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January 24, 2023

Ms. A. Shonta Dunston
Chief Clerk
North Carolina Utilities Commission
430 N. Salisbury Street
Room 5063
Raleigh, NC 27603

Re: In the Matter of
Joint Application of Bald Head Island Transportation, Inc. and Bald Head Island
Ferry Transportation, LLC for Approval of Transfer of Common Carrier Certificate
to Bald Head Island Ferry Transportation, LLC, and Permission to Pledge Assets
NCUC Docket No. A-41, Sub 22
Amended Direct Testimony of Lee H. Roberts

Dear Ms. Dunston:

Attached for filing in the above referenced docket is the Amended Direct Testimony of Lee H. Roberts.

Thank you in advance for your assistance with this filing. If you should have any questions concerning this submittal, please contact me.

Sincerely,

/s/ M. Gray Styers, Jr.

M. Gray Styers, Jr.

pbb

A Pennsylvania Limited Liability Partnership

California Colorado Delaware District of Columbia Florida Georgia Illinois Minnesota
Nevada New Jersey New York North Carolina Pennsylvania South Carolina Texas Washington

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Enclosure

cc: All Counsel and Parties of Record
Christopher J. Ayers - NC Public Staff
Elizabeth Culpepper – NC Public Staff
William E. H. Creech – NC Public Staff
Jessica Heironimus – NC Public Staff

STATE OF NORTH CAROLINA
UTILITIES COMMISSION
RALEIGH

DOCKET NO. A-41, SUB 22

BEFORE THE NORTH CAROLINA UTILITIES COMMISSION

In the Matter of Joint Application
of Bald Head Island Transportation, Inc.,
and Bald Head Island Ferry
Transportation, LLC , for Approval of
Transfer of Common Carrier Certificate
to Bald Head Island Ferry Transportation,
LLC, and Permission to Pledge Assets

**AMENDED DIRECT TESTIMONY OF
LEE H. ROBERTS**

January 24, 2023

1 **Q. Please state your name, occupation, and business address.**

2 A. My name is Lee Roberts. I am Managing Partner of SharpVue Capital, LLC
3 ("SharpVue"). My business address is 3700 Glenwood Avenue, Suite 530,
4 Raleigh, North Carolina 27612. SharpVue will enter an agreement for management
5 services with Pelican Legacy Holdings, LLC, which is the sole member of Bald
6 Head Island Ferry Transportation, LLC ("BHI Ferry Transportation"), a North
7 Carolina limited liability company, to manage BHI Ferry Transportation's
8 operations.

9 **Q. Please describe your educational and professional background.**

10 A. I have a B.A. degree in political science from Duke University and a law degree
11 from Georgetown University Law Center. I have worked in real estate investment
12 and finance for more than 25 years, including positions in private equity,
13 investment banking, and commercial banking. My former employers include the
14 State of North Carolina, Piedmont Community Bank Holdings and Cherokee
15 Investment Partners in Raleigh, as well as Morgan Stanley in London and New
16 York.

17 **Q. How long have you worked at SharpVue?**

18 A. I co-founded SharpVue in 2016. SharpVue was previously an arm of Curi, formerly
19 known as Medical Mutual. Seeing the tremendous opportunity for continuing
20 growth in North Carolina, my partner, Doug Vaughn, and I spun SharpVue off into
21 its own investment management firm in 2019. One of SharpVue's primary
22 missions is economic growth in North Carolina.

1 **Q. Why has SharpVue focused on North Carolina?**

2 A. First, Mr. Vaughn and I have lived in this great state for many years and raised our
3 families here. We are proud to call it home and don't plan to live anywhere else.
4 We know it well – its needs and its opportunities. Immediately prior to joining
5 SharpVue, I had the honor of serving as budget director to Governor Pat McCrory.
6 I am currently a member of the Board of Governors for the University of North
7 Carolina system. I have also served on the board of directors for the Golden LEAF
8 Foundation, which distributes grants intended to make meaningful economic
9 transformation across the State. I have also served on the State Board of
10 Community Colleges and the North Carolina Banking Commission.

11 **Q. What is the purpose of your testimony in this proceeding?**

12 A. The purpose of my testimony is to describe SharpVue and its affiliates' plans for
13 owning and operating the services currently provided by Bald Head Island
14 Transportation (BHIT) and Bald Head Island Limited (BHIL) and to explain why
15 BHI Ferry Transportation's acquisition of the necessary certificate and common
16 carrier authority for those services is in the public interest and will provide stability
17 and ensure continuity of these services going forward.

18 **Q. How did SharpVue become interested in purchasing the Bald Head Island
19 operations?**

20 A. I have been familiar with Bald Head Island for a long time. When I was the budget
21 director for Governor McCrory, our office was aware of the concept of legislation
22 that led to the formation of the Bald Head Island Transportation Authority

1 (“BHITA”). I was well aware of the need for someone to assume ownership of
2 these operations since Bald Head Island Transportation, Inc., (“BHIT”) would need
3 to be wound down to settle and close the Estate of George P. Mitchell. When it
4 became apparent that BHITA might not be able to obtain the necessary approvals
5 to finance the purchase of these operations, I realized there was a critical need that
6 SharpVue could fill.

7 Mr. Mitchell and his family’s development, conservation, and preservation efforts
8 on Bald Head Island over the past 40 years have been monumental, and we look
9 forward to being the next stewards of that legacy. The ferry, tram, parking, and
10 barge/tugboat operations are critical pieces of that stewardship.

11 SharpVue ultimately negotiated an agreement to purchase the assets of BHIT and
12 Bald Head Island Limited LLC (“BHIL”), which consist of the ferry and tram
13 operations, the barge operations and parking facilities, and a number of non-
14 regulated assets such as buildings, real estate assets, and other operations.
15 SharpVue will fund the purchase as I describe later in my testimony and its affiliates
16 will own the various assets. As it relates to this application, BHI Ferry
17 Transportation will own the assets related to the ferry, tram, parking facilities, and
18 barge operations (“Transportation Assets”), and SharpVue will manage these
19 operations on behalf of BHI Ferry Transportation.

20 **Q. What relevant experience does SharpVue have as it relates to the**
21 **Transportation Assets?**

1 A. SharpVue has a history of participating in infrastructure projects. For example, in
2 2017, SharpVue invested in the acquisition of Raleigh-based sanitary solid waste
3 company by a private group of investors. In 2020, SharpVue invested in a reclaimed
4 wastewater treatment facility in a Piedmont-located municipality. While this type
5 of transportation service is new to our team, SharpVue will keep the operations'
6 current management in their current roles and duties, to include (but not limited to):
7 Charles A. "Chad" Paul, III, President of Bald Head Island Transportation, Inc. and
8 Chief Executive Officer and a Manager of Bald Head Island Limited LLC; Shirley
9 Mayfield, Chief Financial Officer of Bald Head Island Limited LLC; and Captain
10 Bion Stewart, the current Chief Operating Officer of Bald Head Island
11 Transportation, Inc.

12 Further, SharpVue has committed to hire almost all of the current employees
13 involved in ferry, tram, parking, and barge operations. In the process of negotiating
14 the transaction and conducting our due diligence, we have been impressed with the
15 knowledge and expertise this team brings with it and are confident that the
16 transition will be seamless and operations will continue without noticeable impact
17 as a result of the transaction.

18 **Q. When the transaction was originally negotiated, the parking and barge**
19 **operations were not recognized to be part of the operations regulated by the**
20 **Commission. Has its recent order in Sub 21 impacted SharpVue's approach**
21 **to this transaction?**

1 A. Although SharpVue, like BHIT and BHIL, disagrees with the Commission's
2 conclusion, SharpVue has ultimately determined that it will proceed with the
3 transaction, and abide by the Commission's Order should it be affirmed. The
4 parking and barge assets are included in the assets SharpVue plans to acquire from
5 BHIL and BHIT, and based on the current status, inclusion of them under the
6 Certificate of Common Carrier Authority does not materially change the analysis
7 of the transfer application.

8 **Q. How will the operations fit into the SharpVue corporate and financing**
9 **structure?**

10 A. BHI Ferry Transportation is managed by SharpVue. Both are North
11 Carolina limited liability companies. A current organization chart of SharpVue's
12 investment in this transaction is filed with this Amended Application as Exhibit B
13 (amended). In addition to the current balance sheet for the ferry and tram operations
14 as well as the parking facilities and the barge operations, SharpVue will establish a
15 reliable financing mechanism that is a combination of debt financing and equity, as
16 shown on the document filed confidentially with the Amended Application as
17 Exhibit F. This diverse financing approach will give SharpVue flexibility in
18 meeting the capital and other needs of the four systems. SharpVue has raised capital
19 specifically for this opportunity from a group of primarily local investors with the
20 understanding that this collection of assets can be held for the long term. In other
21 words, and importantly, this investment will not be held in a limited life fund, but
22 in an LLC with a perpetual life.

1 **Q. Who will manage day-to-day operations of the ferry and tram operations after**
2 **the transaction is closed?**

3 A. As I mentioned before, we will keep both the management and employees involved
4 in these operations in place. That includes the President, Chad Paul, the Chief
5 Financial Officer, Shirley Mayfield and the Chief Operational Officer, Captain
6 Bion Stewart. Their experience and knowledge specific to the Bald Head Island
7 operations along with SharpVue's broader experience in real estate and
8 infrastructure projects and its access to capital should ensure long-term viability of
9 the services and lead to improvements in efficiencies and passenger experience over
10 time.

11 **Q. Please describe the due diligence efforts SharpVue made to determine whether**
12 **the services currently provided by BHIT and BHIL are financially stable and**
13 **feasible in the long term?**

14 We performed a significant amount of research and review on our own, but we also
15 had the benefit of the fact that BHITA had spent four years evaluating the system
16 in great depth in conjunction with their plans to purchase the ferry and tram
17 services. We obtained and reviewed appraisals, evaluations, reports, and analyses
18 on all of the assets we were purchasing and reviewed the records related to these
19 operations as a going concern. Through our review, we are confident that SharpVue
20 can continue to operate the services in the same cost-effective, safe, and reliable
21 manner that BHIT has been providing for years.

22

1 **Q. Does that include the parking facilities and the barge operations?**

2 A. Yes, based on the current situation, those separate operations can also be operated
3 in a financially stable and feasible manner as part of the regulated operations.

4 **Q. Does SharpVue plan to make any significant changes to the operation?**

5 A. No, we have no such plans at this time. Sometimes an equity investor will purchase
6 an underperforming company with the intent of making changes to make it more
7 profitable, but that is absolutely not the situation here. Instead, we see BHIT and
8 BHIL as an unusual situation in which extremely well-run companies need to be
9 sold for external reasons (i.e., the death of Mr. Mitchell), and it is our intent to
10 continue that track record of success. We intend to spend the first year after the
11 purchase communicating with stakeholders and evaluating the current operations
12 in more detail and, of course, looking for opportunities to improve service and make
13 any needed investments over time.

14 **Q. Will there be any request for a rate increase as a result of the transaction?**

15 A. No, not as result of the transaction. Based on our due diligence, SharpVue has
16 concluded that it can continue to operate the services at the approved rates at this
17 time. SharpVue agrees it will not seek a rate change for at least one (1) year for
18 ferry and tram services as we evaluate the current operations. If the Commission's
19 Order in Docket No. A-41, Sub 21 is affirmed, SharpVue reserves the right to
20 advocate for appropriate rate changes as the circumstances may warrant.

21 **Q. Will SharpVue seek to recover any transaction costs related to this transaction**
22 **from passengers?**

1 A. No.

2 **Q. From SharpVue's perspective, what benefits will there be to the public if the**
3 **transaction is approved?**

4 In the short term, SharpVue will ensure that the currently provided services
5 continue uninterrupted in the same cost-effective, safe, and reliable manner that the
6 public has come to expect. The owners of BHIL have been clear and unequivocal
7 that they are no longer interested in owning and operating the Transportation Assets
8 and will not be making any significant capital expenditures. In contrast, going
9 forward, SharpVue is willing and able to provide the operations with the capital
10 they need to accommodate growth and enhance the passenger experience while
11 maintaining cost-effective and efficient operations.

12 It is in SharpVue's interest for passengers and customers to receive excellent
13 service and want to return to the island in the future, for the commercial businesses
14 and residential rental properties on the island to succeed, and for the island as a
15 whole to prosper. As tourism grows, ridership on the ferry increases, barge usage
16 increases, and parking facilities are utilized, and the per-unit allocation of the fixed
17 costs decreases. Our economic incentives are aligned with those of the other island
18 stakeholders.

19 Finally, at a personal level, as North Carolinian and owner of a North Carolina
20 company, I am committed to the success of the island.

21 **Q. From SharpVue's perspective, will the customers who rely on the services be**
22 **harmed in any way as a result of the SharpVue transaction?**

1 A. No. SharpVue is committed to continue to operate the ferries, tram, barge/tugboat,
2 and parking facilities in a cost-effective manner as it has been operated in the past.
3 Between the expertise of the current management team and the resources and
4 experience of SharpVue, we are well situated to make that happen.

5 **Q. Will SharpVue commit to complying with all applicable statutes within**
6 **Chapter 62 of the North Carolina General Statutes, the Rules and Regulations**
7 **of the Commission, and all applicable Orders of the Commission?**

8 A. Yes.

9 **Q. Is SharpVue familiar with the NCUC's historical regulation of the ferry and**
10 **tram system?**

11 A. Yes.

12 **Q. And SharpVue is familiar with the Commission's recent order that the**
13 **parking and barge are subject to regulation under the same Certificate of**
14 **Common Carrier Authority as the ferry and tram?**

15 A. Yes.

16 **Q. Will the North Carolina Utilities Commission retain appropriate regulatory**
17 **oversight over the transportation operations following the transaction?**

18 A. Yes; SharpVue, on behalf of BHI Ferry Transportation, is simply stepping into the
19 shoes of BHIT and BHIL with respect to the operations of the ferry, tram, parking,
20 and barge. The Commission will continue to have jurisdiction over BHI Ferry
21 Transportation's operations pursuant to applicable law and will have the power to
22 exercise supervision and authority over BHI Ferry Transportation as it relates to

1 these operations pursuant to Chapter 62 of the North Carolina General Statutes –
2 just as it has had over BHIT for the past 25+ years. To the extent that the
3 Commission’s order including the parking and barge is affirmed, the transaction is
4 currently structured so that BHI Ferry Transportation will own all regulated assets,
5 including the assets associated with the parking and barge operations, and BHI
6 Ferry Transportation will comply with all applicable regulatory oversight from the
7 Commission.

8 **Q. Does this conclude your testimony?**

9 **A. Yes, at this time.**