

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

DOCKET NO. A-41, SUB 22

In the Matter of)	
Joint Application of Bald Head Island)	DIRECT TESTIMONY OF
Transportation, Inc., and Bald Head Island Ferry)	SCOTT T. GARDNER
Transportation, LLC, for Approval of Transfer)	ON BEHALF OF
of Common Carrier Certificate to Bald Head)	VILLAGE OF BALD HEAD
Island Ferry Transportation, LLC, and)	ISLAND
Permission to Pledge Assets)	

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

DOCKET NO. A-41, SUB 22

Direct Testimony of Scott T. Gardner

On Behalf of the Village of Bald Head Island

December 14, 2022

1 **Q. PLEASE STATE YOUR NAME, TITLE, AND ADDRESS.**

2 A. My name is Scott Thomas Gardner. I am currently serving as the Mayor Pro Tem
3 for the Village of Bald Head Island (the “Village”), and I am a member of the
4 Village Council. My official address is 106 Lighthouse Wynd, Bald Head Island,
5 North Carolina 28461.

6 **Q. DID YOU PREVIOUSLY FILE TESTIMONY IN THE COMPANION**
7 **PROCEEDING PENDING BEFORE THE COMMISSION CONCERNING**
8 **THE REGULATION OF THE DEEP POINT TERMINAL PARKING AND**
9 **THE BARGE OPERATIONS?**

10 A. Yes. I submitted Direct and Rebuttal Testimony in Docket No. A-41, Sub 21 in
11 support of the Village’s request that the Commission issue a decision clarifying the
12 regulatory status of the parking and barge operations which are critical components
13 of the transportation system serving Bald Head Island.

14 **Q. ARE THE PARKING AND BARGE ASSETS INCLUDED IN THE**
15 **TRANSFER APPLICATION IN THIS PROCEEDING?**

1 A. No. Bald Head Island Limited, LLC (“Limited”) has not sought Commission
2 approval for the transfer of those assets despite the fact that those assets are critical
3 components of the transportation service providing access to the Island. It is the
4 Village’s position that the parking and barge assets should not be sold without
5 Commission approval and subject to the Commission’s regulatory oversight.

6 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
7 **PROCEEDING?**

8 A. I identify various concerns with the proposed transfer of the common carrier
9 certificate from Bald Head Island Transportation, Inc. (“BHIT”) to SharpVue
10 Capital, LLC and its affiliates (“SharpVue”). Among these concerns are: (1)
11 SharpVue has not articulated any clear plan to address existing service issues
12 plaguing the system, (2) SharpVue is a financial firm with no experience in
13 operating utility assets, and (3) SharpVue has not proposed meaningful protections
14 to ensure the continued availability of the transportation assets on reasonable terms
15 and conditions. Additionally, I seek to re-emphasize the inter-related nature of the
16 ferry/tram, parking and barge operations and how this relationship is relevant to
17 this issue in this proceeding.

18 **Q. GIVEN THESE CONCERNS, WHAT IS THE VILLAGE’S POSITION AS**
19 **REGARDS THE TRANSFER OF THE COMMON CARRIER**
20 **CERTIFICATE TO SHARPVUE?**

21 A. The Village is not presently in a position to support the application given
22 (1) SharpVue’s opposition to the Commission’s assertion of regulatory authority

1 over parking and the barge and the unresolved legal issues concerning these assets,
2 (2) the absence of measures sufficient to protect the public interest going forward
3 in continued access to the transportation system on reasonable terms and
4 conditions, and (3) significant unanswered questions concerning SharpVue's
5 capabilities and plans for operating the system. I would note that this position is
6 consistent with the sentiment of Island stakeholders, as illustrated by a recent
7 survey sent by the Bald Head Association in November to over 1,500 property
8 owners. Only 23% of the respondents supported the transfer of the certificate in
9 this proceeding, while 56% opposed the transfer and another 22% didn't have
10 sufficient information to form an opinion. I appreciate the difficulties of conducting
11 a survey on an issue this complex, but the survey results are generally consistent
12 with my communications with Islanders – there is significant concern with, and
13 unanswered questions about, this transaction and the public does not perceive the
14 proposal, as currently framed, as serving the Island's long-term best interests.

15 **Q. LIMITED HAS EMPHASIZED THE NEED FOR CLOSURE OF THIS**
16 **SALE, CITING THE NEEDS OF THE MITCHELL ESTATE. WHAT IS**
17 **YOUR RESPONSE TO THIS CONCERN?**

18 A. I appreciate that Limited wishes to disentangle itself from the Island, but any
19 “crisis” (for which no evidence has been presented) is of Limited's own creation:
20 the only reason that the transaction has not already occurred is that Limited has
21 been unable to justify its transaction price—which greatly exceeds the tax valuation
22 of the assets. Concerns over the original transaction price were raised by multiple

1 members of the Local Government Commission in reviewing the financing
2 application submitted by the Bald Head Island Transportation Authority, and
3 Limited was unable, or unwilling, to provide sufficient justification to the agency.
4 The LGC was concerned that the deal, as proposed, amounted to an unsubstantiated
5 “transfer of wealth” from users of the system (who are largely hourly employees
6 and contractors) to the wealthy owners in Texas. As I observed in the Sub 21
7 proceeding, it is unfortunate that the developer—seeking to exit its involvement
8 with the Island—seems to be focused on maximizing its financial return rather than
9 ensuring the long term success of the Island. Relatedly, I would observe that no
10 representatives of the Mitchell Family have appeared before the Commission to
11 articulate exigencies related to their business affairs.

12 **Q. YOU REFERENCED THE INTER-RELATED NATURE OF THE**
13 **FERRY/TRAM, PARKING AND BARGE OPERATIONS. HOW DOES**
14 **THIS RELATE TO THE PRESENT PROCEEDING?**

15 A. The Commission has before it in the Sub 21 docket extensive testimony and
16 evidence on the inter-related nature of the ferry/tram, parking and barge operations.
17 Each service is dependent on the other: i.e., without parking there would be no
18 ferry, and, without the barge’s services, there would be no need for the ferry to
19 transport the public to the island. Given this, all of these assets should be treated
20 as components of an integrated, regulated service offering, and it makes little sense
21 for the sale of the ferry/tram assets to be considered separately from the sale of the
22 other assets—points which were reiterated by witnesses Brawner (Tr. Vol. 1, pp.

1 26-27) and Belch (Tr. Vol. 1, pp. 76-77) at the Commission’s November 1, 2022
2 public hearing in Bolivia. If these assets are not treated as integrated components
3 of a single service, there is risk that any individual component could be divested
4 separately from the others, devoted to non-utility uses, or otherwise disposed of
5 outside the authority of the Commission and without consideration of the impact to
6 the other dependent services.

7 Similarly, proposed concessions relating to the ferry/tram service risk being
8 ineffectual if the other services are not subject to the Commission’s regulatory
9 authority. For example, SharpVue has pledged that it will not “seek to recover any
10 transaction costs or acquisition premiums related to this transaction from
11 passengers.”¹ However, this pledge seems rather hollow given that SharpVue is free
12 to recover these costs by raising parking or barge fees—thereby recouping its
13 acquisition costs from ratepayers without having to raise ferry ticket prices. In
14 discovery, the Village asked if SharpVue would promise to not seek to recover any
15 portion of transaction fees and the acquisition premium from barge and parking
16 customers, and SharpVue refused to provide such a commitment.²

17 **Q. DO SHARPVUE’S PROPOSED COMMITMENTS IN THE SUB 21**
18 **DOCKET ADDRESS THESE CONCERNS?**

19 **A.** No, they do not.

20 First, I would note that SharpVue has made no effort to work with the

¹ Roberts Direct Testimony, at 7.

² SharpVue Responses to Village Second Data Requests, at DR 2-17 (Exhibit 1 hereto).

1 Village to address its concerns. There has been no communication that I am aware
2 of where SharpVue has solicited the Village's input concerning current operations
3 of the transportation assets, its concerns regarding the proposed transaction, and
4 measures that might be implemented to address these concerns. This is surprising
5 given the obvious need for the parties to work together should the transaction be
6 consummated and the fact that the Village would be one of SharpVue's largest
7 customers.

8 With regards to the unilateral proposals made by SharpVue in the Rebuttal
9 Testimony of Lee Roberts in the Sub 21 docket, while the Village is appreciative
10 of the spirit of the proposals they do not obviate the need for regulation of all the
11 transportation assets nor do they fully protect the public. Among the concerns are:

- 12 • SharpVue's promises as regards parking are contingent on the
13 Commission not exercising regulatory authority over those assets.
14 This contingency nullifies any benefit of the promise itself since
15 virtually all parties agree that the Commission should exercise some
16 level of authority over parking.
- 17 • SharpVue's promises regarding continued access to parking and rate
18 increases would not bind a subsequent owner. This means that if
19 SharpVue sells, or leases the operation of, the parking facilities to a
20 third party, then SharpVue's promises made to secure transfer of the
21 ferry/tram certificate would be worthless and there would be no
22 regulatory oversight or remedy available for service or rate issues as
23 regards the new owner. Even if SharpVue pledges to "assign" its
24 promises to the new owner, it is uncertain whether the Commission
25 could compel the new owner to comply with the assigned promises
26 in the absence of a clear order establishing the regulatory status of
27 those assets.³ In the absence of such a determination, the

³ SharpVue and Limited have already signaled the specter of this argument, claiming in opposition to the Village's preliminary injunction motion that there was a "jurisdictional issue of first impression" of whether the Commission could enjoin a transaction involving a transfer to an unregulated entity. *See* Respondents' and SharpVue's Response in Opposition to Complainant's Motion for Preliminary Injunction, Docket No. A-41, Sub 21, at n.4 (Oct. 4, 2022).

1 Commission would only be left with potentially seeking a
2 “contractual” remedy in Superior Court to enforce the promises
3 made by SharpVue.

- 4 • As regards SharpVue’s offering to continue the imputation of
5 \$523,725 of annual revenues per the 2010 rate case, this is already
6 required under the prior Commission order. Moreover, it is my
7 understanding that evidence presented in the Sub 21 proceeding
8 shows that this imputation substantially underestimates the
9 contribution that should be attributed from the parking operations.

10 **Q. AS REGARDS THE FERRY/TRAM OPERATIONS, YOU REFERENCED**
11 **CONCERNS WITH THE EXISTING OPERATIONS. PLEASE DESCRIBE**
12 **THESE OPERATIONAL CONCERNS.**

13 A. My primary concern is with the abysmal on-time performance of the ferry service,
14 particularly during the periods of highest demand. Especially during the weekends
15 in summer months, the ferry boats tend to fall behind schedule early in the morning
16 and then they never catch up for the rest of the day. These delays have an adverse
17 effect on all aspects of the transportation service. As the ferries start running late,
18 the baggage system often gets backed up on both the Island and mainland side.
19 Frequently during these periods luggage will not be placed on the same boat as the
20 passengers so people get to the Island and have to wait for another ferry—or
21 sometimes two—to get their luggage. The same thing happens when passengers
22 are leaving the Island. It is common to see luggage piled up on the sidewalk in
23 huge piles at both the Deep Point and Island terminals. Also, the tram service
24 schedules get thrown off because of the ferry delays and having to wait on luggage
25 to arrive on a different boat. Keep in mind that trams are required to be scheduled

1 in advance, so passengers create their travel schedules around the schedules
2 published by BHIT.

3 **Q. WHAT SORT OF PROBLEMS DO THESE SERVICE ISSUES CREATE**
4 **FOR RIDERS?**

5 A. These delays and luggage problems wreak havoc on users of the ferry. For visitors
6 who are excited about starting their vacation on the Island with their families, it is
7 extremely aggravating—to say the least—having to wait, potentially for hours, to
8 get on the ferry, retrieve their luggage, and then access the tram to their destination.
9 For workers trying to get to their Island jobs on time—or trying to get home after a
10 day's work—these problems are enormously frustrating and discouraging. For
11 people who are on a schedule—for example, they are trying to get off-Island to
12 catch a plane or make a doctor's appointment—these problems create enormous
13 stress and additional expense as appointments are missed and flights are re-booked.
14 These issues are compounded if you consider the conditions, especially on the
15 Island-side where there is insufficient terminal space for passengers and luggage.
16 Oftentimes, at both Deep Point and the Bald Head Island Marina, riders are left
17 waiting outside during extreme summer heat or during summer rainstorms which
18 exacerbates the level of frustration. Finally, these issues make it more challenging
19 for Island businesses to recruit and retain employees, and they disrupt business
20 activity as employees are delayed in getting to and from their jobs.

21 **Q. HOW PERVASIVE ARE THESE PROBLEMS?**

22 A. The most recent quarterly report submitted by BHIT to the Commission in Docket

No. A-41, Sub 7A demonstrates this issue. Copied below is the portion of the report showing on-time performance of the ferries through September of this year.

BHIT Quarterly Report, Docket No. A-41, Sub 7A (Nov. 9, 2022)

BALD HEAD ISLAND TRANSPORTATION, INC.
Report of Passengers Boarded by Fare Class
On-Time Performance (OTP) Information

TYPE TICKET	2022	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Class I GENERAL		3,014	4,250	7,828	12,982	14,431	17,625	21,109	15,285	12,728				109,230
Class II BULK 40		1,928	2,457	3,390	3,713	4,072	4,057	3,666	3,117	3,155				29,547
Class III BULK 80		150	159	172	183	213	212	178	177	158				1,602
Class IV NO FRILLS		474	476	676	745	806	990	1,245	995	702				7,113
Class V CONTRACTOR		2,412	2,663	3,419	3,450	3,721	3,843	3,233	3,570	3,809				30,120
Class VI EMPLOYEE		7,718	8,265	10,180	11,241	11,970	12,970	13,478	13,281	11,089				100,192
Class VII CHILDREN		176	391	943	1,884	1,804	3,371	4,034	2,870	1,490				16,863
Class VII CHILDREN NO COST		41	65	167	367	493	612	717	563	487				3,512
Class VIII ANNUAL PASS		138	171	191	127	143	60	65	119	154				1,168
Class X ONE-WAY TICKET		131	145	175	340	397	457	610	345	252				2,852
TOTAL (w/ Class X ONE-WAY)		16,051	18,897	26,956	34,772	37,456	43,740	47,727	38,978	33,770	0	0	0	299,347
TOTAL (w/ Class X ONE-WAY)		16,182	19,042	27,131	35,112	37,853	44,197	48,337	40,323	34,022	0	0	0	302,199
Class IXa OVERSIZED BAGGAGE		45	122	217	403	355	632	607	487	368				3,434
Class IXb EXCESS BAGGAGE		0	0	0	3	3	2	0	2	1				11
TICKETED TRAM RIDERS [/]		1,701	2,635	5,031	8,617	9,713	11,662	14,008	8,768	7,948				70,081
INVOICED TRAM RIDERS		0	0	0	0	0	0	0	0	0				0
INVOICED INTERCO SHUTTLE BUS RIDERS		0	0	0	0	0	0	0	0	0				0
INVOICED NON-INTERCO SHUTTLE BUS RIDERS		0	0	0	0	0	0	0	0	0				0
FERRY DEPARTURES ON-TIME		88%	86%	85%	86%	69%	56%	47%	51%	55%				67%
NUMBER DAYS WITH A LATE DEPARTURE		17	20	25	29	28	29	31	31	29				27

Notes:

[/] Riders whose ticket includes tram

As you can see from this report, the on-time percentage *on average* was less than 60% for June through September. In July, the on-time percentage was less than 50%, meaning the ferry was *more often late than on time*. Given that there is typically less ridership during the week, these average monthly data illustrate what Islanders have observed: weekends during peak summer months were a complete nightmare. Indeed, the report shows that nearly every day of the month between May and September experienced a late departure, and every day in July and August experienced a late departure. Late ferries, upset passengers, and stacked up luggage are not consistent with the level of service which the Island once experienced and

1 now seeks and needs.

2 **Q. HAS THIS ISSUE WORSENERD IN RECENT YEARS?**

3 A. Yes. I examined BHIT's on-time report filings for the period 2013-2022. As seen
4 from the summary below, the on-time performance of the ferries has progressively
5 worsened over time.

		% On Time Departures Only												Ave	Tot Passengers
		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec		
2013	% On Time Departures	94	91	92	90	91	87	80	81	81	89	95	95	89	272,401
2014	% On Time Departures	95	96	99	96	96	86	80	84	94	93	94	90	92	274,873
2015	% On Time Departures	91	95	92	93	88	85	73	83	88	91	90	92	88	284,032
2016	% On Time Departures	94	95	95	95	92	89	70	77	88	94	90	93	89	303,567
2017	% On Time Departures	96	97	89	83	80	77	68	77	79	88	90	95	85	335,774
2018	% On Time Departures	95	98	91	90	78	68	71	73	87	97	98	98	87	310,998
2019	% On Time Departures	98	97	96	83	86	73	69	73	82	94	92	92	86	359,175
2020	% On Time Departures	96	95	98	77	89	99	68	61	72	75	86	89	84	292,095
2021	% On Time Departures	90	86	65	67	54	47	45	53	59	68	76	84	66	376,399
2022 YTD	% On Time Departures	88	86	85	66	69	56	47	51	55				67	302,199
							80-89								
							70-79								
							<70								

6 As compared with publicly available performance data from other ferry operations,
7 this performance is extremely poor. According to data published by the
8 Washington State Department of Transportation, the average on-time performance
9 for nine Washington State ferries for 2020 (the latest published data) was 89.8%—
10 just short of the stated goal of 95%, but substantially better than BHIT's
11 performance.⁴ For the six routes served by the New York City Ferry System, NYC
12 Ferry reports a system-wide on-time percentage between a low of 96% and a high
13 of 97% in each quarter of 2021.⁵ Consistent with the NYC Ferry performance and
14 the stated Washington ferry system goal of 95% on-time performance, certainly one

⁴ <https://wsdot.wa.gov/about/data/Multimodal-mobility-dashboard/dashboard/WSF/ontime-reliability.htm>.

⁵ See <https://www.ferry.nyc/reports-statistics/>.

1 would expect on-time metrics at or above 90% on average. In light of this sub-
2 standard performance, it is puzzling, and concerning, that SharpVue is paying what
3 appears to be a substantial premium for the business with no clear plans for
4 investing in and improving operations.

5 **Q. WHAT ARE THE REASONS FOR THIS POOR PERFORMANCE?**

6 A. While COVID may have had an impact on on-time performance in 2021, it is clear
7 that the trend of growing delays started before 2020 and has continued to worsen
8 in 2022. The thought among many Islanders is that Limited has not made the
9 necessary investment in ferry maintenance and equipment over the last several
10 years.⁶ Certainly it is a common phenomenon that sellers are less interested in
11 making necessary capital expenditures as that money is not likely to be recovered
12 before the sale. Here, Limited has been seeking to sell the transportation system
13 for the last several years, so it is quite possible that they, similarly, have failed to
14 make the necessary investments in system improvements.

15 **Q. HOW DO THESE ISSUES RELATE TO THIS PROCEEDING?**

16 A. SharpVue has not articulated any appreciation of the gravity of this situation nor
17 any plan for addressing the service deficiencies. To the contrary, SharpVue
18 characterizes BHIT as “extremely well-run,” states that it intends to “continue the

⁶ See, e.g., Testimony of Kim Scagnelli, Tr. Vol. 1, p. 89 (Commission’s questions) (“I think because all this mess about the transportation system has gone on for year now, money hasn’t been put in. Boats this summer . . . weren’t even running because they were broken and they couldn’t get the parts to fix them.”); Crista Thomas Statement of Position, Docket No. A-41, Sub 22CS (Nov. 2, 2022) (“It appears to me that the current owner has put little to no considerations into making necessary and meaningful facility repairs or staff training/recruitment in order to continue the service that many of us experienced in our early years on Bald Head.”).

1 track record of success,” and presents its plan to spend the first year evaluating
2 current operations and “look for opportunities to improve service.”⁷ In its discovery
3 responses, SharpVue refused to commit to making improvements to ticketing and
4 baggage handling—stating only that it “intends to continue the ferry and tram
5 operations without significant or immediate change” and that it intended to evaluate
6 operational changes post-acquisition “in due course.”⁸ Improvements to the ferry
7 system, though, are already overdue. SharpVue’s refusal to provide a plan for such
8 improvements is alarming—particularly when the passenger numbers will continue
9 to grow as additional homes are built on the Island.

10 **Q. ARE YOU AWARE OF THESE SORT OF CONCERNS BEING**
11 **EXPRESSED BY ISLANDERS?**

12 A. Absolutely. As a user of the system, I have personally observed these issues, but
13 in my role as member of the Village Council, I regularly hear from Islanders about
14 their concerns with the ferry and transportation system. Given that the Island is
15 completely dependent on this monopoly service, the proper functioning of the
16 system—and continued access to the service on reasonable terms and conditions—
17 is high on everyone’s list of the critical issues facing the Island. Certainly I heard
18 these concerns loud and clear at the Commission’s public hearing.

19 **Q. CAN YOU PROVIDE SOME EXAMPLES OF PUBLIC STATEMENTS?**

20 A. Yes. There were several members of the public who expressed concerns about the

⁷ Roberts Direct Testimony, at 6.

⁸ See SharpVue Responses to Village Second Data Requests, at DR 2-15 (attached here to as Exhibit 1).

1 operation of the ferry system at the Commission's public hearing on November 1,
2 2022 in Bolivia and in written statements submitted in these dockets.

3 Joe Brawner, a 25-year permanent resident of the Island, testified:

4 [O]perations are not what they ought to be at the moment ... [an
5 opinion] shared by a number of people according to a recent poll.
6 The real question is how does ShaprVue plan to achieve the former
7 operations standards and how will it [renew] the ferry system badly
8 [] in need of renewal? . . . The performance of the ferry system is
9 poorer today from an on-time basis and a maintenance basis than
10 any time in my recent memory.⁹

11
12 Crista Thomas, General Manager of Wendy Wilmot Properties, LLC,¹⁰

13 describes her challenges in managing an on-Island business given the service issues
14 with the ferry operation:

15 When I first starting working on BHI [in 2006], the ferries were
16 reliably on time and the ferry staff were enjoyable, cordial, and
17 engaging with riders no matter who they were – worker, guest, or
18 resident. . . . In recent years, as the ferry performance and conditions
19 continue to decline, it seems as though staff morale has also steeply
20 declined. . . . What I've witnessed is the serious decline in
21 maintenance of the boats, the trams, and the overall experience has
22 been unreliable. . . . a ferry that has ripped up seats, ceiling leaks,
23 a/c water pouring onto whomever is unfortunate enough to sit under
24 them, peeling wall paper, stained up carpeting, etc. Not to mention
25 the inordinate number of times we all hear about one or two of the
26 fleet having broken and needing repair.

27
28 In our housekeeping department we have ladies that get up early to
29 make a 7 o'clock boat to come work an 8 to 10-hour shift, depending
30 on the time of year. They try to take a 4:30 or 5:30 boat off on the
31 weekends, only to find themselves bumped to the next ferry due to
32 capacity. They often find themselves standing in long lines with the
33 strong potential of being bumped not once, but multiple times. This

⁹ Tr. Vol. 1, pp. 27-28.

¹⁰ Crista Thomas Statement of Position, Docket No. A-41, Sub 22CS (Nov. 2, 2022). Wendy Wilmot Properties is the largest real estate firm on the island. It employs 20 year-round staff and an additional 25-30 summer-only staff, and 9 year-round real estate brokers and provides management service for 50 rental homes and 15 private homes.

1 has happened to me, personally, more times that I could possibly
2 recount. . . . It is a serious problem for all workers (not just our
3 own) who absolutely need to get off on time to pick up small
4 children from school/day care.

5
6 In her statement, Ms. Thomas describes how her business is forced to utilize water
7 taxis in lieu of the ferry as a very expensive “band aid solution” in order not to lose
8 employees but that “Limited recently banned the use of water taxis while the ferry
9 is running” thus jeopardizing the availability of this workaround to a broken ferry
10 system.

11 Echoing these concerns, Kim Scagnelli, a retired social worker and Island
12 resident,¹¹ testified as to the difficulties experienced by Island workers:

13 Recently, this past summer, since we’re not renting anymore, I ran
14 into the woman . . . that used to clean our house with her crew during
15 the summers, which is a very difficult job here. They turned over 10
16 houses a day on a Saturday. I just happen to be leaving the Island on
17 a Saturday which I try not to do in the summer because it’s crazy,
18 and the system has been broken for the last couple of years. I bump
19 into her and I say, “how are you doing”? She said, “oh my God, Ms.
20 Scagnelli, it’s horrible. I’m here with my crew, we’ve been bumped.
21 We couldn’t get on the 3:30. We couldn’t get on the 4:30. We’re
22 hoping to get on the 5:30”. These people have worked for 12 hours
23 a day cleaning houses and they can’t get home. And it’s hot. And
24 there’s no air conditioning. You’re in the sun.

25
26 The issues at play here arise in many different ways. Lou Vaickus¹²
27 describes his concerns about needing adequate transportation service to support his
28 not-for-profit school on the Island:

29 [M]y wife and I are starting a not-for-profit K-8 school on BHI (BHI
30 Academy) and the teachers, assistants, admins, lecturers, and
31 students and parents will be entirely dependent on this ferry system.

¹¹ Tr. Vol. 1, p. 83.

¹² See Lou Vaickus Statement of Position, Docket No. A-41, Sub 22CS (Nov. 1, 2022).

1 In particular, we are offering a top notch education to the
2 underprivileged from Brunswick County by offsetting some or all
3 of their tuition and fees. Classes are expected to be approx 50%
4 underprivileged and special needs like dyslexia and ADHD. As
5 Chairman of the Board of BHI Academy Foundation, I implore you
6 to ensure that the ferry system has expert oversight so that we
7 maintain this vital link in our transportation system.
8

9 Underprivileged and special needs school children attending this school will be
10 dependent on the availability of reliable and affordable transportation services to
11 the Island.

12 Claude Pope,¹³ owner of the Martime Market on the Island, spoke to the
13 concerns about the current operations of the transportation system impacting his
14 business operations. He raised questions for consideration by the Commission
15 including, why haven't the boats been running on time, what's the cost versus
16 benefit of fixing the issue, what's the impact of these persistent delays on the
17 Island's employees and the contractors on their commuting time, and what's the
18 impact of these delays on homeowners and visitors?

19 Kurt Haglund, a visitor for some 20 years who recently became a full-time
20 resident, testified that he had "seen a falloff in the quality of the management of –
21 management and reinvestment in the transportation system and that worries me,
22 because the current team ... I don't think is taking care of it as well as they did
23 several years ago."¹⁴ He further noted the need for an infusion of "new energy and
24 new money" to address "dredging that has to be done[,] boats that need to be

¹³ Tr. Vol. 1, p. 45.

¹⁴ Tr. Vol. 1, p. 40.

1 fixed[,] . . . [and] basic maintenance on lots of big buildings that has to be done.”¹⁵

2 Similarly, in the survey conducted by the Bald Head Association related to
3 regulation of the parking and barge operations, several commenters noted concerns
4 about service quality—despite the fact that it was not the topic of the survey. For
5 example:¹⁶

- 6 • “I have not been happy with service since this [proposed] sale.
7 Would appreciate more reliability/consistency associated with ferry
8 service. Considering sale of [my Island] property.”
9
- 10 • “Since the death of George Mitchell and the virtual abandonment of
11 the properties on Bald Head Island, the ferry has been poorly [*sic*],
12 the terminal has been inadequately maintained.”
13
- 14 • “OH MY!! Sharpvue said they’ll carry on services as already in
15 place. That means late ferries, broken down trams, not enough island
16 parking and luggage handling.”

17 These sort of comments are not isolated concerns by “complainers”; these are
18 heartfelt concerns that I routinely encounter from users of the transportation system.

19 **Q. IN ADDITION TO THE SERVICE ISSUES YOU’VE DISCUSSED, DOES**
20 **THE VILLAGE HAVE CONCERNS ABOUT THE ACQUISITION OF THE**
21 **TRANSPORTATION SYSTEM BY A PRIVATE EQUITY FIRM?**

22 A. Yes, this is a central concern of the Village and the Island stakeholders, and there
23 are a number of layers to unpack here.

24 First, there is some question about the relationship of the various entities
25 referenced in the application. The proposed assignee is a newly-created entity, Bald

¹⁵ Tr. Vol. 1, pp. 39-40.

¹⁶ See Testimony of Alan Briggs, Bald Head Association, at Exhibit 4 (pages 9, 10, 28), Docket No. A-41, Sub 21 (Sept. 8, 2022).

1 Head Island Transportation, LLC. Obviously, as a newly-created entity it has no
2 track record, experience or credentials of success with running any business, much
3 less a utility, and it will be dependent on a small group of unidentified investors for
4 funding. It is not clear from the public record exactly what SharpVue's role will
5 be in managing the affairs of the business, who will be making managerial and
6 business decisions, and how the business will be funded going forward.

7 Second, as a private equity firm, SharpVue's primary obligation is to its
8 investors, not to ratepayers. This raises obvious questions: Will SharpVue be
9 willing to make the investments in the system that will be required to restore and
10 improve its operations or will it forego such investments in order to maximize the
11 return for its investors? Will SharpVue be focused on short-term returns or will it
12 be invested in the long-term success of the enterprise?

13 Third, SharpVue has no experience running utility systems. SharpVue's
14 exposure to utility assets is limited to seemingly irrelevant buckets of experiences:
15 SharpVue has invested in a solid-waste company and a wastewater treatment
16 facility, which SharpVue admits are services that are not analogous to the ferry
17 system.¹⁷ Additionally, Mr. Roberts of SharpVue testified in the Sub 21 proceeding
18 that, in prior roles, he helped arrange financing for infrastructure investments in a
19 fiber network, a bridge, a skyscraper, a shipping company, and a couple of waste-
20 management companies.¹⁸ Mr. Robert's past experiences as an investment banker

¹⁷ Roberts Direct Testimony, at 4.

¹⁸ Roberts Rebuttal Testimony, at 4 (filed on Sept. 28, 2022, in Docket No. A-41, Sub 21).

1 simply do not equip SharpVue to *operate* a transportation system. Indeed, should
2 SharpVue acquire the ferry system, SharpVue will rely exclusively on current
3 management to operate the system. SharpVue can add no operational knowledge
4 itself, and it has not suggested that it would ever hire new managers or engage
5 outside consultants to improve the utility's underperforming operations.

6 Fourth, although SharpVue appears to have secured "commitments" for
7 funding at a level sufficient to consummate the asset purchase, it is not clear
8 whether the buying entity will have the resources to make additional investments
9 that are necessary to operate the system, including capital improvements that need
10 to be made. The buying entities are simply special purpose investment vehicles
11 and operating shell companies, and the applicants have not stated that existing
12 investors would be required to, or have committed to, contribute additional capital
13 should the need arise.

14 **Q. DO MEMBERS OF THE PUBLIC SHARE THESE CONCERNS?**

15 A. Yes. Various members of the public spoke to these concerns at the November 1st
16 public hearing in this proceeding.

17 Mr. Pope¹⁹ spoke to his concerns as a business owner and significant user
18 of the transportation services:

19 I have not seen evidence yet that SharpVue is a capable operator and
20 one that would be customer focused. Indeed, SharpVue Capital is
21 really not an operator at all. They are quite simply an investment
22 organization. One which gathers a pool of potential investors to
23 acquire assets with a promise of a stable and fair rate of return on
24 their investment. They may well grow to become an operator in the

¹⁹ Tr. Vol. 1, p. 44.

1 future but at present I see no visible operating talent with a relevant
2 history of experience that can be deployed into a newly acquired
3 transportation entity.
4

5 Moreover, Mr. Pope noted his surprise that SharpVue had not reached out to him—
6 as one of the transportation system's largest customers—to solicit input on his
7 experiences and concerns with the system's operations.²⁰ I would note that, similar
8 to Mr. Pope's experience, SharpVue has also not reached out to the Village seeking
9 input on its concerns with current operations and hopes for a new operator.

10 Brent Belch, a full-time resident of the Island since 2008 and a visitor since
11 the 1970s, expressed his concerns:²¹

12 Look, SharpVue is a private equity firm. Private equity firms are not
13 typically, while they may own some utilities, some toll roads, et
14 cetera, but private equity firms are usually not in the business of
15 running and managing utilities. They're in the business of providing
16 a significant and often times premium return to their sole
17 constituents which are called their stakeholders. Their mission is to
18 maximize income, potentially limit services, and minimize needed
19 reserves for current and deferred maintenance if they are not getting
20 the income they need to provide the return to their investors.
21 [R]eally that's it.
22

23 Ms. Scagnelli, a retired social worker and Island resident,²² related similar
24 concerns, especially from the perspective of workers on the Island and those less
25 affluent:

26 And a private equity firm as many people have said, they're in the
27 business of taking care of the investors who have given them money.
28 They don't care about a cleaning woman that's on a ferry that can't
29 get home. And we have to put those issues as paramount. If we
30 forgot that people are important, we are going to lose the specialness
31 of this place. So I really urge the Commission to think of the more

²⁰ Tr. Vol. 1, p. 53.

²¹ Tr. Vol. 1, p. 77-78.

²² Tr. Vol. 1, p. 84.

1 common men and women that are workers and also people like us.

2
3 Kurt Haglund, a visitor to the Island for some 20-years and a full-time
4 resident for two-years, spoke to his concerns whether the proposed buyer had the
5 appropriate capital structure and access to capital investment funds at reasonable
6 rates:

7 I know a decent amount about private equity and the private equity
8 need for premium returns to their investors, and I'm concerned that
9 the main interest in the Island is getting people and commerce back
10 and forth and not necessarily in fulfilling private equities premium
11 returns. . . . [M]y opinion is if something goes wrong we are going
12 to be back here again trying to figure out how to deal with challenges
13 and I don't think that's a good use of anyone's sometime.

14
15 Further, many respondents to a survey conducted by the Bald Head Association
16 ("BHA") expressed concerns about a private entity having unregulated control of
17 these assets:²³

- 18 • "My concern is a private owner will increase costs for profitability
19 purposes, and since property owners/visitors have no alternative to
20 the private owner they will be forced to pay the higher costs. The
21 NCUC can protect property owner/visitors from the monopoly
22 power of the private owner to keep costs fair and reasonable."
- 23
24 • "We have no guarantees on how long the SharpVue will own the
25 system before selling it to another group. We could get rate increases
26 every time it changes ownership. The cost is high now for the home
27 owners."
- 28
29 • "We are not sure of the priorities of the new owners with regards to
30 reasonable profits vers[u]s the needs of the frequent users."
- 31
32 • "If the owners of the BHI transportation system do not have a vested
33 interest in the viability of the island that the system serves there is
34 no incentive to run the system in a manner that is fair to BOTH the

²³ See Testimony of Alan Briggs, Bald Head Association, at Exhibit 4 (pages 6, 8, 14, and 20), Docket No. A-41, Sub 21 (Sept. 8, 2022).

1 owners of the system AND the island that it serves. What if the new
2 owner wants to sell off the more lucrative portion of the system?
3 Then what will be left will have to fend for itself; will it do so in a
4 manner that remains fair to the homeowners, businesses and many
5 workers whose current livelihood is based on working on the
6 island.”

7 In short, property owners are especially concerned about a new owner who has no
8 vested interest in the Island taking over the ferry system; whether it will be
9 committed to the long-term interests of the Island; whether it has the necessary
10 experience with operating assets of this nature; and whether it has access to
11 necessary capital to make improvements to the operation of the system.

12 **Q. WHAT DO YOU BELIEVE THE COMMISSION SHOULD DO TO**
13 **ADVANCE THE PUBLIC INTEREST IN THIS PROCEEDING?**

14 A. This is a difficult question, and I recognize the challenge presented to the
15 Commission. I hope that the Commission will seriously consider the concerns
16 expressed with this transaction by the public which SharpVue seeks to serve,
17 including by the Village, so that we are not back before this body a few years down
18 the road in a worse position than we are in today.

19 Notwithstanding these concerns expressed by the public, if the Commission
20 determines that there is sufficient evidence to move forward with this application,
21 I would urge the Commission to address several key issues. First and foremost, I
22 must re-emphasize the Village’s position in the Sub 21 proceeding: the
23 Commission should regulate the parking facilities and the barge to ensure that those
24 indispensable services are available to the public at reasonable rates and on fair
25 terms. A strong affirmation that the parking and barge are subject to the

Commission's regulatory authority would go a long way to alleviate many of the systemic concerns raised by the public with ensuring continued access to the Island. Second, the Commission should require SharpVue to detail and commit to a plan for improving the ferry system, including departure times, the physical condition of the ferries, and the terminal facilities. Third, the Commission should condition any transfer of the ferry assets on SharpVue demonstrating how it will finance the capital expenditures needed to make such improvements—whether that be deploying the excessive revenue from the highly profitable parking and barge operations, raising more equity from its investor pool, or securing responsible amounts of debt on favorable financing terms. Fourth, the Commission should ensure that appropriate ratepayer and user protections are in place to ensure continued access, into the future, to the consolidated transportation system on reasonable terms and conditions.

Q. DO YOU HAVE ANY CONCLUDING REMARKS?

A. Yes. I would like to emphasize that the Village's interest in this proceeding is in protecting the Island into the future. That's it. There is no ulterior motive, and certainly, as a governmental entity, the Village is not chasing profits. We seek a safe, reliable, reasonably priced transportation system that is appropriate to serve the needs of the Island and its various stakeholders, not just today, but over time.

That said, the Village has concerns that the current proposal may not be in the best interests of the Island, and we are not in a position to support the

1 Application based on the information presented in the filing and the responses
2 provided to date in discovery.

3 One big step the Commission could take that would help preserve the
4 transportation assets going forward is to confirm the public utility status of all
5 components of the unified transportation system, including parking and the barge.
6 By doing so, the Commission would help to ensure continued regulatory oversight
7 over the operation of the system in the public interest for so long as it remains
8 privately owned. The Commission's continued oversight is the only security to
9 Bald Head Island and its future that the system will return to what we once had – a
10 safe, reliable, reasonably priced transportation system. We implore the
11 Commission to protect the public interest here with this assertion of regulatory
12 authority.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 **A. Yes.**

EXHIBIT 1

SharpVue Responses to Village Second Data Requests

**STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH**

Docket No. A-41, Sub 22

In the Matter of		
Joint Application of Bald Head Island)	
Transportation, Inc., and Bald Head)	SHARPVUE CAPITAL, LLC'S
Island Ferry Transportation, LLC, for)	RESPONSES TO VILLAGE
Approval of Transfer of Common Carrier)	OF BALD HEAD ISLAND'S
Certificate to Bald Head Island Ferry)	SECOND DATA REQUESTS
Transportation, LLC, and Permission to)	
Pledge Assets)	

SharpVue Capital, LLC ("SharpVue"), by and through its undersigned counsel, hereby responds to the Village of Bald Head Island's Second Data Request to SharpVue Capital, LLC in the above-captioned docket.

GENERAL OBJECTIONS

SharpVue objects to the Data Requests to the extent they seek information, documents, materials, support, and/or things protected from disclosure by the attorney-client privilege, the work-product doctrine, consulting expert privilege, the common-interest privilege, and/or seek information beyond the regulated assets at issue herein. Inadvertent disclosure of any such information, documents materials, support, and/or things shall not operate as a waiver of any applicable privilege or immunity. SharpVue's production of documents or information does not waive any SharpVue's right to object to this request as not reasonably calculated to lead to the discovery of admissible evidence in this docket.

Certain SharpVue information provided herein are produced on the condition that they are held as confidential pursuant to the parties' confidentiality agreement. SharpVue

reserves the right to object to the admissibility of any of these responses, in whole or in part, at any further proceeding of this matter, on any grounds, including but not limited to timeliness, materiality, relevance, and privilege.

RESPONSE TO DATA REQUESTS

1. Please produce any and all documents identified, referred to, or relied upon in preparing your response to the Village's Second Set of Data Requests.

RESPONSE: See SHARPVUE NOS. 0831 to 0882.

2. Provide a complete summary of the existing business operations, if any, of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC.

RESPONSE: BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC are all affiliates of and managed by SharpVue Capital, LLC. These entities were established to own and operate the assets purchased pursuant to the Asset Purchase Agreement ("APA") attached as Exhibit E to the Joint Application filed herein. BHI Ferry Transportation, LLC will own the regulated assets, and Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC will own the non-regulated assets – much in the same way the existing owner holds the assets.

3. Provide state the current capitalization of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC and identify all documents showing such capitalization.

RESPONSE: See Exhibit F to the Joint Application filed herein. This document has been previously provided to the Village in a previous data request, and was provided as **CONFIDENTIAL – ATTORNEYS' EYES ONLY**.

4. Provide a complete summary of SharpVue's experience providing utility services, broken down by SharpVue entity. If SharpVue's experience consists solely of acquiring ownership interests entities providing utility services, please (a) identify the entity providing utility services, (b) state the percentage

ownership interest held and the type and nature of the interest, and (c) state the dates that SharpVue Capital acquired and sold such interests.

RESPONSE: SharpVue plans to hire the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.

SharpVue objects to Data Request No. 4 in that it requests irrelevant information that is not likely to lead to discoverable information about separate and distinct investments that are not related to its purchase of the assets described in the APA. SharpVue has raised capital specifically for this opportunity from a group of primarily local investors with the understanding that this collection of assets can be held for the long term. In other words, and importantly, this investment will not be held in a limited life fund, but in an LLC with a perpetual life.

5. What is the average length of SharpVue Capital's pre percentage ownership interest held and the type and nature of the interest, and (c) state the dates that SharpVue Capital acquired and sold such interests.

RESPONSE: SharpVue objects to Data Request No. 5 in that it requests irrelevant information that is not likely to lead to discoverable information about separate and distinct investments that are not related to its purchase of the assets described in the APA. SharpVue has raised capital specifically for this opportunity from a group of primarily local investors with the understanding that this collection of assets can be held for the long term. In other words, and importantly, this investment will not be held in a limited life fund, but in an LLC with a perpetual life.

6. Explain all ways in which SharpVue will maintain a strong local community presence and constructive relationships on the island.

RESPONSE: SharpVue intends to step into the Seller's shoes, and maintain the same level of strong local community presence and constructive relationships on the island, to include employing the same personnel who have been representing the Sellers on the island in the past.

7. Explain all ways in which SharpVue will be a committed partner to the continued success, prosperity, and conservation mission of Bald Head Island.

RESPONSE: The success of SharpVue's investment depends fully on Bald Head Island's continued success and prosperity, and therefore the interests of SharpVue and island stakeholders are fully aligned.

8. Specify the capital improvements that SharpVue commits to undertake as owner of the transportation facilities, including (a) the projected date of completion of the improvement, and (b) the project cost of the improvement.

RESPONSE: After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions, including related to capital improvements, in due course.

9. Does SharpVue intend to exercise operational control of the ferry and tram assets? In your response, state whether SharpVue's intention is to transfer operational control of the assets to a third party while retaining ownership the underlying real estate assets and the timeframe for this restructuring.

RESPONSE: BHI Ferry Transportation, LLC is an affiliate of and will be managed by SharpVue Capital, LLC – not an unrelated third party entity. SharpVue plans to hire the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc.

10. What is SharpVue's timeframe for divesting 100% of the initial investments in this project?

RESPONSE: SharpVue has no divestment timeframe. SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.

11. Identify the source of funds for the capital improvements specified in response to data request 8 and state whether such funds are currently committed or otherwise secured. If not committed or otherwise secured, state SharpVue's plans for obtaining the necessary funds.

RESPONSE: After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions, including related to capital improvements, in due course. Regarding funding, see Exhibit F to the Joint Application filed herein.

12. Provide an estimate (in dollars) of the public benefits that SharpVue contends will accrue from the Transaction, if any. Provide all backup and workpapers substantiating and supporting this calculation in native format.

RESPONSE: SharpVue has not undertaken such an analysis.

13. Provide a complete description of the public benefits that SharpVue contends will accrue from the Transaction.

RESPONSE: SharpVue will ensure that the ferry and tram services continue uninterrupted in the same professional, safe, and reliable manner that the public has come to expect. Going forward, SharpVue is willing and able to provide the operations with the capital they need to accommodate growth and enhance the passenger experience while maintaining efficient operations.

14. Does SharpVue commit to implementing electronic ticketing? If so, specify when electric ticketing will be implemented.

RESPONSE: After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it, and make strategic decisions, which could include electronic ticketing, in due course.

15. Will SharpVue commit to improving baggage handling operations? If “yes,” explain how SharpVue plans to improve baggage handling operations, the estimated cost associated with such improvements, and when SharpVue commits to completing the improvements.

RESPONSE: After closing the transaction, SharpVue intends to continue the ferry and tram operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it, and make strategic decisions, which could include changes or improvements to the baggage handling operation, in due course.

16. State the acquisition premium associated with the ferry assets, and provide a spreadsheet (in native form) showing the calculation of the premium, including any workpapers associated with or supporting the calculation.

RESPONSE: SharpVue does not believe the term “acquisition premium” applies in this context.

17. Does SharpVue commit that it will not seek to recover any portion of the acquisition premium described in the preceding data request from barge and/or parking customers (either directly or indirectly) if those services remain unregulated?

RESPONSE:

SharpVue does not believe the term “acquisition premium” applies in this context. SharpVue does not intend to raise prices as a result of any acquisition fees or expenses. After closing the transaction, SharpVue intends to continue the parking and barge operations without significant or immediate change. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.

18. In paragraph 34 of the Application, the applicants state that SharpVue “has experience with infrastructure projects which will be valuable in assuming operations.” Please identify all such projects, specify SharpVue’s role in such project, identify the extent of any ownership interest in such projects, and the dates SharpVue acquired and disposed of any interest in such projects.

RESPONSE: Lee H. Roberts, managing partner of SharpVue, has been involved with the following selected infrastructure transactions, among others:

- Financing of the \$1.6 billion Africa ONE fiber network encircling the African continent;
- Financing of the \$2.2 billion Mumbai Trans Harbour Link, India's longest bridge;
- Establishment of the Triangle Transit Authority's master developer program for "Transit-Oriented Development" around light rail;
- The \$5 billion redevelopment of the World Trade Center site in lower Manhattan;
- The \$300 million IPO and recapitalization of Golar LNG, the world's largest maritime shipper of liquefied natural gas;
- Acquisition of one of the largest privately owned waste services companies in the United States;
- Financing to support the wastewater treatment infrastructure for one of the largest master-planned communities in the Southeast.

Moreover, with regard to this transaction, SharpVue has reached agreement with the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.

19. Identify all facts in support of the allegations of paragraph 27 of the Application.

RESPONSE: See Exhibit F to the Joint Application filed herein.

20. Identify all facts in support of the allegations of paragraph 28 of the Application.

RESPONSE: In addition to the business, finance, and management experience of the SharpVue team, SharpVue has a history of participating in infrastructure projects, as described above. Further, SharpVue has reached agreement with the operations' current management to continue in their current roles and duties, to include (but not limited to): Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain Bion Stewart, the

current Chief Operating Officer of Bald Head Island Transportation, Inc. Further, SharpVue has committed to hire almost all of the current employees.

21. Specify how SharpVue allocates the purchase price among the assets to be purchased in the Transaction and how it proposes to allocate the purchase price among the acquired assets at closing. If SharpVue contends that it has not allocated the purchase price among the assets, explain how SharpVue has valued the individual components of the transaction and provide all documents relating to the valuation of these components.

RESPONSE: Of the \$67.7M purchase price, \$56M is allocated to ferry, tram, parking, and barge. Otherwise, SharpVue has not completed such an analysis but will do so at the time of closing under the APA.

22. Does SharpVue intend – either as a component of the Transaction or as a component of a planned future transaction – to pledge the assets comprising the ferry and tram operations as collateral or security? If SharpVue does not presently intend to pledge these assets, might SharpVue consider pledging those assets in the future?

RESPONSE: See Exhibit F to the Joint Application filed herein.

23. Does SharpVue intend – either as a component of the Transaction or as a component of a planned future transaction – to pledge the parking facilities or barge assets as collateral or security? If SharpVue does not presently intend to pledge these assets, might SharpVue consider pledging those assets in the future?

RESPONSE: See Exhibit F to the Joint Application filed herein.

24. Identify the individual investors in Pelican Legacy Holdings, LLC and SVC Pelican Partners, LLC, including name, address and committed funding amount.

RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding

amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.

25. Identify the "co-investors" in Pelican Legacy Holdings, LLC, including name and address.

RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.

26. Provide the Operating Agreements for Pelican Legacy Holdings, LLC, and SVC Pelican Partners, LLC.

RESPONSE: See SHARPVUE NOS. 0831 to 0882.

27. State the ownership (by percentage of each owner) of each of BHI Ferry Transportation, LLC, Pelican Legacy Holdings, LLC, SVC Pelican Partners, LLC, and SharpVue Capital, LLC.

RESPONSE: SharpVue objects to this request because among other things it is beyond the scope of information relevant to the proceeding or likely to lead to discoverable information. Without waiving objections, see Exhibit F to the Joint Application filed herein for the committed funding amount. As is customary for such transactions, the committed amount will be in SharpVue's possession at closing under the APA.

28. Identify all communications with the Bald Head Association staff, Officers, or Board of Directors members concerning the Transaction or related matters before the North Carolina Utilities Commission, including those in Docket No. A-41, Sub 21.

RESPONSE: Objection to questions about Docket No. A-41, Sub 21 in Docket No. A-41, Sub 22. Without waiving objections, on July 27, 2022, Lee Roberts was invited to and attended an informational meeting for the Bald Head Island Association staff, officers, Board of Directors, and members. The Village and the Authority were also represented at the meeting. The meeting was held in person on the island and by Zoom. Mr.

Roberts, as well as the other invited guests, discussed the transaction and answered questions from Association members. Upon information and belief, over 400 Association members either participated in the meeting live or later viewed a recording of the meeting posted to the Association's website.

29. Please identify all due diligence referenced at page 6, line 14 of the Testimony of Lee H. Roberts.

RESPONSE: SharpVue performed research and review of the operating costs, financial data, and related information of BHIT/BHIL, which has been previously provided to the Village by BHIT/BHIL. Further, SharpVue had the benefit of the fact that BHITA had spent four years evaluating the system in great depth in conjunction with their plans to purchase the ferry and tram services. SharpVue obtained and reviewed appraisals, evaluations, reports, and analyses on all of the assets included in the APA and reviewed the records related to these operations as a going concern – all of which we believe has been previously provided to the Village by BHIT/BHIL.

30. Refer to page 6, line 16 of the Testimony of Lee H. Roberts. Please describe what is meant by "changes to its regulatory status or to the rate base" and provide copies (in native format) of all analysis or due diligence conducted or reviewed relating to such changes and their potential impact on utility rates.

RESPONSE: A decision in Docket No. A-41, Sub 21 or any future docket to include the assets of the parking and barge businesses that SharpVue has contracted to purchase from Bald Head Island Limited, LLC ("Limited") in the ferry/tram rate base or to otherwise regulate those assets. Notwithstanding the above, SharpVue agrees to assume responsibility for all rights and obligations of BHIT that flow from the Commission's order approving a settlement of the 2010 Rate Case for the ferry and tram services in A-41, Sub 7. Specifically, this includes but is not limited to, the element of that order that \$523,725 of annual revenues (including regulatory fee impact) from the parking business that SharpVue seeks to acquire from BHIL will continue to be imputed to the revenue requirement of the utility with respect to the existing Commission-ordered ferry/tram rates until such time as the Commission may approve an adjustment to rates. SharpVue also affirms it will adhere to the 2012 and 2022 Commission orders regarding baggage entered in A-41, Sub 9 and 20, the current treatment of fuel surcharge as provided in the 2010 rate case, as well as abiding by the terms of the lease agreement between BHIT and BHIL to lease real property in Southport, North

Carolina and on Bald Head Island (upon which services involving the assets at issue in this docket are performed).

31. Refer to page 6, lines 16-21 of the Testimony of Lee H. Roberts. Please provide copies (in native format) of all financial and operational analysis and due diligence conducted or reviewed showing that SharpVue can continue to operate the ferry and tram services at the approved rates for at least one year.

RESPONSE: See operating costs, financial data, and related information of BHIT/BHIL, which has been previously provided to the Village by BHIT/BHIL. See BHITA due diligence documents, including appraisals, evaluations, reports, analyses on all of the assets included in the APA, and records related to these operations as a going concern, all of which we believe has been previously provided to the Village by BHIT/BHIL.

32. Refer to page 2, line 18 of the Testimony of Lee H. Roberts. Please provide the basis for Mr. Robert's statement of familiarity with Bald Head Island, including identification of any prior investments on the island, ownership of property, and other contacts with the island.

RESPONSE: Mr. Roberts has traveled to Bald Head Island multiple times over a twenty-year period. Additionally, Mr. Roberts served as the Budget Director for the State North Carolina at the time of the Bald Head Island Transportation Authority's formation, and was aware of the related legislative process and thesis behind the Bald Head Island Transportation Authority's creation. Mr. Roberts does not and has not personally owned property or other investments on Bald Head Island.

33. Provide copies of the agreements referenced at page 4, lines 1-7 of the Testimony of Lee H. Roberts. If the agreements have not been reduced to writing, summarize their terms.

RESPONSE: The offers to the operations' current management have not been reduced to writing, but the offers and expected agreements would be for them to continue in their current roles and duties. Again, SharpVue, on behalf of BHI Ferry Transportation, is simply stepping into the shoes of BHIT.

34. If SharpVue intends to hold the ferry assets "long term," how does SharpVue define this term. Include in your response the specific number of years that

would constitute “long term” ownership and state what assurances you will provide the Commission that you will retain ownership of this assets for this period of time?

RESPONSE: Other than the preliminary information included in investor presentations at SHARPVUE-0001 to SHARPVUE-0655 previously provided to the Village, SharpVue does not have a predefined definition of “long term” ownership. SharpVue plans to analyze the business more fully while operating it and make strategic decisions in due course.

35. Provide all documents produced to the Village or any other intervening party (including the Public Staff) in connection with Docket No. A-41, Sub 21.

RESPONSE: All such documents that have been requested to date have been provided to the Village.

This the 12nd day of September, 2022.

NEXSEN PRUET PLLC

By: /s/ David P. Ferrell
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CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing SHARPVUE CAPITAL, LLC'S RESPONSES TO THE VILLAGE OF BALD HEAD ISLAND'S FIRST DATA REQUESTS has been served this day upon all parties of record in this proceeding, or their legal counsel, by electronic mail or by delivery to the United States Post Office, first-class postage pre-paid.

This the 12th day of September, 2022.

By: /s/ David P. Ferrell