

**BOARD OF TRUSTEES
OF THE BALD HEAD ISLAND TRANSPORTATION AUTHORITY**

**RESOLUTION PROVIDING FOR APPLICATION TO THE
LOCAL GOVERNMENT COMMISSION FOR APPROVAL
OF BALD HEAD ISLAND TRANSPORTATION
AUTHORITY TRANSPORTATION SYSTEM REVENUE
BONDS AND MAKING CERTAIN FINDINGS**

WHEREAS, the Bald Head Island Transportation Authority (the “Authority”) is authorized to acquire, own and operate the ferry and ground transportation assets and services provided to Bald Head Island, North Carolina (the “Island”) including, but not limited to, (i) the transportation of passengers via ferry to and from the Island and Southport, North Carolina; (ii) the on-island tram transportation of ferry passengers; (iii) the vehicle parking operation at Deep Point Marina in Southport, North Carolina, and (iv) the tug and freight barge operation which carries supplies and equipment to and from the Island (collectively, as further defined herein, the “System”); and

WHEREAS, the Authority and Bald Head Island Transportation, Inc., a North Carolina corporation (“BHIT”), and Bald Head Island Limited, LLC, a Texas limited liability company (“BHIL”, and together with BHIL, collectively referred to herein as “Seller”) are in the process of negotiating an Asset Purchase Agreement, pursuant to which the Authority will purchase the 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 (the “Facilities”); and

WHEREAS, in connection with the purchase of the Facilities, the Authority expects to enter into a Ferry and Barge Facilities Operating and Transition Services Agreement with Seller, acting as the Management Company, pursuant to which Seller will continue to operate the System and will transition such operations to the Authority; and

WHEREAS, the Authority proposes to issue its Transportation System Revenue Bonds, Series 2021 (the “Series 2021 Bonds”) (a portion of which may be issued as taxable bonds) pursuant to the Ferry Transportation Authority Act, Article 29 of Chapter 160A of the General Statutes of North Carolina, as amended (the “Enabling Act”) and The State and Local Government Revenue Bond Act, General Statutes of North Carolina Section 159-80 et seq. (the “Revenue Bond Act”), and a bond order to be adopted by the Authority (the “Bond Order”), and to apply the proceeds of the Series 2021 Bonds to (a) pay a portion of the purchase price for the acquisition of the Facilities from the Seller; (b) fund a debt service reserve and operating and maintenance reserve fund; (c) fund working capital for the Authority; (d) pay capitalized interest on the Series 2021 Bonds; and (e) fund certain costs of issuance of the Series 2021 Bonds (collectively, the “Project”); and

WHEREAS, the Series 2021 Bonds will be issued under a General Trust Indenture between the Authority and U.S. Bank National Association, as Trustee (the “General Indenture”), and supplemental indentures setting forth for the terms of the Series 2021 Bonds; and

WHEREAS, it is anticipated that the Series 2021 Bonds will be sold in a negotiated sale to UBS Financial Services Inc. and PNC Capital Markets, as underwriters (the “Underwriters”); and

WHEREAS, the Authority has identified as its financing team UBS Financial Services Inc. and PNC Capital Markets as co-managing underwriters; Parker Poe Adams and Bernstein LLP as Underwriters’ counsel; Davenport & Company as financial advisor; McGuireWoods LLP as issuer’s counsel and bond counsel, U.S. Bank, National Association, as bond trustee; and Mercator International LLC, as feasibility consultant (collectively, the “Financing Team”);

WHEREAS, the Authority wishes the Chair and Treasurer of the Authority, working with the Authority’s financial advisor, to file with the Local Government Commission of North Carolina (the “LGC”) an application for its approval of the Series 2021 Bonds on a form provided by the LGC, to request that the LGC approve the negotiation of the sale of the Series 2021 Bonds, and to make certain findings therefor;

NOW, THEREFORE, the Board of Trustees of the Authority, in a special meeting duly called and held on December 8, 2020, does hereby resolve as follows:

1. The Series 2021 Bonds are to be issued by the Authority for the purpose of providing funds to finance the costs of acquiring the Facilities and paying other costs of the Project. The use of the proceeds of the Series 2021 Bonds is necessary in order to meet the Authority’s charge under the Enabling Act to acquire and operate the existing ferry transportation system in its service area. The Series 2021 Bonds shall be a special obligation of the Authority, the principal of, premium, if any, and interest on which shall be payable solely from the revenues of the System, which will be pledged under the Bond Order and the General Indenture.

2. The Chair and Treasurer of the Authority, with the advice of bond counsel and the financial advisor, are each hereby authorized, directed and designated to file an application with the North Carolina Local Government Commission for its approval of the issuance of the Series 2021 Bonds.

3. The Chair and Treasurer of the Authority and the Authority’s Finance Officer, working with bond counsel and the Authority’s financial advisor, are each hereby authorized and directed to take all actions in furtherance of the issuance of the Series 2021 Bonds.

4. The Board acknowledges that the feasibility studies being developed in connection with the issuance of the Series 2021 Bonds indicate that the rates for the use of the System, including in particular the passenger ferries to and from the Island, the tug and freight barge operation to and from the island, and the parking facility located at the Deep Point Marina will need to be increased beginning in fiscal year 2022, and agrees to implement such fee increases as may be required to meet the financial covenants contained in the documents authorizing the issuance of the Series 2021 Bonds.

5. In connection with the application to the LGC, the Authority hereby makes the following findings:

- a. The issuance of the Series 2021 Bonds is necessary and expedient to finance the cost of the Project.

- b. The Project is feasible.
- c. The amount of debt to be incurred in connection with the Project and the fees to be paid in connection therewith are sufficient but not excessive for the purpose of acquiring the Facilities and the initial operation of the System.
- d. The increase in rates necessary to pay debt service on the Series 2021 Bonds will not be excessive.
- e. The Authority has not defaulted on any debt obligation.
- f. The Authority follows the debt management guidelines of the North Carolina Local Government Commission.
- g. The Series 2021 Bonds can be marketed at a reasonable interest cost to the Authority.

6. The Authority hereby requests the LGC to sell the Series 2021 Bonds in a negotiated sale to the Underwriters pursuant to § 159-123 of the North Carolina General Statutes.

7. The Authority hereby requests the LGC to approve the Authority’s Financing Team in connection with the issuance of the Series 2021 Bonds.

8. All actions of the officers of the Authority in furtherance of this resolution are hereby ratified and confirmed. This resolution shall take effect immediately.

The foregoing resolution was adopted by the Bald Head Island Transportation Authority Board of Trustees, at a special meeting duly called and held on the 8th day of December, 2020.

Susan Rabon, Chair

ATTEST:

Authority Clerk

Trustee _____ moved to approve the foregoing, Trustee _____ seconded, and the motion was passed by the following vote:

Ayes: _____

Nays: _____

Not Voting: _____

Board Action Control Number: _____
