFITS

INSURANCE

OTHER MATTERS

INVESTMENT CONSIDERATIONS

The following section is intended only as a summary of certain pertinent risk factors relating to an investment in the 2021 Bonds. This summary is not intended to be an exclusive summary of factors to be considered in connection with making an investment in the 2021 Bonds. *In order for potential investors to identify risk factors and make an informed investment decision, they should thoroughly review this entire Official Statement and the appendices hereto and confer with their own tax and financial advisors when considering a purchase of the 2021 Bonds.*

GENERAL

The 2021 Bonds are payable primarily from Net Revenues. Future revenues and expenses of the Authority are subject to conditions which may change in the future to an extent that cannot be predicted or determined at this time. No representation can be made, or assurance given, that the Authority will realize revenues in amounts sufficient to generate Net Revenues sufficient to allow the Authority to make payments of principal, interest and premium, if any, on the 2021 Bonds. Future revenues and expenses of the Authority are subject to a variety of economic and other factors and conditions, including without limitation: [(a) the inability of the Authority's facilities to meet future cargo demand due to a failure to expand the facilities in accordance with the Capital Plan, (b) unforeseen decreases in demand for the Authority's facilities occasioned by increased and more effective competition from South Atlantic Coast Competitor Ports or the Gulf of Mexico, or downturns in local, regional, national and international economies or decreases in economic development at the local or state level, (c) impediments to the accessibility of the Authority's facilities for inland traffic resulting from congestion, construction or other adverse developments relative to the Interstate and local roadways in the Charleston area, (d) unanticipated increases in operating or administrative expenses, including increases attributable to enhanced security attributable to the acts or threatened acts of terrorists or terrorist groups, (e) potential closure, or restrictions on the use, of the Port of Charleston or the Authority's facilities due to unforeseen events or occurrences, acts of war, terrorism, epidemic or disease in foreign countries or in domestic locations that utilize the Authority's facilities, and potential limitations on the importation or exportation of goods to or from such countries or locations, (f) potential work stoppages due to labor disputes or other causes, (g) the impact of international political conditions on maritime trade, including threats arising from piracy and terrorism, (h) the effects of global economic cycles, and (i) other possible general, national or local political or economic conditions, including inflation, deflation, general cost increases, international trade embargoes, international trade deficits or imbalances, deterioration of international trade relations, calls for a global reserve currency as an alternative to the United States dollar, among other factors.] [these general risks are from the SC ports deal; seems like many of these may apply, to discuss with group.] The occurrence of any one or more of the foregoing adverse events, and the other events described below, including events not enumerated in other sections of this Official Statement, may materially adversely affect the Authority's results of operations, cash flow and financial condition.

Potential Risks to Discuss:

- Decrease in seasonal tourism to Bald Head Island (see 2018 Mercator report pg. 49)
- Decrease in residential units or residential construction (see 2018 Mercator report pgs. 50 and 56)
- Revenue volatility (i.e. peak revenues in summer months to pay debt service, less in low season)
- Potential for competition
- Federal laws and regulations
- Dredging environmental issue

- Factors affecting capital plan (i.e. estimating errors, design and engineering errors, changes to scope of projects, material/labor shortages for future projects, adverse weather, unavailability of (or delays in) future anticipated funding sources
- Labor risks
- Pension and post-retirement benefits
- Hurricanes
- Climate change/rising sea levels
- Risk of loss, damage, or destruction to facilities (discuss insurance)
- Cyber-security
- Security at terminals (subject to Maritime Transportation Security Act?)
- Bankruptcy

RECENT DEVELOPMENTS (COVID-19) [TO BE UPDATED]

On March 11, 2020, the World Health Organization declared a global pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, which is currently negatively impacting most, if not all, areas of the world, including the United States, the State, and the Village. Within the United States, the Federal government and various state and local governments, as well as private entities and institutions, have implemented a variety of different efforts aimed at preventing the spread of COVID-19 including, but not limited to, travel restrictions, voluntary and mandatory quarantines, event postponement and cancellations, voluntary and mandatory work from home arrangements, and facility closures. The impact of these various measures, as well as general concerns related to the global and national public health emergency and other contributing factors, have also resulted in significant volatility in the stock markets and a general consensus that the global and national economies are distressed.

On March 10, 2020, Governor Roy Cooper declared a state of emergency in the State and subsequently imposed several restrictions designed to address the COVID-19 pandemic. The State has taken a multi-phased approach, based on testing, tracing and trends, to lift restrictions in place to slow the spread of COVID-19. On May 5, 2020, Governor Cooper issued Executive Order 138, which established a three-phase reopening plan (the “*Reopening Plan*”) for the State. On September 30, 2020, Governor Cooper issued Executive Order 169, which transitioned the State to Phase 3 of the Reopening Plan (“*Phase 3*”). Phase 3 was subsequently extended by Executive Order 170 on October 21, 2020 and again by Executive Order 176 on November 10, 2020. Restrictions under Phase 3 currently include, but are not limited to: (1) large outdoor venues with seating greater than 10,000 may operate with 7% occupancy, (2) small outdoor venues may operate outdoors at 30% capacity or 100 guests, whichever is less, (3) movie theaters and conference centers can open indoor spaces to 30% capacity or 100 guests, whichever is less, (4) bars may operate outdoors at 30% capacity or 100 guests, whichever is less, (5) mass gatherings are limited to 50 people outdoors and 10 people indoors, (5) businesses and facilities such as personal care businesses and restaurants may operate at 50% capacity, subject to social distancing and cleaning requirements, and (6) an 11 p.m. curfew for alcohol sales for in person consumption at restaurants and bars. Phase 3 can be modified at any time and will remain in place until at least December 4, 2020. Given the unpredictability of trends in the spread of COVID-19, the Authority cannot predict whether the State will lift or reinstate restrictions moving forward.

On March 19, 2020, the Village declared a Voluntary Evacuation of the Island, effectively ceasing rental guest activity on the Island. On March 26, 2020 the NCUC reduced maximum ferry capacity to 25 passengers plus captain and crew leaving the Deep Point Terminal and 35 passengers plus crew leaving the Island and limited the hours of operation of the ferry system. On May 6, 2020, the maximum capacity for the ferry system was increased to 75 passengers per ferry and hours of operation were extended. On October 10, 2020, the maximum capacity per ferry was increased to 100 passengers.

As tourism to the Island decreased, the parking operation saw a reduction in parking demand. The tug and freight barge system, as an essential business to the Island, has been minimally impacted by COVID-19. [to update and add more info on COVID impact on System]

The Authority has been closely monitoring the revenue impacts to the System due to COVID-19. Due to the dynamic nature of the COVID-19 outbreak, however, the Authority cannot predict either the duration or extent of (1) the COVID-19 outbreak, (2) future actions governmental authorities or other institutions may take to contain or mitigate COVID-19's impact, or (3) whether either of the foregoing will have a material adverse effect on the Authority's finances or operations.

TAX MATTERS

[BC to provide]

LITIGATION

No litigation is presently pending or, to the knowledge of the Authority or the Seller, threatened in any court (i) to restrain or enjoin the issuance or delivery of any of the 2021 Bonds or the collection of Revenues pledged or to be pledged to pay the principal of and interest on the 2021 Bonds, in any way contesting or affecting the validity of the 2021 Bonds, the Indenture, or the power to collect and pledge revenues to pay the 2021 Bonds, or contesting the power or authority of the Authority to issue the 2021 Bonds or to execute and deliver the Indenture or (ii) which, if determined adversely, is expected to have a material adverse effect on the Authority's operations or financial condition.

APPROVAL OF LEGAL MATTERS

The issuance of the 2021 Bonds is subject to the approval of legality by McGuireWoods, Raleigh, North Carolina, Bond Counsel. The form of the opinion of Bond Counsel to be delivered at the closing of the 2021 Bonds is attached hereto as Appendix D. Certain legal matters will be passed upon (1) for the Authority by McGuireWoods LLP, Wilmington, North Carolina, (2) for the Underwriters by Parker Poe Adams & Bernstein LLP, Raleigh, North Carolina, and (3) for the Seller by Murchison, Taylor & Gibson PLLC, Wilmington, North Carolina.

INDEPENDENT ACCOUNTANTS

The financial statements of the Seller as of December 31, 2019 and December 31, 2018 and for the years then ended, included in Appendix A of this Official Statement, have been audited by [____], independent accountants, as stated in their report appearing herein.

FINANCIAL ADVISOR

Davenport & Company LLC, Charlotte, North Carolina, has acted as financial advisor to the Authority in connection with the issuance of the 2021 Bonds. The financial advisor has not conducted a detailed investigation of the affairs of the Authority to determine the completeness or accuracy of this Official Statement. Because of its limited participation, the financial advisor has not independently verified any of the data contained herein and has no responsibility for the accuracy or completeness thereof.

RATINGS

Moody's Investors Service, Inc., S&P Global Ratings, Inc., and Fitch Ratings, Inc. have assigned their municipal bond ratings of ["___"], ["___"], and ["___"], respectively, to the 2021 Bonds. Such ratings reflect only the views of such organizations, and any desired explanation of the significance of such ratings should be obtained from the ratings agency furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such ratings agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the liquidity and market price of the 2021 Bonds.

UNDERWRITING

UBS Financial Services Inc. and PNC Capital Markets LLC (collectively, the "Underwriters") have agreed, subject to certain conditions, to purchase the 2021 Bonds at an aggregate purchase price of \$_____ (which reflects a [net] original issue [premium/discount] of \$_____ and an underwriters' discount of \$_____). The Underwriters are obligated to purchase all of the 2021 Bonds, if any are purchased, such obligation being subject to certain conditions precedent.

PNC Capital Markets LLC and PNC Bank, National Association are both wholly-owned subsidiaries of PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has banking and financial relationships with the County.

CONTINUING DISCLOSURE

In accordance with the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934 ("*Rule 15c2-12*"), the Authority will undertake in the First Supplemental Indenture, for the benefit of the Holders of the 2021 Bonds, to provide to the Municipal Securities Rulemaking Board (the "*MSRB*"):

(a) by not later than seven months from the end of each Fiscal Year, commencing with the Fiscal Year ended June 30, 2020, audited financial statements of the Authority for such Fiscal Year, if available, prepared in accordance with N.C.G.S. Section 159-34, as it may be amended from time to time, or any successor statute, or, if such audited financial statements of the Authority are not available by seven months from the end of such Fiscal Year, unaudited financial statements of the Authority for such Fiscal Year to be replaced subsequently by audited financial statements of the Authority to be delivered within fifteen (15) days after such audited financial statements become available for distribution;

(b) by not later than seven months from the end of each fiscal year of the State, commencing with the fiscal year ended June 30, 2020, financial and statistical data as of a date not earlier than the end of the preceding fiscal year for the type of information included under the tables in the Official Statement under the section ["_____"] listed below, to the extent such items are not included in the financial statements referred to in (a) above: [TO COME]

(c) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the Series 2021 Bonds:

- (1) principal and interest payment delinquencies;
- (2) unscheduled draws on debt service reserves reflecting financial difficulties;

- (3) unscheduled draws on credit enhancements reflecting financial difficulties;
 - (4) substitution of credit or liquidity providers, or their failure to perform;
 - (5) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issues (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the 2021 Bonds, or other material events affecting the tax status of the 2021 Bonds;
 - (6) defeasances;
 - (7) rating changes;
 - (8) tender offers;
 - (9) bankruptcy, insolvency, receivership or similar proceeding by the Authority;
- (d) within ten (10) Business Days following the occurrence of an event, notice of any of the following events with respect to the 2021 Bonds, if material:
- (1) non-payment related defaults;
 - (2) modification to the rights of the Beneficial Owners of the 2021 Bonds;
 - (3) bond calls, other than bond calls relating to mandatory sinking fund redemption;
 - (4) release, substitution or sale of any property securing repayment of the 2021 Bonds;
 - (5) mergers, consolidations, acquisition and sales of assets (other than in the ordinary course of business);
 - (6) appointment of a successor or additional trustee or a change in the name of the trustee;
 - (7) incurrence of a financial obligation of the Authority, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the Authority, any of which affect security holders; and
 - (8) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the Authority, any of which reflect financial difficulties.

For purposes of the undertaking described above in (d)(7) and (d)(8), “*financial obligation*” means (A) a debt obligation, (B) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (C) a guarantee of either clause (A) or (B) above. The term “*financial obligation*” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

- (e) In a timely manner following the occurrence of a failure, notice of a failure of the Authority to provide required annual financial information described in (a) above on or before the date specified.

The Authority may meet the continuing disclosure filing requirements described above by (a) providing the required information directly through the MSRB's Electronic Municipal Market Access (EMMA) System or (b) complying with any other procedure the MSRB or the U.S. Securities and Exchange Commission implements.

If the Authority fails to comply with the undertaking described above, the Trustee or any Beneficial Owner of the 2021 Bonds may take action to protect and enforce the rights of all Beneficial Owners with respect to such undertaking, including an action for specific performance; provided, however, that failure to comply with such undertaking will not be an Event of Default under the First Supplemental Indenture and will not result in any acceleration of the 2021 Bonds. All actions shall be instituted, had and maintained in the manner provided in this paragraph for the benefit of all Beneficial Owners of the 2021 Bonds.

The Authority reserves the right to modify from time to time the information to be provided to the extent necessary or appropriate in the judgment of the Authority, provided that:

(a) any such modification 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 Authority;

(b) the information to be provided, as modified, would have complied with the requirements of Rule 15c2-12 as of the date of this Official Statement, after taking into account any amendments or interpretations of Rule 15c2-12, as well as any changes in circumstances; and

(c) any such modification does not materially impair the interests of the Holders of the 2021 Bonds, as determined by the Trustee or bond counsel to the Authority, or by approving vote of the Holders of a majority in principal amount of the 2021 Bonds then Outstanding pursuant to the terms of the First Supplemental Indenture at the time of the amendment.

In the event that the Authority makes such a modification, the annual financial information containing the modified operating data or financial information shall explain, in narrative form, the reasons for the modification and the impact of the change in the type of operating data or financial information being provided.

The provisions of this Section will terminate upon payment, or provision having been made for payment in a manner consistent with Rule 15c2-12, in full of the principal of and interest on all of the 2021 Bonds.

MISCELLANEOUS

All quotations from and summaries and explanations of the Indenture contained herein or in Appendix B hereto do not purport to be complete, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement. Copies in reasonable quantity of the Indenture may be obtained during the offering period from the Underwriters at UBS Financial Services Inc., 1285 Avenue of the Americas, 13th Floor, New York, New York 10019 and PNC Capital Markets LLC at 4720 Piedmont Row, Suite 200, Charlotte, North Carolina 28210. After the offering period, copies of such documents may be obtained from the Trustee at 5540 Centerview Drive, Suite 200, Raleigh, North Carolina 27606.

The information contained in this Official Statement has been compiled or prepared from information obtained from the Authority, the Seller, and other sources deemed to be reliable and, although not guaranteed as to completeness or accuracy, is believed to be correct as of this date. Any statements

involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact.

APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE SELLER AS OF DECEMBER 31, 2019, 2018, AND 2017

APPENDIX B

**SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE,
THE ASSET PURCHASE AGREEMENT, AND THE
OPERATING AND TRANSITION SERVICES AGREEMENT**

APPENDIX C

BOND FEASIBILITY STUDY

APPENDIX D

FORM OF OPINION OF BOND COUNSEL

APPENDIX E

BOOK-ENTRY-ONLY SYSTEM

APPENDIX E

BOOK-ENTRY ONLY FORM

DTC will act as securities depository for the 2021 Bonds. The 2021 Bonds will be delivered as fully registered certificates 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 certificate will be issued for each maturity of the 2021 Bonds in the aggregate principal amount of the 2021 Bonds, and will be deposited with DTC. So long as Cede & Co. is the registered owner of the 2021 Bonds, as DTC's partnership nominee, references herein to the owners or registered owners of the 2021 Bonds shall mean Cede & Co. and shall not mean the Beneficial Owners of the 2021 Bonds.

The following description of DTC, of procedures and record keeping of beneficial ownership interests in the 2021 Bonds, payment of interest and other payments on the 2021 Bonds to DTC Participants (as such term is defined herein) or to Beneficial Owners, confirmation and transfer of beneficial ownership interests in the 2021 Bonds and of other transactions by and between DTC, DTC Participants and Beneficial Owners is based on information furnished by DTC.

DTC, the world's largest securities 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 3.6 million issues of U.S. and non-U.S. equity issues, 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 a Standard & Poor's rating of AA+. 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.

Purchases of the 2021 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2021 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2021 Bond ("*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 are, however, 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 2021 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 2021 Bonds, except in the event that use of the book-entry system for the 2021 Bonds is discontinued.

To facilitate subsequent transfers, all the 2021 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 2021 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2021 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2021 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 Participants 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. Beneficial Owners of the 2021 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2021 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2021 Bond documents. For example, Beneficial Owners of the 2021 Bonds may wish to ascertain that the nominee holding the 2021 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2021 Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 2021 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 2021 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2021 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 detail information from the Authority or the Trustee, on 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, the Trustee or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its 2021 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2021 Bonds by causing the Direct Participant to transfer the Participant's interest in the 2021 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2021 Bonds in connection with an optional tender or a mandatory

purchase will be deemed satisfied when the ownership rights in the 2021 Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered 2021 Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2021 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained 2021 Bond certificates are required to be printed and delivered. The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2021 Bond certificates will be printed and delivered to DTC.

The Authority and the Trustee cannot and do not give any assurances that DTC, Direct Participants or Indirect Participants will distribute to the Beneficial Owners of the 2021 Bonds (a) payments of principal of or interest with respect to the 2021 Bonds, (b) confirmations of their ownership interests in the 2021 Bonds or (c) redemption or other notices sent to DTC or Cede & Co., its partnership nominee, as the registered owner of the 2021 Bonds, or that they will do so on a timely basis or that DTC, the Direct Participants or the Indirect Participants will serve and act in the manner described in this Official Statement. The information in this section preceding this paragraph concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority take no responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO THE DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS WITH RESPECT TO (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT DUE TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OF OR REDEMPTION PRICE OR INTEREST ON THE 2021 Bonds; (3) THE DELIVERY BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY NOTICE TO ANY BENEFICIAL OWNER THAT IS REQUIRED OR PERMITTED TO BE GIVEN TO OWNERS UNDER THE TERMS OF THE BOND ORDINANCE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE 2021 Bonds OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS OWNER.