



The Town of Hilton Head Island

Regular Town Council Meeting

Tuesday, September 20, 2011
4:30 P.M.
AGENDA

As a Courtesy to Others Please Turn Off All Cell Phones and Pages During
the Town Council Meeting

- 1) **Call to Order**
- 2) **Pledge to the Flag**
- 3) **Invocation**
- 4) **FOIA Compliance** – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.
- 5) **Proclamations and Commendations**
- 6) **Approval of Minutes**
 - a. Town Council Special Meeting/Land Acquisition Workshop – August 31, 2011
 - b. Town Council Meeting – September 6, 2011
- 7) **Report of the Town Manager**
 - a. Audubon International Green Community Award
 - b. Semi-Annual Report of the Planning Commission, Al Vadnais, Past Chairman
 - c. Update on LMO Permitting Process, Teri Lewis/Bob Gentzler
 - d. Town Manager's Items of Interest
 - e. August, 2011 Policy Agenda, Management Targets and CIP Updates
- 8) **Reports from Members of Council**
 - a. General Reports from Council
 - b. Report of the Intergovernmental Relations Committee – George Williams, Chairman
 - c. Report of the Personnel Committee – Lee Edwards, Chairman
 - d. Report of the Planning & Development Standards Committee – Bill Ferguson, Chairman
 - e. Report of the Public Facilities Committee – Kim Likins, Chairman
 - f. Report of the Public Safety Committee – Bill Harkins, Chairman
 - g. Report of the LMO Rewrite Committee – Kim Likins, Ex-Officio Member

9) Appearance by Citizens

10) Unfinished Business

a. Revised Second Reading of Proposed Ordinance 2011-18

Second Reading of Proposed Ordinance 2011-18 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Hospitality Fee Pledge), in one or more series, in the principal amount of not exceeding \$26,250,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

b. Revised Second Reading of Proposed Ordinance 2011-20

Second Reading of Proposed Ordinance 2011-20 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series, in the principal amount of not exceeding \$11,000,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

c. Second Reading of Proposed Ordinance 2011-22

Second Reading of Proposed Ordinance 2011-22 of the Town of Hilton Head, South Carolina, authorizing the execution of that certain Draining Easement Agreement with Palmetto Electric Cooperative, Inc. over property owned by the Town of Hilton Head Island, South Carolina, pursuant to the authority of the S. C. Code Ann. Sec. 5-7-40 (Supp. 2010), and Sec. 2-7-20, *Code of the Town of Hilton Head Island, South Carolina*, (1983); and providing for severability and an effective date.

11) New Business

**a. Consideration of a Recommendation for approval of Jenkins Island Tower
Conceptual Location**

Consideration of a Recommendation that the Town Council of the Town of Hilton Head Island, South Carolina, approve in concept the location of a telecommunications tower on the Town's Jenkins Island property.

b. First Reading of Proposed Ordinance 2011-25

First Reading of Proposed Ordinance 2011-25 authorizing the execution of an amendment to lease with the Museum-Chamber Partnership for property owned by the Town of Hilton Head Island, South Carolina, pursuant to the authority of S.C. Code Ann. Sec. 5-7-40 (Supp. 2006), and Sec. 2-7-20, *Code of the Town of Hilton Head Island, South Carolina*, (1983); and providing for severability and an effective date.

12) Executive Session

- a. Land Acquisition

13) Adjournment

THE TOWN OF HILTON HEAD ISLAND
SPECIAL MEETING/LAND ACQUISITION WORKSHOP

Date: Wednesday, August 31, 2011

Time: 2:00 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor*; Ken Heitzke, *Mayor Pro-Tem*; Bill Ferguson, George Williams, Bill Harkins, Kim Likins, Lee Edwards, *Council Members*.

Present from Town Staff: Stephen G. Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects & Facilities*; Susan Simmons, *Director of Finance*; Brian Hulbert, *Staff Attorney*; Shawn Colin, *Comprehensive Planning Manager*; Victoria Shanahan, *Accounting Manager*; Natalie Majorkiewicz, *Systems and Reporting Administrator*; Jeff Buckalew, *Town Engineer*; Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: Tom Barton, *Island Packet*

1. **CALL TO ORDER**
2. **FOIA COMPLIANCE – Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.**
3. **Open Session**

- a. Review of Past Efforts

Steve Riley conducted an overview of past efforts. He also reviewed the Power Point presentation done in 2008 concerning the referendum for Land Acquisition.

- b. Review of Land Acquisition Manual

Mr. Riley referred to the Land Acquisition Manual and reviewed the criteria for the program.

These criteria are:

1. Address traffic congestion concerns by reducing development potential in strategic locations;
2. Preserve open space, and thus the aesthetic quality of our community along major roads;
3. Acquire land that provides public access, and/or views to the water;
4. Acquire land which furthers one of the above criteria while also furthering the Town's Comprehensive Plan; and
5. Place restrictive covenants on property or portions of property and resell where appropriate, to facilitate acquisition of other parcels that further the above objectives.

- c. Redevelopment/Economic Development

- Red Fields to Green Fields Overview

Shawn Colin spoke concerning an exercise recently completed with the Town of Hilton Head Island, USC-Beaufort, The Community Foundation and Georgia Tech called Red Fields to Green Fields. He explained it was an exercise to identify a way to address commercial property that would be more beneficial than past efforts. He reviewed five different properties

that were studied. He said the purpose would be for the Town to acquire properties utilizing Federal Assistance obtaining government low interest loans and develop green space and bank the property to sell and attract commercial development in the areas with a public/private partnership. He referred to results of the exercise and stated there were copies of the final report for all Council members to review.

Mr. Colin reviewed various public/private partnerships the City of Greenville has undertaken. He explained they used land acquisition and public holdings for leverage in some of the partnerships and they have some that generate income through leasing the property. Mrs. Likins asked how the City prioritized projects. Mr. Colin explained that at first the primary focus was Main Street but they have expanded on it. He stated Greenville has a local economic development corporation which began with seed money from the City. The development corporation offers loans and grants to assist in development and redevelopment. All projects go through the City's Economic Development Department.

Mayor Laughlin stated the Town of Hilton Head Island's Land Acquisition Program shows what a community is able to do when it embraces an objective. He stated a new case needs to be made and a commitment by all involved in repurposing and continuing the Land Acquisition Program.

Mr. Riley added if that would occur, Town Council should consider amending and reprioritizing the Land Acquisition criteria.

d. Funding Review

Mr. Riley reported the available funds for Land Acquisition were \$2,416,736. He said that in 2008, the voters approved borrowing up to \$17 million for land acquisition purposes and in 2010 the Town issued bonds for \$12 million. He informed Council they do have the authority under the referendum to borrow up to an additional \$5 million.

He added that in July 2010 Council voted to set aside \$2.3 million from prior sales of land for possible use in meeting the Town's debt payments. He said instead of using those funds the Town is using general revenues freed up from the retirement of prior land acquisition bonds. He suggested Council may wish to revisit this reserve.

e. Public Comment

Kumar Viswanathan commented on the success of the Land Acquisition Program pertaining to growth management. He stated he felt there is now a reverse problem of retaining businesses. He encouraged Council to review the program and make changes to draw businesses and residents to Hilton Head Island.

4. Executive Session

Mr. Riley stated he needed an executive session for the purpose of reviewing specific land parcels.

At 3:40 p.m., Mr. Williams moved to go into Executive Session for the reasons stated by the Town Manager. Mr. Heitzke seconded. The motion was approved by a vote of 7-0.

Mayor Laughlin called the meeting back to order at 5:07 p.m. and stated there was no business to take up as a result of executive session.

5. Adjournment

At 5:08 p.m., Mr. Heitzke moved to adjourn. Mr. Williams seconded. The motion was approved by a vote of 7-0.

Vicki Pfannenschmidt, Secretary

Approved:

Drew A. Laughlin, Mayor

DRAFT

THE TOWN OF HILTON HEAD ISLAND
REGULAR TOWN COUNCIL MEETING

Date: Tuesday, September 6, 2011

Time: 4:00 P.M.

Present from Town Council: Drew A. Laughlin, *Mayor*; Ken Heitzke, *Mayor-Pro Tem*; Bill Ferguson; George Williams, Bill Harkins, Kim Likins, Lee Edwards, *Council Members*.

Present from Town Staff: Steve Riley, *Town Manager*; Greg DeLoach, *Assistant Town Manager*; Brian Hulbert, *Staff Attorney*; Lavarn Lucas, *Fire Chief*; Charles Cousins, *Director of Community Development*; Scott Liggett, *Director of Public Projects and Facilities/Chief Engineer*; Nancy Gasen, *Director of Human Resources*; Susan Simmons, *Director of Finance*; Jill Foster, *Deputy Director of Community Development*; Ed Boring, *Deputy Fire Chief – Support Services*; Brian Hulbert, *Staff Attorney*; Jeff Buckalew, *Town Engineer*; Jennifer Lyle, *Assistant Town Engineer*; Jayme Lopko, *Senior Planner*; Nicole Dixon, *Senior Planner*; Victoria Shanahan, *Accounting Manager*; Natalie Majorkiewicz, *Systems and Reporting Administrator*; Julian Walls, *Facilities Manager*; Paul Rasch, *Emergency Management Coordinator*; Vicki Pfannenschmidt, *Executive Assistant*

Present from Media: Tom Barton, *Island Packet*

1) CALL TO ORDER

Mayor Laughlin called the meeting to order at 4:00 p.m.

2) PLEDGE TO THE FLAG

3) INVOCATION

4) FOIA COMPLIANCE – Public notification of this meeting has been published, posted and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

5) Proclamations and Commendations

a. Captain William Hilton Weekend

Barbara Muller, President of the Heritage Library Foundation accepted the Proclamation. Also present for the Proclamation were Iva Welton, Vice President; Nancy Burke, Secretary; Joe Burke; Bill Altstaetter; Treasurer; Gwen Altstaetter, Bill Standen, and Natalie Hefter from the Coastal Discovery Museum.

6) Approval of Minutes

a. Town Council Meeting – August 2, 2011

Mr. Heitzke moved to approve. Mr. Williams seconded. The minutes from the August 2, 2011 Town Council meeting were approved by a vote of 7-0.

7) **Report of the Town Manager**

- a. Semi-Annual Report of the Parks and Recreation Commission, Marc Stuckart, Chairman

Due to a scheduling conflict Mr. Stuckart was not present to give his report. His presentation will be rescheduled.

- b. Town Manager's Items of Interest

Mr. Riley reported on some Items of Interest.

- c. Port Royal Beach Renourishment Project

Mr. Liggett updated Town Council on the status of the Port Royal Beach Renourishment Project. He stated that Great Lakes Dredging has delayed their mobilization to Hilton Head Island by three weeks and it will occur on October 10 and the sand pumping will begin the first week of November. He said he has requested an updated schedule. He explained the logistics of the project and asked if there were any questions. Mr. Heitzke asked if there would be any pipes placed at the Beach House in Port Royal. Mr. Liggett responded there would be no access through Port Royal for the beach fill work. He said all access will take place through Islanders Beach. All access through Port Royal will relate to the construction of the groin.

- d. Waste Hauling and Recycling Franchise Agreement-Quarterly Report

Mr. Liggett updated Town Council on the status of the waste hauling and recycling program. Mr. Edwards stated he has had positive feedback concerning the program and inquired as to when the commercial aspect would commence. Mr. Riley said that the commercial component of the program will be discussed at the Town Council Workshop slated for December of 2011.

Mr. Williams asked if Staff had any information pertaining to a reduction in recycling at the Beaufort County Drop Off Center on the Island. Mr. Liggett said he would request an activity report and get back to Council with that information.

- e. Town of Hilton Head Island Credit Rating – Susan Simmons

Susan Simmons reported the Town has maintained an exemplary credit rating. She explained that while over 162 governments were placed on credit watch, we were not. Ms. Simmons noted that the policies and actions taken by the Town have been favorably viewed by the bond rating companies. She added that the Towns' strong financial position and reserves have assisted in maintaining high ratings.

8) **Reports from Members of Council**

- a. General Reports from Council

Mayor Laughlin referred to a recent article by Tom Barton in the Island Packet concerning the Town's efforts in streamlining Commercial Permitting process. He referred to the adopted Town Council Goals for 2016 and stated he believes reviewing processes and procedures fulfills the goal of revitalizing the built environment. Mayor Laughlin noted this effort was done with the assistance of Terry Ennis and Bob Genzler who both donated their time and expertise as consultants in advising staff what was needed to complete the process. He thanked Town Staff for their hard work. The Mayor noted that the article was picked up by newspapers in Columbia, Charleston, and Savannah and had been picked up

by the Associated Press for distribution which assists in getting the word out to developers about the new process.

Mrs. Likins stated she had received a call from the General Manager of the Palmetto Dunes POA stating he had just completed going through the new process and he was very pleased.

Mr. Heitzke reported the Southern Beaufort County Implementation Plan Committee has begun meeting again. He said there was a meeting on August 23 and they are attempting to get Hardeeville and Jasper County on board. He also stated there was unfinished business that was being addressed.

Mr. Harkins encouraged all applicants from the arts community for Accommodations Tax Funds to consider addressing becoming more of a unified arts community. He asked them to think about a joint effort in applying for funds.

b. Report of the Intergovernmental Relations Committee – George Williams, Chairman

Mr. Williams stated there would be a special meeting of the Intergovernmental Relations Committee on Wednesday, September 28, 2011 at 5:30 p.m. concerning redistricting.

c. Report of the Personnel Committee – Lee Edwards, Chairman

Mr. Edwards stated there was a vacancy on the Planning Commission due to the resignation of Tom Crews and a replacement would be discussed in the Executive Session.

d. Report of the Planning & Development Standards Committee –Bill Ferguson, Chairman

Mr. Ferguson asked Jill Foster to approach Council concerning the Beaufort County Hazard Mitigation Plan which was reviewed at the recent meeting of the Committee. Ms. Foster explained the details of the Plan and said it would be coming forward to Town Council at a future Town Council meeting.

e. Report of the Public Facilities Committee – Kim Likins, Chairman

Mrs. Likins stated the Committee met today and a recommendation would be coming forward at the September 20 Town Council meeting concerning leasing land for a cell tower on town owned property located at Jenkins Island.

f. Report of the Public Safety Committee – Bill Harkins, Chairman

No report.

g. Report of the LMO Rewrite Committee – Kim Likins, Ex-Officio Member

Mrs. Likins reported the Committee continues to make significant progress. She stated they have completed going through all issues identified during the education phase and broken them into categories which include education, issues that can be addressed by staff and issues that need consultants. Staff has completed a draft RFQ that will be discussed at the next meeting.

9) Appearance by Citizens

None.

10) Unfinished Business

a. Second Reading of Proposed Ordinance 2011-17

Second Reading of Proposed Ordinance 2011-17 authorizing and providing for the issuance of Special Obligation Bonds (Hospitality Fee Pledge) of the Town of Hilton Head Island, South Carolina; prescribing the form of bonds; providing for the payment of the bonds from the sources provided herein; creating certain funds and providing for payments into such funds; amending Chapter 13 of Title 4 (Finance and Taxation) of *The Municipal Code of the Town Of Hilton Head Island, South Carolina*, by amending Section 4-13-80, Permitted Uses of Funds, and Section 4-13-110, Sunset; making other covenants and agreements in connection with the foregoing; and providing for severability and an effective date.

Mr. Heitzke moved to approve. Mr. Ferguson seconded. The motion was approved by a vote of 7-0.

b. Second Reading of Proposed Ordinance 2011-18

Second Reading of Proposed Ordinance 2011-18 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Hospitality Fee Pledge), in one or more series, in the principal amount of not exceeding \$26,250,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

Mr. Heitzke moved to approve. Mr. Ferguson seconded. Mr. Williams stated he was concerned with the statement in the memo concerning the cash flow analysis and the need for a new funding approach in the future. He said he was concerned with voting on the new money when they did not know what the impact would be in other funds. Mr. Riley stated this was just a scenario and what was done in the analysis was take a 1% growth rate in revenues and a 2% increase annually in transfers to the general fund and CIP without knowing what will be done in the CIP and the future needs in the general fund. He said he viewed the chart as cautionary because the Town is not about to go broke. He stated Susan ran another scenario showing that if the CIP is cut back, it takes the chart into a positive cash flow.

Susan Simmons reviewed the details used for the projections. She explained she used current projects and added a 2% growth factor which may or may not be the case. She explained there are various options that Council could utilize in issuing the debt. Ms. Simmons distributed another scenario explaining that in this one in the year 2015 instead of transferring \$1,497,000 to the Capital Projects Funds, she changed it to \$500,000 resulting in a swing from being \$11 million in the negative to \$16.5 million to the positive. She pointed out that a moderate change of \$1 million will have a huge impact over a 25 year span.

Mr. Williams pointed out that if this is approved Council needs to recognize it will have consequences on other funding methodologies. Mr. Harkins suggested more time be spent on minimizing the unknowns. Mr. Edwards stated he would like to know the alternatives if Council does not approve this item.

Mayor Laughlin asked if the bonds are authorized and the Town does not issue them would the Town incur any cost. Brent Robertson of Merchant Capital said there would be no costs incurred until bonds are issued. Mr. Robertson answered additional questions concerning the issuance of bonds and reviewed available options.

Mayor Laughlin referred to the cover memo for the Proposed Ordinance and the statement that there were no substantive changes except for a deletion of one sentence. He noted concern this may require a third reading. Mr. Riley agreed and said it would require a Revised Second Reading at the next meeting.

Mr. Williams said he would like additional information on projections before the September 20 Town Council meeting. The motion was approved by a vote of 7-0.

c. Second Reading of Proposed Ordinance 2011-19

Second Reading of Proposed Ordinance 2011-19 authorizing and providing for the issuance of Special Obligation Bonds (Beach Preservation Fee Pledge) of the Town of Hilton Head Island, South Carolina; prescribing the form of bonds; providing for the payment of the bonds from the sources provided herein; creating certain funds and providing for payments into such funds; making other covenants and agreements in connection with the foregoing; and providing for severability and an effective date.

Mr. Heitzke moved to approve. Mr. Harkins seconded. The motion was approved by a vote of 7-0.

d. Second Reading of Proposed Ordinance 2011-20

Second Reading of Proposed Ordinance 2011-20 providing for the issuance and sale of Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series, in the principal amount of not exceeding \$11,000,000; delegating the authority to the Town Manager to determine certain matters with respect to the bonds; prescribing the form and details of such bonds; other matters relating thereto; and providing for severability and an effective date.

Mr. Heitzke moved to approve. Mr. Harkins seconded. Mr. Edwards pointed out the cover memo for the Proposed Ordinance included the statement that there were no substantive changes except for a deletion of one sentence and asked if this Proposed Ordinance would also require a second revised reading. Mr. Riley affirmed that a Revised Second Reading will be necessary.

Mr. Williams referred to the spreadsheet included and requested that it be updated. He asked if Council should consider using the Reserve Funds to pay for the Beach Renourishment and then use the Beach Fees for the Reserve Funds. Mr. Riley explained the \$12 million Reserve Fund is earmarked for recovery from a catastrophe. Mr. Williams said he would like to have a discussion concerning the issue. Ms. Simmons reminded Mr. Williams how the Reserve Fund impacted the Town's credit rating and said she did not feel the Town's financial advisor and bond attorney would recommend spending the Reserve Fund to pay for the project. Mr. Riley said staff would put together various scenarios for Council to review. The motion was approved by a vote of 7-0.

e. Second Reading of Proposed Ordinance 2011-21

Second Reading of Proposed Ordinance 2011-21 authorizing the conveyance of various portions of right of way located along on U.S. Highway 278 near the intersection of Squire Pope Road to the South Carolina Department of Transportation, pursuant to the authority of S.C. Code Ann. Sec. 5-7-40 (Supp. 2010), and Sec. 2-7-20, *Code of the Town of Hilton Head Island, South Carolina*, (1983); and providing for severability and an effective date.

Mr. Heitzke moved to approve. Mr. Ferguson seconded. The motion was approved by a vote of 7-0.

11) New Business

a. Consideration of a Recommendation concerning Community Vision of Hilton Head

Consideration of a Recommendation to provide financial support for further study by the Community Vision of Hilton Head (CVHH).

Mr. Dan Castro of CVHH explained the purpose of the request. Mr. Castro and Mr. Paul Gibson, Treasure of CVHH answered questions. Mr. Harkins asked if the request would qualify for Accommodations Tax Grant Funding. Mr. Riley stated that would have to be researched.

Mr. Williams stated he felt the project was scaled much larger than the needs of the community. He said he supports the expenditure if the money could be found. He asked Mr. Castro if CVHH can delay the request until the next budget cycle. Mr. Castro stated, if necessary, that could be done.

Mrs. Likins said when this came before the Public Facilities Committee there were concerns about all of the arts agencies on the Island being able to utilize the proposed facility. Mr. Castro responded that the facility would serve most of the organizations that bring in high volume attendance and revenue.

After lengthy discussion, Mr. Williams moved that Council request the Town Manager to review the budget to see if the \$75,000 requested could be available. Mr. Heitzke seconded. Mr. Edwards stated he would like to add that if the Town Manager could come back with a funding source, he would like the CVHH to give the entire presentation of the project to Town Council as a whole. Mr. Harkins added he would like to review the costs for the consultant.

Mayor Laughlin stated the CVHH had previously made a presentation to the Mayor's Task Force for the Future and the one thing that impressed him was they came in and gave a presentation on their goals and what they were doing to further them. He stated it was refreshing to have a group come in and not ask what the Town was doing but state what they were doing. Mayor Laughlin said if the Town is serious about enhancing the arts offerings and being an arts destination there should be consideration for the request. He said he personally will support some funding for the study. He clarified that it would be wrong to encourage the group to think there would be public funding to build, program, operate, or maintain the building. The motion was approved by a vote of 6-1. Kim Likins was opposed.

b. Consideration of a Recommendation concerning Palmetto Electric

Consideration of a Recommendation to grant a permanent storm drainage easement to Palmetto Electric Cooperative, Inc. to allow for the construction and maintenance of a storm water discharge pipe on Town owned property (PIN R510 008 000 0200 0000, also known as the Ashmore Tract).

Mr. Heitzke moved to approve. Mr. Williams seconded. The motion was approved by a vote of 7-0.

12) Executive Session

Mr. Riley stated he needed an executive session for contractual matters pertaining to land acquisition, included a request for an easement by Palmetto Electric over Town-owned land and a request to consider acceptance of private dirt roads in the Lawton Beach subdivision; contractual matters including a proposed cell tower lease on the Station 7 site; a three-party agreement to facilitate relocating Fire Station 6; a request for a lease extension on the Welcome Center site; legal matters regarding ongoing litigation; and a personnel matter pertaining to appointments to Boards and Commissions.

At 6:24 p.m., Mr. Heitzke moved to go into Executive Session for the reasons stated by the Town Manager. Mr. Williams seconded. The motion was approved by a vote of 7-0.

Mayor Laughlin called the meeting back to order at 7:04 p.m. and asked if there was any business to take up as a result of executive session.

Mr. Ferguson moved that the Town Council for the Town of Hilton Head Island adopt an ordinance authorizing the execution of that certain Drainage Easement Agreement with Palmetto Electric Cooperative, Inc. over property owned by the Town of Hilton Head Island, South Carolina, known as the Ashmore Tract. Mr. Heitzke seconded. The motion was approved by a vote of 7-0.

Mrs. Likins moved that the Town Council for the Town of Hilton Head Island adopt a resolution authorizing the Mayor and Town Manager to execute and deliver a Drainage Easement Agreement, a Maintenance Easement Agreement, and an Emergency Access Easement with Lawton Beach Holdings, LLC and to accept the conveyance of certain rights of way from Lawton Beach Holdings, LLC. Mr. Edwards seconded. The motion was approved by a vote of 7-0.

Mr. Edwards moved to appoint Brian Hughes to replace Tom Crews on the Planning Commission. Mrs. Likins seconded. The motion was approved by a vote of 7-0.

13) Adjournment

Mr. Ferguson moved to adjourn. Mr. Heitzke seconded. The motion was approved by a vote of 7-0. The meeting was adjourned at 7:06 p.m.

Approved:

Vicki Pfannenschmidt, Secretary

Drew A. Laughlin, Mayor



Items of Interest

September 20, 2011

1. Town News

At their August 22 meeting, Beaufort County Council unanimously approved a resolution for a new Storm Water Utility Intergovernmental Agreement with the Town of Hilton Head Island. This agreement was approved by Town Council on June 7. Engineering staff and the Town Attorney's office took the lead in drafting the new document, and working with County staff to reach an acceptable agreement. The other municipalities in the County are using the Hilton Head Island agreement as a model and are negotiating their own revised agreements. The agreement better defines the County and Town's roles and responsibilities regarding storm water management, and the County's collection and distribution of the Town's storm water utility fees.

(Contact Cary Gaffney, Storm Water Administrator, 341-4773)

Firefighter Ken Robinson has served in the US Army for 25 years and has 12 years of active duty service. He is currently in the Army Reserve and has been recently promoted to Sergeant Major and appointed to Command Sergeant Major (CSM) on August 1st, 2011. With his promotion and appointment, he will be assigned to the 1st Battalion 2nd Brigade 98th Division as the Senior Non-Commissioned Officer tasked with the management of training Infantry recruits and other military service members for deployment to Iraq and Afghanistan. He will serve as the Senior Non-Commissioned Officer Advisor to the Battalion Commander. Command Sergeant Major (CSM) is the highest rank possible for a Non-Commissioned Officer. Ken will be assigned to Ft. Jackson, SC. and will be responsible for management of units in Charleston SC., Concord NC, Augusta GA, and Fort Benning, Ga.

His previous assignments include service in the 1st Ranger Battalion at HAAF Savannah., GA., 3rd Special Forces Group Fort Bragg, NC, 20TH Special Forces Group Ocala, FL. and several other Special Operations Units within Special Operations Command. Firefighter Robinson has been awarded the Ranger Tab, Special Forces Tab, Airborne Wings, HALO Military Freefall Badge, Bronze Star and over 15 other awards and decorations.

(Contact: Lavarn Lucas, Fire Chief, 682-5153)

As part of Town Council's goal of being a leader in environmental stewardship, Town staff began pursuing the International Audubon Society Green Community designation in January 2011. As part of five steps to achieve this designation, a Green Community Steering Committee was formed and worked with staff to complete a demonstration project that provides educational information on sustainability themes and issues. The steering committee developed a demonstration project concept for the installation of four interpretive signs at Jarvis Creek Park. Town staff worked with a design professional to create each of the four signs, which describe how the elements of the park work to process stormwater runoff while protecting the environment. The signs were designed in the same style as the interpretive signs located at the Town's Fish Haul Park to provide a consistent format among signs at Town parks. The signs are now installed and Audubon International has notified Town staff that the Town will be receiving the Green Community designation.

(Contact: Sally Krebs, Sustainable Practices Coordinator, 341-4690)

Electronic filing for 2012 Accommodations Tax Grants is now available on our website www.hiltonheadislandsc.gov through 4:00 p.m., September 30, 2011.

(Contact: Debra Cyrilla, Accounting Specialist, 341-4627)

2. Noteworthy Events

a) Some of the upcoming meetings at Town Hall:

- Planning Commission – September 21, 3:00 p.m.
- LMO Rewrite Committee – September 22, 1:00 p.m.
- Special Meeting Planning and Development Standard Committee– September 26 – 2:00 p.m.
- Design Review Board – September 27, 1:15 p.m.
- Construction Board of Adjustments and Appeals – September 27, 5:30 p.m.
- Planning and Development Standards Committee – September 28, 4:00 p.m.
- Special Meeting Intergovernmental Relations Committee – September 28, 5:30 p.m.
- LMO Rewrite Committee – September 29, 1:00 p.m.
- Accommodations Tax Application Filing Deadline – September 30, 4:00 p.m.
- Public Safety Committee – October 3 – 10:00 a.m.
- Public Facilities Committee – October 4 – 2:00 p.m.
- Town Council – October 4, 4:00 p.m.

(Meetings subject to change and/or cancellation. Please visit the Town of Hilton Head Island website at www.hiltonheadislandsc.gov for meeting agendas)

2011 Hilton Head Island Events

Fridays, thru Dec. 9, 2011 8:30am-1:00pm	Farmers Market	Honey Horn
Friday, September 23, 2011 6:00pm-9:30pm	Rock the Nest	Hilton Head Island High School Football Field
Saturday, September 24, 2011 8:30a.m-2:00pm	Pedal4Kids Charity Cycling Event	Various North Island Pathways & Charles Fraser Bridge
Saturday, September 24, 2011 11:30a.m-4:00pm	Italian Heritage Festival	Shelter Cove Community Park
Friday, September 30, 2011 10:00am-3:00pm	Locomotion/10 Mile Walk	Folly Field Road, Various Island Pathway and Beach Areas
Sunday, October 2, 2011 8:00am-1:00pm	Locomotion/10 Mile Walk	Various Island Beach Areas
Sunday, October 2, 2011 9:00am-1:00pm	Fire Prevention Pancake Breakfast	Fire Station 4 –Squire Pope Road

2011 Policy Agenda

August, 2011

Top Priority

Target	Chief Contact	Comments
<ul style="list-style-type: none"> ▪ Heritage Golf Tournament: Seek to Secure Its Long-Term Future 	<p>Steve Riley Greg DeLoach</p>	Tournament sponsors secured. Starting to work on details of advertising that the Town is purchasing.
<ul style="list-style-type: none"> ▪ Technology Infrastructure: Evaluation and Direction of Town's Role 	<p>Shea Farrar</p>	Currently, a lease is under negotiation with American Tower to build a tower on the Station 7 Property. In addition, American Tower has also requested to build another tower on town-owned property on Jenkins Island. Staff continues to meet with the telecommunications citizens group.
<ul style="list-style-type: none"> ▪ LMO: Amend to Foster Greater Flexibility, Simplicity, and Revitalization 	<p>Teri Lewis</p>	The LMO Rewrite Committee continues to meet weekly. They have developed 9 issue statements and associated objectives in conjunction with the Town Council directives. The Committee has used these to develop a list of tasks for a consultant. Staff is currently drafting an RFQ which will be reviewed by the committee in mid September.
<ul style="list-style-type: none"> ▪ Coligny Area Redevelopment: Conceptual Plan, Direction, and Town's Role 	<p>Mike Roan</p>	Staff continues to meet with property owners in the area. Staff is also drafting an RFQ to solicit firms that could undertake an analysis of various proposals for the area.
<ul style="list-style-type: none"> ▪ Redevelopment Authority/Community Development Corporation: Evaluation and Direction 	<p>Shawn Colin</p>	Economic Development Workshop scheduled for P&DS meeting on September 26 th

High Priority

Target	Chief Contact	Comments
<ul style="list-style-type: none"> ▪ Economic Development Corporation: Evaluation 	<p>Shawn Colin</p>	Economic Development Workshop scheduled for P&DS meeting on September 26 th
<ul style="list-style-type: none"> ▪ Mitchelville Development: Evaluate Business and Master Plan and Town's Role 	<p>Jayne Lopko</p>	Town designing and installing new entry sign at Fish Haul Park to include language indicating the park is the future site of the Mitchelville Freedom Park. Mitchelville Preservation Project (MPP) planning educational forum in late October. Right-of-entry executed allowing MPP entry to the park for basic surveying.
<ul style="list-style-type: none"> ▪ Arts & Conference Center: Evaluate Citizen Committee Proposal and Town's Role 	<p>Charles Cousins</p>	The Visioning group made a presentation to the Town Council to request \$75,000 to assist with the next stage of evaluating this endeavor.
<ul style="list-style-type: none"> ▪ Shelter Cove Mall Redevelopment: Conceptual Plan, Direction, and Town's Role 	<p>Mike Roan</p>	Staff continues to meet with the Mall owners and provide input on potential redevelopment plans.

Moderate Priority		
Target	Chief Contact	Comments
<ul style="list-style-type: none"> Regional Coalition: Development 	Steve Riley	Study underway.
<ul style="list-style-type: none"> Regional Legislative Program and Regional Educational Opportunities 	Steve Riley	Ongoing.
<ul style="list-style-type: none"> Community Based Education Program on Environmental Stewardship 	Sally Krebs	Work continues on our new webpage. Staff is still shooting for the webpage to go live by the end of September.
<ul style="list-style-type: none"> Fire Station #6 Direction 	Charles Cousins	Working to finalize the agreement with Palmetto Dunes POA and Greenwood.
<ul style="list-style-type: none"> Law Enforcement Center: Seek to Acquire with County 	Steve Riley Greg DeLoach	Continuing.
<ul style="list-style-type: none"> Public Information Enhancement 	Greg DeLoach	The Community Development Department has designed and published a brochure on the Town's Commercial Construction Permitting Process.
2011 Management Targets August, 2011		
Top Priority		
Target	Chief Contact	Comments
<ul style="list-style-type: none"> Airport Issues: Follow up on Tree Issues and Masterplan Implementation 	Charles Cousins	Staff met on site with the contractor, consultants and airport to do a pre-clear inspection several months ago, attended a pre-con meeting on 24 August and met 1 September 2011 to view a demonstration of alternate methods of tree removal and determine which would do least harm to understory vegetation and avoid ground disturbance. According to the contractor's schedule, tree removal is to begin September 9 th .
<ul style="list-style-type: none"> EcoTourism Conference: Work with Chamber 	Steve Riley	Ongoing.
<ul style="list-style-type: none"> Recreation Center Expansion: Evaluate Feasibility Study 	Nicole Dixon	Consultants have been working with staff to review their draft documents and they are currently finalizing their submittals for the Master Plan. Presentations will be made to the Public Facilities Committee, Parks and Recreation Commission and Town Council this Fall.
<ul style="list-style-type: none"> Legislative Program 	Marcy Benson	There will be a Special Town Council Intergovernmental Meeting on September 28 th to review redistricting options.
<ul style="list-style-type: none"> Stormwater Utility Needs and Agreements 	Cary Gaffney	Meeting with Palmetto Dunes, Leamington, Wexford, and Sea Pines in September to finalize drainage contract documents and acquire each POA's signatures. These become effective FY13.

High Priority

Target	Chief Contact	Comments
<ul style="list-style-type: none"> ▪ Bicycle Friendly Community: Seek Designation 	Marcy Benson	Silver Level designation announced in May 2011. League of American Bicyclists Executive Director, Andy Clarke, presented award at August 2, 2011 Town Council meeting.
<ul style="list-style-type: none"> ▪ Residential Recycling Development 	Alice Derian	Total accounts initiated as of August 31, 2011 is 7,618 138.91 tons of recycling have been collected for the month of August
<ul style="list-style-type: none"> ▪ Town Council Redistricting: Direction 	Steve Riley	2 nd Public input meeting scheduled for September 28, 2011 at 5:30 p.m.

CIP Monthly Report August, 2011

Project	Chief Contact	Comments
<ol style="list-style-type: none"> 1. Fire Station #1 Replacement 2. Miller's Pond Drainage Project 3. Port Royal Terminal Groin 4. Port Royal Beach Renourishment 5. Dunnagan's Alley / Arrow Road Roundabout 6. Dunnagan's Alley Pathway to Target Road 7. Stoney Area Sewer projects 8. F&R Emergency Access Gates Palmetto Hall and Port Royal Plantation 9. Traffic Signal Mast-arms 10. US 278 Partial median Closure – Festival Centre and Central Avenue 11. Hospital Center Blvd and Main Street 12. Bristol Sports Arena Rehabilitation 	Scott Liggett	<ol style="list-style-type: none"> 1. Work underway, target completion date – October 2011 2. Project under contract, USACE permit in hand 3. Project under contract, notice to proceed pending 4. Project under contract, notice to proceed pending 5. Work underway, target completion date – December 2011 6. Design is complete, permits being acquired, will be constructed in conjunction with the adjoining roundabout 7. Construction ongoing, to be completed in September 2011 8. Construction to begin by August and be completed in September. 9. Work underway, target completion date – October 2011 10. Awaiting SCDOT permit, bid for construction this fall 11. Bid with US 278 median closure project this fall 12. Work Underway, target completion date November 2011



MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, CM, Town Manager

VIA: Susan M. Simmons, CPA, Director of Finance

DATE: September 13, 2011

RE: **Revised Second Reading of Proposed Ordinance No. 2011-18
First Supplemental Ordinance – Hospitality Fee Pledge**

Note:

There are no changes since the last second reading. A revised second reading is necessary due to the deletion of the last sentence in Section 5 made at the request of the McNair Law Firm. The sentence dealt with providing notice of bond redemptions.

Recommendation:

Town Council approves revised second reading of Proposed Ordinance No. 2011-18 which authorizes the issuance of Special Obligation Bonds – Hospitality Fee Pledge in an amount not to exceed \$26,250,000.

Summary:

At the last meeting, there were a total of four proposed ordinances – two ordinances each for hospitality and beach preservation. The first for each is the General Bond Ordinance which establishes enabling legislation for revenue bonds but does not authorize a specific bond issue. Council approved both of the General Bond Ordinances for hospitality and beach. The required revised second reading for the sentence deletion also gave Council the opportunity to request additional information to support the specific debt issues for hospitality and beach. *This agenda item addresses the First Supplemental Ordinance for Hospitality Fees.*

Proposed Ordinance No. 2011-18 is the First Supplemental Ordinance for the Hospitality Fee Pledge. In this ordinance, staff seeks authority from Council to issue new bonds in an amount not to exceed \$15,250,000. It is also seeks authority to refund the outstanding balance of the 2004C Hospitality Certificates of Participation (COPS) in an amount not to exceed \$11,000,000 to warrant a savings of approximately \$317,000 and to place all outstanding hospitality debt into the new Special Obligation Bonds.

Supplemental Information for the September 20, 2011 Meeting

At its September 6, 2011 meeting, Council made the following requests:

- Present more conservative revenue projections given the economic recession.
- Provide more information on how staff would address deficits projected in the out years.
- Offer more detail on the financing of the not to exceed \$15,250,000.

Staff offers the following responses for Council's consideration:

- Two new scenarios are attached. In both scenarios, more conservative revenue growth is presented and explained in footnotes A-B. While staff believed that the historical trend information was conservative and adequate for analytic purposes, we developed a more conservative approach for these scenarios.
- Estimated reserve fund, escrow and cost of issuance information are provided at the end of each scenario.
- In both scenarios, staff assumes a reduction in the transfers to the Capital Projects Fund beginning in fiscal year 2015 by approximately \$1 million. As presented at the last meeting, this will have a tremendous impact over 25 years and eliminate the projected deficits. Staff proposes the same level of capital projects be maintained and that the hospitality funding reduction be offset with new General Obligation (GO) bonds to fund the projects. Current and future fiscal year debt service payments are significantly less than in prior years as prior bond issues fully mature. As a result, the Town can issue new GO bonds without impacting the millage rate.
- The difference in the two scenarios is the debt financing [presented in the column Transfer to Debt Service (DS) and in footnote D]. At the last meeting, Brent Robertson, our financial advisor from Merchant Capital, discussed the impact of wrapped debt wherein the debt service is even throughout the two bond issues. Staff recommends that the Town issue bonds using the unwrapped scenario.
- Staff offers the following comments for consideration regarding this bond issue.
 - Town Council enacted budgets from fiscal year 2008 through 2012 with the intent of procuring apparatus and fire stations from bond issuance and lease financing. If the proposed bonds are not issued for the *reimbursement portion*, Council would be embarking upon a major policy change contrary to past directives.
 - Council has expressed concerns regarding the projects proposed to be funded with the *future expenditure portion*. If Council wants to reconsider the projects to be funded with this portion of bond proceeds, it may be appropriate to do so through current or future years' Capital Project Fund budgets. There are many projects being considered for which hospitality bond proceeds would be an appropriate funding source. With the favorable low cost of borrowing, it does not seem prudent to reduce the planned level of bonding.
 - Staff designed the scenarios developed for the September 6 and 20, 2011 meetings to produce a project fund of \$13,000,000 to match the reimbursement portion and the future expenditures per the fiscal year 2012 budget. (See detail below: \$6,788,000 + \$6,212,000 = \$13,000,000.) As noted in the immediately preceding bullet point, project requests are significant and hospitality is a flexible funding source. Therefore, the Town should consider borrowing at the full "not to exceed amount" of \$15,250,000.

Background Information Presented at the September 6, 2011 Meeting:

The Town issued Series 2004C Hospitality Certificates of Participation for which the proceeds were used for construction or purchase, or both, of public safety assets. Then over the last couple of years, the Town purchased fire apparatus and constructed part or all of certain fire and rescue stations under reimbursement resolutions. These resolutions allow the Town to use available resources to upfront the costs but with the intent of issuing debt to pay for these assets over a longer term. The Town's intent is to pay for these long-lived assets over the life of the assets via debt service payments and use future hospitality fee revenue to make the debt service payments. In this manner, those who benefit from these assets will also bear the cost of these assets. Upon Council's approval of Proposed Ordinance 2011-17 and 2011-18, staff plans to issue bonds with a hospitality fee pledge.

At its last meeting, Council requested past and budgeted future hospitality fee expenditure detail. This information is as follows:

Past Expenditures:

Qualifying Reimbursable Fire & Rescue Apparatus	\$ 1,674,000
Fire and Rescue Station #5 Costs	2,695,000
Fire and Rescue Station #1 Costs	2,220,000
Fire and Rescue Station #2 Costs	75,000
Fire and Rescue Station #6 Costs	<u>124,000</u>
	6,788,000

Future Expenditures:

FY 12 Fire and Rescue Station #1	237,000
FY12 Budget Fire and Rescue Station #6	3,200,000
Proposed FY13 Budget Fire Station #2	275,000
Proposed FY14 Budget Fire Station #2	<u>2,500,000</u>
	6,212,000

Est. Cost of Issuance, Escrow, Required Reserve Fund 1,150,000

Total Par Value of Bond 14,150,000

Balance for Other Hospitality Fee Funded Projects 1,100,000

Not to Exceed Par Value \$15,250,000

Also at its last meeting, Council requested cost benefit analysis of one versus multiple bond issues. The main factors are interest expenditures on proceeds incurred prior to project expenditures versus the increased issuance costs for two bond issues. In the following options, both result in project costs of \$13,000,000; first option is for one bond issuance and the second is for two issuances.

Option One: Issue special obligation bonds with a par amount of \$14,150,000 in fiscal year 2012. This option results in an average annual debt service cost of \$877,793 and a total interest cost of \$7,794,819.

Option Two: Issue special obligation bonds with a par amount of \$10,920,000 in fiscal year 2012 and an additional bond issuance of \$3,375,000 in fiscal year 2015 for a total par

amount of \$14,295,000. This option results in an average annual debt service cost of \$886,509 and a total interest cost of \$7,867,733. This option assumes that the current economic environment, i.e., interest rates, remains constant between FY12 and FY15.

Note: The Town's financial advisor will attend the Council meeting to present these options in more detail using the attached PowerPoint presentation.

Additionally, Council also asked staff to explain what would occur if it chose not to issue these bonds. If Council chose not to issue debt for the future expenditures, then those assets listed above could not be purchased or constructed without another funding source.

If Council chose not to issue debt for past expenditures, the Town will not replenish its hospitality fund balance. As previously described, the Town purchased apparatus and constructed stations under reimbursement resolutions by using hospitality cash on hand or interfund borrowing. The Town's current hospitality fund balance is minimal. As typical for many years, the FY12 CIP budget has \$1.4 million hospitality-funded projects other than those listed above. At this level of spending without the reimbursement, the Town would need to forgo these types of projects for approximately five years or find a different funding source for them.

Finally, Council requested a cash flow analysis for hospitality funds. In the attached excel document, the cash flow is presented assuming the issuance of the proposed bonds. The report includes the anticipated \$6,788,000 reimbursement of past expenditures in FY12. This influx of cash will allow the Town to continue funding CIP projects at the present rate for a few years. However, it also reports that this pattern cannot be sustained and that a new funding approach must be determined within the next few years. The need for a new approach was anticipated and staff will be presenting Council with options in the coming months.

Hospitality Fee Fund Analysis - **Wrapped** Debt Producing \$13 Million for Projects

Fiscal Year	Revenues			Expenditures and Transfers				Fund Balance	
	Collections	Reimburse from Bond	Interest	Total	Trans to GF	Trans to CP	Trans to DS		Total
2001	1212384	0		1,212,384	23337	472179	0	495,516	716,868
2002	2053489	0	16480.81	2,069,970	82139.56	1888109.9		1,970,249	816,588
2003	2,404,170	-	4,924	2,409,094	380,167	894,360	-	1,274,527	1,951,156
2004	2,230,407	-	3,911	2,234,318	89,216	548,689	744,885	1,382,790	2,802,684
2005	2,991,110	-	13,945	3,005,055	1,271,408	1,085,602	-	2,357,010	3,450,729
2006	5,086,678	-	124,858	5,211,536	2,042,028	535,958	1,288,343	3,866,329	4,795,936
2007	5,108,528	-	157,879	5,266,407	1,672,161	1,444,518	800,000	3,916,679	6,145,664
2008	5,232,837	-	150,492	5,383,329	2,004,206	665,489	720,803	3,390,498	8,138,496
2009	4,826,318	-	42,180	4,868,498	1,369,958	7,184,851	758,236	9,313,046	3,693,948
2010	4,708,807	-	2,623	4,711,430	2,464,955	3,036,648	756,508	6,258,111	2,147,268
Prelim/Unaudited									
2011	4,923,708	-	3,000	4,926,708	2,930,183	1,763,051	760,133	5,453,367	1,620,609
2012	4,972,945	6,788,000	1,621	11,762,566	3,269,550	1,411,000	1,070,461	5,751,011	7,632,164 E
2013	5,022,675		7,632	5,030,307	3,334,941	1,439,220	1,527,848	6,302,009	6,360,462
2014	5,072,901		31,802	5,104,704	3,401,640	1,468,004	1,527,776	6,397,420	5,067,745
2015	5,123,630		25,339	5,148,969	3,469,673	500,000	1,531,635	5,501,308	4,715,407
2016	5,200,485		47,154	5,247,639	3,539,066	510,000	1,529,134	5,578,200	4,384,846
2017	5,278,492		43,848	5,322,341	3,609,847	520,200	1,528,489	5,658,536	4,048,650
2018	5,357,669		60,730	5,418,399	3,682,044	530,604	1,529,949	5,742,597	3,724,452
2019	5,438,035		55,867	5,493,901	3,755,685	541,216	1,528,335	5,825,236	3,393,117
2020	5,546,795		50,897	5,597,692	3,830,799	552,040	1,529,016	5,911,855	3,078,953
2021	5,657,731		46,184	5,703,915	3,907,415	563,081	1,527,174	5,997,670	2,785,199
2022	5,770,886		41,778	5,812,664	3,985,563	574,343	1,528,209	6,088,115	2,509,747
2023	5,886,303		37,646	5,923,950	4,065,274	585,830	1,526,808	6,177,912	2,255,785
2024	6,004,030		33,837	6,037,866	4,146,580	597,546	1,527,868	6,271,994	2,021,657
2025	6,124,110		30,325	6,154,435	4,229,512	609,497	1,531,483	6,370,492	1,805,600
2026	6,246,592		27,084	6,273,676	4,314,102	621,687	1,527,664	6,463,453	1,615,823
2027	6,371,524		24,237	6,395,762	4,400,384	634,121	1,531,599	6,566,104	1,445,481
2028	6,498,955		21,682	6,520,637	4,488,392	646,803	1,528,044	6,663,239	1,302,879
2029	6,628,934		19,543	6,648,477	4,578,159	659,739	1,527,215	6,765,114	1,186,242
2030	6,761,512		17,794	6,779,306	4,669,723	672,934	1,528,853	6,871,510	1,094,039
2031	6,896,743		16,411	6,913,153	4,763,117	686,393	1,527,683	6,977,193	1,029,999
2032	7,034,678		15,450	7,050,128	4,858,379	700,121	1,528,624	7,087,124	993,003
2033	7,175,371		14,895	7,190,266	4,955,547	714,123	1,526,507	7,196,177	987,092
2034	7,318,878		14,806	7,333,685	5,054,658	728,406	1,531,124	7,314,187	1,006,589
2035	7,465,256		15,099	7,480,355	5,155,751	742,974	1,527,212	7,425,937	1,061,007
2036	7,614,561		15,915	7,630,476	5,258,866	757,833	1,530,192	7,546,891	1,144,592
	A		B	A,B	C	C	D		

A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.

B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.

C - Assumes 2% expenditure growth.

D - This assumes the 2004 outstanding bonds are refunded and \$14,715,000 Series 2011 bonds are issued. The debt service is wrapped, i.e., the debt service is level at ~\$1.5 million until the 2011 Series matures in 2036.

E - This is with the \$6,788,000 reimbursement of prior expenditures from the bond proceeds.

The Wrapped Debt Scenario of \$14,715,000 Par Value includes the following estimates:

Debt Service Reserve Fund	\$1,288,074
Costs of Issuance and Escrow	\$426,826

Consideration: With this scenario of wrapped and level aggregate debt service, there are no projected deficit fund balances as resulted in the unwrapped scenario. However, this scenario requires a \$390,000 greater par value issuance. Principal payments in the early years are lower resulting in a higher total interest cost over the life of the bonds. Note that the ending fund balance in the final year is significantly lower by approximately \$2.9 million. This is only a scenario; actual results will vary and other changes are likely over 25 years. This scenario is not favored and is not recommended by staff.

Hospitality Fee Fund Analysis - **Unwrapped** Debt Producing \$13 Million for Projects

Fiscal Year	<u>Revenues</u>				<u>Expenditures and Transfers</u>				Fund Balance
	Collections	Reimbursement from Bond Proceeds	Interest	Total	Trans to GF	Trans to CP	Trans to DS	Total	
2001	1212384	0		1,212,384	23337	472179	0	495,516	716,868
2002	2053489	0	16480.81	2,069,970	82139.56	1888109.9		1,970,249	816,588
2003	2,404,170		- 4,924	2,409,094	380,167	894,360	-	1,274,527	1,951,156
2004	2,230,407		- 3,911	2,234,318	89,216	548,689	744,885	1,382,790	2,802,684
2005	2,991,110		- 13,945	3,005,055	1,271,408	1,085,602	-	2,357,010	3,450,729
2006	5,086,678		- 124,858	5,211,536	2,042,028	535,958	1,288,343	3,866,329	4,795,936
2007	5,108,528		- 157,879	5,266,407	1,672,161	1,444,518	800,000	3,916,679	6,145,664
2008	5,232,837		- 150,492	5,383,329	2,004,206	665,489	720,803	3,390,498	8,138,496
2009	4,826,318		- 42,180	4,868,498	1,369,958	7,184,851	758,236	9,313,046	3,693,948
2010	4,708,807		- 2,623	4,711,430	2,464,955	3,036,648	756,508	6,258,111	2,147,268
Prelim/Unaudited									
2011	4,923,708		- 3,000	4,926,708	2,930,183	1,763,051	760,133	5,453,367	1,620,609
2012	4,972,945	6,788,000	1,621	11,762,566	3,269,550	1,411,000	1,271,145	5,951,695	7,431,480 E
2013	5,022,675		7,431	5,030,106	3,334,941	1,439,220	1,633,898	6,408,059	6,053,527
2014	5,072,901		30,268	5,103,169	3,401,640	1,468,004	1,637,515	6,507,159	4,649,537
2015	5,123,630		23,248	5,146,878	3,469,673	500,000	1,629,754	5,599,427	4,196,988
2016	5,200,485		41,970	5,242,455	3,539,066	510,000	1,630,405	5,679,471	3,759,972
2017	5,278,492		37,600	5,316,092	3,609,847	520,200	1,637,080	5,767,127	3,308,936
2018	5,357,669		49,634	5,407,304	3,682,044	530,604	1,634,999	5,847,647	2,868,593
2019	5,438,035		43,029	5,481,063	3,755,685	541,216	1,634,125	5,931,026	2,418,630
2020	5,546,795		36,279	5,583,075	3,830,799	552,040	1,629,826	6,012,665	1,989,039
2021	5,657,731		29,836	5,687,567	3,907,415	563,081	1,637,489	6,107,985	1,568,621
2022	5,770,886		23,529	5,794,415	3,985,563	574,343	1,637,211	6,197,117	1,165,919
2023	5,886,303		17,489	5,903,792	4,065,274	585,830	1,633,902	6,285,006	784,705
2024	6,004,030		11,771	6,015,800	4,146,580	597,546	1,632,441	6,376,567	423,938
2025	6,124,110		6,359	6,130,469	4,229,512	609,497	1,632,996	6,472,005	82,402
2026	6,246,592		1,236	6,247,828	4,314,102	621,687	1,630,632	6,566,421	(236,191)
2027	6,371,524		0	6,371,524	4,400,384	634,121	1,630,368	6,664,873	(529,539)
2028	6,498,955		0	6,498,955	4,488,392	646,803	1,637,173	6,772,368	(802,952)
2029	6,628,934		0	6,628,934	4,578,159	659,739	905,702	6,143,601	(317,619)
2030	6,761,512		0	6,761,512	4,669,723	672,934	904,962	6,247,619	196,274
2031	6,896,743		2,944	6,899,687	4,763,117	686,393	902,625	6,352,135	743,826
2032	7,034,678		11,157	7,045,835	4,858,379	700,121	903,645	6,462,145	1,327,516
2033	7,175,371		19,913	7,195,284	4,955,547	714,123	902,839	6,572,509	1,950,291
2034	7,318,878		29,254	7,348,133	5,054,658	728,406	905,082	6,688,145	2,610,278
2035	7,465,256		39,154	7,504,410	5,155,751	742,974	905,261	6,803,986	3,310,703
2036	7,614,561		49,661	7,664,222	5,258,866	757,833	903,492	6,920,191	4,054,734
	A		B	A,B	C	C	D		

A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.

B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.

C - Assumes 2% expenditure growth.

D - This assumes the 2004 outstanding bonds are refunded and \$14,325,000 Series 2011 bonds are issued. The debt service payment schedule is not wrapped, i.e., debt service payments are not structured to accomplish aggregate level debt service.

E - This fund balance includes the \$6,788,000 reimbursement of prior expenditures from the bond proceeds.

The Unwrapped Debt Scenario of \$14,325,000 Par Value includes the following estimates:

Debt Service Reserve Fund	\$906,539
Costs of Issuance and Escrow	\$418,461

Consideration: With this scenario of unwrapped and unlevel aggregate debt service, debt service payments are larger in the early years resulting in projected fund balance deficits for fiscal years 2026 through 2029 with the maximum deficit approximately \$800,000. The Town could interfund borrow during the four deficit years. Note that the rebound in the final years is significant and produces a much larger projected fund balance in fiscal year 2036 as compared to the wrapped debt scenario. This is only a scenario; actual results will vary and other changes are likely over 25 years. This is the favored and staff-recommended scenario.

FIRST SUPPLEMENTAL ORDINANCE

PROVIDING FOR THE ISSUANCE AND SALE OF TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, SPECIAL OBLIGATION BONDS (HOSPITALITY FEE PLEDGE), IN ONE OR MORE SERIES, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$26,250,000; DELEGATING THE AUTHORITY TO THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council (the “Council”) of the Town of Hilton Head Island, South Carolina (the “Town”), enacted an Ordinance (the “General Bond Ordinance”) on the date hereof to authorize generally the issuance of Bonds (as defined in the General Bond Ordinance); and

WHEREAS, pursuant to the General Bond Ordinance, the Bonds are payable from and secured by a pledge of Hospitality Fees (as defined in the General Bond Ordinance), which pledge is junior and subordinate to the pledge of Hospitality Fees securing the Town’s obligation to pay Base Fee Payments and Additional Fee Payments (as such terms are defined in the Installment Sale Agreement) dated as of June 1, 2004 (the “2004 Installment Sale Agreement”) between the Town and Hilton Head Island Public Facilities Corporation, an instrumentality of the Town (the “Corporation”) under the 2004 Installment Sale Agreement; and

WHEREAS, the Corporation has heretofore issued \$10,775,000 original principal amount of the Hilton Head Island Public Facilities Corporation, Certificates of Participation Evidencing Undivided Proportionate Interests in Base Fee Payments Under an Installment Sale Agreement (Hospitality Fee Pledge), Series 2004C, which are presently outstanding in the principal amount of \$8,625,000 (the “2004 Certificates”); and

WHEREAS, the Town is presently contemplating the undertaking of the New Projects (as defined herein); and

WHEREAS, the Town desires to issue not exceeding \$26,250,000 principal amount of its Special Obligation Bonds (Hospitality Fee Pledge), in one or more series (the “New Bonds”) to finance, among other things, the Costs of Acquisition and Construction of the New Projects and refinance the 2004 Certificates; and

WHEREAS, the Council has been advised that in order to finance the New Projects and refinance the 2004 Certificates, the Council must enact an appropriate ordinance supplemental to the General Bond Ordinance authorizing the issuance of the New Bonds.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS ORDERED AND ORDAINED BY SAID AUTHORITY OF COUNCIL:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in the General Bond Ordinance (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this First Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

"2004 Certificates" shall mean the \$10,775,000 original principal amount Hilton Head Island Public Facilities Corporation, Certificates of Participation Evidencing Undivided Proportionate Interests in Base Fee Payments under an Installment Sale Agreement (Hospitality Fee Pledge), Series 2004, dated June 1, 2004, and outstanding as of the date hereof in the principal amount of \$8,625,000.

"Beneficial Owner" shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner the Town, the Trustee, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the Town, the Trustee, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

"Bond Purchase Agreement" shall mean one or more Bond Purchase Agreements relating to the sale of the New Bonds, to be dated the date of execution and delivery thereof between the Underwriter and the Town, as amended or supplemented thereto.

"Book-Entry Form" or **"Book-Entry System"** shall mean with respect to the New Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates "immobilized" in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

"Business Day" shall mean, with respect to the New Bonds issued pursuant to this First Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which shall be in the State or the state in which the respective office of the Trustee, the Paying Agent and the Registrar is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

"Certificates to be Refunded" shall mean the 2004 Certificates selected by the Town Manager pursuant to Section 11 hereof, to be refinanced with a Series of the New Bonds.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” shall have the meaning given that term in Section 15 hereof.

“Depository” shall mean any securities depository that is 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, as amended, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the New Bonds, and to effect transfers of the New Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company), New York, New York.

“Escrow Agent” shall mean Wells Fargo Bank, N.A., in its capacity as Paying Agent for the 2004 Certificates.

“Escrow Agreement” shall mean the Escrow Agreement dated the date of its execution between the Town and the Escrow Agent.

“Escrow Fund” shall mean the fund of that name created pursuant to the Escrow Agreement.

“First Supplemental Ordinance” shall mean shall mean this Ordinance enacted by the Town Council, authorizing the New Bonds.

“General Bond Ordinance” shall mean the Ordinance duly enacted by the Town Council on the date hereof, authorizing the issuance from time to time of Bonds.

“Initial Bonds” shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

“Interest Payment Date” shall mean any June 1 and December 1 of each year, commencing December 1, 2011, or such other date as the Town Manager may determine pursuant to Section 11 hereof.

“New Bonds” shall mean the Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Hospitality Fee Pledge), issuable in one or more series, in the aggregate principal amount of not exceeding \$26,250,000 authorized to be issued hereunder.

“New Projects” shall mean, collectively, the Projects to be financed with the proceeds of the New Bonds, including any one or more of the projects described in Schedule I hereto, and such other projects as may be approved by the Town Manager and permitted by the Hospitality Fee Ordinance.

“Paying Agent” shall mean Wells Fargo Bank, N.A., as Paying Agent for the New Bonds.

“Principal Payment Date” shall have the meaning given to such term in Section 3(a).

“Registrar” shall mean Wells Fargo Bank, N.A., as Registrar for the New Bonds.

“Series Construction Fund” shall mean one or more Funds established pursuant to Section 9 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the New Projects and Costs of Issuance, as applicable. Pursuant to Section 9, each Series Construction Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Fund” shall mean one or more Funds established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Reserve Fund” shall mean one or more Funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 8 hereof.

“Trustee” shall mean Wells Fargo Bank, N.A., as Trustee for the bonds.

“Underwriter” shall mean Merchant Capital, L.L.C.

Section 2. Certain Findings and Determinations. The Town hereby finds and determines:

(a) The Ordinance, the Bond Act and the Hospitality Fee Act authorize the Town to issue Bonds in order to finance Projects (as defined in the General Bond Ordinance) and refinance some or all of the 2004 Certificates. This First Supplemental Ordinance supplements the Ordinance, constitutes and is a "Supplemental Ordinance" within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The New Bonds constitute and are "Bonds" within the meaning of the quoted word as defined and used in the Ordinance.

(c) The Hospitality Fees pledged under the Ordinance are or will not be encumbered by any lien and charge thereon or pledge thereof, other than: (i) for so long as the 2004 Certificates are outstanding, the pledge thereof created under the 2004 Installment Sale Agreement for payment of amounts due with respect to the 2004 Certificates (which pledge is senior to the pledge thereof securing the Bonds); and (ii) the pledge thereof created by the General Bond Ordinance and this First Supplemental Ordinance for the payment and security of the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The estimated Cost of Acquisition and Construction (as defined in the General Bond ordinance) of the New Projects is \$15,250,000. The estimated cost of refunding the Certificates to be Refunded does not exceed \$11,000,000.

(f) The Town proposes to issue the New Bonds, in one or more Series (as defined in the General Bond Ordinance), for one or more of the principal purposes: (1) financing the Cost of Acquisition and Construction of the New Projects, (2) refinancing the Certificates to be Refunded, (3) financing the Series Reserve Fund Requirement (if any) through a deposit into the Series Debt Service Reserve Fund (if any) established with respect to each Series of New Bonds, and (4) paying the costs of issuing the New Bonds.

(g) The period of usefulness of the New Projects will be in excess of thirty (30) years (in the case of the fire and rescue stations) and fifteen (15) years (in the case of the fire and rescue apparatus) from the date of the acquisition thereof.

(h) It is necessary and in the best interest of the Town to authorize the issuance of the New Bonds in the principal amount of not exceeding \$26,250,000 in accordance with the Bond Act, the Hospitality Fee Act, the Ordinance and this First Supplemental Ordinance for the purposes set forth above.

Section 3. Authorization of Series 2011 Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated “Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Hospitality Fee Pledge), Series (year)” (the “New Bonds”), including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof, the purposes thereof, or the taxable status thereof, in the aggregate principal amount of not exceeding \$26,250,000. The proceeds of the New Bonds shall be used for the purposes set forth in Section 2(f) hereof.

Unless otherwise determined by the Town Manager pursuant to Section 11 hereof, the New Bonds shall mature on December 1 in each of the years (the “Principal Payment Dates”) and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Town Manager, pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Town Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Town Manager, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the Town may (i) deliver to the Trustee for cancellation New Bonds which are

subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such New Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Town and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at one hundred percent (100%) of the principal amount thereof, to the obligation of the Town on those respective mandatory redemption obligations in chronological order or such other manner as directed in writing by the Town to the Trustee, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Trustee, without further authorization or direction from the Town, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Town Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of \$1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Payment of the principal of and interest on such New Bonds may be payable to the Holder thereof without presentation and surrender of such New Bonds.

(f) The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this First Supplemental Ordinance. The New Bonds shall be executed in the name and on behalf of the Town by the manual or facsimile signatures of the Mayor and Town Clerk.

(g) A copy of the approving opinion to be rendered on the New Bonds shall be printed on the back of such New Bonds, preceding the same a certificate shall appear, which shall be signed on behalf of the Town by a facsimile signature of the Town Clerk. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds. The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of \$5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of \$5,000.

The Initial Bonds will be issued in fully-registered form, as a single bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the Town shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this First Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The Town, the Trustee, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the Town, the Trustee, the Registrar and the Paying Agent shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The Town, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this First Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Town, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the Town maintained by the Registrar as being a Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the Town, or (b) the Town has advised the Depository of the Town's determination that the Depository is incapable of discharging its duties, then the Town shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the Town or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the Town is unable to retain a qualified successor to the Depository, or the Town has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denomination; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

Section 5. Optional Redemption of New Bonds. Such of the Series 2011 Bonds as may be determined by the Town Manager pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the Town, in whole or in part at any time in such order of their maturities as the Town shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Town Manager pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for

redemption.

Section 6. Payment of the New Bonds. The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Hospitality Fees of the Town in accordance with the provisions of the Ordinance and this First Supplemental Ordinance. The New Bonds shall be secured by a pledge of Hospitality Fees junior and subordinate to the pledge of Hospitality Fees securing the payment of amounts due under the 2004 Installment Sale Agreement with respect to the 2004 Certificates and on a parity with the pledge of Hospitality Fees securing the payment of other Bonds issued in compliance with the provisions of the General Bond Ordinance.

The New Bonds do not constitute an indebtedness of the Town within any State constitutional provisions (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation. The New Bonds shall not be a debt of the Town, nor a charge, lien or encumbrance, legal or equitable, upon any property of the Town or upon any income, receipts or revenues thereof, other than the aforesaid Hospitality Fees of the Town. No recourse shall be had for the payment of the New Bonds or the interest thereon against the general fund of the Town, nor shall the credit or taxing power of the Town be deemed to be pledged thereto. The full faith, credit and taxing powers of the Town are not pledged to the payment of the principal of or interest on the New Bonds.

Section 7. Establishment of Series Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the Series Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Debt Service Fund” with respect to the related Series of New Bonds.

Section 8. Establishment of the Series Reserve Fund Requirement and Series Debt Service Reserve Fund. In accordance with Section 6.7 of the General Bond Ordinance, the Town Manager may determine whether it is necessary or desirable to establish a Series Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount of the applicable Series Reserve Fund Requirement, and, if so, such Series Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds and held by the Trustee, all as provided in the Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Debt Service Reserve Fund” with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article XII of the Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then

Outstanding principal amount of such Series. If the Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the Town by the deposit of cash into the Series Debt Service Reserve Fund for the benefit of the Holders of the New Bonds.

Section 9. Series Construction Fund. There is hereby created and established the Series Construction Fund, which fund shall be held by the Town or by a Custodian; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Construction Fund” with respect to the related Series of New Bonds. If the Series Construction Fund is held by a Custodian, the Town Manager is authorized and directed to negotiate, execute and deliver such construction fund agreements or other agreements with such bank or other financial institution as may be necessary or desirable in connection therewith. The Series Construction Fund established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more Custodians. The moneys on deposit in the Series Construction Fund shall be used and applied to pay Costs of Acquisition and Construction of the New Projects and all Costs of Issuance incidental to the issuance and sale of the New Bonds.

Moneys held for the credit of the Series Construction Fund shall be invested to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the Series Construction Fund shall be made in the manner withdrawals from other funds of the Town are made.

If after the payment in full of all costs of the New Projects and Costs of Issuance or after adequate provision has been made for such payment any moneys remain in the Series Construction Fund, such excess shall be paid into the related Series Debt Service Fund and shall be used only for the payment of the principal of and interest on the related Series of New Bonds or, in the alternative, to acquire Outstanding New Bonds at a price (exclusive of accrued interest) not exceeding the face amount thereof.

Section 10. Designation of Trustee, Registrar and Paying Agent. Pursuant to the Ordinance, the Trustee is Wells Fargo Bank, N.A. The Town Council hereby designates Wells Fargo Bank, N.A. as Registrar and Paying Agent for the New Bonds. The Registrar and Paying Agent shall signify their acceptances of their respective duties upon delivery of the New Bonds.

Section 11. Sale and Issuance of New Bonds.

(a) The Town Manager is hereby authorized and empowered to undertake any one or more of the following actions: (a) determine the original issue dates of each Series of the New Bonds; (b) determine the aggregate principal amount of the New Bonds, if less than authorized by this First Supplemental Ordinance, and each Series thereof (including the portions thereof to be issued on a taxable or tax-exempt basis); (c) determine the principal amount of each maturity of

each Series of the New Bonds; (d) determine the Interest Payment Dates, including the initial Interest Payment Dates, and the Principal Payment Dates for each Series of the New Bonds; (e) determine the optional redemption dates and terms of redemption of each Series of the New Bonds; (f) determine the interest rates for each Series of the New Bonds; (g) determine the New Bonds to be subject to mandatory and optional redemption; (h) determine the redemption prices of the New Bonds subject to optional redemption; (i) determine whether the Series Debt Service Reserve Fund will be established and funded with regard to each Series of New Bonds and, if so, the amount of the applicable Series Reserve Fund Requirement; (j) determine any original issue discount or original issue premium at which each Series of the New Bonds will be sold, or whether any Underwriter's discount or other fee will be paid to the purchasers of the New Bonds; (k) determine the Certificates to be Refunded; and (l) agree to any other terms, provisions and matters necessary or advisable to effect the issuance of each Series of the New Bonds.

(b) Each Series of the New Bonds shall either be sold publicly, following a private sale to the Underwriter, or directly to one or more purchasers in a private offering or private placement transaction. In connection with a public offering, the Town hereby finds and determines that the Bond Purchase Agreement to be dated the date of its execution, submitted by the Underwriter for the purchase of all or a portion (if any) of each Series of the New Bonds is fair and reasonable and in the best interest of the Town; that, if executed, the New Bonds contemplated by the Bond Purchase Agreement shall be sold to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreement by the Town will be met prior to the Town's execution thereof. The Town Manager is hereby authorized and directed to approve the form of Bond Purchase Agreement, together with such amendments and modifications to the form thereof as the Town Manager shall negotiate and approve, and to execute the Bond Purchase Agreement, as so modified and amended, and deliver the same to the Underwriter, the Town Manager's execution and delivery of the Bond Purchase Agreement constituting conclusive evidence of approval of the matters therein contained. Notwithstanding the foregoing, the Town Manager is hereby authorized to take all actions, including the preparation and dissemination of requests for proposals and the preparation, publication and/or distribution of information, offering documents or private placement memoranda (which may be in the respective forms of the Bond Purchase Agreement and/or hereinafter defined Preliminary Official Statement, as applicable, together with such amendments and modifications as may be approved by the Town Manager), all relating to the Town, each Series of the New Bonds and the Hospitality Fees, to solicit interest and receive offers from financial institutions to purchase one or more Series of the New Bonds in a private offering, and to accept such offer which is in the best interest of the Town and execute such documents as may be necessary in connection therewith.

(c) The Town Manager is hereby authorized and directed to prepare a Preliminary Official Statement, relating to a public offering of each Series of the New Bonds (the "Preliminary Official Statement"), and to take such actions necessary to "deem final" the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(d) The Town hereby authorizes the Final Official Statement of the Town to be dated on or about the date of the execution and delivery of the Bond Purchase Agreement, relating to each

Series of the Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Town Manager approves; the Town Manager of the Town is hereby authorized and directed to execute copies of the Final Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the Town hereby authorizes the use of the Preliminary Official Statement and Final Official Statement and the information contained therein in connection with the public offering and sale of each Series of the New Bonds by the Underwriter.

(e) A copy of this First Supplemental Ordinance shall be filed with the minutes of the meeting at which this First Supplemental Ordinance was enacted.

(f) The Town Council hereby authorizes and directs all of the officers and employees of the Town to carry out or cause to be carried out all obligations of the Town hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

(g) The Council hereby authorizes the Town Manager or his designee to negotiate the terms of, and execute, in the name and on behalf of the Town, and deliver investment agreements, forward delivery agreements, repurchase agreements and other agreements in connection with the New Bonds, to prepare and solicit bids for providers of such agreements and to execute, in the name and on behalf of the Town, written confirmations of any such agreements and other documents as may be necessary in connection therewith. Further, the Town Manager or his designee is hereby authorized to take any and all actions and execute any and all documents, upon the advice of its Bond Counsel, necessary to cause the termination of any forward delivery, repurchase or other investment agreement related to the 2004 Certificates.

Section 12. Authorization to Effect Refunding; Redemption of the Certificates to be Refunded. If a Series of the New Bonds are issued for the purpose of refinancing the Certificates to be Refunded, such proceeds shall be used, together with amounts on deposit in the debt service reserve fund for the Certificates to be Refunded, for the payment of the principal of such Certificates to be Refunded as and when such Certificates to be Refunded mature and are called for redemption in accordance with the provisions of the 2004 Trust Agreement, at the redemption price thereof, together with accrued interest on such Certificates to be Refunded to the date fixed for redemption.

The Town Manager is hereby authorized and directed for and on behalf of the Town to execute such agreements and give such directions as shall be necessary to carry out the provisions of this First Supplemental Ordinance, including the execution and delivery of the Escrow Agreement. The Escrow Agreement shall be dated the date of delivery of the applicable Series of the New Bonds issued therefor.

Section 13. Disposition of Proceeds of New Bonds and Certain Other Moneys. The proceeds derived from the sale of the New Bonds, net of any original issue discount or premium (or both), any Underwriter's discount or fees payable to the purchaser thereof, shall be deposited with (or at the order of) the Town, the Trustee, the Escrow Agent or the Custodian, as applicable, and used for the following purposes:

(a) If the Town Manager determines that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee for deposit into such Series Debt Service Reserve Fund an amount equal to the applicable Series Reserve Fund Requirement.

(b) With respect to a Series of the New Bonds issued to refinance the Certificates to be Refunded, proceeds thereof shall be deposited with the Escrow Agent pursuant to the Escrow Agreement.

(c) With respect to a Series of the New Bonds issued to finance the Costs of Acquisition and Construction for the New Projects or Costs of Issuance for such Series of New Bonds, proceeds thereof shall be deposited with the Custodian into the Series Construction Fund established in Section 9 hereof.

The respective amounts specified in this Section 13 shall be determined by the Town upon delivery of any Series of the New Bonds.

Section 14. Federal Tax Covenant. The Town hereby covenants and agrees with the Holders of the New Bonds issued as tax-exempt obligations (the "Tax-Exempt Bonds") that it will not take any action which will, or fail to take any action which failure will, cause interest on the Tax-Exempt Bonds to become includable in the gross income of the Bondholders thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Tax-Exempt Bonds and that no use of the proceeds of the Tax-Exempt Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds," as defined in the Code; and to that end the Town hereby shall:

(a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Tax-Exempt Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

(c) make such reports of such information at the times and places required by the Code.

Section 15. Continuing Disclosure. So long as and to the extent required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended ("Section 11-1-85"), the Town covenants that it will file with a central repository for availability in the secondary bond market when requested:

(i) An annual independent audit, within 30 days of the Town's receipt of the audit; and

(ii) Event-specific information within 30 days of an event adversely affecting more than 5% percent of Hospitality Fees or the Town's tax base.

The only remedy for failure by the Town to comply with the covenant of this Section 15 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an "Event of Default" under the Ordinance or this First Supplemental Ordinance. The Trustee shall have no responsibility to monitor the Town's compliance with this covenant. The Town specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85, without the consent of the Trustee or any Holder of any New Bonds.

In addition, the Town Manager is hereby authorized and directed to approve the form of, and execute and deliver, a Continuing Disclosure Certificate of the Town, related to one or more Series of the New Bonds as required by applicable law, and the Town hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. Notwithstanding any other provisions of this First Supplemental Ordinance, failure of the Town to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any New Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with their obligations under this paragraph.

Section 16. Further Actions. The Mayor, the Town Manager, the Finance Director of the Town, and the Town Clerk are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance of the New Bonds and the refunding of the Certificates to be Refunded.

Section 17. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this First Supplemental Ordinance.

Section 18. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the Town:

Hilton Head Island, South Carolina
Attn: Town Manager
One Town Center Court
Hilton Head Island, South Carolina 29928

If to the Paying Agent, the Registrar, the Trustee or the Escrow Agent:

Wells Fargo Bank, N.A.
Attention: Corporate Trust Services
7000 Central Parkway, Suite 550
Atlanta, Georgia 30328

The Town, the Paying Agent, the Registrar, the Trustee and the Escrow Agent may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 19. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the Town, and any part of any ordinance or resolution, inconsistent with this First Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 20. Severability. If any sections, phrase, sentence or portion of this First Supplemental Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not attest the validity of the remaining portions thereof.

Section 21. Effective Date. This First Supplemental Ordinance shall be effective upon its adoption by the Town Council for the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND ON THIS _____ DAY OF _____ 2011.

Drew A. Laughlin, Mayor

ATTEST:

Cori Brock, Town Clerk

First Reading: _____
Second Reading: _____

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

LIST OF NEW PROJECTS

Fire & Rescue Station 5
Fire & Rescue Station 1
Fire & Rescue Station 6
Fire & Rescue Station 2
Fire & Rescue Apparatus

FORM OF NEW BOND

[DTC Legend]

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
[TAXABLE] SPECIAL OBLIGATION [REFUNDING] BONDS
(HOSPITALITY FEE PLEDGE), SERIES _____

No. R-____

Interest Rate

Maturity Date

Issue Date

CUSIP

Registered Holder:

Principal Amount:

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (the "Town") a public body corporate and politic and a political subdivision of the State of South Carolina (the "State"), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of Wells Fargo Bank, N.A. in Atlanta, Georgia, as trustee (the "Trustee"), and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Town with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on _____ 1 and _____ 1 of each year beginning _____, 2011 (each, an "Interest Payment Date"), until maturity or earlier redemption. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month (each, a "Record Date") preceding each Interest Payment Date or Principal Payment Date (as defined in the hereinafter defined Ordinances). The payments shall be payable by check or draft mailed at the times provided herein to the person in whose name this Bond is registered at the address shown on the registration books of the Town held by Wells Fargo Bank, N.A., as registrar (the "Registrar"), or, in the case of a Registered Holder of \$1,000,000 or more in principal amount of this Bond, by wire transfer to on account within the continental United States upon the timely receipt of a written request of such Registered Holder. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 21 AND CHAPTER 1, ARTICLE 7, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (COLLECTIVELY, THE "ACT"); THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (EXCEPT ARTICLE X, SECTION 14(10) OF THE STATE CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A SOURCE OF REVENUE DERIVED OTHER THAN A TAX OR LICENSE) OR STATUTORY LIMITATION. THE TOWN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM HOSPITALITY FEES (AS DEFINED IN THE ORDINANCES). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL CREDIT NOR TAXING POWERS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

This Bond is one of an issue of bonds of the Town in the aggregate principal amount of _____ Million Dollars (\$_____) (the "Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provides, issued pursuant to and in accordance with the Constitution and statutes of the State, including particularly the Act, Ordinance No. _____ duly enacted by the Town Council of the Town (the "Council") on _____, 2011 (the "General Bond Ordinance"), and Ordinance No. _____ duly enacted by the Council on _____, 2011 (the "First Supplemental Ordinance") (the General Bond Ordinance and the First Supplemental Ordinance are herein collectively referred to as the "Ordinances") for the purpose of providing moneys, to (i) finance a portion of the New Projects, (ii) [refinance the Certificates to be Refunded, (iii)] satisfy the Series Reserve Fund Requirement (if any) with respect to the Bonds, and [(iii)][(iv)] pay all costs of issuing the Bonds.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Trustee and in the office of the Clerk of Court for Beaufort County, South Carolina.

The Ordinances contain provisions defining terms, set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the Town thereunder; and set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the Town made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for the payment thereof in the manner set forth in the Ordinances. Reference is hereby made to the

Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are special obligations of the Town and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Hospitality Fees imposed and collected by the Town[, which pledge is junior and subordinate to the pledge thereof securing the Town's obligations to pay amounts due under the 2004 Installment Sale Agreement].

The General Bond Ordinance authorizes the issuance of additional bonds on a parity with the Bonds of this issue which, when issued in accordance with the provisions of the General Bond Ordinance, will rank equally and be on a parity herewith.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the Town kept for that purpose and maintained by the Registrar, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The Town, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the Town or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Redemption Provisions]

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee. In the event any of the Bonds or portions thereof are called for redemption, the Trustee shall give notice, in the name of the Town, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the Town not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment thereof shall be duly

made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Town, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA has caused this Bond to be signed by the manual or facsimile signature of its Mayor, its corporate seal to be reproduced hereon and the same to be attested by the manual or facsimile signature of its Town Clerk.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
Town Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

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

Wells Fargo Bank, N.A., as Trustee

By: _____

Its: _____

Date: _____

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

_____ (please print or type name and address of Transferee and Social Security or other identifying number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

STAMP Language

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed By an institution which is a participant in the Securities Transfer Agent Medallion Program (STAMP) or similar program.

NOTICE: The signature to this assignment must correspond with name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.



MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, CM, Town Manager

VIA: Susan M. Simmons, CPA, Director of Finance

DATE: September 13, 2011

RE: **Second Revised Reading of Proposed Ordinance No. 2011-20
First Supplemental Ordinance – Beach Preservation Fee Pledge**

Note:

There are no changes since the last second reading. A revised second reading is necessary due to the deletion of the last sentence in Section 5 made at the request of the McNair Law Firm. The sentence dealt with providing notice of bond redemptions.

Recommendation:

Town Council approves second reading of Proposed Ordinance No. 2011-20 which authorizes the issuance of Special Obligation Bonds – Beach Preservation Fee Pledge in an amount not to exceed \$11,000,000.

Summary:

At the last meeting, there were a total of four proposed ordinances – two ordinances each for hospitality and beach preservation. The first for each is the General Bond Ordinance which establishes enabling legislation for revenue bonds but does not authorize a specific bond issue. Council approved both of the General Bond Ordinances for hospitality and beach. The required revised second reading for the sentence deletion also gave Council the opportunity to request additional information to support the specific debt issues for hospitality and beach. *This agenda item addresses the First Supplemental Ordinance for Beach Preservation Fees.*

At the first reading on August 2, 2011, Council requested an update on the financial sustainability of the beach renourishment program. Staff and our consultants believe that this program is still sustainable and provided supporting information.

Supplemental Information for the September 20, 2011 Meeting

At its September 6, 2011 meeting, Council made the following requests:

- Present more conservative revenue projections given the economic recession.
- Provide options for the issuance amount because the anticipated costs are lower.
- Evaluate using the reserve fund or a significant portion thereof in lieu of issuing bonds.

Staff offers the following responses for Council's consideration:

- Four new scenarios are attached. In all scenarios, more conservative revenue growth is presented and explained in footnotes A-B. While staff believed that the historical trend information was conservative and adequate for analytic purposes, we developed a more moderate approach for these scenarios.
- Estimated reserve fund and cost of issuance information are provided at the end of each scenario.
- The only difference between the scenarios is the debt financing [presented in the column Transfer to Debt Service (DS) and in footnote D]. The scenarios present bond issuance amounts of \$11 million, \$8 million, and \$4 million options as well as a **no** 2011 bond option.
- Staff offers the following comments for consideration regarding this bond issue.
 - The recent destructive and expensive impact of hurricanes and tropical storms has been a recurring topic of late. The preservation of ample reserves to quickly address such destruction in communities with heavy reliance on tourism will be a crucial credit consideration for the foreseeable future. Depleting the Town's disaster relief fund for non-disaster related beach preservation efforts may impact the Town's ability to borrow if a real emergency were to occur before such funds could be replenished. **Due to these factors, Staff does not recommend the \$4,000,000 or the no-bond option.**
 - Under current market conditions, for every \$875,000 in reserved cash the Town contributes toward the 2011 beach project, it can reduce its borrowing needs by approximately \$1,000,000. This results in an annual interest cost savings of approximately \$18,000. Said another way, for every \$1,000,000 that the Town reduces its bond offering from \$11,000,000 will save \$18,000 in annual interest cost but will deplete its disaster relief reserve by \$875,000.
 - Approval of the \$8,000,000 bond issuance will allow the Town to finance the Port Royal Fill Project without depleting the \$12 million reserve fund. **This is the recommended option to meet only the need of the Port Royal Fill Project.**
 - Approval of the not to exceed \$11,000,000 bond issuance would allow the Town to finance the Port Royal Fill Project without having to deplete any reserve funds **and provide additional funding** for beach fee-qualified projects to be implemented in future years. There are a few projects being considered for which beach preservation bond proceeds in part or whole would be an appropriate funding source. With the favorable low cost of borrowing, **the Town should consider whether borrowing up to \$3 million additional funds for a total of \$11 million fits into Council's capital project plans.**

Background Information Presented at the September 6, 2011 Meeting:

In this ordinance, staff seeks authority from Council to issue new bonds in an amount not to exceed \$11,000,000 to finance primarily the Port Royal Fill Project and will be used as follows:

1. Port Royal groin construction,
2. Port Royal renourishment,
3. Construction management, inspection, permit compliance, monitoring and similar soft costs associated with the projects, and
4. Costs of issuance, escrow, and reserve funds as applicable.

Note: The outstanding 2006 Beach Preservation Certificates of Participation are not callable; therefore, the Town cannot consider refunding this outstanding balance as contemplated under the similarly proposed hospitality ordinances. This issue will be fully repaid in August, 2014. A new bond issue for the Port Royal Fill Project will be overlapping debt with the 2006 issue until 2014.

In the fall of 2010, Public Facilities and Finance staff along with their respective consultants presented a series of information on this program. At that time, Council authorized staff to continue with the project and financing. Due to delays in permitting and to avoid disrupting the beach during the summer tourist season, construction of the project will not occur until the fall of 2011. Therefore, the financing of this project was delayed pending the need for these funds.

One document presented in the fall was a historical and projected financial position by fiscal year which presented the financial sustainability of the beach renourishment program. At Council's request, we have attached an updated version which demonstrates that the beach renourishment program remains sustainable.

Beach Preservation Fee Fund Analysis - \$11m Bond

	Revenues			Expenditures and Transfers					Fund Balance
	Collections	Interest	Total	Trans to GF	Trans to CP	Port Royal Pymt	Trans to DS	Total	
2003	3,456,163	45,542	3,501,705	670,000	418,541	-	-	1,088,541	6,890,895
2004	3,721,274	88,460	3,809,734	703,500	857,783	-	-	1,561,283	9,139,346
2005	3,988,468	169,857	4,158,325	738,680	1,550,128	-	-	2,288,808	11,008,863
2006	4,452,559	454,725	4,907,284	775,610	807,011	-	-	1,582,621	14,333,526
2007	4,426,889	745,507	5,172,396	855,360	1,823,113	-	363,142	3,041,615	16,464,307
2008	4,634,690	550,051	5,184,741	855,113	908,643	-	2,851,107	4,614,863	17,034,185
2009	4,210,460	294,036	4,504,496	1,355,946	1,492,156	-	a 2,676,584	5,524,686	16,013,995
2010	3,993,014	3,555	3,996,569	1,315,746	1,202,029	-	a 2,812,310	5,330,085	14,680,479
Update	4,008,272	145,498	4,153,770	1,315,746	1,541,701	-	a,b 2,812,310	5,669,757	14,497,979
2011	4,032,944	146,805	4,179,749	1,232,061	615,696	-	e 2,828,150	4,675,907	14,184,321
<i>Update Prelim, Unaudited</i>	4,761,080	91,490	4,852,570	1,120,985	509,299	-	e 2,785,750	4,416,034	14,934,515
2012	4,073,274	141,843	4,215,117	1,256,702	628,010	-	3,387,521	5,272,233	13,127,205
Update	4,429,941	37,336	4,467,277	969,390	476,000	576,272	2,828,365	4,850,027	14,551,765

NOTE: The fund balance column includes the \$12,000,000 beach disaster reserve account.

a To illustrate a clearer presentation of year-to-year costs, these transfers are presented based on when the expenditure incurred (vs. the CAFR reporting date) for Coligny Park. The Town changed the funding source for Coligny from Beach to TIF.

b Final FY10 revenues and transfers to CIP changed modestly with the final accruals and audit. The Fall 2010 amounts were pre-close and pre-audit.

c Staff reduced the transfers to the General Fund by \$500,000 as reported in the FY12 budget hearings.

d Revenues increased for the year in general; however, 2/3 of the online travel compancy settlement is included here. Likewise 2/3 of the related legal fees are included in the transfer to General Fund. Otherwise, the transfer would have been \$978,080.

e At Council's request staff undertook measures to control the transfers to the Capital Projects Fund during non-renourishment periods.

f The FY12 reductions in revenues and expenditures are due to one-time online travel settlement in FY11.

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project.

2013	4,474,240	13,127	4,487,368	988,778	628,010	-	2,991,712	4,608,500	14,430,633
2014	4,518,983	14,431	4,533,413	1,008,553	640,570	-	2,986,826	4,635,949	14,328,097
2015	4,564,173	71,640	4,635,813	1,028,724	653,382	-	2,455,073	g 4,137,179	14,826,731
2016	4,609,814	74,134	4,683,948	1,049,299	666,449	-	2,716,219	4,431,967	15,078,712
2017	4,678,962	150,787	4,829,749	1,070,285	679,778	-	3,589,066	5,339,129	14,569,332
2018	4,749,146	145,693	4,894,839	1,091,691	693,374	-	3,581,125	5,366,189	14,097,982
2019	4,820,383	211,470	5,031,853	1,113,524	707,241	-	3,570,306	g 5,391,072	13,738,763
2020	4,892,689	206,081	5,098,770	1,135,795	721,386	-	3,591,443	5,448,624	13,388,910
2021	4,990,543	200,834	5,191,376	1,158,511	735,814	-	3,584,690	5,479,014	13,101,271
2022	5,090,354	196,519	5,286,873	1,181,681	750,530	-	3,578,966	5,511,177	12,876,967
2023	5,192,161	193,155	5,385,315	1,205,315	765,541	-	3,569,235	5,540,090	12,722,192
2024	5,296,004	190,833	5,486,837	1,229,421	780,851	-	1,765,786	g 3,776,058	14,432,971
2025	5,401,924	216,495	5,618,418	1,254,009	796,468	-	3,275,484	5,325,962	14,725,427
2026	5,509,962	220,881	5,730,844	1,279,090	812,398	-	3,272,107	5,363,594	15,092,677
2027	5,620,162	226,390	5,846,552	1,304,671	828,646	-	3,267,436	5,400,753	15,538,476
2028	5,732,565	233,077	5,965,642	1,330,765	845,219	-	3,265,550	5,441,533	16,062,584
2029	5,847,216	240,939	6,088,155	1,357,380	862,123	-	3,258,503	5,478,006	16,672,733
2030	5,964,161	250,091	6,214,252	1,384,528	879,366	-	3,253,758	5,517,651	17,369,333
2031	6,083,444	260,540	6,343,984	1,412,218	896,953	-	3,246,257	5,555,428	18,157,889
2032	6,205,113	272,368	6,477,481	1,440,463	914,892	-	840,848	g 3,196,202	21,439,168
	A	B	A,B	C	D		E		

g Also, the reserve fund for the bonds will be liquidated to use for debt service on the new bonds.

- A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.
- B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.
- C - Assumes 2% expenditure growth. Note: FY11 forward transfer has been reduced based on budget deliberations.
- D - Assumes 2% expenditure growth from FY11 original estimate.
- E - Through FY15 when the 2006 bonds mature, this is actual debt service for 2006 bond issue. Thereafter it includes the estimated debt service for planned CY11, 15, and 23 debt issues.

The "\$11 million 2011 Bond" scenario includes the following estimates:
 Estimated Debt Service Reserve Fund \$1,100,000
 Estimated Cost of Issuance \$275,000

Consideration: This scenario would allow the Town to finance the Port Royal Fill Project and provide additional funding for beach-fee qualified projects to be implemented in future years. It takes advantage of the current low-cost of borrowing and does not require the use of the \$12 million reserve. This is only an estimate; actual results will vary and other changes are likely over 20 years. **This is one of two favored and staff-recommended scenarios. This scenario provides funds for additional projects beyond the Port Royal Fill project.**

Beach Preservation Fee Fund Analysis - \$8m Bond

	Revenues			Expenditures and Transfers					Fund Balance
	Collections	Interest	Total	Trans to GF	Trans to CP	Port Royal Pymt	Trans to DS	Total	
2003	3,456,163	45,542	3,501,705	670,000	418,541	-	-	1,088,541	6,890,895
2004	3,721,274	88,460	3,809,734	703,500	857,783	-	-	1,561,283	9,139,346
2005	3,988,468	169,857	4,158,325	738,680	1,550,128	-	-	2,288,808	11,008,863
2006	4,452,559	454,725	4,907,284	775,610	807,011	-	-	1,582,621	14,333,526
2007	4,426,889	745,507	5,172,396	855,360	1,823,113	-	363,142	3,041,615	16,464,307
2008	4,634,690	550,051	5,184,741	855,113	908,643	-	2,851,107	4,614,863	17,034,185
2009	4,210,460	294,036	4,504,496	1,355,946	1,492,156	a	2,676,584	5,524,686	16,013,995
2010	3,993,014	3,555	3,996,569	1,315,746	1,202,029	a	2,812,310	5,330,085	14,680,479
Update	4,008,272	145,498	4,153,770	1,315,746	1,541,701	a,b	2,812,310	5,669,757	14,497,979
2011	4,032,944	146,805	4,179,749	1,232,061	615,696	c	2,828,150	4,675,907	14,184,321
Update Prelim, Unaudited	4,761,080	91,490	4,852,570	1,120,985	509,299	d	2,785,750	4,416,034	14,934,515
2012	4,073,274	141,843	4,215,117	1,256,702	628,010	e	3,387,521	5,272,233	13,127,205
Update	4,429,941	37,336	4,467,277	969,390	476,000	f	3,201,272	2,817,041	7,463,703

NOTE: The fund balance column includes the \$12,000,000 beach disaster reserve account.

a To illustrate a clearer presentation of year-to-year costs, these transfers are presented based on when the expenditure incurred (vs. the CAFR reporting date) for Coligny Park. The Town changed the funding source for Coligny from Beach to TIF.

b Final FY10 revenues and transfers to CIP changed modestly with the final accruals and audit. The Fall 2010 amounts were pre-close and pre-audit.

c Staff reduced the transfers to the General Fund by \$500,000 as reported in the FY12 budget hearings.

d Revenues increased for the year in general; however, 2/3 of the online travel company settlement is included here. Likewise 2/3 of the related legal fees are included in the transfer to General Fund. Otherwise, the transfer would have been \$978,080.

e At Council's request staff undertook measures to control the transfers to the Capital Projects Fund during non-renourishment periods.

f The FY12 reductions in revenues and expenditures are due to one-time online travel settlement in FY11.

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project.

2013	4,474,240	13,127	4,487,368	988,778	628,010	-	2,937,352	4,554,140	11,871,317
2014	4,518,983	11,871	4,530,854	1,008,553	640,570	-	2,932,466	4,581,589	11,820,582
2015	4,564,173	59,103	4,623,276	1,028,724	653,382	-	1,824,019	3,506,125	12,937,732
2016	4,609,814	64,689	4,674,503	1,049,299	666,449	-	2,082,513	3,798,261	13,813,974
2017	4,678,962	138,140	4,817,101	1,070,285	679,778	-	2,954,772	4,704,835	13,926,240
2018	4,749,146	139,262	4,888,408	1,091,691	693,374	-	2,948,789	4,733,853	14,080,796
2019	4,820,383	211,212	5,031,595	1,113,524	707,241	-	3,242,412	5,063,178	14,049,213
2020	4,892,689	210,738	5,103,427	1,135,795	721,386	-	3,591,443	5,448,624	13,704,016
2021	4,990,543	205,560	5,196,103	1,158,511	735,814	-	3,584,690	5,479,014	13,421,105
2022	5,090,354	201,317	5,291,670	1,181,681	750,530	-	3,578,966	5,511,177	13,201,598
2023	5,192,161	198,024	5,390,185	1,205,315	765,541	-	3,569,235	5,540,090	13,051,692
2024	5,296,004	195,775	5,491,779	1,229,421	780,851	-	1,765,786	3,776,058	14,767,413
2025	5,401,924	221,511	5,623,435	1,254,009	796,468	-	3,275,484	5,325,962	15,064,887
2026	5,509,962	225,973	5,735,936	1,279,090	812,398	-	3,072,107	5,163,594	15,637,228
2027	5,620,162	234,558	5,854,720	1,304,671	828,646	-	3,267,436	5,400,753	16,091,195
2028	5,732,565	241,368	5,973,933	1,330,765	845,219	-	3,265,550	5,441,533	16,623,595
2029	5,847,216	249,354	6,096,570	1,357,380	862,123	-	3,258,503	5,478,006	17,242,159
2030	5,964,161	258,632	6,222,793	1,384,528	879,366	-	3,253,758	5,517,651	17,947,300
2031	6,083,444	269,210	6,352,653	1,412,218	896,953	-	3,246,257	5,555,428	18,744,526
2032	6,205,113	281,168	6,486,280	1,440,463	914,892	-	840,848	3,196,202	22,034,604
	A	B	A,B	C	D		E		

g Also, the reserve fund for the bonds will be liquidated to use for debt service on the new bonds.

- A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.
- B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.
- C - Assumes 2% expenditure growth. Note: FY11 forward transfer has been reduced based on budget deliberations.
- D - Assumes 2% expenditure growth from FY11 original estimate.
- E - Through FY15 when the 2006 bonds mature, this is actual debt service for 2006 bond issue. Thereafter it includes the estimated debt service for planned CY11, 15, and 23 debt issues.

The "\$8 million 2011 Bond" scenario includes the following estimates:
 Estimated Debt Service Reserve Fund \$800,000
 Estimated Cost of Issuance \$200,000

Consideration: This scenario reduces the annual interest cost by approximately \$57,000 compared to the \$11 million scenario. In this scenario, the Town maintains a fund balance that approximates at least the \$12 million reserve. This is only an estimate; actual results will vary and other changes are likely over 20 years. **This is the staff-recommended scenario if the goal is only to provide for the Port Royal Fill project.**

Beach Preservation Fee Fund Analysis - \$4m Bond

	Revenues			Expenditures and Transfers				Fund Balance
	Collections	Interest	Total	Trans to GF	Trans to CP	Port Royal Pymt	Trans to DS	
2003	3,456,163	45,542	3,501,705	670,000	418,541		-	1,088,541
2004	3,721,274	88,460	3,809,734	703,500	857,783		-	1,561,283
2005	3,988,468	169,857	4,158,325	738,680	1,550,128		-	2,288,808
2006	4,452,559	454,725	4,907,284	775,610	807,011		-	1,582,621
2007	4,426,889	745,507	5,172,396	855,360	1,823,113		363,142	3,041,615
2008	4,634,690	550,051	5,184,741	855,113	908,643		2,851,107	4,614,863
2009	4,210,460	294,036	4,504,496	1,355,946	1,492,156	<i>a</i>	2,676,584	5,524,686
2010	3,993,014	3,555	3,996,569	1,315,746	1,202,029	<i>a</i>	2,812,310	5,330,085
Update	4,008,272	145,498	4,153,770	1,315,746	1,541,701	<i>a,b</i>	2,812,310	5,669,757
2011	4,032,944	146,805	4,179,749	1,232,061	615,696		2,828,150	4,675,907
<i>Update Prelim, Unaudited</i>	4,761,080	91,490	4,852,570	1,120,985	509,299	<i>e</i>	2,785,750	4,416,034
2012	4,073,274	141,843	4,215,117	1,256,702	628,010		3,387,521	5,272,233
Update	4,429,941	37,336	4,467,277	969,390	476,000		7,201,272	2,801,298
								11,447,960
								7,953,832

NOTE: The fund balance column includes the \$12,000,000 beach disaster reserve account.

a To illustrate a clearer presentation of year-to-year costs, these transfers are presented based on when the expenditure incurred (vs. the CAFR reporting date) for Coligny Park. The Town changed the funding source for Coligny from Beach to TIF.

b Final FY10 revenues and transfers to CIP changed modestly with the final accruals and audit. The Fall 2010 amounts were pre-close and pre-audit.

c Staff reduced the transfers to the General Fund by \$500,000 as reported in the FY12 budget hearings.

d Revenues increased for the year in general; however, 2/3 of the online travel compancy settlement is included here. Likewise 2/3 of the related legal fees are included in the transfer to General Fund. Otherwise, the transfer would have been \$978,080.

e At Council's request staff undertook measures to control the transfers to the Capital Projects Fund during non-renourishment periods.

f The FY12 reductions in revenues and expenditures are due to one-time online travel settlement in FY11.

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project.

2013	4,474,240	13,127	4,487,368	988,778	628,010		2,861,784	4,478,572
2014	4,518,983	7,963	4,526,945	1,008,553	640,570		2,856,898	4,506,021
2015	4,564,173	39,918	4,604,090	1,028,724	653,382		1,345,760	3,027,866
2016	4,609,814	47,799	4,657,613	1,049,299	666,449		1,139,893	2,855,641
2017	4,678,962	113,617	4,792,579	1,070,285	679,778		2,016,286	3,766,349
2018	4,749,146	123,880	4,873,026	1,091,691	693,374		2,010,520	3,795,584
2019	4,820,383	201,981	5,022,364	1,113,524	707,241		2,705,685	4,526,451
2020	4,892,689	209,420	5,102,109	1,135,795	721,386		3,591,443	5,448,624
2021	4,990,543	204,222	5,194,765	1,158,511	735,814		3,584,690	5,479,014
2022	5,090,354	199,959	5,290,312	1,181,681	750,530		3,578,966	5,511,177
2023	5,192,161	196,646	5,388,806	1,205,315	765,541		3,569,235	5,540,090
2024	5,296,004	194,376	5,490,380	1,229,421	780,851		1,765,786	3,776,058
2025	5,401,924	220,091	5,622,015	1,254,009	796,468		3,275,484	5,325,962
2026	5,509,962	224,532	5,734,494	1,279,090	812,398		3,272,107	5,363,594
2027	5,620,162	230,095	5,850,257	1,304,671	828,646		3,267,436	5,400,753
2028	5,732,565	236,838	5,969,403	1,330,765	845,219		3,265,550	5,441,533
2029	5,847,216	244,756	6,091,972	1,357,380	862,123		3,258,503	5,478,006
2030	5,964,161	253,966	6,218,126	1,384,528	879,366		3,253,758	5,517,651
2031	6,083,444	264,473	6,347,916	1,412,218	896,953		3,246,257	5,555,428
2032	6,205,113	276,360	6,481,473	1,440,463	914,892		840,848	3,196,202
	A	B	A,B	C	D		E	

g Also, the reserve fund for the bonds will be liquidated to use for debt service on the new bonds.

- A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.
- B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.
- C - Assumes 2% expenditure growth. Note: FY11 forward transfer has been reduced based on budget deliberations.
- D - Assumes 2% expenditure growth from FY11 original estimate.
- E - Through FY15 when the 2006 bonds mature, this is actual debt service for 2006 bond issue. Thereafter it includes the estimated debt service for planned CY11, 15, and 23 debt issues.

The "\$4 million 2011 Bond" scenario includes the following estimates:
 Estimated Debt Service Reserve Fund \$400,000
 Estimated Cost of Issuance \$100,000

Consideration: While this scenario reduces the annual interest cost by approximately \$133,000 as compared to the \$11 million scenario, it requires the Town to deplete its reserve funds to approximately \$8 million. When the next bonds are issued in 2015, the fund balance is estimated to be \$9.6 million. The bond rating companies would take this into consideration in rating the bonds which is likely to result in a higher cost of capital. This is only an estimate; actual results will vary and other changes are likely over 20 years. **This scenario is not favored and is not recommended by staff.**

Beach Preservation Fee Fund Analysis - No Bond

	<u>Revenues</u>	<u>Expenditures and Transfers</u>				<u>Fund</u>	
	Total	Trans to GF	Trans to CP	Port Royal Pymt	Trans to DS	Total	Balance
2003	3,501,705	670,000	418,541		-	1,088,541	6,890,895
2004	3,809,734	703,500	857,783		-	1,561,283	9,139,346
2005	4,158,325	738,680	1,550,128		-	2,288,808	11,008,863
2006	4,907,284	775,610	807,011		-	1,582,621	14,333,526
2007	5,172,396	855,360	1,823,113		363,142	3,041,615	16,464,307
2008	5,184,741	855,113	908,643		2,851,107	4,614,863	17,034,185
2009	4,504,496	1,355,946	1,492,156	<i>a</i>	2,676,584	5,524,686	16,013,995
2010	3,996,569	1,315,746	1,202,029	<i>a</i>	2,812,310	5,330,085	14,680,479
Update	4,153,770 <i>b</i>	1,315,746	1,541,701 <i>a,b</i>		2,812,310	5,669,757	14,497,979 <i>b</i>
2011	4,179,749	1,232,061	615,696		2,828,150	4,675,907	14,184,321
<i>Update Prelim, Unaudited</i>	4,852,570 <i>d</i>	1,120,985 <i>d</i>	509,299 <i>e</i>		2,785,750	4,416,034	14,934,515
2012	4,215,117	1,256,702	628,010		3,387,521	5,272,233	13,127,205
Update	4,467,277 <i>f</i>	969,390 <i>f</i>	476,000	10,210,000	2,785,554	14,440,944	4,960,848 <i>h</i>

NOTE: The fund balance column includes the \$12,000,000 beach disaster reserve account.

a To illustrate a clearer presentation of year-to-year costs, these transfers are presented based on when the expenditure incurred (vs. the CAFR reporting date) for Coligny Park. The Town changed the funding source for Colignv from Beach to TIF.

b Final FY10 revenues and transfers to CIP changed modestly with the final accruals and audit. The Fall 2010 amounts were pre-close and pre-audit.

c Staff reduced the transfers to the General Fund by \$500,000 as reported in the FY12 budget hearings.

d Revenues increased for the year in general; however, 2/3 of the online travel compancy settlement is included here. Likewise 2/3 of the related legal fees are included in the transfer to General Fund. Otherwise, the transfer would have been \$978,080.

e At Council's request staff undertook measures to control the transfers to the Capital Projects Fund during non-renourishment periods.

f The FY12 reductions in revenues and expenditures are due to one-time online travel settlement in FY11.

h Last fall, we projected that fund balance would decrease to it lowest point in FY2027 at \$4,791,886. FEMA provides funding to governments which demonstrate on ongoing renourishment program. With this balance, the Town would be able to provide a required FEMA match of 0-25% in the event of a disaster thereby maintaining a sustainable renourishment program. Therefore, it meets the minimal definition of an acceptable scenario.

With costs of the Port Royal Fill project now expected to be significantly less and transfers to General Fund reduced ~\$500,000 per year, the beach renourishment program is still clearly sustainable. Over twenty years, the savings would be ~\$10 million for the transfers and approximately \$2 million for the current project.

2013	4,487,368	988,778	628,010	2,786,216	4,403,004	5,045,212
2014	4,524,028	1,008,553	640,570	2,781,330	4,430,453	5,138,786
2015	4,589,867	1,028,724	653,382	867,500 <i>g</i>	2,549,606	7,179,047
2016	4,645,710	1,049,299	666,449	197,633	1,913,381	9,911,376
2017	4,778,075	1,070,285	679,778	1,077,800	2,827,863	11,861,588
2018	4,867,762	1,091,691	693,374	1,072,251	2,857,315	13,872,035
2019	5,028,464	1,113,524	707,241	2,168,937	3,989,703	14,910,796
2020	5,116,351	1,135,795	721,386	3,591,443	5,448,624	14,578,523
2021	5,209,221	1,158,511	735,814	3,584,690	5,479,014	14,308,729
2022	5,304,985	1,181,681	750,530	3,578,966	5,511,177	14,102,536
2023	5,403,699	1,205,315	765,541	3,569,235	5,540,090	13,966,145
2024	5,505,496	1,229,421	780,851	1,765,786 <i>g</i>	3,776,058	15,695,582
2025	5,637,358	1,254,009	796,468	3,080,417	5,130,895	16,202,045
2026	5,752,993	1,279,090	812,398	3,272,107	5,363,594	16,591,444
2027	5,869,033	1,304,671	828,646	3,267,436	5,400,753	17,059,724
2028	5,988,461	1,330,765	845,219	3,265,550	5,441,533	17,606,652
2029	6,111,316	1,357,380	862,123	3,258,503	5,478,006	18,239,962
2030	6,237,760	1,384,528	879,366	3,253,758	5,517,651	18,960,071
2031	6,367,845	1,412,218	896,953	3,246,257	5,555,428	19,772,487
2032	6,501,700	1,440,463	914,892	840,848 <i>g</i>	3,196,202	23,077,985
	A,B	C	D	E		

g Also, the reserve fund for the bonds will be liquidated to use for debt service on the new bonds.

- A - Assumes 1% revenue growth 4 years, 1.5% next four years, and 2% remaining years.
- B - Assumes ROI on Prior Year Fund Balance is .01% for 2 years, .05% 2 years, 1% 2 years, and 1.5% remaining years.
- C - Assumes 2% expenditure growth. Note: FY11 forward transfer has been reduced based on budget deliberations.
- D - Assumes 2% expenditure growth from FY11 original estimate.
- E - Through FY15 when the 2006 bonds mature, this is actual debt service for 2006 bond issue. Thereafter it includes the estimated debt service for planned CY11, 15, and 23 debt issues.

Under the "No Series 2011 Bond" scenario, there are no costs of issuance.

Consideration: While this scenario reduces the annual interest cost by approximately \$209,000 relative to the \$11 million scenario, it requires the Town to significantly deplete its reserve funds. When the next bonds are issued in 2015, the fund balance is estimated to be \$7.2 million. It is quite possible that the Town would receive a lower rating for this bond thereby significantly increasing the cost of capital. This is only a estimate; actual results will vary and other changes are likely over 20 years. **This scenario is not favored and is not recommended by staff.**

FIRST SUPPLEMENTAL ORDINANCE

PROVIDING FOR THE ISSUANCE AND SALE OF TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE), IN ONE OR MORE SERIES, IN THE PRINCIPAL AMOUNT OF NOT EXCEEDING \$11,000,000; DELEGATING THE AUTHORITY TO THE TOWN MANAGER TO DETERMINE CERTAIN MATTERS WITH RESPECT TO THE BONDS; PRESCRIBING THE FORM AND DETAILS OF SUCH BONDS; OTHER MATTERS RELATING THERETO; AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town Council (the “Council”) of the Town of Hilton Head Island, South Carolina (the “Town”), enacted an Ordinance (the “General Bond Ordinance”) on the date hereof to authorize generally the issuance of Bonds (as defined in the General Bond Ordinance); and

WHEREAS, pursuant to the General Bond Ordinance, the Bonds are payable from and secured by a pledge of Beach Preservation Fees (as defined in the General Bond Ordinance), which pledge is junior and subordinate to the pledge of Beach Preservation Fees securing the Town’s obligation to pay Base Fee Payments and Additional Fee Payments (as such terms are defined in the Installment Sale Agreement) dated as of August 1, 2006 (the “2006 Installment Sale Agreement”) between the Town and Hilton Head Island Public Facilities Corporation, an instrumentality of the Town (the “Corporation”) under the 2006 Installment Sale Agreement; and

WHEREAS, the Town is presently contemplating the undertaking of the New Projects (as defined herein); and

WHEREAS, the Town desires to issue not exceeding \$11,000,000 principal amount of its Special Obligation Bonds (Beach Preservation Fee Pledge), in one or more series (the “New Bonds”) to finance, among other things, the Costs of Acquisition and Construction of the New Projects; and

WHEREAS, the Council has been advised that in order to finance the New Projects, the Council must enact an appropriate ordinance supplemental to the General Bond Ordinance authorizing the issuance of the New Bonds.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AND IT IS ORDERED AND ORDAINED BY SAID AUTHORITY OF COUNCIL:

Section 1. Definitions. The terms in this Section 1 and all words and terms defined in the General Bond Ordinance (such General Bond Ordinance as from time to time amended or supplemented by Supplemental Ordinances being defined in the Ordinance as the "Ordinance") (except as herein otherwise expressly provided or unless the context otherwise requires), shall for all purposes of this First Supplemental Ordinance have the respective meanings given to them in the Ordinance and in Section 1 hereof.

“2006 Certificates” shall mean the \$19,000,000 original principal amount Hilton Head Island Public Facilities Corporation, Certificates of Participation Evidencing Undivided Proportionate Interests in Base Fee Payments under an Installment Sale Agreement (Beach Preservation Fee Pledge), Series 2006, dated August 1, 2006, and outstanding as of the date hereof in the principal amount of \$7,795,000.

“Beneficial Owner” shall mean any purchaser who acquires beneficial ownership interest in any Initial Bond held by the Depository. In determining any Beneficial Owner the Town, the Trustee, the Registrar and the Paying Agent may rely exclusively upon written representations made and information given to the Town, the Trustee, the Registrar and the Paying Agent, as the case may be, by the Depository or its Participants with respect to any New Bond held by the Depository or its Participants in which a beneficial ownership interest is claimed.

“Bond Purchase Agreement” shall mean one or more Bond Purchase Agreements relating to the sale of the New Bonds, to be dated the date of execution and delivery thereof between the Underwriter and the Town, as amended or supplemented thereto.

“Book-Entry Form” or “Book-Entry System” shall mean with respect to the New Bonds, a form or system, as applicable, under which (a) the ownership of beneficial interests in the New Bonds may be transferred only through a book-entry and (b) physical bond certificates in fully registered form are registered only in the name of a Depository or its nominee as Holder, with the physical bond certificates “immobilized” in the custody of the Depository. The book-entry maintained by the Depository is the record that identifies the owners of participatory interests in the New Bonds, when subject to the Book-Entry System.

“Business Day” shall mean, with respect to the New Bonds issued pursuant to this First Supplemental Ordinance, any day other than a Saturday, a Sunday or a day which shall be in the State or the state in which the respective office of the Trustee, the Paying Agent and the Registrar is located a legal holiday or a day on which banking institutions are authorized by law or executive order to close.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Continuing Disclosure Certificate” shall have the meaning given that term in Section 14 hereof.

“Depository” shall mean any securities depository that is 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, as amended, operating and maintaining, with its participants or otherwise, a Book-Entry System to record ownership of beneficial interests in the New Bonds, and to effect transfers of the New Bonds, in Book-Entry Form, and includes and means initially The Depository Trust Company (a limited-purpose trust company), New York, New York.

“First Supplemental Ordinance” shall mean shall mean this Ordinance enacted by the Town Council authorizing the New Bonds.

“General Bond Ordinance” shall mean an Ordinance duly enacted by the Town Council on the date hereof, authorizing the issuance from time to time of Bonds.

“Initial Bonds” shall mean the New Bonds initially issued in Book-Entry Form as provided in Section 4 hereof.

“Interest Payment Date” shall mean any February 1 and August 1 of each year, commencing February 1, 2012, or such other date as the Town Manager may determine pursuant to Section 11 hereof.

“New Bonds” shall mean the Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), issuable in one or more series, in the aggregate principal amount of not exceeding \$11,000,000 authorized to be issued hereunder.

“New Projects” shall mean, collectively, the Projects to be financed with the proceeds of the New Bonds, including projects located at Port Royal, and such other projects as may be approved by the Town Manager and permitted by the Beach Preservation Fee Ordinance.

“Paying Agent” shall mean Wells Fargo Bank, N.A., as Paying Agent for the New Bonds.

“Principal Payment Date” shall have the meaning given to such term in Section 3(a).

“Registrar” shall mean Wells Fargo Bank, N.A., as Registrar for the New Bonds.

“Series Construction Fund” shall mean one or more Funds established pursuant to Section 9 hereof into which a portion of the proceeds of a Series of the New Bonds will be deposited and from which such proceeds will be disbursed to pay the Costs of Acquisition and Construction of the New Projects (including the Costs of Issuance). Pursuant to Section 9, each Series Construction Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Fund” shall mean one or more Funds established pursuant to Section 7 hereof to provide for the payment of the principal of and interest on the Series of the New Bonds related thereto. Pursuant to Section 7, each Series Debt Service Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Debt Service Reserve Fund” shall mean one or more Funds, if any, established pursuant to Section 8 hereof (a) to insure the timely payment of the principal and interest on the New Bonds related thereto; and (b) to provide for the redemption of the Series of the New Bonds related thereto. Pursuant to Section 8, each Series Debt Service Reserve Fund shall be further identified or designated to relate to the specific Series of the New Bonds issued hereunder.

“Series Reserve Fund Requirement” shall mean the amount, if any, established pursuant to Section 8 hereof.

“Trustee” shall mean Wells Fargo Bank, N.A., as Trustee for the bonds.

“Underwriter” shall mean Merchant Capital, L.L.C.

Section 2. Certain Findings and Determinations. The Town hereby finds and determines:

(a) The Ordinance, the Bond Act and the Accommodations Fee Act authorize the Town to issue Bonds in order to finance Projects (as defined in the General Bond Ordinance). This First Supplemental Ordinance supplements the Ordinance, constitutes and is a "Supplemental Ordinance" within the meaning of such quoted term as defined and used in the Ordinance, and is enacted under and pursuant to the Ordinance.

(b) The New Bonds constitute and are "Bonds" within the meaning of the quoted word as defined and used in the Ordinance.

(c) The Beach Preservation Fees pledged under the Ordinance are or will not be encumbered by any lien and charge thereon or pledge thereof, other than: (i) the pledge thereof created under the 2006 Installment Sale Agreement for payment of amounts due with respect to the 2006 Certificates (which pledge is senior to the pledge thereof securing the Bonds); and (ii) the pledge thereof created by the General Bond Ordinance and this First Supplemental Ordinance for the payment and security of the New Bonds.

(d) There does not exist an Event of Default (as defined in the General Bond Ordinance), nor does there exist any condition which, after the passage of time or the giving of notice, or both, would constitute such Event of Default.

(e) The estimated Costs of Acquisition and Construction (as defined in the General Bond Ordinance) of the New Projects are \$11,000,000.

(f) The Town proposes to issue the New Bonds, in one or more Series (as defined in the General Bond Ordinance), for one or more of the principal purposes: (1) financing the Costs of

Acquisition and Construction of the New Projects, (2) financing the Series Reserve Fund Requirement (if any) through a deposit into the Series Debt Service Reserve Fund (if any) established with respect to each Series of New Bonds, and (3) paying the Costs of Issuance of the New Bonds.

(g) The period of usefulness of the New Projects will be in excess of seven (7) years from the date of the acquisition thereof.

(h) It is necessary and in the best interest of the Town to authorize the issuance of the New Bonds in the principal amount of not exceeding \$11,000,000 in accordance with the Bond Act, the Accommodations Fee Act, the Ordinance and this First Supplemental Ordinance for the purposes set forth above.

Section 3. Authorization of Series 2011 Bonds.

(a) There is hereby authorized to be issued one or more Series of Bonds designated "Town of Hilton Head Island, South Carolina, Special Obligation Bonds (Beach Preservation Fee Pledge), Series (year)" (the "New Bonds"), including such further words, numbers or letters as may be necessary or desirable to identify individual series thereof, the purposes thereof, or the taxable status thereof, in the aggregate principal amount of not exceeding \$11,000,000. The proceeds of the New Bonds shall be used for the purposes set forth in Section 2(f) hereof.

Unless otherwise determined by the Town Manager pursuant to Section 11 hereof, the New Bonds shall mature on August 1 in each of the years (the "Principal Payment Dates") and in the principal amounts, and bear interest at the rates per annum (calculated on the basis of a 360-day year comprised of twelve 30-day months), as determined by the Town Manager, pursuant to Section 11 hereof.

(b) Such of the New Bonds as the Town Manager shall determine pursuant to Section 11 hereof shall be subject to mandatory redemption at a redemption price equal to the principal amount of the New Bonds to be redeemed, together with interest accrued from the date of redemption, in the years and in the amounts determined by the Town Manager, pursuant to Section 11 hereof.

At its option, to be exercised on or before the sixtieth (60th) day prior to any mandatory redemption date, the Town may (i) deliver to the Trustee for cancellation New Bonds which are subject to mandatory redemption in any aggregate principal amount desired or (ii) receive a credit in respect of its mandatory redemption obligation for any such New Bonds which, prior to such date, have been purchased or redeemed (otherwise than through the operation of the mandatory redemption requirement) by the Town and cancelled by the Trustee and not theretofore applied as a credit against any mandatory redemption obligation. Each New Bond so delivered or previously purchased or redeemed shall be credited by the Trustee, at one hundred percent (100%) of the principal amount thereof, to the obligation of the Town on those respective mandatory redemption obligations in chronological order or such other manner as directed in writing by the Town to the Trustee, and the principal amount of the New Bonds to be redeemed by operation of the mandatory redemption requirement shall be accordingly reduced.

(c) The Trustee, without further authorization or direction from the Town, shall give notice of all mandatory redemptions within the time periods and in the manner specified in Article V of the General Bond Ordinance.

(d) The New Bonds shall originally be dated the date of delivery of the New Bonds, or such other date as the Town Manager shall determine pursuant to Section 11 hereof, and shall be issued as fully registered Bonds in the denominations of \$5,000 and integral multiples of \$5,000. The New Bonds shall be numbered and lettered in such a fashion as to maintain a proper record thereof.

(e) Principal of and redemption premium, if any, on the New Bonds shall be payable at the designated corporate trust office of the Paying Agent. Interest on the New Bonds shall be payable on each Interest Payment Date, in each case to the Holders as of the immediately preceding Record Date, such interest to be paid by the Paying Agent by check or draft mailed to each Holder at the address as it appears on the Books of Registry maintained at the designated corporate trust office of the Paying Agent, and in the case of a Holder of \$1,000,000 or more in principal amount of New Bonds, by wire transfer to an account within the continental United States upon the timely receipt of a written request of such Holder. Payment of the principal of and interest on such New Bonds may be payable to the Holder thereof without presentation and surrender of such New Bonds.

(f) The New Bonds shall be in substantially the form set forth in Exhibit A hereto, with such necessary or appropriate variations, omissions and insertions as are incidental to the series, numbers, denominations, maturities, dates, interest rate or rates, redemption provisions, the purpose of issuance and other details thereof or as are otherwise permitted or required by law or by the Ordinance, including this First Supplemental Ordinance. The New Bonds shall be executed in the name and on behalf of the Town by the manual or facsimile signatures of the Mayor and Town Clerk.

(g) A copy of the approving opinion to be rendered on the New Bonds shall be printed on the back of such New Bonds, preceding the same a certificate shall appear, which shall be signed on behalf of the Town by a facsimile signature of the Town Clerk. Such certificate shall be in the form substantially as follows:

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

Section 4. Book-Entry System; Recording and Transfer of Ownership of the New Bonds.

The Initial Bonds will be eligible securities for the purposes of the Book-Entry System of transfer maintained by the Depository, and transfers of beneficial ownership of the Initial Bonds shall be made only through the Depository and its participants in accordance with rules specified by the Depository. Such beneficial ownership must be of \$5,000 principal amount of Initial Bonds of the same Series and maturity or any integral multiple of \$5,000.

The Initial Bonds will be issued in fully-registered form, as a single bond representing the entire principal amount of each Series of the New Bonds or one New Bond for each of the maturities of each Series of the New Bonds, in the name of Cede & Co., as the nominee of the Depository. When any principal of, premium, if any, or interest on the Initial Bonds becomes due, the Town shall transmit or cause the Paying Agent to transmit to the Depository an amount equal to such installment of principal, premium, if any, and interest. Such payments will be made to Cede & Co. or other nominee of the Depository as long as it is owner of record on the applicable Record Date. Cede & Co. or other nominee of the Depository shall be considered to be the owner of the Initial Bonds so registered for all purposes of this First Supplemental Ordinance, including, without limitation, payments as aforesaid and receipt of notices. The Depository shall remit such payments to the Beneficial Owners of the New Bonds or their nominees in accordance with its rules and regulations.

Notices of redemption of the Initial Bonds or any portion thereof shall be sent to the Depository in accordance with the provisions of the General Bond Ordinance.

The Depository is expected to maintain records of the positions of Participants in the Initial Bonds, and the Participants and persons acting through Participants are expected to maintain records of the Beneficial Owners in the Initial Bonds. The Town, the Trustee, the Registrar and the Paying Agent make no assurances that the Depository and its Participants will act in accordance with such rules or expectations on a timely basis, and the Town, the Trustee, the Registrar and the Paying Agent shall have no responsibility for any such maintenance of records or transfer of payments by the Depository to its Participants, or by the Participants or persons acting through Participants to the Beneficial Owners.

The Town, the Trustee, the Paying Agent and the Registrar may treat the Depository (or its nominee) as the sole and exclusive owner of the New Bonds registered in its name for the purpose of payment of the principal of, interest or premium, if any, on the New Bonds, giving any notice permitted or required to be given to Bondholders under the General Bond Ordinance or this First Supplemental Ordinance, registering the transfer of the New Bonds, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and shall not be affected by any notice to the contrary. The Town, the Trustee, the Paying Agent and the Registrar shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the New Bonds under or through the Depository or any Participant, or any other person which is not shown on the Books of Registry of the Town maintained by the Registrar as being a

Bondholder, with respect to: the accuracy of any records maintained by the Depository or any Participant or the maintenance of any records; the payment by the Depository or any Participant of any amount in respect of the principal of, interest or premium, if any, on the New Bonds; the sending of any transaction statements; the delivery or timeliness of delivery by the Depository or any Participant of any notice which is permitted or required to be given to Bondholders thereunder; the selection of Bondholders to receive payments upon any partial redemption of the New Bonds; or any consent given or other actions taken by the Depository as a Bondholder.

If (a) the Depository determines not to continue to act as securities depository for the New Bonds, and gives reasonable notice to the Registrar or the Town, or (b) the Town has advised the Depository of the Town's determination that the Depository is incapable of discharging its duties, then the Town shall attempt to retain another qualified securities depository to replace the Depository. Upon receipt by the Town or the Registrar of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute and deliver to the successor depository, the New Bonds of the same principal amount, interest rate and maturity. If the Town is unable to retain a qualified successor to the Depository, or the Town has determined that it is in its best interest not to continue the Book-Entry System of transfer or that interests of the Beneficial Owners of the New Bonds might be adversely affected if the Book-Entry System of transfer is continued (the Town undertakes no obligation to make any investigation to determine the occurrence of any events that would permit it to make any such determination), and has made provision to so notify Beneficial Owners of the New Bonds by mailing an appropriate notice to the Depository, upon receipt by the Town of the Initial Bonds together with an assignment duly executed by the Depository, the Town shall execute, authenticate and deliver to the Depository Participants the New Bonds in fully-registered form, in authorized denomination; provided, however, that the discontinuation of the Book-Entry System of registration and transfer with respect to the New Bonds or the replacement of the Depository or any successor depository shall be subject to the applicable rules and procedures of the Depository or such successor depository on file or otherwise approved by the Securities and Exchange Commission.

Section 5. Optional Redemption of New Bonds. Such of the Series 2011 Bonds as may be determined by the Town Manager pursuant to Section 11 hereof shall be subject to redemption prior to maturity, at the option of the Town, in whole or in part at any time in such order of their maturities as the Town shall determine and by lot within a maturity, at the respective redemption prices with respect to each New Bond, expressed as a percentage of principal amount of the New Bonds to be redeemed, as shall be determined by the Town Manager pursuant to Section 11 hereof, together, in each such case, with the interest accrued on such principal amount to the date fixed for redemption.

Section 6. Payment of the New Bonds. The New Bonds, together with the interest thereon, shall be payable, in such coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts, solely from the Beach Preservation Fees of the Town in accordance with the provisions of the Ordinance and this First Supplemental Ordinance. The New Bonds shall be secured by a pledge of Beach Preservation Fees junior and subordinate to the pledge of Beach Preservation Fees securing the payment of amounts due under the 2006

Installment Sale Agreement with respect to the 2006 Certificates and on a parity with the pledge of Beach Preservation Fees securing the payment of other Bonds issued in compliance with the provisions of the General Bond Ordinance.

The New Bonds do not constitute an indebtedness of the Town within any State constitutional provisions (other than Article X, Section 14, Paragraph 10 of the South Carolina Constitution authorizing obligations payable solely from special sources not involving revenues from any tax or license) or statutory limitation. The New Bonds shall not be a debt of the Town, nor a charge, lien or encumbrance, legal or equitable, upon any property of the Town or upon any income, receipts or revenues thereof, other than the aforesaid Beach Preservation Fees of the Town. No recourse shall be had for the payment of the New Bonds or the interest thereon against the general fund of the Town, nor shall the credit or taxing power of the Town be deemed to be pledged thereto. The full faith, credit and taxing powers of the Town are not pledged to the payment of the principal of or interest on the New Bonds.

Section 7. Establishment of Series Debt Service Fund. In accordance with Section 6.6 of the General Bond Ordinance, the Series Debt Service Fund is hereby directed to be established by the Trustee on the date of the original delivery of the New Bonds for the benefit of the Holders of the New Bonds; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for the payment of debt service on such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Debt Service Fund” with respect to the related Series of New Bonds.

Section 8. Establishment of the Series Reserve Fund Requirement and Series Debt Service Reserve Fund. In accordance with Section 6.7 of the General Bond Ordinance, the Town Manager may determine whether it is necessary or desirable to establish a Series Debt Service Reserve Fund for the benefit of the Holders of one or more Series of New Bonds (if any) and the amount of the applicable Series Reserve Fund Requirement, and, if so, such Series Debt Service Reserve Fund shall be established on the date of the original delivery of such Series of New Bonds and held by the Trustee, all as provided in the Ordinance; provided, however, that (1) upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established (if at all) for each Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Debt Service Reserve Fund” with respect to the related Series of New Bonds; and (2) in the event of any full or partial defeasance of a Series of New Bonds under Article XII of the Ordinance, then the Series Reserve Fund Requirement established for such Series of New Bonds shall be recalculated based on the then Outstanding principal amount of such Series. If the Series Debt Service Reserve Fund is established, the Series Reserve Fund Requirement initially will be satisfied by the Town by the deposit of cash into the Series Debt Service Reserve Fund for the benefit of the Holders of the New Bonds.

Section 9. Series Construction Fund. There is hereby created and established the Series Construction Fund, which fund shall be held by the Town or by a Custodian; provided, however, that upon the issuance of one or more Series of New Bonds, separate funds or accounts may be established for such Series of New Bonds, with such additional numbers or letters to identify its relevance, but each such separate fund or account will be considered the “Series Construction Fund”

with respect to the related Series of New Bonds. If the Series Construction Fund is held by a Custodian, the Town Manager is authorized and directed to negotiate, execute and deliver such construction fund agreements or other agreements with such bank or other financial institution as may be necessary or desirable in connection therewith. The Series Construction Fund established for a particular Series of New Bonds shall be accounted for as a single fund, however the moneys on deposit therein may be held by one or more Custodians. The moneys on deposit in the Series Construction Fund shall be used and applied to pay the Costs of Acquisition and Construction of the New Projects (including all Costs of Issuance related to the New Bonds).

Moneys held for the credit of the Series Construction Fund shall be invested to the fullest extent practicable and reasonable, in Permitted Investments, maturing at such times and in such amounts as shall be required to provide moneys to make the payments required to be made from such Fund.

Withdrawals from the Series Construction Fund shall be made in the manner withdrawals from other funds of the Town are made.

If after the payment in full of all costs of the New Projects and Costs of Issuance or after adequate provision has been made for such payment any moneys remain in the Series Construction Fund, such excess shall be paid into the related Series Debt Service Fund and shall be used only for the payment of the principal of and interest on the related Series of New Bonds or, in the alternative, to acquire Outstanding New Bonds at a price (exclusive of accrued interest) not exceeding the face amount thereof.

Section 10. Designation of Trustee, Registrar and Paying Agent. Pursuant to the Ordinance, the Trustee is Wells Fargo Bank, N.A. The Town Council hereby designates Wells Fargo Bank, N.A. as Registrar and Paying Agent for the New Bonds. The Registrar and Paying Agent shall signify their acceptances of their respective duties upon delivery of the New Bonds.

Section 11. Sale and Issuance of New Bonds.

(a) The Town Manager is hereby authorized and empowered to undertake any one or more of the following actions: (a) determine the original issue dates of each Series of the New Bonds; (b) determine the aggregate principal amount of the New Bonds, if less than authorized by this First Supplemental Ordinance, and each Series thereof (including the portions thereof to be issued on a taxable or tax-exempt basis); (c) determine the principal amount of each maturity of each Series of the New Bonds; (d) determine the Interest Payment Dates, including the initial Interest Payment Dates, and the Principal Payment Dates for each Series of the New Bonds; (e) determine the optional redemption dates and terms of redemption of each Series of the New Bonds; (f) determine the interest rates for each Series of the New Bonds; (g) determine the New Bonds to be subject to mandatory and optional redemption; (h) determine the redemption prices of the New Bonds subject to optional redemption; (i) determine whether the Series Debt Service Reserve Fund will be established and funded with regard to each Series of New Bonds and, if so, the amount of the applicable Series Reserve Fund Requirement; (j) determine any original issue discount or original issue premium at which each Series of the New Bonds will be sold, or whether any Underwriter's discount or other fee will be paid to the purchasers of the New Bonds; and (k) agree

to any other terms, provisions and matters necessary or advisable to effect the issuance of each Series of the New Bonds.

(b) Each Series of the New Bonds shall either be sold publicly, following a private sale to the Underwriter, or directly to one or more purchasers in a private offering or private placement transaction. In connection with a public offering, the Town hereby finds and determines that the Bond Purchase Agreement to be dated the date of its execution, submitted by the Underwriter for the purchase of all or a portion (if any) of each Series of the New Bonds is fair and reasonable and in the best interest of the Town; that, if executed, the New Bonds contemplated by the Bond Purchase Agreement shall be sold to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement and upon the basis of the representations therein set forth, and that all conditions precedent to or concurrent with the acceptance of the Bond Purchase Agreement by the Town will be met prior to the Town's execution thereof. The Town Manager is hereby authorized and directed to approve the form of Bond Purchase Agreement, together with such amendments and modifications to the form thereof as the Town Manager shall negotiate and approve, and to execute the Bond Purchase Agreement, as so modified and amended, and deliver the same to the Underwriter, the Town Manager's execution and delivery of the Bond Purchase Agreement constituting conclusive evidence of approval of the matters therein contained. Notwithstanding the foregoing, the Town Manager is hereby authorized to take all actions, including the preparation and dissemination of requests for proposals and the preparation, publication and/or distribution of information, offering documents or private placement memoranda (which may be in the respective forms of the Bond Purchase Agreement and/or hereinafter defined Preliminary Official Statement, as applicable, together with such amendments and modifications as may be approved by the Town Manager), all relating to the Town, each Series of the New Bonds and the Beach Preservation Fees, to solicit interest and receive offers from financial institutions to purchase one or more Series of the New Bonds in a private offering, and to accept such offer which is in the best interest of the Town and execute such documents as may be necessary in connection therewith.

(c) The Town Manager is hereby authorized and directed to prepare a Preliminary Official Statement, relating to a public offering of each Series of the New Bonds (the "Preliminary Official Statement"), and to take such actions necessary to "deem final" the Preliminary Official Statement for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

(d) The Town hereby authorizes the Final Official Statement of the Town to be dated on or about the date of the execution and delivery of the Bond Purchase Agreement, relating to each Series of the Bonds substantially in the form of the Preliminary Official Statement, with such modifications as the Town Manager approves; the Town Manager of the Town is hereby authorized and directed to execute copies of the Final Official Statement and deliver the same to the Underwriter, which execution and delivery shall be conclusive evidence of the approval of any such modifications; and the Town hereby authorizes the use of the Preliminary Official Statement and Final official Statement and the information contained therein in connection with the public offering and sale of each Series of the New Bonds by the Underwriter.

(e) A copy of this First Supplemental Ordinance shall be filed with the minutes of the meeting at which this First Supplemental Ordinance was enacted.

(f) The Town Council hereby authorizes and directs all of the officers and employees of the Town to carry out or cause to be carried out all obligations of the Town hereunder and to perform such other actions as they shall consider necessary or advisable in connection with the issuance, sale and delivery of the New Bonds.

(g) The Council hereby authorizes the Town Manager or his designee to negotiate the terms of, and execute, in the name and on behalf of the Town, and deliver investment agreements, forward delivery agreements, repurchase agreements and other agreements in connection with the New Bonds, to prepare and solicit bids for providers of such agreements and to execute, in the name and on behalf of the Town, written confirmations of any such agreements and other documents as may be necessary in connection therewith. Further, the Town Manager or his designee is hereby authorized to take any and all actions and execute any and all documents, upon the advice of its Bond Counsel, necessary to cause the termination of any forward delivery, repurchase or other investment agreement related to the 2006 Certificates.

Section 12. Disposition of Proceeds of New Bonds and Certain Other Moneys. The proceeds derived from the sale of the New Bonds, net of any original issue discount or premium (or both), any Underwriter's discount or fees payable to the purchaser thereof, shall be deposited with (or at the order of) the Town, the Trustee, the Escrow Agent or the Custodian, as applicable, and used for the following purposes:

(a) If the Town Manager determines that a Series Debt Service Reserve Fund shall be established for a Series of New Bonds and the Series Reserve Fund Requirement shall be funded with a portion of the proceeds of a Series of the New Bonds, there shall be deposited with the Trustee for deposit into such Series Debt Service Reserve Fund an amount equal to the applicable Series Reserve Fund Requirement.

(b) The remainder of the proceeds of any Series of the New Bonds shall be deposited into the Series Construction Fund established in Section 9 hereof to pay Costs of Acquisition and Construction for the New Projects (including Costs of Issuance) for such Series of New Bonds.

The respective amounts specified in this Section 12 shall be determined by the Town upon delivery of any Series of the New Bonds.

Section 13. Federal Tax Covenant. The Town hereby covenants and agrees with the Holders of the New Bonds issued as tax-exempt obligations (the "Tax-Exempt Bonds") that it will not take any action which will, or fail to take any action which failure will, cause interest on the Tax-Exempt Bonds to become includable in the gross income of the Bondholders thereof for federal income tax purposes pursuant to the provisions of the Code and regulations promulgated thereunder in effect on the date of original issuance of the Tax-Exempt Bonds and that no use of the proceeds of the Tax-Exempt Bonds shall be made which, if such use had been reasonably expected on the date of issue of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds," as defined in the Code; and to that end the Town hereby shall:

(a) comply with the applicable provisions of Section 103 and Sections 141 through 150 of the Code and any regulations promulgated thereunder so long as the Tax-Exempt Bonds are Outstanding;

(b) establish such funds, make such calculations and pay such amounts, if necessary, in the manner and at the times required in order to comply with the requirements of the Code relating to required rebate of certain amounts to the United States; and

(c) make such reports of such information at the times and places required by the Code.

Section 14. Continuing Disclosure. So long as and to the extent required pursuant to Section 11-1-85 of the Code of Laws of South Carolina 1976, as amended ("Section 11-1-85"), the Town covenants that it will file with a central repository for availability in the secondary bond market when requested:

(i) An annual independent audit, within 30 days of the Town's receipt of the audit; and

(ii) Event-specific information within 30 days of an event adversely affecting more than 5% percent of Beach Preservation Fees or the Town's tax base.

The only remedy for failure by the Town to comply with the covenant of this Section 14 shall be an action for specific performance of this covenant; and failure to comply shall not constitute a default or an "Event of Default" under the Ordinance or this First Supplemental Ordinance. The Trustee shall have no responsibility to monitor the Town's compliance with this covenant. The Town specifically reserves the right to amend or delete this covenant in order to reflect any change in Section 11-1-85, without the consent of the Trustee or any Holder of any New Bonds.

In addition, the Town Manager is hereby authorized and directed to approve the form of, and execute and deliver, a Continuing Disclosure Certificate of the Town, related to one or more Series of the New Bonds as required by applicable law, and the Town hereby covenants and agrees that it will comply with and carry out all of the provisions of such Continuing Disclosure Certificate. Notwithstanding any other provisions of this First Supplemental Ordinance, failure of the Town to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, and no liability for damages shall attach therefor. The sole remedy for such failure to comply shall be that any New Bondholder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Town to comply with their obligations under this paragraph.

Section 15. Further Actions. The Mayor, the Town Manager, the Finance Director of the Town, and the Town Clerk are hereby authorized and directed to take any and all such further actions as shall be deemed necessary or desirable in order to effectuate issuance of the New Bonds and the refunding of the Certificates to be Refunded.

Section 16. Headings. The headings and titles of the several sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of this First Supplemental Ordinance.

Section 17. Notices. All notices, certificates or other communications hereunder or under the Ordinance shall be sufficiently given and shall be deemed given when mailed by registered mail, postage prepaid, or given when dispatched by telegram addressed as follows:

If to the Town:

Hilton Head Island, South Carolina
Attn: Town Manager
One Town Center Court
Hilton Head Island, South Carolina 29928

If to the Paying Agent, the Registrar or the Trustee:

Wells Fargo Bank, N.A.
Attention: Corporate Trust Services
7000 Central Parkway; Suite 550
Atlanta, Georgia 30328

The Town, the Paying Agent, the Registrar and the Trustee may, by notice given to the other parties, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 18. Repeal of Inconsistent Ordinances and Resolutions. All ordinances and resolutions of the Town, and any part of any ordinance or resolution, inconsistent with this First Supplemental Ordinance are hereby repealed to the extent of such inconsistency.

Section 20. Severability. If any sections, phrase, sentence or portion of this First Supplemental Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct and independent provision, and such holding shall not attest the validity of the remaining portions thereof.

Section 21. Effective Date. This First Supplemental Ordinance shall be effective upon its adoption by the Town Council for the Town of Hilton Head Island, South Carolina.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF
HILTON HEAD ISLAND ON THIS _____ DAY OF _____ 2011.**

Drew A. Laughlin, Mayor

ATTEST:

Cori Brock, Town Clerk

First Reading: _____
Second Reading: _____

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

FORM OF NEW BOND

[DTC Legend]

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA
SPECIAL OBLIGATION BONDS (BEACH PRESERVATION FEE PLEDGE),
SERIES _____

No. R-____

Interest Rate Maturity Date Issue Date CUSIP

Registered Holder:

Principal Amount:

THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA (the "Town") a public body corporate and politic and a political subdivision of the State of South Carolina (the "State"), created and existing by virtue of the laws of the State, acknowledges itself indebted and for value received hereby promises to pay, solely as hereinafter provided, to the Registered Owner named above or registered assigns, the Principal Amount set forth above on the Maturity Date stated above, unless this Bond be subject to redemption and shall have been redeemed prior thereto as hereinafter provided, upon presentation and surrender hereof at the corporate trust office of Wells Fargo Bank, N.A. in Atlanta, Georgia, as trustee (the "Trustee"), and to pay interest on such Principal Amount at the annual Interest Rate stated above (calculated on the basis of a 360-day year of twelve (12) 30-day months), until the obligation of the Town with respect to the payment of such Principal Amount shall be discharged. Interest on this Bond shall be payable in semiannual installments on _____ 1 and _____ 1 of each year beginning _____, 2012 (each, an "Interest Payment Date"), until maturity or earlier redemption. All payments shall be paid to the person in whose name this Bond is registered at the close of business on the fifteenth day of the calendar month (each, a "Record Date") preceding each Interest Payment Date or Principal Payment Date (as defined in the hereinafter defined Ordinances). The payments shall be payable by check or draft mailed at the times provided herein to the person in whose name this Bond is registered at the address shown on the registration books of the Town held by Wells Fargo Bank, N.A., as registrar (the "Registrar"), or, in the case of a Registered Holder of \$1,000,000 or more in principal amount of this Bond, by wire transfer to on account within the continental United States upon the timely receipt of a written request of such Registered Holder. The payments are payable in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

THIS BOND HAS BEEN ISSUED UNDER THE PROVISIONS OF TITLE 6, CHAPTER 21 AND CHAPTER 1, ARTICLE 5, AND SECTION 6-1-760, CODE OF LAWS OF SOUTH CAROLINA, 1976, AS AMENDED (COLLECTIVELY, THE "ACT"); THE BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OF THE TOWN WITHIN THE MEANING OF ANY STATE CONSTITUTIONAL PROVISION (EXCEPT ARTICLE X, SECTION 14(10) OF THE STATE CONSTITUTION AUTHORIZING INDEBTEDNESS PAYABLE SOLELY FROM A SOURCE OF REVENUE DERIVED OTHER THAN A TAX OR LICENSE) OR STATUTORY LIMITATION. THE TOWN IS NOT OBLIGATED TO PAY ANY OF THE BONDS OR THE INTEREST THEREON EXCEPT FROM BEACH PRESERVATION FEES (AS DEFINED IN THE ORDINANCES). THE BONDS ARE NOT GENERAL OBLIGATIONS OF THE TOWN, THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF AND NEITHER THE FULL FAITH AND CREDIT NOR THE GENERAL CREDIT NOR TAXING POWERS OF THE TOWN, THE STATE OR ANY POLITICAL SUBDIVISION THEREOF.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

This Bond is one of an issue of bonds of the Town in the aggregate principal amount of _____ Million Dollars (\$_____) (the "Bonds") of like tenor, except as to number, rate of interest, date of maturity and redemption provides, issued pursuant to and in accordance with the Constitution and statutes of the State, including particularly the Act, Ordinance No. _____ duly enacted by the Town Council of the Town (the "Council") on _____, 2011 (the "General Bond Ordinance"), and Ordinance No. _____ duly enacted by the Council on _____, 2011 (the "First Supplemental Ordinance") (the General Bond Ordinance and the First Supplemental Ordinance are herein collectively referred to as the "Ordinances") for the purpose of providing moneys, to (i) finance a portion of the New Projects, (ii) satisfy the Series Reserve Fund Requirement (if any) with respect to the Bonds, and (iii) pay all costs of issuing the Bonds.

Certain capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Ordinances. Certified copies of the Ordinances are on file in the office of the Trustee and in the office of the Clerk of Court for Beaufort County, South Carolina.

The Ordinances contain provisions defining terms, set forth the revenues pledged for the payment of the principal of and interest on this Bond and the Bonds of other series herewith which may hereafter be issued on a parity herewith under the Ordinances; set forth the nature, extent and manner of enforcement of the security of this Bond and of such pledge, and the rights and remedies of the Holder hereof with respect thereto; set forth the terms and conditions upon which and the extent to which the Ordinances may be altered, modified and amended; set forth the terms and conditions upon which this Bond is issued upon which other bonds may be hereinafter issued payable as to principal, premium, if any, and interest on a parity with this Bond and equally and ratably secured herewith; sets forth the rights, duties and obligations of the Town thereunder; and set forth the terms and conditions upon which the pledge made in the Ordinances for the security of this Bond and upon which the covenants, agreements and other obligations of the Town made therein may be discharged at or prior to the maturity or redemption of this Bond with provisions for

the payment thereof in the manner set forth in the Ordinances. Reference is hereby made to the Ordinances to all of the provisions of which any holder of this Bond by the acceptance hereof thereby assents. The provisions of the Act and the Ordinances shall be a contract with the holder of this Bond.

This Bond and the series of Bonds of which it is one and the interest thereon are special obligations of the Town and are secured by and payable solely from, and secured equally and ratably by a pledge of and lien upon, the Beach Preservation Fees imposed and collected by the Town, which pledge is junior and subordinate to the pledge thereof securing the Town's obligations to pay amounts due under the 2006 Installment Sale Agreement.

The General Bond Ordinance authorizes the issuance of additional bonds on a parity with the Bonds of this issue which, when issued in accordance with the provisions of the General Bond Ordinance, will rank equally and be on a parity herewith.

This Bond and the interest hereon are exempt from all State, county, municipal, school district, and all other taxes or assessments imposed within the State, direct or indirect, general or special, whether imposed for the purpose of general revenue or otherwise, except inheritance, estate, transfer and certain franchise taxes.

This Bond is transferable, as provided in the Ordinances, only upon the registration books of the Town kept for that purpose and maintained by the Registrar, by the Holder hereof in person or by his duly authorized attorney, upon (a) surrender of this Bond and an assignment with a written instrument of transfer satisfactory to the Registrar, duly executed by the Holder hereof or his duly authorized attorney and (b) payment of the charges, if any, prescribed in the Ordinances. Thereupon a new Bond of the same aggregate principal amount, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Ordinances. The Town, the Trustee and the Registrar may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of or on account of the principal or redemption price hereof and interest due hereon and for all other purposes.

For every exchange or transfer of this Bond, the Town or the Trustee or Registrar, as the case may be, may make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer.

[Redemption Provisions]

If less than all the Bonds of any maturity are called for redemption, the Bonds of such maturity to be redeemed shall be selected at random by the Trustee. In the event any of the Bonds or portions thereof are called for redemption, the Trustee shall give notice, in the name of the Town, of redemption of Bonds by first-class mail, postage prepaid, to the Holder thereof as shown on the Books of Registry of the Town not less than thirty (30) days and not more than sixty (60) days prior to the date fixed for the redemption thereof. If this Bond be redeemable and shall have been duly called for redemption and notice of the redemption hereof mailed as aforesaid, and if on or before the date fixed for such redemption, payment thereof shall be duly

made or provided for, interest hereon shall cease or accrue from and after the redemption date hereof.

It is hereby certified and recited that all conditions, acts and things required by the Constitution and statutes of the State to exist, be performed or happen precedent to or in the issuance of this Bond, exist, have been performed and have happened, that the amount of this Bond, together with all other indebtedness of the Town, does not exceed any limit prescribed by such Constitution or statutes.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication hereon shall have been duly executed by the Trustee.

IN WITNESS WHEREOF, THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA has caused this Bond to be signed by the manual or facsimile signature of its Mayor, its corporate seal to be reproduced hereon and the same to be attested by the manual or facsimile signature of its Town Clerk.

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

By: _____
Mayor

(SEAL)

ATTEST:

By: _____
Town Clerk

FORM OF CERTIFICATE OF AUTHENTICATION

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

Wells Fargo Bank, N.A., as Trustee

By: _____

Its: _____

Date: _____

IT IS HEREBY CERTIFIED that the following is a true and correct copy of the approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, the original of which was manually executed, dated and issued as of the date of the delivery of and payment for the bonds, and a copy of which is on file with the Town.

THE TOWN OF HILTON HEAD, SOUTH CAROLINA

By: _____
Town Clerk

FORM OF ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(please print or type name and address of Transferee and Social Security or other identifying
number of Transferee)

the within Bond and all rights and title thereunder, and hereby irrevocably constitutes and appoints attorney to transfer the within Bond on the books kept for registration thereof, with full power of substitution in the premises.

Date: _____

STAMP Language

Signature Guaranteed: _____

NOTICE: Signature(s) must be guaranteed
By an institution which is a participant in the
Securities Transfer Agent Medallion Program
(STAMP) or similar program.

NOTICE: The signature to this assignment
must correspond with name as it appears
upon the face of the within bond in every
particular, without alteration or enlargement
or any change whatever.



Memorandum

TO: Town Council
FROM: Steve Riley, Town Manager
VIA: Jeff Buckalew, Town Engineer
DATE: September 8, 2011
RE: **Second Reading of Proposed Ordinance No. 2011-22**

There were no changes made to Proposed Ordinance #2011-22 during the first reading on September 6, 2011.

PROPOSED ORDINANCE NUMBER 2011-22 ORDINANCE NUMBER:

AN ORDINANCE OF THE TOWN OF HILTON HEAD, SOUTH CAROLINA, AUTHORIZING THE EXECUTION OF THAT CERTAIN DRAINAGE EASEMENT AGREEMENT WITH PALMETTO ELECTRIC COOPERATIVE, INC. OVER PROPERTY OWNED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, PURSUANT TO THE AUTHORITY OF S.C. CODE ANN. SEC. 5-7-40 (SUPP. 2010), AND SEC. 2-7-20, *CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA*, (1983); AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

LEGISLATIVE FINDINGS

WHEREAS, The Town of Hilton Head Island, South Carolina (“Town”) owns certain real property known as the Ashmore Tract, R510-008-000-0153-0000 located in the vicinity of Power Alley and;

WHEREAS, Palmetto Electric Cooperative, Inc. (“PECI”) desires to undertake certain improvements to the service and operations yard located on real property located near the Town’s parcel, which improvements would provide for storm water runoff to be discharged from the PECI parcel and travel and flow under Power Alley into a drainage area located on the Town’s parcel; and

WHEREAS, the conveyance of a drainage easement granting PECI will be necessary to allow the construction, installation, maintenance and use of the aforementioned drainage area; and

WHEREAS, the Town Council for the Town of Hilton Head Island, South Carolina has determined that it is in the best interests of the Town to grant a drainage easement to PECI for the construction, installation, maintenance and use of the drainage area, a copy of said agreement is attached hereto as Exhibit “A” ; and

WHEREAS, under the provisions of S.C. Code Ann. Sec. 5-7-40 (SUPP. 2010) and Sec. 2-7-20, *Code of the Town of Hilton Head Island , South Carolina*, (1983), the conveyance or granting of an interest in real property owned by the Town of Hilton Head Island must be effected by Ordinance.

NOW THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AS FOLLOWS:

Section 1. Execution of Easement Agreement.

- (a) The Mayor and/or Town Manager are hereby authorized to execute and deliver the Drainage Easement Agreement which is attached hereto as Exhibit "A"; and
- (b) The Mayor and/or Town Manager are hereby authorized to take such other and further actions as may be necessary to complete the execution of the Lease as authorized hereby.

Section 2. Severability.

If any section, phrase, sentence or portion of this Ordinance is, for any reason, held or deemed to be invalid or unconstitutional by any court of competent jurisdiction, then such section, phrase, sentence or portion shall be deemed a separate, distinct and independent provision and shall not affect the remaining portion thereof.

Section 3. Effective Date.

This Ordinance shall become effective upon adoption thereof by the Town Council for the Town of Hilton Head Island, South Carolina.

PASSED, APPROVED AND ADOPTED BY THE TOWN COUNCIL FOR THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, ON THIS ___ DAY OF _____, 2011.

Drew Laughlin, Mayor

ATTEST

Cori Brock, Town Clerk

First Reading: _____

Second Reading: _____

Approved as to Form: _____
Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

NOW, THEREFORE, know all men by these presents, the Town, for and in consideration of the sum of Ten and No/100 (\$10.00) Dollars and no other valuable consideration, the receipt and sufficiency whereof is acknowledged, has bargained, granted, and sold and by these presents does hereby bargain, grant, and sell to the Grantee, its successors and permitted assigns, a perpetual, non-exclusive easement on, under, over and across that portion of the Town's property, which is described as follows:

All that certain piece, parcel or lot of land, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina, shown and designated as "Proposed 20' DRAINAGE EASEMENT 667 sq. ft., 0.015 acres" on a Plat entitled "An Easement Plat of a Proposed Drainage Easement Located on a Portion of Parcel 153, Tax Map 8, District 510, Town of Hilton Head Island, Beaufort County, South Carolina" dated June 28, 2011, prepared by T. Square Group, Inc., certified by Forrest F. Baughman, P.L.S. #4922, which is recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, in Plat Book _____ at Page _____.

(hereinafter, the "Easement Property")

The easement granted herein is for the purpose of planning, laying out, building, maintaining and using a drainage area including pipes, rip rap, culverts and any other improvements reasonably used or useful in the conveyance and drainage of surface and storm water runoff (hereinafter collectively referred to as the "Drainage Improvements"). The Town further grants to Grantee, its successors and permitted assigns, a perpetual, non-exclusive easement for the purpose of draining surface and storm water runoff through the Easement Property and the Drainage Improvements built pursuant to this grant of easement.

The easement is granted and accepted subject to the following terms:

1. This easement is conveyed subject to all other easements, licenses, and conveyances of record and is subject to the rights herein reserved by the Town, its successors and assigns, to utilize the

Town's property at any time, in any manner, and for any purpose, provided, however, that such use by the Town shall not be inconsistent with nor prevent the full utilization by Grantee, of the rights and privileges granted herein.

2. Grantee agrees to plan, lay out, build and maintain the Drainage Improvements upon the Easement Property in accordance with the Plans, and further agrees that the use of, access to, and travel upon the Drainage Improvements and the Easement Property shall be under the exclusive control of Grantee and that Grantee shall at all times comply with all applicable laws, rules, approvals, codes, and regulations.

3. From the date of the commencement of the construction of the Drainage Improvements described herein, Grantee shall, at its sole cost and expense, cause all timely clearing of natural debris, repair, renovation, and all other improvements in general to the Drainage Improvements and the Easement Property as shall be or shall become necessary and/or prudent in the discretion of the Town.

4. Grantee agrees to cause all work contemplated hereunder to be performed in a workmanlike fashion with minimal interference to the Town, its successors, assigns, invitees, guests, licensees, and agents. Grantee further agrees to cause the work contemplated hereunder to be completed in an expeditious and timely fashion, that the Drainage Improvements shall at all times be maintained in a safe condition, and that all debris and construction materials relating to work undertaken by Grantee pursuant to the rights granted hereunder shall be promptly removed. Grantee shall restore any other part of the Grantors' property which may be damaged as a result of the Town's exercise of the rights granted hereunder to its pre-existing state.

5. This Agreement and the rights and obligations provided for herein shall not be assigned by

Grantee without written approval of the Town. This Agreement shall be binding upon and shall enure to the benefit of the parties hereto, their respective successors and permitted assigns.

6. Grantee agrees to indemnify and hold the Town harmless with respect to any loss, damage, claim, or suit whatsoever, as well as any expense or cost associated therewith, including reasonable attorneys fees and costs incurred on appeal, arising out of or associated in any way whatsoever with Grantee's use of the Easement Property and Drainage Improvements as contemplated herein.

To have and to hold, all and singular, the rights, privileges, and easement aforesaid unto the Grantee, its successors and permitted assigns, forever.

In Witness whereof, the parties hereto have caused the within Easement Agreement to be executed by their duly authorized officers on this _____ day of _____, 2011.

(SIGNATURES ON FOLLOWING PAGES)

WITNESSES:

PALMETTO ELECTRIC COOPERATIVE,
INC.

2) _____
Signature of Witness #1

1)By: _____
Its: _____

3) _____
Signature of Notary Public

STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

UNIFORM ACKNOWLEDGMENT
S. C. CODE ANN. § 30-5-30 (SUPP. 2010)

I, the undersigned Notary Public do hereby certify that _____ personally appeared before me on this day and duly acknowledged the execution of the foregoing instrument on behalf of Palmetto Electric Cooperative, Inc.

Sworn to and Subscribed before me
on this ____ Day of _____, 2011.

4) _____
Signature of Notary Public for South Carolina
My Commission Expires: _____

**** Instructions for Execution:**

All signatures should be in blue ink.
ALL blanks must be filled in.
Grantor signs at line(s) 1)
Witness #1 signs at line 2)
Notary Public signs at line 3)
Notary Public signs at line 4) and affixes notary seal

THE TOWN OF HILTON HEAD ISLAND,
SOUTH CAROLINA

(Signature of Witness #1)

By: _____
Drew A. Laughlin, Mayor

(Signature of Notary Public)

Attest: _____
Stephen G. Riley, Manager

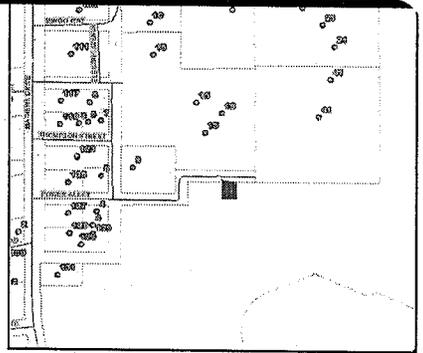
STATE OF SOUTH CAROLINA)
)
COUNTY OF BEAUFORT)

UNIFORM ACKNOWLEDGMENT
S. C. CODE ANN. § 30-5-30 (SUPP. 2010)

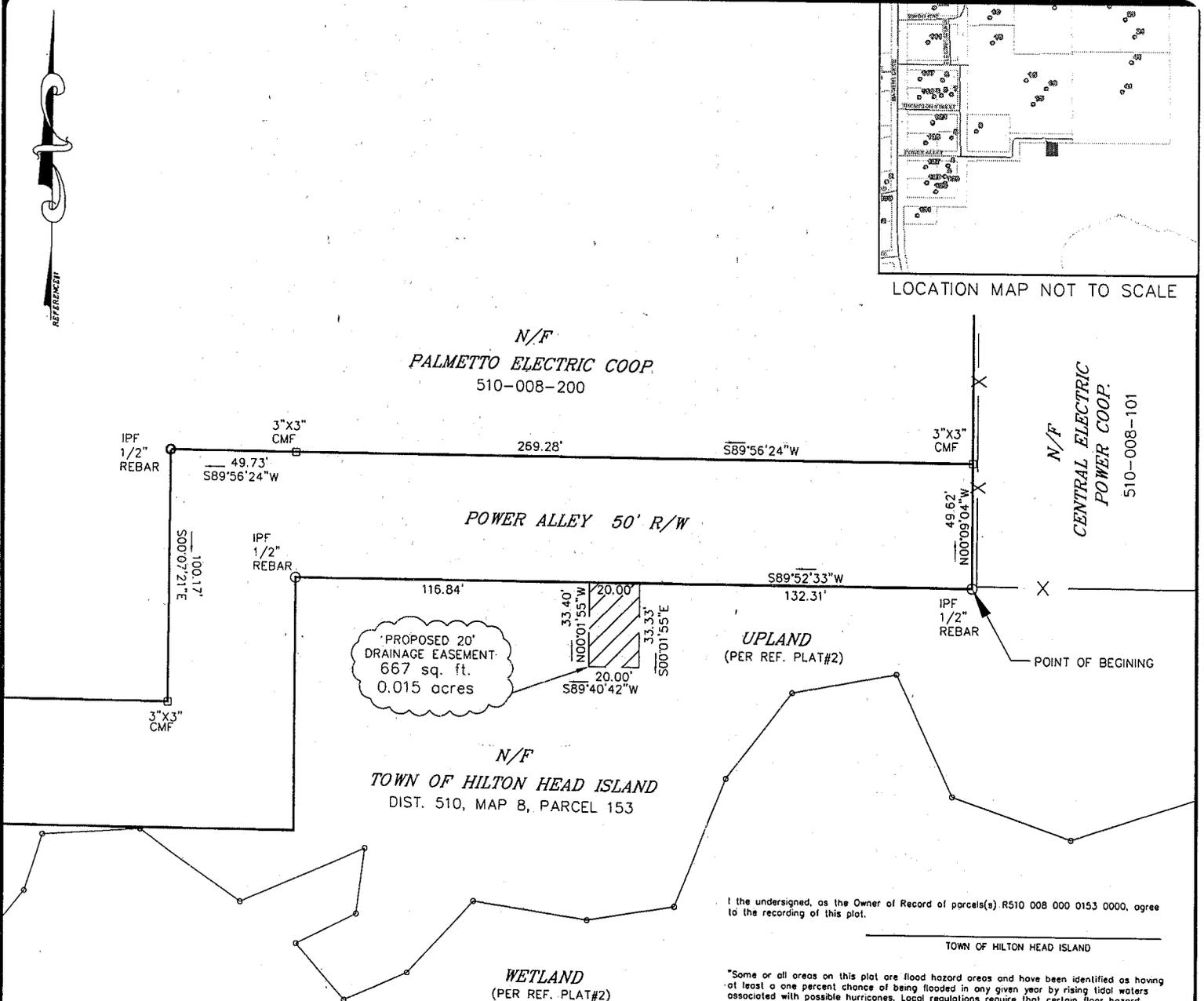
I, the undersigned Notary Public do hereby certify that Drew A. Laughlin and Stephen G. Riley personally appeared before me on this day and duly acknowledged the execution of the foregoing instrument on behalf of The Town of Hilton Head Island, South Carolina.

Sworn to and Subscribed before me
on this ____ Day of _____, 2011.

Notary Public for South Carolina
My Commission Expires: _____



LOCATION MAP NOT TO SCALE



PROPOSED 20' DRAINAGE EASEMENT
667 sq. ft.
0.015 acres

I the undersigned, as the Owner of Record of parcels(s) R510 008 000 0153 0000, agree to the recording of this plat.

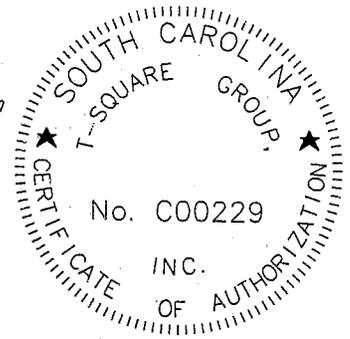
TOWN OF HILTON HEAD ISLAND

"Some or all areas on this plat are flood hazard areas and have been identified as having at least a one percent chance of being flooded in any given year by rising tidal waters associated with possible hurricanes. Local regulations require that certain flood hazard protective measures be incorporated in the design and construction of structures in these designated areas. Reference shall be made to the development covenants and restrictions of this development and requirements of the Town Building Official. In addition, federal law requires mandatory purchase of flood insurance as a prerequisite to federally insured mortgage financing in these designated flood hazard areas."

LEGEND

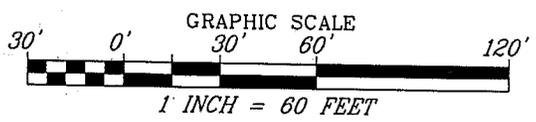
- CMS - CONCRETE MONUMENT SET
- CMF - CONCRETE MONUMENT FOUND
- IPS - IRON PIN SET
- IPF - IRON PIN FOUND

- NOTES:
1. According To FEMA Flood Insurance Rate Map # 450250 0008D This Easement Appears To Lie In A Federal Flood Plain Zone A7, Minimum Required Elevation 14 Ft. NGVD29
 2. This Property May Be Subject To Easements, Protective Covenants And Other Facts That May Be Revealed By A Complete Title Search.
 3. All Building Setback Requirements Should Be Verified With The Proper Authorities Prior To Design And Construction.



REFERENCE PLAT(S):

- 1) A PLAT BY ME PREPARED FOR PALMETTO ELECTRIC COOP., DATED 12/19/2008, LAST REVISED 6/22/11, (JOB#92-175ATR6).
- 2) A WETLAND SURVEY OF THE ASHMORE TRACT, PREPARED FOR THE TOWN OF HILTON HEAD, BY COASTAL SURVEYING, DATED 9/23/96.



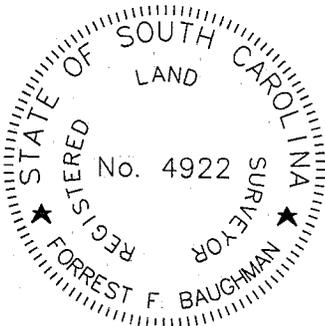
THE ABOVE PLAT PREPARED BY ME AT THE REQUEST OF
PALMETTO ELECTRIC COOP.

AN EASEMENT PLAT OF A PROPOSED DRAINAGE EASEMENT
LOCATED ON A PORTION OF PARCEL 153, TAX MAP 8, DISTRICT 510,
TOWN OF HILTON HEAD ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA.

DATE: JUNE 28, 2011

T-SQUARE GROUP, INC.
PROFESSIONAL LAND SURVEYORS
P.O. Drawer 330
139 Burnt Church Road
Bluffton, S.C. 29910
tsquare@hargray.com
Phone 843-757-2650 Fax 843-757-5758

I HEREBY STATE TO THE BEST OF MY KNOWLEDGE, INFORMATION & BELIEF, THE SURVEY SHOWN HEREON WAS MADE IN ACCORDANCE WITH THE REQUIREMENTS OF THE MINIMUM STANDARDS MANUAL FOR THE PRACTICE OF LAND SURVEYING IN SOUTH CAROLINA, AND MEETS OR EXCEEDS THE REQUIREMENTS FOR A CLASS A SURVEY AS SPECIFIED THEREIN.
ALSO THERE ARE NO VISIBLE ENCROACHMENTS OR PROJECTIONS AFFECTING THE PROPERTY OTHER THAN THOSE INDICATED.



FORREST F. BAUGHMAN, PLS # 4922

JOB # 92-175EX



TOWN OF HILTON HEAD ISLAND

Community Development Department

TO:	Stephen G. Riley, <i>CM, Town Manager</i>
VIA:	Charles Cousins, <i>AICP, Community Development Director</i>
VIA:	Shawn Colin, <i>AICP, Manager of Comprehensive Planning</i>
FROM:	Shea Farrar, <i>Senior Planner</i>
DATE	September 8, 2011
SUBJECT:	Jenkins Island Tower Conceptual Location

Recommendation:

The Public Facilities Committee recommends that Town Council approve in concept the location of a telecommunications tower on the Town's Jenkins Island property, as shown on Attachment "A", with the following conditions:

1. An easement and land lease with American Tower are executed for the site.
2. The tower is a monopole style tower with a maximum height of 140'.
3. The antenna space from 120' to 130' is reserved for the Town's use at no charge.
4. The site is limited to an area approximately 70 ft. by 70 ft. in size.
5. The access to the site is off of the driveway leading to the Reverse Osmosis Plant.
6. The storage and use of any potential ground water pollutants is prohibited within the 100' radius Pollution Free Zone for the adjacent well as shown on Attachment "B", the survey for the site.

On September 6, 2011, the Public Facilities Committee voted unanimously to forward a recommendation of approval to Town Council.

Summary:

American Tower has requested that the Town allow the construction and operation of a 140' monopole telecommunications tower on Town owned property on Jenkins Island, adjacent to Hilton Head Public Service District's Reverse Osmosis facility. This tower would be the same as the tower planned for Fire Station 7 and would help improve service on Jenkins Island, which includes the critical U.S. 278 corridor. Space would also be reserved on the tower for the Town's emergency management equipment.

Background:

Town Council identified improving the quality of telecommunication service on the Island as one of its Targets for Action in 2011 which aims to complete an evaluation of the Town's role and direction in relationship to technology infrastructure. In order to accomplish improved service, additional telecommunications infrastructure is needed in areas where there are service problems. The use of Town property for this infrastructure is one role the Town can play. Attachment "C", AT&T's propagation maps, indicate that the majority of Jenkins Island is in need of service improvements. Although the entire Island is not within the limits of the Town, this tower would help to improve service to the critical U.S. 278 corridor and provide space on a tower that is needed for the Town's emergency management purposes. At the proposed height, there will be the potential for a minimum of two other carriers to locate on the tower in addition to AT&T.

The height and style of the proposed tower is consistent with the plans for Fire Station 7, which was approved for a 140' monopole tower. It is important to note that in order for Fire and Rescue to utilize space on the tower an external mount is required, making a flagpole style tower unfeasible because antennae are located on the inside of the pole. Limiting the height of the tower to 140' is designed to prevent the need for lighting the tower, which is required at 150'. The space on the tower that would be reserved for Fire and Rescue would be between 120' and 130' and consistent with the proposed Station 7 tower, as well.

To determine the best location and appropriate size for such a facility, staff reviewed various areas of the property to find a site that would be consistent with the long-term plans for the property and minimize tree and wetland impacts. The currently adopted master plan for Jenkins Island is shown in Attachment "D". The central area of the property is identified for utility uses and is the current site of a reverse osmosis plant. Adjacent to the plant there is a flat open area that would be most suitable for the tower development because there are no wetlands and minimal clearing would be required.

When evaluating this location in more detail, two site constraints were identified. The existence of a 100' radius Pollution Free Zone around a well within the clearing and a large tree located on the edge of the clearing. The tree can be protected by limiting the size of the facility to an approximate 70 ft. by 70 ft. area and the Pollution Free Zone can be accommodated by locating the backup generator and any fuel storage in an area of the facility that is not within this zone. The tower itself can be constructed in the Pollution Free Zone. Access to the proposed site would be from the driveway leading to the Reverse Osmosis Plant.

Attachments

A – Conceptual Location Map

B – Property Survey

C – Propagation Maps

D – Jenkins Island Master Plan, 2005



ATTACHMENT A
JENKINS ISLAND CELL TOWER
CONCEPTUAL LOCATION
TOWN OF HILTON HEAD ISLAND
AUGUST, 2011

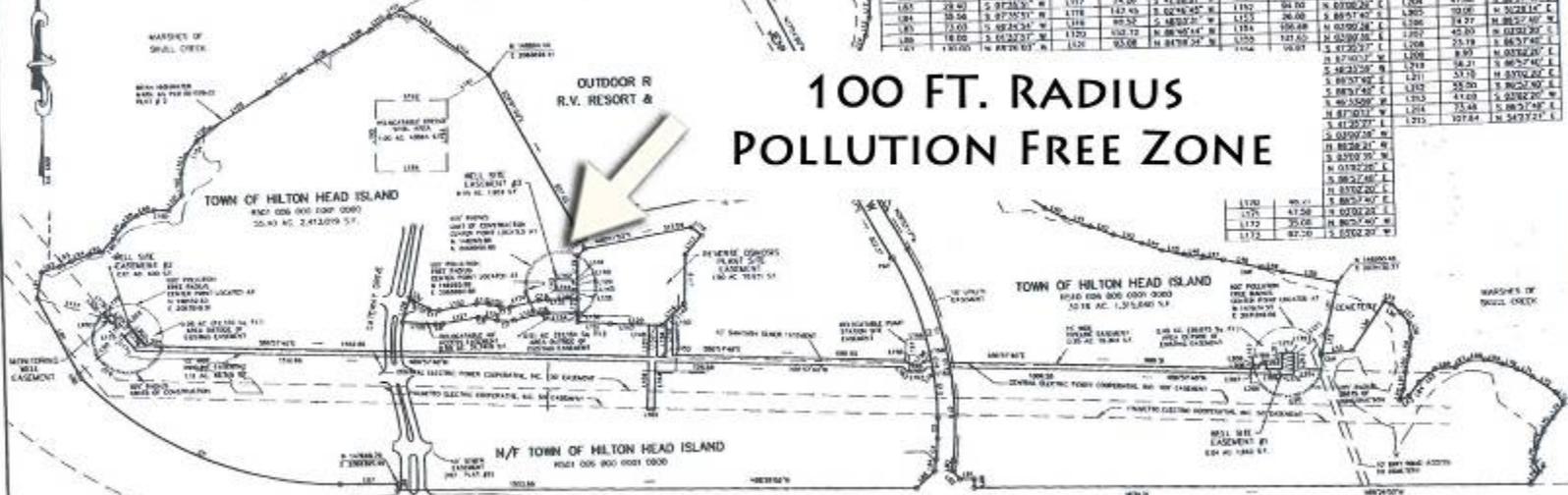


LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
1.00	20.72	N. 33°21'24" E.	1.28	42.91	S. 14°22'13" E.
1.01	36.48	S. 54°58'30" E.	1.29	53.60	S. 44°56'32" E.
1.02	53.18	S. 62°20'11" E.	1.30	48.29	S. 39°20'24" E.
1.03	50.10	S. 72°52'21" E.	1.31	70.77	S. 44°24'11" E.
1.04	55.12	S. 79°21'30" E.	1.32	58.84	S. 17°08'02" E.
1.05	50.10	S. 72°52'21" E.	1.33	20.37	N. 84°22'20" E.
1.06	68.90	S. 54°58'30" E.	1.34	31.08	N. 21°28'15" E.
1.07	58.27	S. 24°24'34" E.	1.35	42.30	N. 49°24'40" E.
1.08	53.18	S. 62°20'11" E.	1.36	53.61	S. 26°24'29" E.
1.09	61.28	S. 48°36'28" E.	1.37	71.71	S. 19°24'24" E.
1.10	55.12	S. 69°24'34" E.	1.38	83.16	S. 88°24'30" E.
1.11	57.14	S. 17°02'20" E.	1.39	87.23	S. 26°24'29" E.
1.12	55.12	S. 69°24'34" E.	1.40	63.10	S. 81°20'01" E.
1.13	43.80	S. 59°52'50" E.	1.41	67.84	S. 49°24'40" E.
1.14	34.08	S. 33°24'34" E.	1.42	67.84	S. 49°24'40" E.
1.15	36.71	S. 32°28'26" E.	1.43	64.61	S. 88°24'30" E.
1.16	58.92	S. 81°22'21" E.	1.44	60.56	S. 77°24'34" E.
1.17	50.10	S. 39°24'30" E.	1.45	32.98	S. 81°20'01" E.
1.18	50.10	S. 39°24'30" E.	1.46	32.98	S. 81°20'01" E.
1.19	29.81	S. 26°20'01" E.	1.47	24.16	S. 77°24'34" E.
1.20	29.81	S. 26°20'01" E.	1.48	113.95	S. 26°24'29" E.
1.21	50.10	S. 54°58'30" E.	1.49	62.88	S. 19°24'24" E.
1.22	73.12	S. 88°24'30" E.	1.50	105.13	S. 26°24'29" E.
1.23	63.18	S. 19°24'24" E.	1.51	163.80	S. 14°22'13" E.
1.24	75.35	S. 76°24'42" E.	1.52	77.72	S. 17°08'02" E.
1.25	62.80	S. 41°24'25" E.	1.53	64.58	N. 84°22'20" E.

THIS PLAN AND THE PLATS ARE FILED AS PUBLIC RECORDS AND ARE SUBJECT TO THE PUBLIC RECORDS ACT OF 1978, AS AMENDED. THE PUBLIC RECORDS ACT OF 1978, AS AMENDED, PROVIDES THAT ANY INSTRUMENT WHICH IS FILED AS A PUBLIC RECORD SHALL BE OPEN TO THE PUBLIC FOR INSPECTION AND REPRODUCTION AT ANY TIME AND PLACE. THE INSTRUMENTS FILED AS PUBLIC RECORDS SHALL BE OPEN TO THE PUBLIC FOR INSPECTION AND REPRODUCTION AT ANY TIME AND PLACE. THE INSTRUMENTS FILED AS PUBLIC RECORDS SHALL BE OPEN TO THE PUBLIC FOR INSPECTION AND REPRODUCTION AT ANY TIME AND PLACE.

LINE	LENGTH	BEARING	LINE	LENGTH	BEARING
1.54	132.76	S. 32°25'24" E.	1.80	16.20	S. 27°11'04" E.
1.55	20.08	S. 68°22'24" E.	1.81	252.28	N. 87°21'04" E.
1.56	38.24	S. 36°28'24" E.	1.82	122.80	N. 84°21'04" E.
1.57	21.12	S. 28°22'24" E.	1.83	20.00	N. 11°21'04" E.
1.58	43.82	S. 08°20'11" E.	1.84	34.40	N. 22°21'04" E.
1.59	33.70	S. 08°20'11" E.	1.85	34.40	N. 11°21'04" E.
1.60	40.00	S. 15°21'11" E.	1.86	34.40	N. 11°21'04" E.
1.61	40.00	S. 15°21'11" E.	1.87	34.40	N. 11°21'04" E.
1.62	34.40	S. 20°21'04" E.	1.88	34.40	N. 11°21'04" E.
1.63	183.00	N. 87°21'04" E.	1.89	34.40	N. 11°21'04" E.
1.64	34.40	S. 20°21'04" E.	1.90	34.40	N. 11°21'04" E.
1.65	34.40	S. 20°21'04" E.	1.91	34.40	N. 11°21'04" E.
1.66	34.40	S. 20°21'04" E.	1.92	34.40	N. 11°21'04" E.
1.67	34.40	S. 20°21'04" E.	1.93	34.40	N. 11°21'04" E.
1.68	34.40	S. 20°21'04" E.	1.94	34.40	N. 11°21'04" E.
1.69	34.40	S. 20°21'04" E.	1.95	34.40	N. 11°21'04" E.
1.70	34.40	S. 20°21'04" E.	1.96	34.40	N. 11°21'04" E.
1.71	34.40	S. 20°21'04" E.	1.97	34.40	N. 11°21'04" E.
1.72	34.40	S. 20°21'04" E.	1.98	34.40	N. 11°21'04" E.
1.73	34.40	S. 20°21'04" E.	1.99	34.40	N. 11°21'04" E.
1.74	34.40	S. 20°21'04" E.	2.00	34.40	N. 11°21'04" E.
1.75	34.40	S. 20°21'04" E.	2.01	34.40	N. 11°21'04" E.
1.76	34.40	S. 20°21'04" E.	2.02	34.40	N. 11°21'04" E.
1.77	34.40	S. 20°21'04" E.	2.03	34.40	N. 11°21'04" E.
1.78	34.40	S. 20°21'04" E.	2.04	34.40	N. 11°21'04" E.
1.79	34.40	S. 20°21'04" E.	2.05	34.40	N. 11°21'04" E.
1.80	34.40	S. 20°21'04" E.	2.06	34.40	N. 11°21'04" E.
1.81	34.40	S. 20°21'04" E.	2.07	34.40	N. 11°21'04" E.
1.82	34.40	S. 20°21'04" E.	2.08	34.40	N. 11°21'04" E.
1.83	34.40	S. 20°21'04" E.	2.09	34.40	N. 11°21'04" E.
1.84	34.40	S. 20°21'04" E.	2.10	34.40	N. 11°21'04" E.
1.85	34.40	S. 20°21'04" E.	2.11	34.40	N. 11°21'04" E.
1.86	34.40	S. 20°21'04" E.	2.12	34.40	N. 11°21'04" E.
1.87	34.40	S. 20°21'04" E.	2.13	34.40	N. 11°21'04" E.
1.88	34.40	S. 20°21'04" E.	2.14	34.40	N. 11°21'04" E.
1.89	34.40	S. 20°21'04" E.	2.15	34.40	N. 11°21'04" E.
1.90	34.40	S. 20°21'04" E.	2.16	34.40	N. 11°21'04" E.
1.91	34.40	S. 20°21'04" E.	2.17	34.40	N. 11°21'04" E.
1.92	34.40	S. 20°21'04" E.	2.18	34.40	N. 11°21'04" E.
1.93	34.40	S. 20°21'04" E.	2.19	34.40	N. 11°21'04" E.
1.94	34.40	S. 20°21'04" E.	2.20	34.40	N. 11°21'04" E.
1.95	34.40	S. 20°21'04" E.	2.21	34.40	N. 11°21'04" E.
1.96	34.40	S. 20°21'04" E.	2.22	34.40	N. 11°21'04" E.
1.97	34.40	S. 20°21'04" E.	2.23	34.40	N. 11°21'04" E.
1.98	34.40	S. 20°21'04" E.	2.24	34.40	N. 11°21'04" E.
1.99	34.40	S. 20°21'04" E.	2.25	34.40	N. 11°21'04" E.
2.00	34.40	S. 20°21'04" E.	2.26	34.40	N. 11°21'04" E.
2.01	34.40	S. 20°21'04" E.	2.27	34.40	N. 11°21'04" E.
2.02	34.40	S. 20°21'04" E.	2.28	34.40	N. 11°21'04" E.
2.03	34.40	S. 20°21'04" E.	2.29	34.40	N. 11°21'04" E.
2.04	34.40	S. 20°21'04" E.	2.30	34.40	N. 11°21'04" E.
2.05	34.40	S. 20°21'04" E.	2.31	34.40	N. 11°21'04" E.
2.06	34.40	S. 20°21'04" E.	2.32	34.40	N. 11°21'04" E.
2.07	34.40	S. 20°21'04" E.	2.33	34.40	N. 11°21'04" E.
2.08	34.40	S. 20°21'04" E.	2.34	34.40	N. 11°21'04" E.
2.09	34.40	S. 20°21'04" E.	2.35	34.40	N. 11°21'04" E.
2.10	34.40	S. 20°21'04" E.	2.36	34.40	N. 11°21'04" E.
2.11	34.40	S. 20°21'04" E.	2.37	34.40	N. 11°21'04" E.
2.12	34.40	S. 20°21'04" E.	2.38	34.40	N. 11°21'04" E.
2.13	34.40	S. 20°21'04" E.	2.39	34.40	N. 11°21'04" E.
2.14	34.40	S. 20°21'04" E.	2.40	34.40	N. 11°21'04" E.
2.15	34.40	S. 20°21'04" E.	2.41	34.40	N. 11°21'04" E.
2.16	34.40	S. 20°21'04" E.	2.42	34.40	N. 11°21'04" E.
2.17	34.40	S. 20°21'04" E.	2.43	34.40	N. 11°21'04" E.
2.18	34.40	S. 20°21'04" E.	2.44	34.40	N. 11°21'04" E.
2.19	34.40	S. 20°21'04" E.	2.45	34.40	N. 11°21'04" E.
2.20	34.40	S. 20°21'04" E.	2.46	34.40	N. 11°21'04" E.
2.21	34.40	S. 20°21'04" E.	2.47	34.40	N. 11°21'04" E.
2.22	34.40	S. 20°21'04" E.	2.48	34.40	N. 11°21'04" E.
2.23	34.40	S. 20°21'04" E.	2.49	34.40	N. 11°21'04" E.
2.24	34.40	S. 20°21'04" E.	2.50	34.40	N. 11°21'04" E.
2.25	34.40	S. 20°21'04" E.	2.51	34.40	N. 11°21'04" E.
2.26	34.40	S. 20°21'04" E.	2.52	34.40	N. 11°21'04" E.
2.27	34.40	S. 20°21'04" E.	2.53	34.40	N. 11°21'04" E.
2.28	34.40	S. 20°21'04" E.	2.54	34.40	N. 11°21'04" E.
2.29	34.40	S. 20°21'04" E.	2.55	34.40	N. 11°21'04" E.
2.30	34.40	S. 20°21'04" E.	2.56	34.40	N. 11°21'04" E.
2.31	34.40	S. 20°21'04" E.	2.57	34.40	N. 11°21'04" E.
2.32	34.40	S. 20°21'04" E.	2.58	34.40	N. 11°21'04" E.
2.33	34.40	S. 20°21'04" E.	2.59	34.40	N. 11°21'04" E.
2.34	34.40	S. 20°21'04" E.	2.60	34.40	N. 11°21'04" E.
2.35	34.40	S. 20°21'04" E.	2.61	34.40	N. 11°21'04" E.
2.36	34.40	S. 20°21'04" E.	2.62	34.40	N. 11°21'04" E.
2.37	34.40	S. 20°21'04" E.	2.63	34.40	N. 11°21'04" E.
2.38	34.40	S. 20°21'04" E.	2.64	34.40	N. 11°21'04" E.
2.39	34.40	S. 20°21'04" E.	2.65	34.40	N. 11°21'04" E.
2.40	34.40	S. 20°21'04" E.	2.66	34.40	N. 11°21'04" E.
2.41	34.40	S. 20°21'04" E.	2.67	34.40	N. 11°21'04" E.
2.42	34.40	S. 20°21'04" E.	2.68	34.40	N. 11°21'04" E.
2.43	34.40	S. 20°21'04" E.	2.69	34.40	N. 11°21'04" E.
2.44	34.40	S. 20°21'04" E.	2.70	34.40	N. 11°21'04" E.
2.45	34.40	S. 20°21'04" E.	2.71	34.40	N. 11°21'04" E.
2.46	34.40	S. 20°21'04" E.	2.72	34.40	N. 11°21'04" E.
2.47	34.40	S. 20°21'04" E.	2.73	34.40	N. 11°21'04" E.
2.48	34.40	S. 20°21'04" E.	2.74	34.40	N. 11°21'04" E.
2.49	34.40	S. 20°21'04" E.	2.75	34.40	N. 11°21'04" E.
2.50	34.40	S. 20°21'04" E.	2.76	34.40	N. 11°21'04" E.
2.51	34.40	S. 20°21'04" E.	2.77	34.40	N. 11°21'04" E.
2.52	34.40	S. 20°21'04" E.	2.78	34.40	N. 11°21'04" E.
2.53	34.40	S. 20°21'04" E.	2.79	34.40	N. 11°21'04" E.
2.54	34.40	S. 20°21'04" E.	2.80	34.40	N. 11°21'04" E.
2.55	34.40	S. 20°21'04" E.	2.81	34.40	N. 11°21'04" E.
2.56	34.40	S. 20°21'04" E.	2.82	34.40	N. 11°21'04" E.
2.57	34.40	S. 20°21'04" E.	2.83	34.40	N. 11°21'04" E.
2.58	34.40	S. 20°21'04" E.	2.84	34.40	N. 11°21'04" E.
2.59	34.40	S. 20°21'04" E.	2.85	34.40	N. 11°21'04" E.
2.60	34.40	S. 20°21'04" E.	2.86	34.40	N. 11°21'04" E.
2.61	34.40	S. 20°21'04" E.	2.87	34.40	N. 11°21'04" E.
2.62	34.40	S. 20°21'04" E.	2.88	34.40	N. 11°21'04" E.
2.63	34.40	S. 20°21'04" E.	2.89	34.40	N. 11°21'04" E.
2.64	34.40	S. 20°21'04" E.	2.90	34.40	N. 11°21'04" E.
2.65	34.40	S. 20°21'04" E.	2.91	34.40	N. 11°21'04" E.
2.66	34.40	S. 20°21'04" E.	2.92	34.40	N. 11°21'04" E.
2.67	34.40	S. 20°21'04" E.	2.93	34.40	N. 11°21'04" E.
2.68	34.40	S. 20°21'04" E.	2.94	34.40	N. 11°21'04" E.
2.69	34.40	S. 20°21'04" E.	2.95	34.40	N. 11°21'04" E.
2.70	34.40	S. 20°21'04" E.	2.96	34.40	N. 11°21'04" E.
2.71	34.40	S. 20°21'04" E.	2.97	34.40	N. 11°21'04" E.
2.72	34.40	S. 20°21'04" E.	2.98	34.40	N. 11°21'04" E.
2.73	34.40	S. 20°21'04" E.	2.99	34.40	N. 11°21'04" E.
2.74	34.40	S. 20°21'04" E.	3.00	34.40	N. 11°21'04" E.

100 FT. RADIUS POLLUTION FREE ZONE



SYMBOLS
 REF. TO PLAT OR RECORD NUMBER

NOTES
 1. REFER TO PLAT OR RECORD NUMBER FOR ALL STATE PLANS AND RECORDS.

REFERENCE PLATS
 1. ALTA/DAVIS LAND SURVEY OF WOOD CREEK TRACT, A SECTION OF JENNINGS ISLAND, ADAMS ISLAND, BEAUFORT COUNTY, SOUTH CAROLINA. DRAWN: 12/16/83. RECORDED IN BOOK 48, PAGE 51, DATED 12/23/83. 800. BEAUFORT COUNTY, SC.

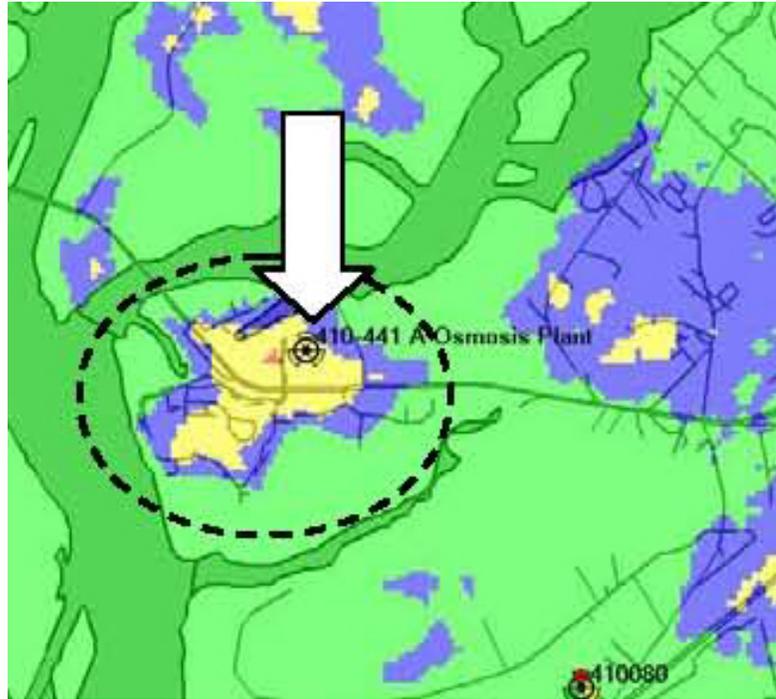
2. TOMMY S. HANCOCK, S.E. & L.S. NO. 11558. A COMPOSITE PLAT OF BEAUFORT HARBOR, DRAWN: 4/28/83. LAST REVISION: 8/23/83. RECORDED IN BOOK 31, PAGE 153. 800. BEAUFORT COUNTY, SC.

3. J.M. WILLIAMS F. SC. & L.S. NO. 7626. PROPERTY AREA - 85.59 AC. 3,728,039 S.F. (TOTAL). DISTRICT: 501, MAP: 6, PARCEL: 1. THIS PROPERTY LIES IN F.E.M.A. ZONE MB (BASE FLOOD ELEVATION = 15.0'). COMMUNITY NO. 450025, PANEL: 01150, DATED: 9/29/85.

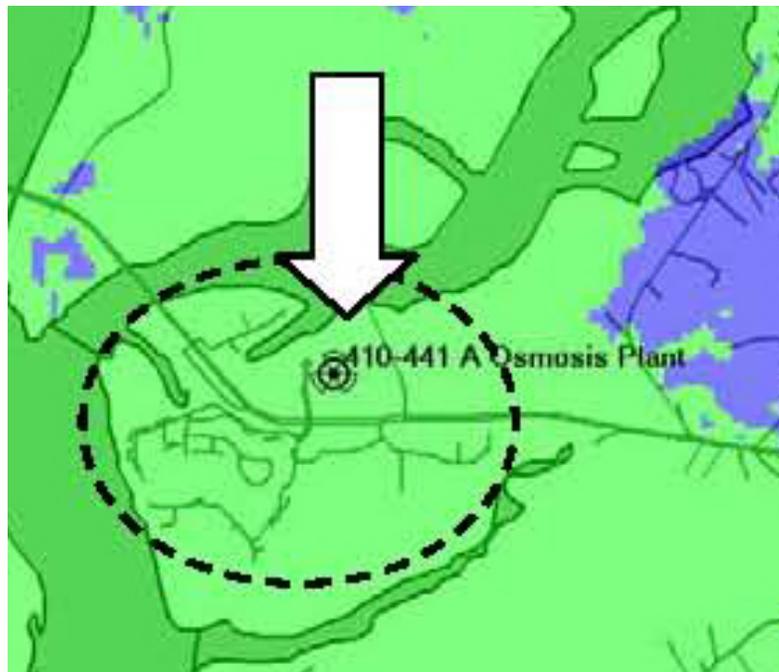
</

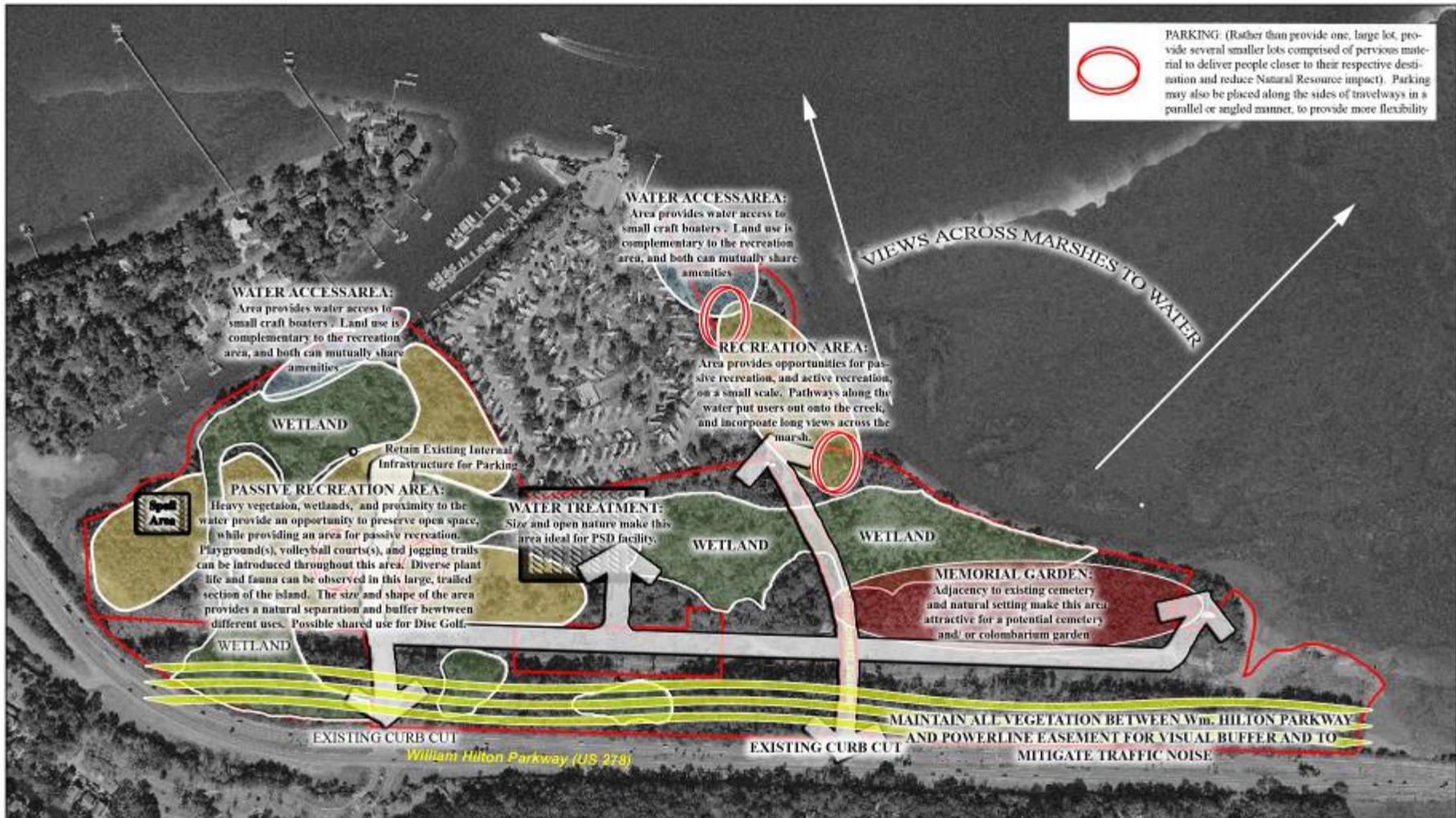
Attachment C

Before Jenkins Island Tower
Green indicates good coverage.



After Jenkins Island Tower
Green indicates good coverage.





MEMORANDUM

TO: Town Council

FROM: Stephen G. Riley, CM, Town Manager

RE: Proposed Ordinance Number 2011-25/Execution of a Lease Amendment with the Museum-Chamber Partnership

DATE: September 8, 2011

CC: Gregory D. DeLoach, Esq., Assistant Town Manager for Administration
Brian E. Hulbert, Esq., Staff Attorney

Recommendation: Staff requests that Town Council approve the Proposed Ordinance Number 2011-25, authorizing the execution of a lease amendment with the Museum-Chamber Partnership.

Summary: This Ordinance would authorize the Mayor and the Town Manager to execute a lease amendment with the Museum-Chamber Partnership for Town property which is located at 100 William Hilton Parkway, where the Welcome Center is located. The lease amendment would extend the current lease by one year, keep the rent at a rate of one dollar per month for this additional period, and extend until October 2, 2012 the period in which the Chamber has to obtain approval from the Town for a redevelopment plan.

Background: The Town currently has in place a lease with the Museum-Chamber Partnership for Town owned property located at 100 William Hilton Parkway, where the Welcome Center is located. The Museum-Chamber Partnership entered into a lease with the Town to use the property on October 2, 2008 for a term of three years. On August 16, 2011 the Chamber of Commerce requested a one year extension to obtain redevelopment approval. The need for additional time is a result of the poor economic conditions in the local area in the past few years. The proposed lease amendment would allow the Museum-Chamber Partnership to continue to use the property for an additional year at the same rate and give them until October 2, 2012 to obtain approval from the Town for a redevelopment plan. The remaining terms of the lease would remain the same.



HILTON HEAD ISLAND • BLUFFTON
CHAMBER OF COMMERCE

RECEIVED
AUG 16 2011

BY: *[Signature]*

Serving the South Carolina Lowcountry

August 16, 2011

Mr. Steve Riley
Town Manager - Town of Hilton Head Island
1 Town Center Court
Hilton Head Island, SC 29928

Dear Steve:

Per the purchase agreement signed on October 2, 2008, the Hilton Head Island-Bluffton Chamber of Commerce has been working on a plan to redevelop the property at 100 William Hilton Parkway. Since that time, however, there has been a drastic change in the overall economic climate, and specifically, the commercial lending market.

Consequently, the Board made a decision to scale down the project from \$3.5 - \$4.0 million to \$2.5M - \$3.0 million, essentially reducing the cost by \$1 million. To accomplish this goal, while still developing a quality product, the project's three structures were reduced in square footage by almost 2,000 square feet. Originally, we anticipated the footprint of the building would be approximately 6,000 square feet plus a second story meeting space. Currently, the project is designed with 2,960 s.f. on the main floor, 900 s.f. in meeting space, 640 s.f. for restrooms and 640 s.f. for a commercial kitchen/storage, for a total of 5,140 square feet. In addition, we also developed a "second phase" that includes upgraded technology/exhibits, a 100 foot long dock, commercial kitchen equipment, and the construction of an "icon" (if deemed appropriate). The second phase will be dependent upon visitor demand, operational necessity and funding.

Funding limitations aside, our vision for the site remains the same as it did when we began the process: to develop a state-of-the-art, environmentally friendly welcome center that appropriately represents Hilton Head Island and the entire Hilton Head Region. The facility will become a "one stop" resource for all the area's offerings & events for visitors and residents with the anticipation that both will continually return to utilize the facility as a helpful and unmatched resource. The ultimate goal is for the welcome center to be designed so that it not only appropriately represents and informs patrons about Hilton Head Island and the Lowcountry in the short term, but becomes an iconic stand-alone attraction far into the future.

Progress to date:

- The chamber's Board of Directors designated a building task force to select an architect and oversee development of a preliminary plan. The task force held several innovation meetings with community business leaders, board/staff

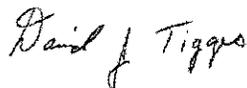
members, and other key stakeholders to work in concert with KRA, Inc., an architectural firm based in Bluffton, SC.

- The chamber submitted a **tentative** redevelopment plan to the Town that “substantially addressed all redevelopment goals” on September 29, 2009.
- The chamber and KRA made a presentation to the Town’s Design Review Board on January 25, 2011. Overall, comments were positive, especially regarding the “story line” of the building. As with any new project, there were several design recommendations made by the committee for our consideration. Since a formal motion to accept the project was not made, the chamber will have to make a second presentation to the board at some point.

At this time, the chamber is requesting a one year extension to obtain redevelopment approval (from October 2, 2011 to October 2, 2012) as we have not felt it prudent to begin a fundraising campaign in such an economically challenging environment. Over the next 14 months, we intend to finalize the plan based on the input of key stakeholders (including the Town) and solidify our financing strategy.

Thank you for your consideration and we look forward to hearing your thoughts.

Sincerely yours,



David J. Tigges
Chairman of the Board



William G. Miles, IOM, CCE
President & CEO

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND

ORDINANCE NO.

PROPOSED ORDINANCE NO. 2011-25

AN ORDINANCE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, AUTHORIZING THE EXECUTION OF AN AMENDMENT TO LEASE WITH THE MUSEUM-CHAMBER PARTNERSHIP FOR PROPERTY OWNED BY THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, PURSUANT TO THE AUTHORITY OF S.C. CODE ANN. SEC. 5-7-40 (SUPP. 2010), AND SEC. 2-7-20, CODE OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA, (1983); AND PROVIDING FOR SEVERABILITY AND AN EFFECTIVE DATE.

WHEREAS, the Town of Hilton Head Island, South Carolina, owns a parcel of real property which is located at 100 William Hilton Parkway, Hilton Head Island, South Carolina; and

WHEREAS, the Museum-Chamber Partnership desires to continue to use and occupy Town Property located at 100 William Hilton Parkway, Hilton Head Island, South Carolina; and

WHEREAS, the Town Council for the Town of Hilton Head Island, South Carolina has determined that it is in the best interests of the Town to extend the Lease Agreement with the Museum-Chamber Partnership for its continued use and occupation of Town Property located at 100 William Hilton Parkway, Hilton Head Island, South Carolina.

NOW, THEREFORE, BE IT ORDERED AND ORDAINED BY THE TOWN COUNCIL OF THE TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA; AND ITS IS ORDAINED BY THE AUTHORITY OF THE SAID TOWN COUNCIL:

Section 1 Execution of Lease.

- (a) The Mayor and Town Manager are hereby authorized to execute and deliver the Lease Amendment, which is attached hereto as Exhibit "A", to the "Lease" which is attached hereto as Exhibit "B"; and
- (b) The Mayor and Town Manager are hereby authorized to take such other and further actions as may be necessary to complete the execution of the Lease Amendment as authorized hereby.

Section 2 Severability. If any section, phrase, sentence, or portion of this Ordinance is for any reason held invalid or unconstitutional by any court of competent jurisdiction, such portion shall be deemed a separate, distinct, and independent provision, and such holding shall no affect the validity of the remaining portions thereof.

Section 3 Effective Date. This Ordinance shall be effective upon adoption thereof by the Town Council for the Town of Hilton Head Island, South Carolina.

**PASSED, APPROVED, AND ADOPTED BY THE COUNCIL FOR THE TOWN OF
HILTON HEAD ISLAND ON THIS _____ DAY OF _____, 2011**

**By: _____
Drew A. Laughlin, Mayor**

ATTEST:

**By: _____
Cori Brock, Town Clerk**

**First Reading: _____
Second Reading: _____**

APPROVED AS TO FORM:

Gregory M. Alford, Town Attorney

Introduced by Council Member: _____

permanent easement, or in the alternative, grant of parking easement to the adjacent property owner (currently the Crazy Crab restaurant); iv) consolidation of the entry for the Premises and the Crazy Crab; and v) reserving acreage for the expansion of Highway 278 from four (4) lanes to six (6) lanes. The Landlord and Chamber shall proceed in good faith to accomplish the Redevelopment Goals. The Landlord acknowledges that the Chamber will have to obtain financing to fund the Redevelopment Plan and agrees to cooperate with the lender's reasonable requests.

The Chamber understands and acknowledges that it will have to obtain from the Landlord certain development plan approvals, building permits, and other approvals as provided for under the Town of Hilton Head Island Municipal Code and Land Management Ordinance, along with the approval by Town Council of the overall exterior appearance and aesthetics of the new welcome center facility as proposed in the Redevelopment Plan (such redevelopment approvals, permits and Town Council approval are collectively referred to as the "Redevelopment Approval"). Upon obtaining the Redevelopment Approval in accordance with all terms and conditions set forth in this Article 30, the Chamber shall have the right to lease the Premises from the Town for an additional period under the Chamber-Town Lease attached hereto as Exhibit "B"; provided that the Town and the Chamber shall not enter into the Chamber-Town Lease until such time as the Museum has vacated the Premises. In the event the Chamber is unable to obtain the Redevelopment Approval prior to the expiration of the Term of the within Lease, the Chamber shall have two (2) one (1) year options to lease the Premises from the Town. The rent for such additional terms shall be Two Thousand and no/100 (\$2,000.00) per month. The Chamber shall be responsible for all maintenance, repairs, utilities, insurance, taxes and all other such expenses in conjunction with the Premises during such additional terms and shall further occupy, maintain and possess the Premises during such additional terms under the terms, conditions, provisions and standards as set forth throughout the within Lease. The Town shall have no obligation to enter into the Chamber-Town Lease in the event the Chamber fails to obtain the Redevelopment Approval by the expiration of the option terms as provided for in this Article.

All other terms and conditions as set forth in the original Lease Agreement and remain in binding upon all parties.

IN WITNESS WHEREOF, the parties hereto have caused the within Addendum to be executed this _____ day of _____, 2011.

Witnesses:

Landlord:

The Town of Hilton Head Island

By: _____

Drew A. Laughlin, Mayor

Attest: _____

Stephen G. Riley, CM, Town Manager

Witnesses:

Tenant:

The Museum-Chamber Partnership

By: Hilton Head Island-Bluffton Chamber
of Commerce

By: _____
William G. Miles, President

By: Coastal Discovery Museum

By: _____
Michael Marks, President

Notice to Landlord: Stephen G. Riley, Town Manager
The Town of Hilton Head Island, South Carolina
One Town Center Court
Hilton Head Island, SC 29928

In the event of any conflict between the foregoing Summary and the balance of the Lease, the latter shall control.

B. Description and Location of the Premises.

Landlord hereby demises and leases unto Tenant, and Tenant hereby rents, hires and takes the Premises of and from Landlord, for the Term, upon the provisions, covenants and conditions herein set forth, the Premises, together with any improvements thereon, described on EXHIBIT "A" hereto. Tenant acknowledges that during the last two years of this Lease, Landlord may sell or grant a parking easement over a portion of the Premises described on the attached EXHIBIT "A" to a third party and may further redesign the ingress/egress route to the Premises, which redesign may encompass the closure of both existing curb cuts onto U.S. Highway 278 from the Premises as well as the creation of a new curb cut to be shared by adjacent property owners, and may impose setbacks or other restrictions on the Premises; accordingly, Landlord shall have the right at its sole discretion to delete and remove from the Premises any such portion to be sold or utilized for redesigned ingress/egress. Landlord warrants that it shall give written notice to Tenant of any deletion or removal hereunder, and that no portion of the Welcome Center building shall be deleted or removed hereunder and that no such deletion, removal or easement grant shall materially impact the Welcome Center building or deny all means of access thereto. Provided, however, the Landlord and Chamber shall proceed in good faith and shall abide by the "Redevelopment Goals" as hereafter defined in Article 30. Unless otherwise agreed to by the parties, it is understood and agreed that redevelopment will not commence until this Lease terminates. Tenant further acknowledges that it shall have no claim or entitlement to any monetary proceeds generated from any sale or grant of easement by Landlord as contemplated hereinabove.

ARTICLE 2

TERM

A. Duration and Commencement.

The Term of this Lease shall be for (3) three years, commencing on October 2, 2008 (hereinafter sometimes referred to as the "Commencement Date"), and ending on October 2, 2011 (hereinafter sometimes referred to as the "Termination Date"). The term of the Lease shall be three (3) years, subject to the option rights of the Chamber for an additional term as set forth in Article 30 herein.

ARTICLE 3

RENT

A. Rent.

Tenant are jointly and severally liable for rent and shall pay One Dollar (\$1.00) to Landlord as rental for the Premises beginning October 2, 2008 and continuing throughout the remaining Term of this Lease the "Rent" without prior demand therefore and without any deduction or setoff whatever, in the amounts set forth in Article 1(A), above.

Tenant shall pay to Landlord at the times and in the matter herein set forth the Rent specified

above for the Premises beginning on the Commencement Date and thereafter throughout the Term hereof.

B. Time and Manner of Payment of Rent.

The Rent shall be paid in full, in advance beginning on the 2nd day of October, 2008.

C. Place of Payment.

The Rent shall be made payable to the Landlord and forwarded to the address listed in Paragraph A of Article 1.

D. Time is of the Essence.

Time is of the essence of the Tenant's obligation to pay Rent as herein set forth.

ARTICLE 4
POSSESSION OF PREMISES

A. Acceptance of Premises.

Tenant shall, by entering into and occupying the Premises, be deemed to have accepted the Premises and to have acknowledged that the same are then in the condition called for by this Lease. Tenant acknowledges that it is relying solely on its own knowledge with respect to the condition of the Premises. Tenant further acknowledges that it has been in possession of the Premises prior to the execution and delivery of this Lease and Tenant acknowledges that it is in a superior position to know the condition of the Premises, and that Tenant is not relying on the Landlord to disclose or advise Tenant with respect to the condition of the Premises.

TENANT ACKNOWLEDGES THAT LANDLORD MAKES NO WARRANTIES, EXPRESS OR IMPLIED, AS TO THE CONDITION OF THE PREMISES OR THE FITNESS OF THE PREMISES FOR ANY PARTICULAR PURPOSE, INCLUDING TENANT'S INTENDED USE OF THE PREMISES. TENANT ACKNOWLEDGES THAT ACCEPTANCE OF LANDLORD'S DISCLAIMER OF WARRANTIES IS A MATERIAL TERM OF THIS LEASE WITHOUT WHICH LANDLORD WOULD NOT ENTER INTO THIS LEASE.

B. Surrender of the Premises.

Upon the expiration or sooner termination of the Term of this Lease, Tenant shall remove any of Tenant's personal property from the Premises. In the event Tenant shall fail to remove any of Tenant's personal property as provided herein, Landlord may, but is not obligated to, at Tenant's expense, remove all Tenant's personal property not so removed, and Landlord shall have no liability to Tenant for any loss or damage to Tenant's personal property caused by or resulting from such removal or otherwise. The Tenant shall vacate and surrender the Premises within three (3) years of the date of the execution of this Lease or the Chamber shall vacate and surrender at the end of any option for an additional term as set forth in Article 30 below.

ARTICLE 5
USE OF THE PREMISES

A. Permitted Uses.

Tenant acknowledges that the Premises shall be used only for the operation of the Welcome Center as defined in Article IA above and for no other purpose.

B. Rules, Regulations and Restrictions.

Tenant shall at all times during the Term of this Lease, at their joint and several cost and expense:

(1) Furnish, install and maintain on the Premises of Tenant's personal property deemed necessary by Tenant for the Tenant's use of the Premises;

(2) Maintain the Premises, in a clean, neat, safe, sanitary and orderly condition, it being understood that no use shall be made or permitted of the Premises or any part thereof, nor any acts done, which will violate, make inoperative, or otherwise impair any insurance policy at any time held by or in any way for the benefit of Landlord pursuant to any provision of this Lease;

(3) Tenant shall not sell, or suffer or permit to be stored kept, used or sold in, upon or about the Premises, any gasoline, distillate, any substance defined as a "Hazardous Substance" under any Federal, State or Local law, ordinance or regulation, or any other substance or material of an explosive, inflammable or radiological nature which may contaminate or endanger any part of the Premises, any structure or building on the Premises, or any person on or about the Premises, or which would present any unusual fire, explosion or other damaging or dangerous hazard; and, Tenant shall, at their joint and several cost and expense, cause the removal and clean up of any hazardous substance existing stored on the Premises or allowed to contaminate the Premises by Tenant ;

(4) Comply with all governmental rules, regulations, ordinances, statutes and laws now or hereafter in effect pertaining to the Premises or Tenant ' use thereof;

(5) Refrain from dumping, disposal, reduction, incineration or other burning of any trash papers, refuse or garbage of any kind in or about the Premises, or in any structure or building located on the Premises; other than in the normal course of business.

(6) Refrain from storing any trash or garbage on the Premises, or creating or permitting the creation of any health or fire hazard on the Premises;

(7) Refrain from committing or suffering to be committed any waste upon, or any unlawful, improper or offensive use of, the Premises, or any public or private nuisance or act or thing upon the Premises or any structure or building on the Premises;

(8) Maintain the Premises so as to maintain compliance with and remain in compliance with all local ordinances promulgated by the Town of Hilton Head Island, South Carolina, or any other applicable Federal, State, or local statute, ordinance, law, rule or regulation concerning the Premises.

C. Prohibited Operations.

No use or operation will be made, conducted or permitted on or with respect to all or any part of the Premises, which is obnoxious or a nuisance, including but not limited to the following:

Any noise or sound that is objectionable due to intermittence, beat, frequency, shrillness or

loudness; any obnoxious odor; any noxious, toxic, caustic or corrosive fuel or gas; any dust, dirt or fly ash in excessive quantities; any smelting, agriculture or mining operations; any drilling for and/or removal of subsurface substances; and any fire or bankruptcy sale or auction house operation.

D. General Authority.

In addition to the foregoing, Tenant shall at all times during the Term hereof comply with all other reasonable rules and regulations which Landlord may at any time or from time to time establish concerning the use of the Premises; provided however, that any such rule or regulation so made shall not be inconsistent with any part of this Lease, and shall not unreasonably interfere with Tenant's use and enjoyment of the Premises.

ARTICLE 6
REPAIRS AND MAINTENANCE

A. Tenant shall be responsible for paying the total costs for operating and repair of the existing building improvements located at the Premises. Landlord and Tenant acknowledge that the existing building improvements located at the Premises will be demolished shortly after the end of the Term of this Lease; accordingly the Landlord and Tenant further acknowledge that the decision of the Tenant as to any necessary repairs will be undertaken at the lowest reasonable cost based solely upon the purpose of making and keeping the Premises usable for its current uses for the remainder of the term of this Lease; provided, however, that the Tenant will keep and maintain the Premises and building in a clean, neat, safe, sanitary and orderly condition, so that the Premises are usable for the current purposes for the remainder of the Term of this Lease. Tenant acknowledges that Landlord shall be under no obligation to make any repairs or perform any maintenance of the Premises either prior to the commencement of this Lease, or at any time during the Term of this Lease. Tenant acknowledges that Tenant shall be responsible for the cost of making any necessary repairs to the Premises, including any of the structural, electrical, plumbing or mechanical components thereof, subject to the repair standard stated above, for and during the Term of this Lease. Tenant acknowledges that is accepting the Premises, AS IS, WHERE IS, AND WITH NO WARRANTY OF ANY NATURE, EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY WITH RESPECT TO FITNESS OF THE PREMISES FOR ANY PURPOSE OR ANY PARTICULAR PURPOSE INCLUDING, WITHOUT LIMITATION, TENANT'S INTENDED USE OF THE PREMISES.

B. Tenant shall, at its sole cost and expense, at all times during the Term hereof, keep and maintain the Premises and any of the structural, electrical, plumbing or mechanical components thereof, in good, safe and sanitary order, condition and repair, and in compliance with all laws and regulations applicable thereto, subject to the repair standard set forth in Section A. above.

ARTICLE 7
ALTERATIONS

Tenant shall not make or suffer to be made any changes, alterations or additions to the Premises or any part thereof without plans therefore being provided to Landlord in advance of commencement of such work for Landlord's review and approval. If, during the Term hereof, any change, alteration, addition or correction shall be required by any law, rule or regulation of any governmental authority to be made in or to the Premises or any portion thereof, Landlord shall first give written consent thereto and any such change, alteration, addition or correction shall then be made by Tenant at its sole cost and expense. Notice is hereby given that no mechanic's, materialmen's or other lien sought to be taken on the Premises shall in any manner affect the right, title or interest of Landlord therein.

ARTICLE 8
INSURANCE AND RELEASE

A. Release of Liability and Indemnity.

Tenant covenants with Landlord that Landlord shall not be liable for any damage or liability of any kind or for any injury to or death of persons or damage to the Premises, the property of Tenant or any other person during the Term of this Lease from any cause whatsoever, by reason of the use, occupancy and enjoyment of the Premises by Tenant. Tenant acknowledges that use of the Premises and any structure or building on the Premises is under the sole and exclusive control of Tenant. Tenant, for itself, its heirs, successors, invitees, assigns, sub-Tenants, employees, administrators, guests, family members and executors, warrants and covenants not to sue Landlord for, and agrees to indemnify and hold Landlord from, any claim arising from any death, injury, or other claim, or any other matter or thing arising out of, or in connection with, any use by Tenant or Tenant's heirs, invitees, assigns, sub-Tenants, employees, administrators, guests, users of the services offered by Tenant, or its family members and executors or assigns, of the Premises or any structure or building on the Premises. Tenant acknowledges that this release of liability, indemnity and covenant not to sue is a material term of this Lease without which Landlord would not enter into the same.

B. Insurance.

Tenant further covenants and agrees that from and after the delivery of the Premises by Landlord to Tenant, Tenant will carry and maintain, at its sole cost and expense, the following types of insurance, in the amounts specified and in the form hereinafter provided for:

(1) Public Liability and Property Damage. Comprehensive general public liability and property damage insurance, with a combined bodily injury, death and property damage limits, per occurrence, of ONE MILLION (\$1,000,000.00) DOLLARS, insuring against any and all liability of the insured with respect to said Premises, or arising out of the maintenance, use or occupancy thereof. All such bodily injury liability insurance and property damage liability insurance shall specifically insure the performance by Tenant of the indemnity provisions as to liability for injury to or death of persons and injury or damage to property contained in this Article.

(2) Structural Hazard and Flood Insurance. Comprehensive hazard, flood and wind and hail insurance insuring against any loss or damage occurring to the Welcome Center building located on the Premises in an amount equal to, but not to exceed, 25% of the value of structures located on the Premises.

(3) Landlord Not To Provide Insurance. Landlord shall have no responsibility to provide insurance coverage for Tenant or any property of Tenant or any structures located on the Premises.

(4) Policy Form. All policies of insurance provided for herein shall be issued by insurance companies with general policyholders' rating not less than A, and a financial rating of AAA as rated in the most current available "Best's Insurance Reports", and qualified to do business in the State of South Carolina, and shall be issued in the names of Landlord, Tenant and such other persons or firms as Landlord specifies from time to time. Such policies shall be for the mutual and joint benefit and protection of Landlord, Tenant and others hereinabove mentioned, and executed copies of such policies of insurance or certificates thereof shall be delivered to Landlord within ten (10) days after delivery of possession of the Premises to Tenant and

thereafter within thirty (30) days prior to the expiration of the term of each such policy. All public liability and property damage policies shall contain a provision that Landlord, although named as an insured, shall nevertheless be entitled to recovery under said policies for any loss occasioned to it, its servants, agents and employees by reason of the negligence of Tenant. As often as any such policy shall expire or terminate, renewal or additional policies shall be procured and maintained by Tenant in like manner and to like extent. All policies of insurance delivered to Landlord must contain a provision that the company writing said policy will give to Landlord twenty (20) days' notice in writing in advance of any cancellation or lapse or the effective date of any reduction in the amounts of insurance. All public liability, property damage and other casualty policies shall be written as primary policies, not contributing with and not in excess of coverage which Landlord may carry.

(5) Failure of Tenant to Obtain. In the event that Tenant fails to procure and/or maintain any insurance required by this Article, or fails to carry insurance required by law or governmental regulation, Landlord may, but without obligation to do so, at any time or from time to time, and without notice, procure such insurance and pay the premiums therefore, in which event Tenant shall repay Landlord all sums so paid by Landlord, together with interest thereon as provided in Article 14 hereof, and any incidental costs or expenses incurred by Landlord in connection therewith, within ten (10) days following Landlord's written demand to Tenant for such payment.

ARTICLE 9

EMINENT DOMAIN

A. Eminent Domain/Whole Taking. In the event that the whole of the Premises is taken for public or quasi-public purposes by the government of the United States, the State of South Carolina, Beaufort County, or any government or power whatsoever, or should the whole of the Premises be condemned by any court, city, county, state or governmental authority or office, department or bureau of any city, county, state or United States, then in any such event this Lease shall terminate as of the date title to the Premises vests in the condemning authority. For the purposes hereof, such date of vesting in the condemnor shall operate as though it were the date originally intended by the parties for expiration of this Lease, and the rental shall be adjusted in light of the condemnation, so that Tenant shall pay rent to Landlord only up to the date of vesting in the condemnor. Any prepaid or advance rental paid by Tenant to Landlord for the part of the Term extending beyond the date on which title vests in the condemnor shall be refunded by Landlord to Tenant. Tenant shall not share in any condemnation awards.

B. Eminent Domain/Partial Taking. In the event that a portion of the Premises shall become subject to the exercise of the right of eminent domain, or of seizure or appropriation of space in the same, by lawful authority under the right of eminent domain, an untenable condition is created as hereinafter defined, the Tenant shall have the option to terminate this Lease; but if such an untenable condition is not thereby created, then rental shall abate pro rata according to any square footage seized or appropriated within the Premises. "Untenable" shall be deemed to mean such a condition as renders the Premises unsuitable for Tenant to make use thereof as contemplated herein.

ARTICLE 10

DAMAGE AND RESTORATION

A. Total or Partial Destruction. In the event more than twenty-five (25%) of the value of the structures located on the Premises are damaged by fire, explosion or other casualty or occurrence then this Lease and all obligations of either party to the other shall terminate, and under such circumstances, the length of time constituting the unexpired term of this Lease will be added to the term of the lease for the

Premises between the Landlord and the Chamber (as further contemplated in Article 30 hereinbelow) which Lease is attached hereto as Exhibit "B" (the "Chamber-Town Lease"), provided all other terms and conditions pertaining to the redevelopment of the Premises as set forth in Article 30 hereinbelow have been met and satisfied by the Chamber.

ARTICLE 11
ASSIGNMENT OR SUBLETTING

A. General Limitations.

Tenant may not, either voluntarily or by operation of law, sublet, assign, mortgage, hypothecate or encumber this Lease, or any interest in this Lease.

B. Effect of Violation.

Any assignment, mortgage, pledge, hypothecation, encumbrance, or subletting of this Lease, the leasehold estate hereby created, or the Premises or any portion thereof, either voluntarily or involuntarily, whether by operation of law or otherwise, or any other action by Tenant in violation of the restrictions set forth in this Article shall be null and void and shall, at the option of Landlord, shall terminate this Lease.

ARTICLE 12
DEFAULT BY TENANT

A. Notice of Termination; Landlord's Options.

In the event that:

(1) Tenant shall default in the payment of any sum of money required to be paid hereunder and such default continues for five (5) days after written notice thereof from Landlord to Tenant; or,

(2) Tenant shall default in the performance of any other provision, covenant or condition of this Lease on the Tenant to be kept and performed and such default continues for thirty (30) days after written notice thereof from Landlord to Tenant ;

then in any such event (and in addition to all other rights and remedies it may have according to this Lease or by law provided) Landlord, at its option, may declare the Term of this Lease ended and re-enter the Premises.

Pursuant to said right of re-entry, Landlord may remove all persons from the Premises using such force as may be necessary therefore and may, but shall not be obligated to, remove all property therefrom including but not limited to Tenant's property, and may, but shall not be obligated to, enforce any rights Landlord may have against said property, or store the same in any public or private warehouse or elsewhere at the cost and for the account of Tenant or the owners or owner thereof. If Landlord's right of re-entry is exercised following Tenant's vacating or abandoning the Premises, then Landlord may consider any personal property, belonging to Tenant and left on the Premises to have been abandoned also, in which case Landlord may dispose of all such personal property in any manner Landlord shall deem proper and is hereby relieved by Tenant of all liability for doing so.

If Tenant should vacate or abandon the Premises during the Term of this Lease, Landlord shall not be deemed to have terminated this Lease or the liability of Tenant to pay any rent or other sum of

money thereafter to accrue hereunder, or Tenant's liability for damages under any of the provisions hereof, as long as Landlord does not declare the Term of this Lease ended and/or terminate Tenant's right to possession. Under such circumstances (i.e., Tenant having vacated or abandoned the Premises) Landlord shall have the right, but not the obligation, to take reasonable measures to maintain and preserve the Premises, and to offer to relet the same; and acts of that nature shall not be deemed to constitute an election by Landlord to terminate the Lease or Tenant's right to possession thereunder.

B. Waiver of Default.

The waiver by Landlord of any default or breach of any of the provisions, covenants or conditions hereof on the part of Tenant to be kept and performed shall not be a waiver of any preceding or subsequent breach by Tenant of any provision, covenant or condition of this Lease, other than the failure of Tenant to pay the particular rent or other payment or portion thereof so accepted, regardless of Landlord's knowledge of such preceding breach at the time of acceptance of such rental or other payment.

ARTICLE 13
LIENS

A. Indemnification.

Tenant shall at all times indemnify, save and hold Landlord and the Premises free, clear and harmless from any claims, liens, demands, charges, encumbrances or litigation arising directly or indirectly out of any use, occupancy or activity of Tenant, its agents and employees, or out of any work performed, material furnished or obligations incurred by Tenant, its agents and employees, in, upon, about or otherwise in connection with the Premises, and shall, except as hereinafter permitted in this Article, pay or cause to be paid for all work performed and material furnished to the Premises or Landlord's reversionary estate therein, and will keep the Premises free and clear of all mechanic's liens and materialmen's liens.

B. Contest of Liens.

If Tenant desires to contest any claim of lien, it shall within thirty (30) days after the filing of the lien for record furnish Landlord with cash security in the amount of the claim of lien, plus estimated costs and interest, or shall furnish Landlord with a bond of a responsible corporate surety in the same amount conditioned upon the discharge of the lien. Nothing contained herein shall prevent Landlord, at the cost and for the account of Tenant's, from obtaining and filing a bond conditioned upon the discharge of such lien, in the event Tenant fails or refuses to furnish the same within said thirty (30) day period.

C. Satisfaction of Liens.

Immediately upon entry of final judgment in any such action in which Tenant contests any such claim of lien, and if such judgment shall establish the validity of the lien, or any part thereof, and within thirty (30) days after the filing of any lien for record which Tenant does not contest, Tenant shall fully pay and discharge such judgment or lien, as the case may be, and Tenant shall reimburse Landlord upon demand for any and all loss, damage and expense, including reasonable attorneys' fees, which Landlord may suffer or be put to by reason thereof. Nothing contained herein shall prevent Landlord, at the cost and for the account of Tenant, from satisfying any such judgment or lien, as the case may be, in the event Tenant fails or refuses to satisfy the same as herein provided.

D. Notice to Landlord.

Should any claim or lien be filed against the Premises, or any action or proceeding be instituted affecting the title to the Premises, Tenant shall give Landlord written notice thereof as soon as Tenant obtains knowledge thereof.

ARTICLE 14
INTEREST ON PAST DUE OBLIGATIONS

Whenever under any provision of this Lease Tenant shall be obligated to make any payment or expenditure, or to do any act or thing, or to incur any liability whatsoever, and Tenant fails, refuses or neglects to perform as herein required, Landlord shall be entitled but shall not be obligated to make any such payment or expenditure, or do any such act or thing, or to incur any such liability, all on behalf of and at the cost and for the account of Tenant, and in such event the amount thereof with interest thereon as hereinafter provided shall be deemed additional rental hereunder and shall be added to and deemed a part of the next installment of rent thereafter becoming due from Tenant to Landlord hereunder. Any amount due from Tenant to Landlord under this Lease which is not paid when due shall bear interest at the lower of the rate of eighteen (18%) percent per annum or the highest rate then allowed under the usury laws of the State of South Carolina from the date due until paid, unless otherwise specifically provided herein, but the payment of such interest shall not excuse or cure any default by Tenant under this Lease.

ARTICLE 15
FORCE MAJEURE

Whenever a day is appointed herein on which, or a period of time is appointed within which, either party hereto is required to do or complete any act, matter or thing, other than payment of performance of a financial obligation hereunder, the time for the doing or completion thereof shall be extended by a period of time equal to the number of days on or during which such party is prevented from, or is unreasonably interfered with, the doing or completion of such act, matter or thing because of strikes, lock-outs, embargoes, unavailability of labor or materials, wars, insurrections, rebellions, civil disorder, declaration of national emergencies, Acts of God or other causes beyond such party's reasonable control; provided, however, nothing contained in this Article shall excuse Tenant from the prompt payment of any rental or other charge required of Tenant hereunder except as may be expressly provided elsewhere in this Lease.

ARTICLE 16
SUBORDINATION

Tenant agrees upon request of Landlord to subordinate this Lease and its rights hereunder to the lien of any mortgage, ground lease, deed of trust, assignment of rights or any other encumbrance, together with any conditions, renewals, extensions or replacements hereof, now or hereafter placed, charged or enforced against the Landlord's interest in this Lease and the leasehold estate thereby created and the Premises and to deliver (but without cost to Tenant) at any time and from time to time upon demand by Landlord such documents as may be required to effectuate such subordination, and in the event that Tenant shall fail, neglect or refuse to execute and deliver any such document within ten (10) days after receipt of written notice so to do and the receipt by Tenant of the document to be executed by it, Tenant hereby irrevocably appoints Landlord, its successors and assigns, the attorney-in-fact of Tenant, to execute and deliver any and all such documents for and on behalf of Tenant; provided, however, that Tenant shall not be required to effectuate such subordination, nor shall Landlord be authorized to effect such subordination on behalf of Tenant, unless the mortgagee or beneficiary named in such mortgage, deed of trust or other encumbrance shall first agree in writing, for the benefit of Tenant, that so long as Tenant is not in default under any of the provisions, covenants or conditions of this Lease on the part of Tenant to be kept and performed, that neither this Lease nor any of the rights of Tenant hereunder shall be

terminated or modified or be subject to termination in modification, nor shall Tenant ' possession of the Premises be disturbed or interfered with, by any trustee's sale or by any action or proceeding to foreclose said mortgage, deed of trust or other encumbrances.

ARTICLE 17
TENANT CERTIFICATE

Tenant agrees that at any time and from time to time during the Term of this Lease, and within ten (10) days after demand therefore by Landlord, to execute and deliver to Landlord or to any proposed mortgagee, trustee, beneficiary or purchaser, a certificate in recordable form certifying that this Lease is in full force and effect, that the Lease is unmodified, or if modified state any such modifications, and that there are no defenses or offsets thereto, or stating such defenses or offsets as are claimed by Tenant , and the date to which all rentals have been paid.

ARTICLE 18
SALE OR ASSIGNMENT BY LANDLORD

A. Sale or Assignment by Landlord Permitted.

In accordance with the Redevelopment Goals (as defined in Article 30), the Landlord may (i) sell or transfer its interest in and to the fee of or grant a parking easement over all or any part of the Premises; or (ii) redesign the current ingress/egress route to the Premises and may impose setbacks or other restrictions on the Premises. Otherwise, no portion of the Premises shall be sold nor shall this Lease be assigned during the Term of this Lease, and no such sale, transfer or easement grant shall materially impact or affect the Welcome Center building .

B. Attornment.

Tenant hereby agrees to attorn to the assignee, transferee or purchaser of Landlord under any provision of this Article from and after the date of notice to Tenant of such assignment, transfer or sale, in the same manner and with the same force and effect as though this Lease were made, in the first instance, by and between Tenant and such assignee, transferee or purchaser, In the event of the exercise of the power sale under, or the foreclosure of, any deed of trust, mortgage or other encumbrance placed by Landlord against all or any portion of the Premises, Tenant shall upon demand attorn to the purchaser upon the effective date of any such sale or foreclosure of any such deed of trust, mortgage or other encumbrance, and shall recognize the purchaser or judgment creditor as the Landlord under this Lease.

C. Transfer of Landlord's Obligations.

The term "Landlord" as used in this Lease, so far as the covenants or obligations on the part of Landlord are concerned, shall be limited to mean and include only the owner or owners at the time in question of the fee of the Premises, and in the event of any transfer or conveyance of Landlord's title to such fee, other than by way of security only, Landlord herein named, except as hereinafter provided (and in case of any subsequent transfers or conveyance, except by way of security only, the then grantor), shall be automatically freed and relieved from and after the date of such transfer or conveyance of all personal liability as respects the performance of any covenants or obligations on the part of Landlord contained in this Lease thereafter to be performed, provided that any funds in the hands of such Landlord, or the then grantor, at the time of such transfer or conveyance in which Tenant has an interest shall be turned over to the transferee or grantor, and any amount then due and payable by Tenant to Landlord, or by the then grantor, under any provisions of this Lease shall be paid to Tenant , it being intended hereby that this Lease shall be paid to Tenant , it being intended hereby that the covenants and obligations contained in

this Lease on the part of Landlord to be kept and performed by it shall, subject as aforesaid, be binding on Landlord, its successors and assigns only during and in respect of their respective successive periods of ownership.

ARTICLE 19
QUIET POSSESSION

Except as is provided in Articles 1B, 18A and 30 and elsewhere hereunder, Landlord agrees that Tenant upon paying the rentals and other payments herein required from Tenant, and upon Tenant's performance of all of the provisions, covenants and conditions of this Lease on its part to be kept and performed, may quietly have, hold and enjoy the Premises during the Term of this Lease, without hindrance or interruption by Landlord or anyone lawfully or equitably claiming by, through or under any persons or parties whatsoever.

ARTICLE 20
NO PARTNERSHIP

Anything contained herein to the contrary notwithstanding, Landlord does not in any way or for any purpose become a principal or partner of Tenant in the conduct of its business or otherwise, or a joint venturer or member of a joint enterprise with Tenant hereunder. The provisions in relation to work performed by Tenant on the interior and exterior of the Premises are included merely to facilitate Landlord's maintaining architectural control, minimum standards of design and aesthetic value of the Premises.

ARTICLE 21
REMEDIES CUMULATIVE

The various rights, options, elections and remedies of Landlord and Tenant, respectively, contained in this Lease shall be cumulative and no one of them shall be construed as exclusive of any other, or of any right, priority or remedy allowed or provided for by law and not expressly waived in this Lease.

ARTICLE 22
ATTORNEY'S FEES

Should either party hereto institute any action or proceeding at law or in equity to enforce or to interpret any provision hereof for damages or other relief by reason of an alleged breach of any provision hereof, the prevailing party shall be entitled to receive from the losing party, in addition to allowable court costs, such amount as the court may adjudge to be reasonable as attorneys' fees for the services rendered the prevailing party in such action or proceeding, and such amount may be made a part of the judgment against the losing party. Should Landlord, without fault on its part, be made a party to any litigation instituted by or against Tenant, Tenant covenants to pay to Landlord all costs and expenses, including reasonable attorneys' fees incurred by Landlord in or in connection with such litigation.

ARTICLE 23
PARTIAL VALIDITY

If any term, provision, covenant or condition of this Lease should be held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of this Lease shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

ARTICLE 24
RECORDATION

Neither this Lease, nor a memorandum thereof, may be recorded in the Office of the Register of Deeds for Beaufort County, South Carolina.

ARTICLE 25
CAPTIONS, PRONOUNS AND INTERPRETATION

A. Captions.

The captions appearing at the commencement of the Articles, Sections and Paragraphs hereof are descriptive only and intended for convenience in reference to this Lease, and should there be any conflict or inconsistency between any such caption and the text of any such Article, Section or Paragraph at the head of which it appears, the text of the said Article, Section or Paragraph, as the case may be, and not the caption, shall control and govern in the construction of the terms of this Lease.

B. Pronouns.

Masculine or feminine pronouns shall be substituted for the neuter form and vice versa, and the plural shall be substituted for the singular form and vice versa, in any place or places herein in which the context requires such substitution or substitutions.

C. Interpretation.

(1) Law. Except as may be expressly limited herein, the laws of the State of South Carolina, including statutes of limitation, shall govern the validity, construction and effect of this Lease, and shall apply in all respects to any disputes or controversies arising out of or pertaining thereto.

(2) Covenants. Whenever in this Lease any words of obligation or duty are used in connection with either party, such words shall have the same force and effect as though framed in the form of express covenants on the part of the party obligated.

(3) Joint and Several Liability. In the event either party hereto now or hereafter shall consist of more than one person, firm or corporation, then and in such event all such persons, firms or corporations shall be jointly and severally liable as parties hereunder.

(4) Language Construction. The language in all parts of this Lease shall be construed, in all cases, according to its fair meaning and not for or against either party hereto.

ARTICLE 26
SUCCESSORS AND ASSIGNS

Where assignment is permitted under the terms hereof, the terms, provisions, covenants and conditions contained in this Lease shall apply to, bind and inure to the benefit of the heirs, executors, administrators, legal representatives, successors and assigns of the party hereto permitted to make such assignment.

ARTICLE 27
ENTIRE AGREEMENT

This Agreement and its exhibits constitutes the entire agreement of Landlord and Tenant and supersedes all oral and written agreements and understandings made and entered into by the parties hereto prior to the date hereof. Except as here and otherwise provided, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless reduced to writing and signed by each of them. Without limiting the generality of the foregoing, this Lease may not be amended or modified without the written consent of all beneficiaries under any mortgages or deeds of trust constituting a lien on the fee of all or any portion of the Premises demised to Tenant.

ARTICLE 28
SERVICE OF NOTICES

A. Notices to be in Writing.

Any and all notices and demands by or from Landlord to Tenant , or by or from Tenant to Landlord, required or desired to be given hereunder shall be in writing and shall be validly given or made if served either personally or if deposited in the United States mail, regular first class mail, postage prepaid. If such notice or demand be served personally, service shall be conclusively deemed made at the time of such personal service. If such notice or demand be served by regular first class mail, in the manner herein provided, service shall be conclusively deemed made at forty-eight (48) hours after the deposit thereof in the United States mail addressed to the party to whom such notice or demand is to be given.

B. Notices to Landlord.

Any notice or demand to Landlord shall be addressed to Landlord at the address specified in Paragraph A. of Article 1.

C. Notices to Tenant.

Any notice or demand to Tenant shall be addressed to Tenant at the Premises or to the address specified in Paragraph A of Article 1 hereof.

D. Change of Address.

Any party hereto may change its address for the purpose of receiving notices or demands as herein provided by a written notice given in the manner aforesaid to the other party hereof, which notice of change of address shall not become effective, however, until the actual receipt thereof by the other party.

ARTICLE 29
ACCORD AND SATISFACTION

Payment by Tenant or receipt by Landlord of a lesser amount than the rent or other charges herein stipulated shall be deemed to be on account of the earliest due stipulated rent or other charges, and no endorsement or statement on any check or any letter accompanying any check payment as rent or other charges shall be deemed an accord and satisfaction, and Landlord's acceptance of such check or payment shall be without prejudice to Landlord's right to recover the balance of such rent or other charges or pursue any other remedy in this Lease to the Tenant .

ARTICLE 30
CHAMBER'S ELECTION TO REDEVELOP

The Landlord and the Chamber acknowledge that it is intent of the Chamber to redevelop (tear down existing improvements and construct a new welcome center facility) the current Welcome Center building located at the Premises. The Chamber shall have one (1) year from the Commencement Date to submit a Redevelopment Plan to the Town for approval. The Redevelopment Plan shall substantially address all Redevelopment Goals. The Redevelopment Goals are (i) a new building that is between 3,500 square feet and 8,500 square feet; (ii) parking in a minimum amount of what is currently available; (iii) sale by the Landlord of 0.5 acres to 1.0 acres to the adjacent property owner (Crazy Crab) provided such sale allows for the Chamber to utilize the parking on the sold property by permanent easement, or in the alternative, grant of parking easement to the adjacent property owner (currently the Crazy Crab restaurant); (iv) consolidation of the entry for the Premises and the Crazy Crab; and (v) reserving acreage for the expansion of Highway 278 from four (4) lanes to six (6) lanes. The Landlord and Chamber shall proceed in good faith to accomplish the Redevelopment Goals. The Landlord acknowledges that the Chamber will have to obtain financing to fund the Redevelopment Plan and agrees to cooperate with the lender's reasonable requests.

The Chamber understands and acknowledges that it will have to obtain from the Landlord certain development plan approvals, building permits, and other approvals as provided for under the Town of Hilton Head Island Municipal Code and Land Management Ordinance, along with the approval by Town Council of the overall exterior appearance and aesthetics of the new welcome center facility as proposed in the Redevelopment Plan (such redevelopment approvals, permits and Town Council approval are collectively referred to as the "Redevelopment Approval"). Upon obtaining the Redevelopment Approval in accordance with all terms and conditions set forth in this Article 30, the Chamber shall have the right to lease the Premises from the Town for an additional period under the Chamber-Town Lease attached hereto as Exhibit "B"; provided that the Town and the Chamber shall not enter into the Chamber-Town Lease until such time as the Museum has vacated the Premises. In the event the Chamber is unable to obtain the Redevelopment Approval prior to the expiration of the Term of the within Lease, the Chamber shall have two (2) one (1) year options to lease the Premises from the Town. The rent for such additional terms shall be Two Thousand and no/100 (\$2,000.00) per month. The Chamber shall be responsible for all maintenance, repairs, utilities, insurance, taxes and all other such expenses in conjunction with the Premises during such additional terms and shall further occupy, maintain and possess the Premises during such additional terms under the terms, conditions, provisions and standards as set forth throughout the within Lease. The Town shall have no obligation to enter into the Chamber-Town Lease in the event the Chamber fails to obtain the Redevelopment Approval by the expiration of the option terms as provided for in this Article.

(remainder of page intentionally left blank signature page follows)

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first-above written.

Witnesses:

Witnesses:

Landlord:

The Town of Hilton Head Island, South Carolina

By: _____
Thomas D. Peebles, Mayor

Attest: _____
Stephen G. Riley, AICP, Town Manager

Tenant:

The Museum-Chamber Partnership

By: Hilton Head Island-Bluffton Chamber
of Commerce

By: _____
William G. Miles, President

By: Coastal Discovery Museum

By: _____
Michael Marks, President

The Hilton Head Island-Bluffton Chamber of Commerce executed this Agreement for the purpose of agreeing to Article 30.

Chamber:

Hilton Head Island – Bluffton Chamber of
Commerce

By: _____
William G. Miles, President

**EXHIBIT "A" TO LEASE
DESCRIPTION OF PREMISES**

All that certain piece, parcel or lot of land with improvements thereon, situate, lying and being on Hilton Head Island, Beaufort County, South Carolina consisting of 3.26 acres as shown and described on a plat entitled "Boundary Survey of 3.26 Acres, William Hilton Parkway, Hilton Head Island, Beaufort County, South Carolina" dated September 17, 2008, prepared by Surveying Consultants, certified by Terry G. Hatchell, S.C.R.L.S. # 11059, and recorded in the Office of the Register of Deeds for Beaufort County, South Carolina, South Carolina, in Plat Book _____ at Page _____, together with any and all tenements, hereditaments, appurtenances, riparian rights, rights to any accreted lands, and any and all rights in and to, or connected with, the said premises, regardless of description. Said conveyance specifically includes all lands down to the mean high water mark and all other right, title and interest in and to any land lying in the bed of any stream, creek, marsh, street, road, avenue, alleys, driveways, easement and rights of way within the above described premises.