

OFFICIAL NOTICE OF SALE

\$9,710,000* GENERAL OBLIGATION REFUNDING BONDS, SERIES 2016C TOWN OF HILTON HEAD ISLAND, SOUTH CAROLINA

Time and Place of Sale: NOTICE IS HEREBY GIVEN that electronic and direct placement bids will be received by the Town of Hilton Head Island, South Carolina (the “Town”) in the offices of the Town Manager of the Town located at One Town Center Court, Hilton Head Island, South Carolina, until 11:30 a.m. South Carolina time, Thursday, September 1, 2016, at which time said proposals will be publicly opened for the purchase of \$9,710,000* General Obligation Refunding Bonds, Series 2016C (the “Series 2016C Bonds”), of the Town. The time as maintained by Parity (defined below) shall constitute the official time with respect to all proposals submitted.

Electronic Bids: Electronic proposals must be submitted through i-Deal’s Parity Electronic Bid Submission System (“Parity”). No electronic bids from any other providers of electronic bidding services will be accepted. If any provisions of this Official Notice of Sale conflict with the information provided by Parity as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Information about the electronic bidding services of Parity may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, New York 10018, Customer Support, telephone (212) 849-5021.

Direct Placement Bids. Financial institutions desiring to submit a bid to purchase the Series 2016C Bonds for the purpose of investment (“Direct Placement Bidders”) may submit bids either as a hand-delivered sealed bid to the Town at the address listed above or as an e-mailed bid sent to the attention of Susan M. Simmons, CPA (Director of Finance for the Town) at susans@hiltonheadislandsc.gov with copies to Francenia B. Heizer (Bond Counsel to the Town) at fheizer@mcnair.net and Brent Robertson (Financial Advisor to the Town) at robertsonb@stifel.com. Direct Placement Bidders must bid a single fixed rate of interest for all Series 2016C Bonds at a price not less than par. In the event a Direct Placement Bidder is awarded the Series 2016C Bonds, the Series 2016C Bonds will be issued as a single bond, without CUSIP identification. A Direct Placement Bidder, if awarded the Series 2016C Bonds, must execute a letter addressed to the Town and Bond Counsel acknowledging, among other things, that (1) the purchaser had the opportunity to review a preliminary official statement relating to the Series 2016C Bonds and to the Town; (2) the purchaser had an opportunity to make appropriate inquiries of and receive answers from officials, employees, agents, and attorneys of the Town; (3) the purchaser has knowledge and experience in financial and business affairs and that it is capable of evaluating the merits and risks of the purchase of the Series 2016C Bonds; (4) the purchaser is acquiring the Series 2016C Bonds as a vehicle for making a commercial loan and without a present view to the distribution thereof (subject, nevertheless, to any requirement of law that the disposition of its property at all times be under its control) within the meaning of the Federal securities laws; (5) the purchaser is acquiring the Series 2016C Bonds solely for its own account and no other undisclosed person now has any direct or indirect ownership or interest therein; and (6) the purchaser understands that the scope of engagement of Bond Counsel to the Town with respect to the Series 2016C Bonds has been limited to matters as set forth in its opinion based on its view of such legal proceedings as it deems necessary to approve the validity of the Series 2016C Bonds and the tax-exempt status of interest thereon (the “Letter of Representations”). The purchaser will also be required to covenant that it will not voluntarily dispose of all or any portion of the Series 2016C Bonds unless it procures from each assignee thereof representations and covenants in the same form and content as included in the Letter of Representations.

PROPOSALS MAY BE DELIVERED BY ELECTRONIC BID, BY HAND, OR BY EMAIL, BUT NO PROPOSAL SHALL BE CONSIDERED WHICH IS NOT ACTUALLY RECEIVED BY THE TOWN AT THE PLACE, DATE AND TIME APPOINTED, AND THE TOWN SHALL NOT BE RESPONSIBLE FOR ANY FAILURE, MISDIRECTION, DELAY OR ERROR RESULTING FROM THE SELECTION BY ANY BIDDER OF ANY PARTICULAR MEANS OF DELIVERY OF BIDS.

Book-Entry-Only Bonds: The Series 2016C Bonds will be issued in fully-registered form. One Series 2016C Bond representing each maturity will be issued to and registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), as registered owner of the Series 2016C Bonds and each such Series 2016C Bond will be immobilized in the custody of DTC. DTC will act as securities depository for the Series 2016C Bonds. Individual purchases will be made in book-entry-only form, in the principal amount of \$5,000 or any integral multiple thereof not exceeding the principal amount of Bonds maturing each year. Purchasers will not receive physical delivery of certificates representing their interest in the Series 2016C Bonds purchased. The winning bidder, as a condition to delivery of the Series 2016C Bonds, will be required to deposit the Series 2016C Bond certificates representing each maturity with DTC.

Interest on the Series 2016C Bonds will be payable March 1, 2017, and semiannually on March 1 and September 1 of each year thereafter until maturity. The Series 2016C Bonds will be dated their date of delivery, on or about September 14, 2016, and will mature serially in successive annual installments on March 1 in each of the years and in the principal amounts as shown below:

| <u>March 1</u> <u>(Year)</u> | <u>Principal</u> <u>Amount*</u> | <u>March 1</u> <u>(Year)</u> | <u>Principal</u> <u>Amount*</u> |
|---------------------------------|------------------------------------|---------------------------------|------------------------------------|
| 2017 | \$635,000 | 2027 | \$465,000 |
| 2018 | 260,000 | 2028 | 475,000 |
| 2019 | 210,000 | 2029 | 490,000 |
| 2020 | 220,000 | 2030 | 495,000 |
| 2021 | 645,000 | 2031 | 510,000 |
| 2022 | 655,000 | 2032 | 520,000 |
| 2023 | 660,000 | 2033 | 535,000 |
| 2024 | 670,000 | 2034 | 545,000 |
| 2025 | 685,000 | 2035 | 560,000 |
| 2026 | 475,000 | | |

*Preliminary, subject to adjustment.

Adjustment of Maturity Schedule. If, after final computation of the proposals, the Town determines in its sole discretion that the funds necessary to accomplish the purposes for which the Series 2016C Bonds are being issued are either more or less than the proceeds of the sale of the amount of the Series 2016C Bonds as shown in this Official Notice of Sale, it reserves the right either to decrease or increase the principal amount of the Series 2016C Bonds (all calculations to be rounded to the nearest \$5,000), provided that any such decrease or increase shall not exceed 15% of the par amount of the Series 2016C Bonds. Such adjustment(s), if any, shall be made within twenty-four (24) hours of the award of the Series 2016C Bonds. In order to calculate the yield on the Series 2016C Bonds for federal tax law purposes and as a condition precedent to the award of the Series 2016C Bonds, bidders must disclose to the Town in connection with their respective bids the price (or yield to maturity) at which each maturity of the Series 2016C Bonds will be reoffered to the public.

In the event of any adjustment of the maturity schedule for the Series 2016C Bonds as described herein, no rebidding or recalculation of the proposals submitted will be required or permitted. Nevertheless, the award of the Series 2016C Bonds will be made to the bidder whose proposal produces the lowest true interest cost solely on the basis of the Series 2016C Bonds offered, without taking into account any adjustment in the amount of the Series 2016C Bonds pursuant to this paragraph. The successful bidder may not withdraw its bid as a result of any changes made within these limits.

Redemption Provisions: The Series 2016C Bonds maturing on or prior to March 1, 2026, shall not be subject to redemption prior to their stated maturities. The Bonds maturing on or after March 1, 2027, shall be subject to redemption at the option of the Town on or after March 1, 2026, as a whole or in part at any time, in such order of redemption as the Town may determine, at par, plus accrued interest to the date fixed for redemption.

Bidders' Special Option for Term Bonds: Bidders submitting proposals may specify that all the principal amount of Series 2016C Bonds maturing on any two or more consecutive annual payment dates may, in lieu of maturity on each of such dates, be combined to comprise one or more maturities of the Series 2016C Bonds scheduled to mature on the latest of such annual payment dates (the "Term Bonds"). Term Bonds shall be subject to redemption through mandatory sinking fund installments in the principal amount that would have matured in each year as set forth in this Official Notice of Sale, on each of the annual principal payment dates, except for the principal amount of Bonds scheduled to mature on the latest such annual payment date, which Bonds shall mature on such annual principal payment date. Bidders may specify one or more of such Term Bonds and such specifications must be made in the bidder's proposal.

Mandatory Sinking Fund Redemption: The Series 2016C Bonds will be subject to mandatory sinking fund redemption if and to the extent the option to establish Term Bonds is exercised by the successful bidder.

Registrar/Paying Agent. Regions Bank, Atlanta, Georgia has been designated as Registrar and Paying Agent for the Series 2016C Bonds.

Bid Requirements: Bidders shall specify the rate or rates of interest per annum which the Series 2016C Bonds are to bear, to be expressed in multiples of 1/100th, 1/20th or 1/8th of 1% with no greater difference than three percent (3%) between the highest and lowest rates of interest named by a bidder. Bidders are not limited as to the number of rates of interest named, but the rate of interest on each separate maturity must be the same single rate for all Bonds of that maturity from their date to such maturity date. **A bid for less than all the Series 2016C Bonds or a bid at a price less than par will not be considered.**

Good Faith Deposit. No good faith deposit is required.

Award of Bid. The Series 2016C Bonds will be awarded to the bidder or bidders offering to purchase the Series 2016C Bonds at the lowest true interest cost (TIC) to the Town. The TIC will be the nominal interest rate which, when compounded semiannually and used to discount all debt service payments on the Series 2016C Bonds (computed at the interest rates specified in the bid and on the basis of a 360-day year of twelve 30-day months) to the dated date of the Series 2016C Bonds, results in an amount equal to the price bid for the Series 2016C Bonds. In the case of a tie bid, the winning bid will be awarded based on time received with the bid received earliest being the determining factor. The Town reserves the right to reject any and all bids or to waive irregularities in any bid. Bids will be accepted or rejected no later than 4:00 p.m., South Carolina time, on the date of the sale.

Purpose. The Series 2016C Bonds are being issued for the purpose of refunding for savings certain outstanding and callable maturities of existing general obligation indebtedness of the Town, and to pay costs of issuance of the Series 2016C Bonds.

Official Statement: Upon the award of the Series 2016C Bonds, the Town will prepare an official statement (the "Official Statement") in substantially the same form as the preliminary official statement subject to minor additions, deletions and revisions as required to complete the Official Statement. Within seven (7) business days after the award of the Series 2016C Bonds, the Town will deliver the Official Statement to the

successful bidder in sufficient quantity to comply with Rule G-32 of the Municipal Securities Rulemaking Board. The successful bidder agrees to supply to the Town all necessary pricing information and any Underwriter identification necessary to complete the Official Statement within 24 hours after the award of the Series 2016C Bonds.

Security: The Series 2016C Bonds shall constitute binding general obligations of the Town, and the full faith, credit, resources and taxing power of the Town are irrevocably pledged for the payment of the principal and interest on the Series 2016C Bonds as they respectively mature and to create such sinking fund as may be necessary to provide for the prompt payment thereof. There shall be levied and collected annually upon all taxable property of the Town a tax, without limitation as to rate or amount, sufficient for such purposes.

Continuing Disclosure: In order to assist the bidders in complying with S.E.C. Rule 15c2-12(b)(5), the Town will undertake, pursuant to an ordinance and a Continuing Disclosure Agreement, to provide certain annual financial information and notices of the occurrence of certain events, if material. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement.

Legal Opinion: The Town shall furnish upon delivery of the Series 2016C Bonds the final approving opinion of McNair Law Firm, P.A., Columbia, South Carolina, which opinion shall accompany each bond, together with the usual closing documents, including a certificate that no litigation is pending affecting the Series 2016C Bonds.

Certificate as to Issue Price: The successful bidder must provide a certificate to the Town by the date of delivery of the Series 2016C Bonds, stating the initial reoffering price of the Series 2016C Bonds to the public (excluding bond houses and brokers) and the price at which a substantial amount of the Series 2016C Bonds were sold to the public, in form satisfactory to Bond Counsel. A sample copy of such a certificate may be obtained from Bond Counsel.

CUSIP Numbers: It is anticipated that CUSIP identification numbers will be set forth on the Series 2016C Bonds, but neither the failure to print such numbers on any Series 2016C Bond nor any error with respect thereto shall constitute cause for failure or refusal by the purchaser thereof to accept delivery of and pay for the Series 2016C Bonds in accordance with the terms of its proposal. The CUSIP Service Bureau charge for the assignment of such numbers shall be the responsibility of and shall be paid for by the successful bidder. Application for the assignment of CUSIP identification numbers shall be the responsibility of the successful bidder.

Delivery: The Series 2016C Bonds will be delivered on or about September 14, 2016, in New York, New York, at the expense of the Town or at such other place as may be agreed upon with the purchaser at the expense of the purchaser. The balance of the purchase price then due must be paid in federal funds or other immediately available funds.

Postponement: The Town reserves the right to postpone, from time to time, the date established for the receipt of bids. The Town will communicate any such change in the sale date through TM3, Bloomberg, or other electronic information service not less than 24 hours prior to the time bids are to be received. If any date fixed for the receipt of bids and the sale of the 2016C Bonds is postponed, any alternative sale date will be announced through TM3, Bloomberg, or other electronic information service at least 24 hours prior to such alternative sale date. On any such alternative sale date, any bidder may submit an electronic, hand-delivered, or e-mailed bid for the purchase of the 2016C Bonds in conformity in all respects with the provisions of this Official Notice of Sale, except for the date and time of sale and except for the changes announced through TM3, Bloomberg or other electronic information service at the time the amended sale date and time are announced.

Additional Information: Persons seeking information should communicate with Susan Simmons, Director of Finance, Town of Hilton Head Island, One Town Center Court, Hilton Head Island, South Carolina 29928-2701, telephone: (843) 341-4646, the Town's Bond Counsel, Francenia B. Heizer, McNair Law Firm, P.A., Post Office Box 11390, Columbia, South Carolina 29211, (803) 799-9800, e-mail: fheizer@mcnair.net, or with the Town's Financial Advisor, Brent Robertson, Stifel | Merchant Capital Division 515 Gervais Street, Columbia, South Carolina 29201, telephone (803) 331-3848, e-mail: robertsonb@stifel.com.

Town of Hilton Head Island, South Carolina