

INFORMATION SHEET

PRESIDING: Commissioner Duffley, Presiding; and Commissioners Brown-Bland, Hughes, McKissick, and Kemeraït

PLACE: Dobbs Building, Raleigh, NC

DATE: Friday, March 10, 2023

TIME: 1:36 p.m. – 3:51 p.m.

DOCKET NOS.: A-41, Sub 22

COMPANY: Bald Head Island Transportation, Inc., and Bald Head Island Transportation, LLC

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

VOLUME NUMBER: 9

APPEARANCES

(See attached)

WITNESSES

(See attached)

EXHIBITS

(See attached)

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REPORTED BY: Kaylene Clayton

DATE FILED: April 13, 2023

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PLACE: Dobbs Building, Raleigh, North Carolina  
DATE: Friday, March 10, 2023  
TIME: 1:36 p.m. - 3:51 p.m.  
DOCKET NO.: A-41, Sub 22  
BEFORE: Commissioner Kimberly W. Duffley, Presiding  
Chair Charlotte A. Mitchell  
Commissioner Daniel G. Clodfelter  
Commissioner Jeffrey A. Hughes  
Commissioner Floyd B. McKissick, Jr.  
Commissioner Karen M. Kemerait

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

VOLUME: 9

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Apr 17 2023



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Gina C. Holt, Esq.

William E. H. Creech, Esq.

Public Staff - North Carolina Utilities Commission

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Raleigh, North Carolina 27699-4300

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**NORTH CAROLINA UTILITIES COMMISSION  
APPEARANCE SLIP**

**DATE:** 3-7-23 **DOCKET NO.:** A-41, Sub 22

**ATTORNEY NAME and TITLE:** Marcus W. Trathen

**FIRM NAME:** Brooks Pierce McLendon Humphrey & Leonard, LLP

**ADDRESS:** 1700 Wells Fargo Capitol Center, 150 Fayetteville St.

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27601

**APPEARANCE ON BEHALF OF:** Village of Bald Head Island

**APPLICANT:** \_\_\_ **COMPLAINANT:** \_\_\_ **INTERVENOR:** X

**PROTESTANT:** \_\_\_ **RESPONDENT:** \_\_\_ **DEFENDANT:** \_\_\_

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**SIGNATURE:** /s/ Marcus Trathen

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**NORTH CAROLINA UTILITIES COMMISSION  
APPEARANCE SLIP**

**DATE:** 3-7-23 **DOCKET NO.:** A-41, Sub 22

**ATTORNEY NAME and TITLE:** Craig D. Schauer

**FIRM NAME:** Brooks Pierce McLendon Humphrey & Leonard, LLP

**ADDRESS:** 1700 Wells Fargo Capitol Center, 150 Fayetteville St.

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27601

**APPEARANCE ON BEHALF OF:** Village of Bald Head Island

**APPLICANT:** \_\_\_ **COMPLAINANT:** \_\_\_ **INTERVENOR:** X

**PROTESTANT:** \_\_\_ **RESPONDENT:** \_\_\_ **DEFENDANT:** \_\_\_

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**NORTH CAROLINA UTILITIES COMMISSION  
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**DATE:** 3-7-23 **DOCKET NO.:** A-41, Sub 22

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**FIRM NAME:** Brooks Pierce McLendon Humphrey & Leonard, LLP

**ADDRESS:** 1700 Wells Fargo Capitol Center, 150 Fayetteville St.

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27601

**APPEARANCE ON BEHALF OF:** Village of Bald Head Island

**APPLICANT:** \_\_\_ **COMPLAINANT:** \_\_\_ **INTERVENOR:** X

**PROTESTANT:** \_\_\_ **RESPONDENT:** \_\_\_ **DEFENDANT:** \_\_\_

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**NORTH CAROLINA UTILITIES COMMISSION  
APPEARANCE SLIP**

**DATE:** 3-7-23 **DOCKET NO.:** A-41 Sub 22

**ATTORNEY NAME and TITLE:** Jo Anne Sanford

**FIRM NAME:** Sanford Law Office

**ADDRESS:** 721 North Bloodworth Street

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27604

**APPEARANCE ON BEHALF OF:** Village of Bald Head Island

**APPLICANT:** \_\_\_ **COMPLAINANT:** x **INTERVENOR:** \_\_\_

**PROTESTANT:** \_\_\_ **RESPONDENT:** \_\_\_ **DEFENDANT:** \_\_\_

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**NORTH CAROLINA UTILITIES COMMISSION**  
**APPEARANCE SLIP**

**DATE:** 3-7-23 **DOCKET NO.:** A-41 Sub 22  
**ATTORNEY NAME and TITLE:** M. Gray Styers, Jr. + Elizabeth Hedrick

**FIRM NAME:** Fox Rothschild

**ADDRESS:** 434 Fayetteville Street, Suite 2800

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27601

**APPEARANCE ON BEHALF OF:** Bald Head Island Limited; and Bald Head Island Transportation

**APPLICANT:** --- **COMPLAINANT:** --- **INTERVENOR:** ---

**PROTESTANT:** --- **RESPONDENT:** x **DEFENDANT:** ---

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**NORTH CAROLINA UTILITIES COMMISSION**  
**APPEARANCE SLIP**

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Apr 17 2023

**DATE:** 3-7-23 **DOCKET NO.:** A-41 Sub 22

**ATTORNEY NAME and TITLE:** David Ferrell, Attorney

**FIRM NAME:** Nexsen Pruet PLLC

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**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27612

**APPEARANCE ON BEHALF OF:** Respondent SharpVue Capital, LLC

**APPLICANT:** \_\_\_ **COMPLAINANT:** \_\_\_ **INTERVENOR:** \_\_\_

**PROTESTANT:** \_\_\_ **RESPONDENT:** x **DEFENDANT:** \_\_\_

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**NORTH CAROLINA UTILITIES COMMISSION**  
**APPEARANCE SLIP**

**DATE:** 3-7-23 **DOCKET NO.:** A-41 Sub 22

**ATTORNEY NAME and TITLE:** Daniel Higgins

**FIRM NAME:** Burns, Day & Presnell, PA

**ADDRESS:** PO Box 10867

**CITY:** Raleigh **STATE:** NC **ZIP CODE:** 27608

**APPEARANCE ON BEHALF OF:** Bald Head Island Club

**APPLICANT:** --- **COMPLAINANT:** --- **INTERVENOR:** x

**PROTESTANT:** --- **RESPONDENT:** --- **DEFENDANT:** ---

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**NORTH CAROLINA UTILITIES COMMISSION**  
**PUBLIC STAFF - APPEARANCE SLIP**

DATE: March 7, 2023

DOCKET #: A-41, Sub 22

PUBLIC STAFF ATTORNEYS: Gina C. Holt and William E. H. Creech

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COUNSEL/MEMBER(s) REQUESTING A **CONFIDENTIAL** TRANSCRIPT WHO HAS SIGNED A CONFIDENTIALITY AGREEMENT WILL NEED TO SIGN BELOW.

/s/ Gina C. Holt

/s/  William E. H. Creech

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Apr 17 2023

**An Appraisal Report of  
The Real Property of  
The Deep Point Ferry Terminal Operation  
Located At  
1301 Ferry Road,  
Southport, Brunswick County,  
North Carolina**



**Prepared For:**

**Ms. Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods, LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC**

**Prepared By:**

**Earl M. Worsley, Jr., MAI  
Worsley Real Estate Company  
1133 Military Cutoff Road, Suite 100  
Wilmington, North Carolina 28405**



June 17, 2019

Ms. Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods, LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC

Dear Ms. Rabon:

At your request and authorization, the following is an opinion of the market value of **The Real Property associated with the Deep Point Ferry Terminal Operation** located at 1301 Ferry Road, Southport, Brunswick County, North Carolina. Within this context, the **Bald Head Island Transportation Authority** is considered the client and intended user of this report. This report cannot be relied upon by any other parties other than the intended user.

In completing this assignment, I have thoroughly inspected the land, the improvements, and the comparable market data and submit the following opinion. The contents of the appraisal contain the introductory and descriptive material, the investigative process of collecting market data and processing of it into conclusions of highest and best use and ultimately, an opinion of market value.

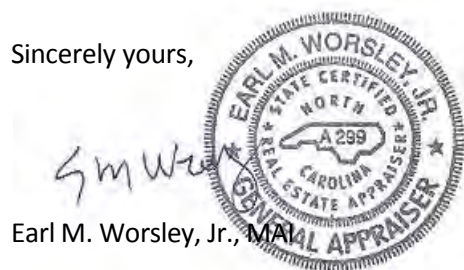
Also, the report is made in conformity with, and subject to, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute (AI) and the guidelines of the Uniform Standards of Appraisal Practice (USPAP) adopted by the Appraisal Foundation.

All estimates and conclusions are subject to the Limiting Conditions in which the context of this report has been written.

The opinion of market value, as of April 24, 2019, was:

**THIRTY SIX MILLION THREE HUNDRED TWENTY FIVE DOLLARS (\$36,325,000)**

Sincerely yours,



Earl M. Worsley, Jr., MAI

[eworsley@worsleyrealestate.com](mailto:eworsley@worsleyrealestate.com)


File No.: 19-004



**CERTIFICATION**

**I certify that, to the best of my knowledge and belief:**

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results. The appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Earl M. Worsley, Jr., MAI made a personal inspection of the property that is the subject of this report.
- Alonzo C. Edwards, III, state registered trainee number T5897, provided significant real property appraisal assistance to the person signing this certification.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute(AI).
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Earl M. Worsley, Jr., MAI, have completed the continuing education program of the Appraisal Institute and the North Carolina Appraisal Board.



Earl M. Worsley, Jr., MAI

June 17, 2019

Date

**LIMITING CONDITIONS**

Unless specifically stated otherwise in this report, this appraisal is contingent upon the following premises and conditions:

I assume no responsibility for legal matters nor do I render any opinion as to the title, which is assumed to be good. Any existing liens or encumbrances, now securing the payment of money, have been disregarded.

The parcel dimensions have either been taken from the plat furnished or the deed of record. They are assumed to be accurate. I have made no survey of the property. The plats in the report are included only to assist the reader in visualizing the property.

The opinions, estimates, data and statistics furnished by others are assumed to be correct. I assume no responsibility for errors or omissions, nor for undisclosed information, which might otherwise affect the valuation estimate.

I am not required to give testimony or to appear in a court of law by reason of this appraisal with reference to the property in question. These services must be contracted for separately.

The undersigned appraiser reserves the right to alter the opinion of market value on the basis of information withheld and/or not discovered in the course of diligent investigation.

In the event that any material data provided to the appraiser is found to be erroneous, the sole liability of the appraiser is to provide an amended appraisal report based upon the correct data.

The liability of the appraiser and/or his employees is limited to fee collected for the report. There is no accountability or liability to any third party.

Values are reported in dollars based on currency prevailing on the effective date of the appraisal.

Inflation has been a fact of life in our economy for decades. Its erosive effect on purchasing power has been more apparent in the past decade. The appraiser is faced with a choice between constant or changing dollars, in conducting the various analyses. Constant dollars imply a constant purchasing power regardless of the time frame. Changing dollars are those expected to be paid or recovered. Rates of return on realty investments are typically quoted in changing dollars, particularly mortgage interest rates and land yield rates. It is neither customary nor convenient to convert future income estimates to constant dollar equivalents with the passage of time. Thus, the analyses and value estimates are conducted in the context of changing dollars.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structure which would make it more or less valuable. Unless otherwise stated on this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such material on or in the property. The appraiser, however, is not qualified to detect such substances.

The presence of substances such as asbestos, urea-formaldehyde foam insulation, fuel in underground storage tanks, or other potentially hazardous material may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA). It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

**At the request of the Client's Business Valuation Consultant, the Cost Approach was utilized in this analysis. The Business Valuation Consultant has been retained to evaluate the Business Enterprise Value (BEV) or on-going concern. In order to insure the opinion of value reported herein accounts only for the real property, the Sales Comparison and Income Approach were not utilized. This is considered reasonable based on the special-purpose nature of the subject property and the engagement of the Business Valuation Consultant.**

This appraisal considers the **real property**. The furniture fixtures and equipment is considered **tangible personal property of the ferry operator**. Therefore, no estimate of the contributing value of the personal property is included. Also, no estimate of value associated with the **intangible property** which is sometimes referred to as **Business Enterprise Value (BEV)**, is provided.

***The opinion of market value does not include any tangible personal property (FF&E) or business enterprise value (BEV). As such, this value is for the real property only.***

Acceptance of and/or use of this report constitutes acceptance of these conditions.

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**EXECUTIVE SUMMARY**

<b>Property Identification:</b>	<b>The Deep Point Ferry Terminal Facility</b> real property located on an approximate 52.60 acre site. It is further identified as Brunswick County tax parcel 23800003.
<b>Location:</b>	1301 Ferry Road, Southport, Brunswick County, North Carolina
<b>Interest Appraised:</b>	Fee Simple
<b>Date of Value:</b>	April 24, 2019
<b>Ownership of Record:</b>	Bald Head Island Limited, LLC
<b>Land Area:</b>	52.60 acres
<b>Zoning:</b>	Business District, BD
<b>Highest and Best Use:</b>	Mixed Use
<b>Improvements:</b>	Several wood and steel frame buildings with supporting site improvements <b>utilized as Deep Point Ferry Terminal Facility.</b>

**Value Indicators**

<b>Cost Approach:</b>	<b>\$36,325,000</b>
-----------------------	---------------------

<b>FINAL ESTIMATE OF MARKET VALUE:</b>	<b>\$36,325,000</b>
--	---------------------

## INTRODUCTION

### DESCRIPTION OF THE REPORT

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for an **Appraisal Report**. Therefore, the reporting option chosen, as stated in the Uniform Standards of Professional Appraisal Practice, is an **Appraisal Report**.

As such it represents a summarization of the data, reasoning, and analyses that were utilized in the appraisal process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

### PURPOSE AND INTENDED USE OF THE APPRAISAL REPORT

The purpose of this appraisal is to estimate the market value of the described property for the client, Ms. Susan Rabon, Chair, Bald Head Island Transportation Authority (BHITA), and/or their assigns.

The **intended use** of the appraisal report is to value the real property for possible acquisition purposes.

Therefore, the **intended user** is the Bald Head Island Transportation Authority (BHITA). This report is not to be relied upon by any users other than those which are intended.

### DEFINITION OF MARKET VALUE

This appraisal report utilizes the following definition of **market value**, which has been taken from the **Interagency Appraisal and Evaluation Guidelines** and is consistent with the definition of market value taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, published by the **Appraisal Institute (AI)**.

It is as follows:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a "fair sale", the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

## ADDITIONAL DEFINITIONS

Several additional definitions are utilized throughout this appraisal report. All definitions have been derived from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, which is published by the Appraisal Institute. These definitions are as follows:

- **Business Enterprise Value (BEV):** the value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements.
- **Furniture, Fixtures and Equipment (FF&E):** business trade fixtures and personal property, exclusive of inventory
- **Gross Building Area (GBA):** total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region
- **Real Estate:** an identified parcel or tract of land, including improvements, if any
- **Real Property:** the interests, benefits, and rights inherent in the ownership of the real estate
- **Special-Purpose Property:** a property with a unique physical design, special construction materials, or a layout that particularly adapts its utility to the use for which it was built; also called a *special-design property*.
- **Floor Area Ratio (FAR):** the relationship between the above – ground floor area of a building, as described by the building code, and the area of the plot on which it stands.

## HYPOTHETICAL CONDITIONS

As defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, a Hypothetical Condition is “that which is contrary to what exists but is supposed for the purpose of analysis.”

There are no Hypothetical Conditions.

## EXTRAORDINARY ASSUMPTIONS

As defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, an Extraordinary Assumption is “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

A wetland survey specific to areas in northern portions of the subject property was provided by the client and/or contact person. According to this map, there are limited areas of wetlands located in northern portions of the subject property. A wetland survey of the subject property in its entirety was not provided over the course of this assignment. This report is based upon the extraordinary assumption that there are no major wetlands located on the site.

The values reported herein are based upon the Extraordinary Assumption that the square footage of the improvements is accurate. The size of the structures was provided by Mr. Bill Mack, Project Engineer with Bald Head Island Limited, and/or taken from field measurements. Limited building plans were provided.

#### **EFFECTIVE DATE AND DATE OF INSPECTION**

The effective date of the report is April 24, 2019, the date of last inspection of the property.

#### **DATE OF THE REPORT**

This report was completed and dated June 17, 2019.

#### **SCOPE OF THE APPRAISAL**

To gather, confirm and analyze the data I performed the following steps:

- Inspected the subject property and reviewed information about the subject property and the surrounding neighborhood;
- Prepared a highest and best use analysis of the subject as if vacant and as improved;
- Collected market information needed to apply the traditional approaches to value: sales comparison approach and income approach;
- Applied the Cost Approach to the subject property as improved;
- Reconciled the findings of the applicable approaches to value into a final value opinion;
- Prepared a narrative appraisal report setting forth the conclusions derived in this analysis as well as the information upon which the conclusions are based.

**At the request of the Client's Business Valuation Consultant, the Cost Approach only was utilized in this analysis. The Business Valuation Consultant has been retained to evaluate the Business Enterprise Value (BEV) or on-going concern. In order to insure the opinion of value reported herein accounts only for the real property, the Sales Comparison and Income Approach were not utilized. This is considered reasonable based on the special-purpose nature of the subject property and the engagement of the Business Valuation Consultant.**

Omission of the Sales Comparison Approach does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP).

Alonzo C. Edwards, III, state registered trainee number T5897, provided significant real property appraisal assistance to the person signing this report. This assistance included the following: developed site description and analysis; developed building description and analysis; neighborhood description and development analysis; developed the highest and best use; collected, verified, and analyzed data; developed the applicable approaches to value; and developed the final reconciliation.



The Fee Simple Estate is defined in *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> edition as follows: “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

## IDENTIFICATION OF THE PROPERTY

The property has a street address of 1301 Ferry Road, Southport, North Carolina. It is further identified as Brunswick County Tax Parcel 23800003. The property is identified on the following survey as Tract 2.

[illegible]

## GENERAL APPRAISAL CONCEPT

The subject property is the Deep Point Ferry Terminal (mainland portion) of the Bald Head Island transportation operation. It is considered to be a type of **special-purpose property**. *Please refer to the numerous definitions that are outlined in this report.*

The passenger ferries and vehicular barges arrive and depart from the ferry landing within the Deep Point Marina which is located in the Town of Southport. They cross the Cape Fear River to the Bald Head Island Marina which is located in the Village of Bald Head Island. The ferry and barge operation transports passengers as well as vehicles and supplies to and from the mainland.

Once passengers arrive at the passenger ferry terminal, there are transportation services for arriving passengers with adequate parking. Passenger's luggage is arranged for pickup and loaded onto the ferry by employees and the pedestrians board the ferry.

In addition, the barge/vehicles leave from the mainland at a separate landing within the Deep Point Marina which delivers goods and services to the island. Once the vehicles are loaded on the barge, they travel across the river to Bald Head Island.

Due to the special use nature of the facility, the **furniture, fixtures and equipment (FF&E)** is an integral part of the operation. This FF&E may be considered tangible personal property; depending on the nature is which is attached to the real estate. In addition, the **Business Enterprise Value (BEV)** consists of all intangible assets relative to the operation of the Ferry facility. **Please see Limiting Conditions.**

It consists of, but is not limited to, the baggage dollies, plus all other baggage handling equipment and supplies. In addition, it includes all equipment including radios, baggage supplies used in the performance of the transportation and logistics functions.

In summary, the island transportation system handles a substantial volume of passengers and vehicles. It is the only commercial transportation service to the island from the mainland. The subject of this report is the real estate associated with this transportation operation.

## OWNER OF RECORD

According to the Brunswick County Tax Records, the owner is Bald Head Island Limited, LLC.

## HISTORY OF THE PROPERTY

On April 12, 1996, Bald Head Island Limited, LLC acquired the subject property, as well as several other tracts that are not subject of this report, from PFIZER, Inc. This transaction recorded in deed book 1083 at page 879 of the Brunswick County register of deeds office.

On the date of inspection, the facility was utilized as The Deep Point Ferry Terminal facility. It is utilized for a ferry and barge landing for pedestrian passengers and construction vehicles, offices, ticket and retail sales areas and baggage handling facility, warehouse/distribution center and parking operation.

No contract or option to purchase the subject property was discovered in the course of the assignment.

**LEGAL DESCRIPTION**

The deed of the property is located in the addenda. However, this deed may include some additional land that is not subject of this report.

**EXPOSURE TIME AND MARKETING TIME**

*Exposure Time* is defined in *The Dictionary of Real Estate Appraisal*, fifth edition as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

Based on a review of market data in the subject and competing market areas as well as the current economic climate, an exposure time of 1 year is considered reasonable and is adopted based on the opinion of value as indicated within this report.

According to *The Dictionary of Real Estate Appraisal*, 5<sup>th</sup> edition, 2010, published by the Appraisal Institute, *marketing time* is defined as “an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal.”

Based on discussions with local market participants as well as considering the subject property’s physical characteristics, a marketing time of 1 year is considered reasonable and is adopted.

**AREA AND REGIONAL DESCRIPTION**

The subject property is located in Brunswick County. This is considered to be part of the Greater Wilmington area, which is made up of three counties: New Hanover, Brunswick and Pender.

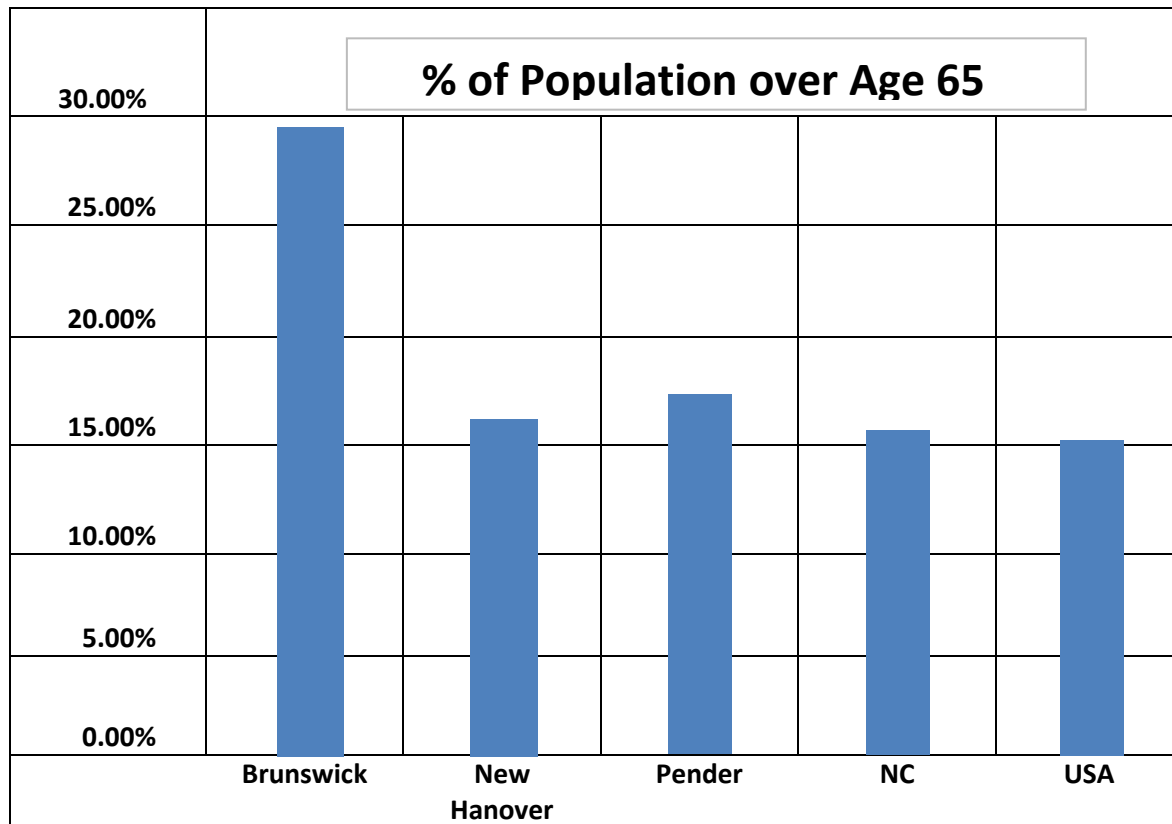
**POPULATION AND GROWTH****POPULATION GROWTH IN THE GREATER WILMINGTON AREA 1990-2017**

Source: US Census Bureau

	1990 Population	2000 Population	2017 Population	CAGR 1990-2017
Brunswick County	51,000	73,000	131,000	3.6%
New Hanover County	120,000	160,000	227,000	2.4%
Pender County	29,000	41,000	61,000	2.8%
Three-County Area	200,000	274,000	419,000	2.8%
<b>NORTH CAROLINA</b>	<b>6,628,000</b>	<b>8,046,000</b>	<b>10,273,000</b>	<b>1.65%</b>
<b>UNITED STATES</b>	<b>250,000,000</b>	<b>274,000,000</b>	<b>323,128,000</b>	<b>1.0%</b>

The population of the Greater Wilmington area is approximately 419,000. As the table above shows, the population growth of the area has been robust over the past 25 years, far outpacing the growth of North Carolina and the United States. This growth has been driven by many factors, mainly the quality of life, the mild year-round climate and the proximity to the Atlantic Ocean.

The population mix of the area is somewhat older, reflecting the popularity of the Wilmington area as a retirement haven.



## DEMOGRAPHICS

Median household income for the area ranges from approximately \$46,580 in Pender County to \$51,232 in New Hanover County. This is generally in line with the statewide average of approximately \$48,256.<sup>1</sup>

## EMPLOYMENT

Major area employers<sup>2</sup> include:

- New Hanover Regional Medical Center/Cape Fear Hospital (Hospitals) – 6,123
- New Hanover County Schools (Education) – 4,443
- Wal-Mart Stores (Retail) - 2,592
- GE Wilmington (GE Hitachi and GE Aviation) - 2,175
- University of NC Wilmington (Higher Education) - 1,860
- Brunswick County Schools (Education) - 1,835
- PPD, Inc. (Discovery & Development Services to Pharmaceutical & Biotech) - 1,500
- New Hanover County (County Government) - 1,611
- Verizon Wireless (Communications) - 1,411
- Progress Energy - Southport & Wilmington (Electricity) - 1,109
- Corning, Inc. (Optical Fiber) - 1,000

<sup>1</sup> Source: US Census QuickFacts, 2009-2015 data

<sup>2</sup> Source: Wilmington Chamber of Commerce

- City of Wilmington (Government) - 998
- Novant Medical/Brunswick Community Hospital (Hospitals) - 623
- Cape Fear Community College (Education) – 600
- Pender County (Government) – 377
- Castle Branch (Employment Screening) - 349

The region, along with the State of North Carolina, suffered from stubbornly high unemployment rates from approximately 2009 to 2014. However, these unemployment rates have fallen in the past several years.

<sup>3</sup>As of Spring, 2018, the unemployment rates in the three counties ranged from 4.0% to 5.6%, versus 4.5% for the State of North Carolina and 3.9% for the United States.

New Hanover County tends to have *lower* unemployment rates, while Brunswick and Pender County tend to have *higher* unemployment rates.

### ATTACHED HOUSING

New Hanover County has a high rate of multi-family housing and a low rate of home ownership when compared to the State of North Carolina. Conversely, Brunswick and Pender Counties have high rates of home ownership and low rates of multi-family housing. This is evidenced in the following chart:

2017	State of NC	New Hanover County	Brunswick County	Pender County
% Housing Units in Multi-family	17.50%	25.60%	10.10%	5.30%
% Owner Occupied Units	65.10%	57.60%	75.90%	77.60%
% Renter Occupied Units	34.90%	42.40%	23.10%	22.40%

US Census

Source: Bureau

### TAX BURDEN AND COST OF LIVING

The three counties have property tax rates ranging from \$0.485 to \$0.685 per \$100 of value. This is relatively low compared to most counties in the United States. The cost of living index is 100.7, indicating moderate living expenses. Housing costs are relatively low, offset by high utilities and grocery costs.

### EDUCATION

Wilmington / New Hanover County has a highly educated population, with over 37.9%<sup>4</sup> holding a bachelor's degree or higher. This compares with 30.3% for the U.S. and 29% for the state.

The University of North Carolina at Wilmington, with 16,487 students, is a major academic institution, offering Bachelors', Masters' and PhD's. There is also the highly successful Cape Fear Community College, with over 29,671 students.

<sup>3</sup> Source: Bureau of Labor Statistics

<sup>4</sup> Source: County Facts, U.S. Census Bureau

**CLIMATE**

The area enjoys a very favorable year-round climate, with mild winters, pleasant springs and autumns and hot humid summers. The coldest month is January, with average highs of 56 degrees and lows of 36 degrees<sup>5</sup>. The warmest month is July, averaging 90° / 73°.

**RECREATION AND CULTURE**

The area has spectacular beaches, which attract large numbers of locals and tourists. There are dozens of golf courses and tennis clubs, softball, baseball, hiking and numerous other outdoor activities for year-round enjoyment.

There are also significant cultural opportunities ranging from live theater, a local symphony, excellent public libraries and museums.

All these recreational and cultural amenities, combined with the mild year-round climate, have proven to be a beacon for lifestyle-oriented working people and retirees.

**PROJECTIONS**

The spectacular growth of population has slowed in the past several years, as in-migration of retirees was dramatically reduced by the real estate crisis of 2008 and the resulting national depression. Despite this, a recent projection published in the Greater Wilmington Business Journal indicates growth in population of the metro area, between 2012 and 2017, will average 1.2% per year.

**SUMMARY**

The Greater Wilmington area has grown at very high rates over the past 25+ years. The growth rate has plateaued in the wake of an economic correction. Unemployment has been stubbornly high over the past several years, but has recently shown signs of improvement. With all of the advantages of the area, it is likely that the future economy and growth rate of the area will prosper.

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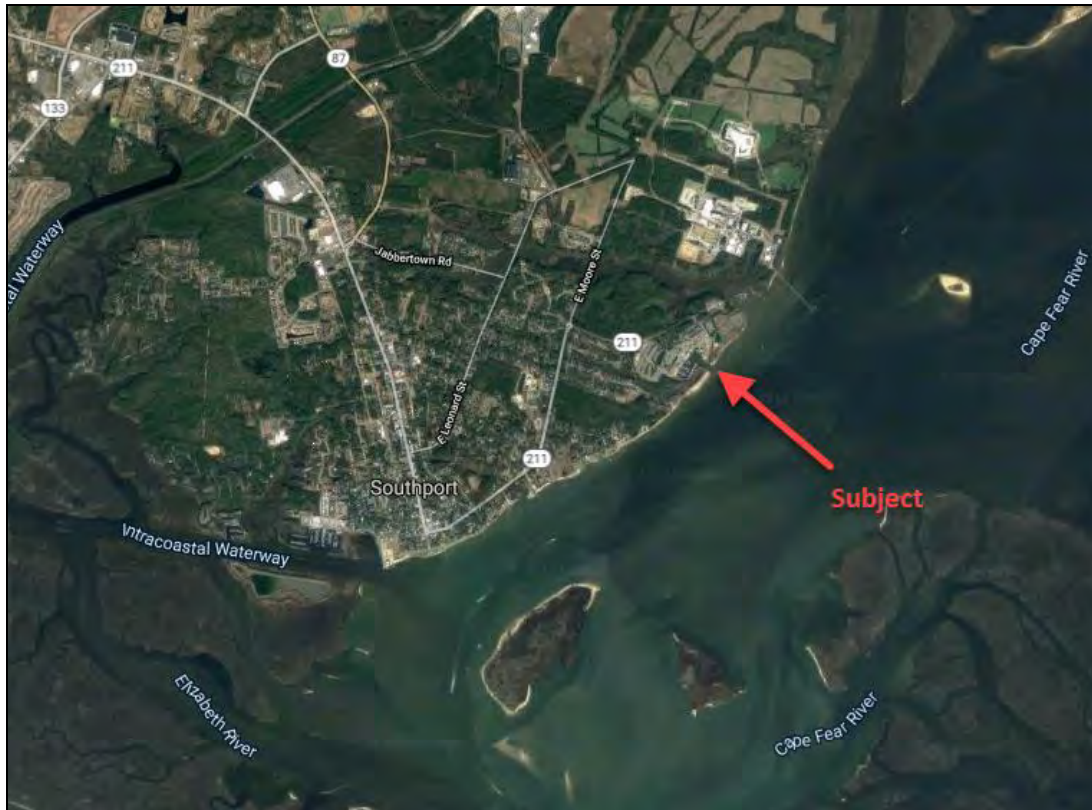
<sup>5</sup> Source: weather.com monthly averages



### THE IMMEDIATE NEIGHBORHOOD

The property is located within the Southport ETJ, just outside the municipal limits. The immediate neighborhood can be generally described as all that land area bound by the Cape Fear River on the east, the Atlantic Intracoastal Waterway on the south, Dutchman Creek on the west, and Rob Gandy Boulevard on the north. It is composed of a variety of residential and commercial land uses located in and around the Town of Southport.

For illustrative purposes, a map of the immediate neighborhood with subject is provided below:



The Town of Southport is located at the mouth of the Cape Fear River at the Atlantic Ocean and Intracoastal Waterway. It is situated between the metropolitan areas of Wilmington, NC to the north and Myrtle Beach, SC to the south.

Founded as the Town of Smithville in 1792, it became the county seat in 1808. Following the Civil War, an effort was made to establish a major port in southeastern Brunswick County, which led to the renaming of the town to "Southport." However, port activity flourished in nearby Wilmington, and Southport has remained a relatively small town in the years since. It should be noted that the county seat was moved to Bolivia in 1975.

As of 2018, Southport had a population of approximately 3,452 residents. With a rich history of plantations, pirates, and maritime activity, Southport has emerged as a minor tourist destination. Antique shops, restaurants and bed and breakfast inns are abundant in the Central Business District. Historic homes surround this area and line the waterfront.



***Commercial and Institutional Development***

Generally, commercial uses are located along the major thoroughfares such as N. Howe Street (NC 211) and Long Beach Road (NC 133).

The most recently developed commercial node is located at the intersection of NC 211 and NC 87. Property uses in this vicinity consist of a Walmart Supercenter, Hardee's fast food restaurant, Walgreens pharmacy, BB&T bank branch, Wingate hotel, ACE hardware store, Murphy gas station, and a number of non-branded restaurants, retail stores, and office buildings.

Dosher Memorial Hospital, which serves the Brunswick County area, is located along N. Howe Street near the Central Business District. Construction began in the fall of 2002, and included the expansion of emergency services, several of the medical departments, as well as administrative offices. This hospital facility is adequate for the needs of the community.

Most retail goods and personal services can be found within a 5-10 minute drive from the subject property.

***Residential Property Uses***

While much of the area remains undeveloped, land uses surrounding the subject property are generally dominated by several new and older residential subdivisions, idle land, and scattered single-family dwellings.

Established residential subdivisions include Cottages of Prices Creek, Cades Cove, Smithville Woods, Forest Oaks, and Indigo Plantation, among others. In recent times, home prices within these subdivisions have ranged from approximately \$100,000 to over \$600,000.

Multi-family residential uses include a variety of apartment, condominium, and townhouse developments. These properties include, but are not limited to, Brunswick Village Apartments, Marina Village Condos, Windtree Apartments, Fiddler's Creek Apartments, Forest Oaks Townhomes, and Southport Greens Apartments.

Along the outskirts of town, there is ample amount of idle land available for development. However, a substantial amount of this land could be classified as wetlands due to current regulations by the Army Corps of Engineers and the North Carolina Department of Natural Resources. This is relatively common for raw land tracts in southeastern North Carolina.

***Summary***

While relatively "stable" in terms of its development, the neighborhood should experience modest growth over the next ten years. The population increases in Brunswick County have been some of the highest in North Carolina with a large influx of retirees. Furthermore, its location between the population centers of Wilmington, NC and Myrtle Beach, SC would indicate some amount of residential and commercial growth in the future.

As such, the subject neighborhood is considered to have good long-range potential. Market conditions have markedly improved in the years following the most recent economic recession.

**DESCRIPTION OF THE PROPERTY****Location**

The subject property is located on the south side of the Ferry Road on the Cape Fear River in Southport, Brunswick County, North Carolina. It has a physical address of 1301 Ferry Road. It is further identified as Brunswick County Tax Parcel 23800003.

An aerial photograph provided by the Brunswick County GIS is located below.

**Aerial Photograph****Size, Shape and Dimensions**

The land is an irregularly shaped area containing approximately 52.60 acres.

The entire tract is irregular in shape due to its current use as ferry terminal and barge operation associated pedestrian passengers and delivery vehicles as well as the vehicle parking areas and roadways.

The site has adequate frontage on the adjacent marina basin at the pedestrian ferry dock and barge dock. Also, it has substantial frontage on the Cape Fear River and additional frontage on the marina entrance to the Cape Fear River.

## Survey



The internal vehicle access roads within the Deep Point Marina complex are privately maintained and provide adequate access for vehicles arriving at the ferry terminal and delivery trucks to the barge landing area.



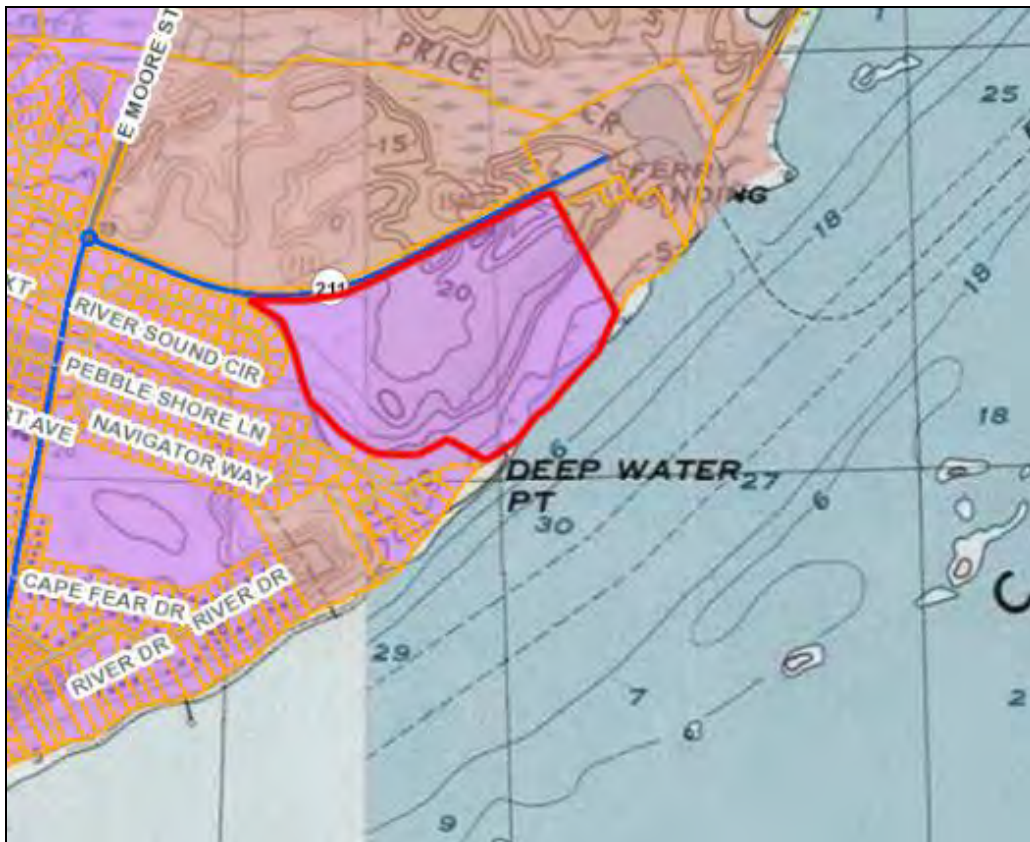
## Utilities and Services

Municipal water and sewer service, electricity, and telephone are available to the site.

## Topography

The site can be generally characterized as level and clear, at roadway grade. There is a large spoil drainage basin near the Cape Fear River with substantial elevations along the Cape Fear River. The site is at sea level at the marina to approximately 24 feet above sea level. A topographic map provided by Brunswick County is located below.

Topographic Map

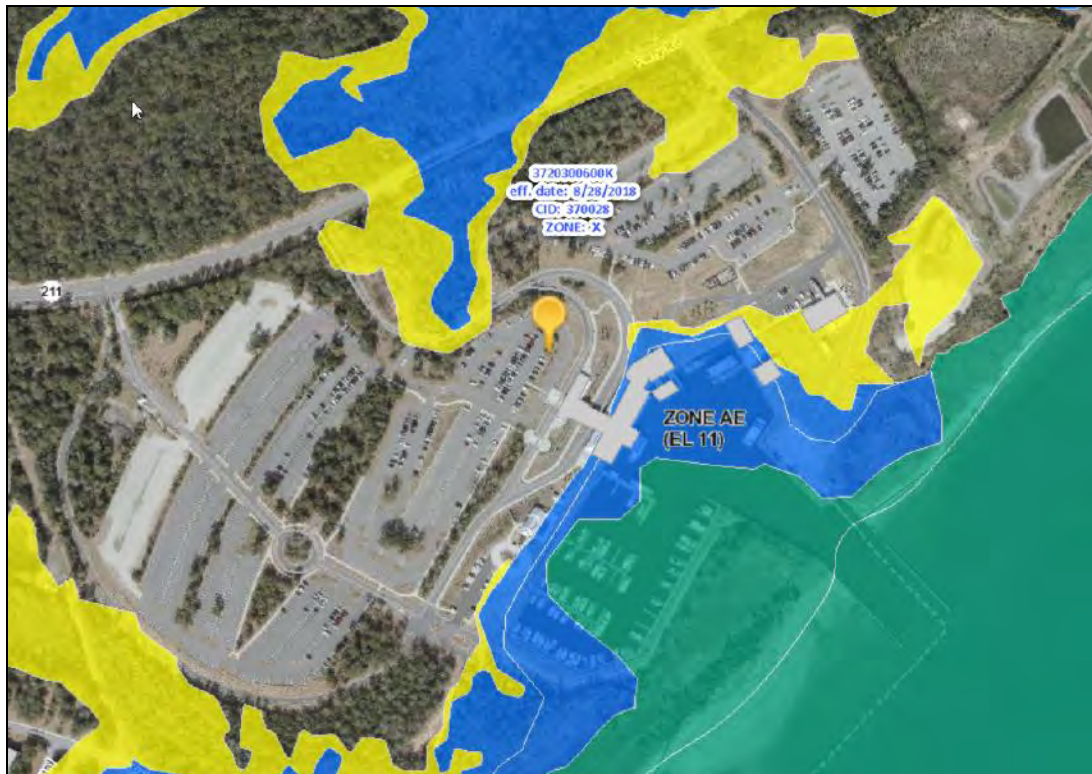


Drainage is through a series of underground tile and catch basins within the driveways and parking areas, as well as open swales. According to a State Storm Water Management Permit provided by a representative of ownership, 28 infiltration basins, 6 infiltration trenches, and 2 wetland detention ponds are located on the property to handle storm water.

**Flood Information**

According to FEMA Map Number 3720300600K dated August 28, 2018, the site appears to lie within a HUD identified flood zone. A flood map is located below.

**Flood Map**



While no specific soil survey was provided, a majority of the soils could be suitable for construction. On the date of inspection, no adverse subsoil conditions were observed. Please see Limiting Conditions.

A review of wetland information provided by the Brunswick County GIS, suggests there are no major wetlands located on the site. See extraordinary assumptions.

A wetland survey specific to areas in northern portions of the subject property was provided by the client and/or contact person. According to this map, there are areas of wetlands located in northern portions of the subject property. These areas have been incorporated will into the overall development plan.

Generally, the land is considered to be favorable for most commercial development.

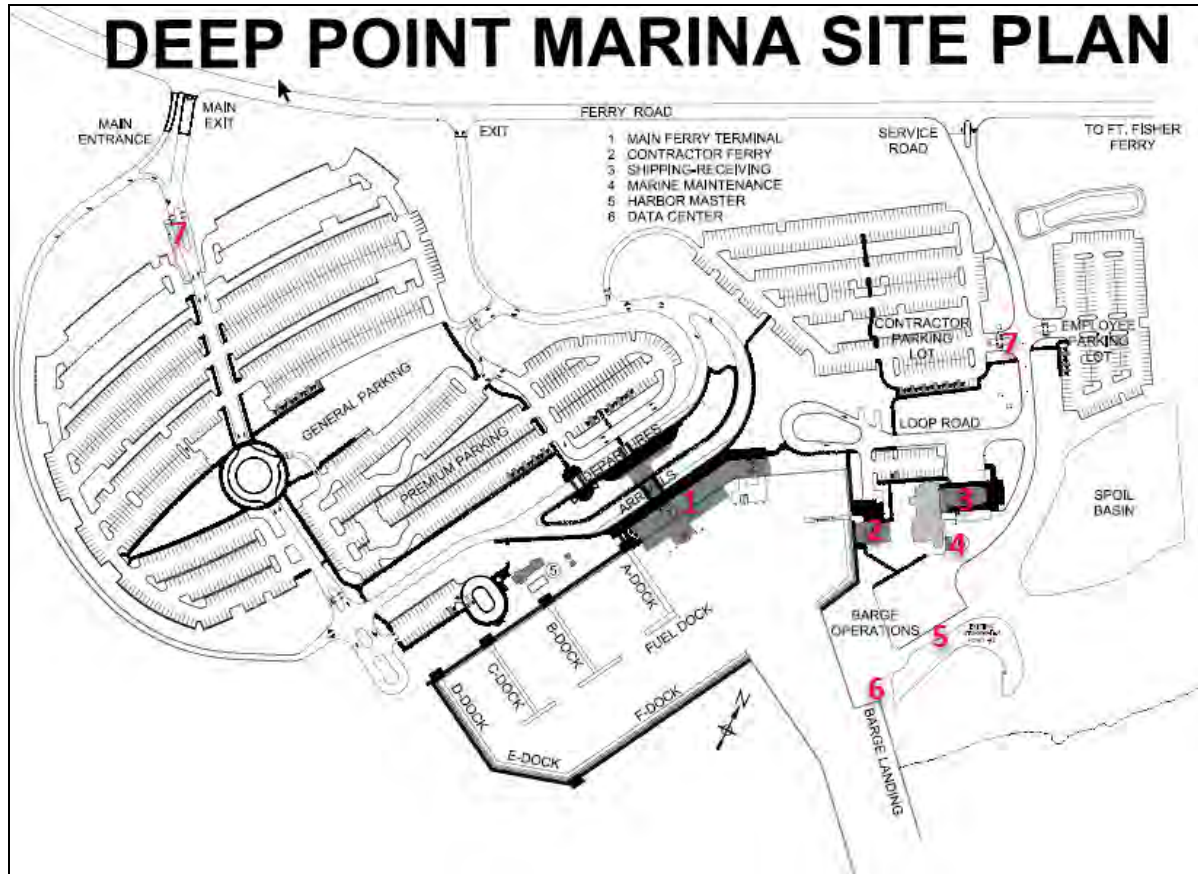
**Easements and Restrictions**

There are no major easements or restrictions of record other than those normal for utility, riparian rights and street purposes.

**THE IMPROVEMENTS****General**

The improvements consist of several buildings and site improvements designed and built for a Ferry Terminal Operation. The facility contains several buildings totaling approximately 50,325 square feet, as well as supporting site improvements on the Cape Fear River.

For illustrative purposes, the improvements are identified in the site plan below:



Map #	Building Name	Building Area
1	Ferry Terminal	41,157 sq. ft.
2	Marine Maintenance Building	2,911 sq. ft.
3	Shipping/Receiving Building	5,323 sq. ft.
4	IT Data Center Building	356 sq. ft.
5	Storage Buildings	302 sq. ft.
6	Barge Equipment Building	100 sq. ft.
7	Parking Attendant Buildings	176 sq. ft.



## General Construction Details

The **Main Ferry Terminal Building** consists of reinforced concrete foundation concrete pilings and concrete slab. The exterior consists of board/batten and shake siding over masonry block construction with steel and wood frame. The roof has a pre-engineered steel frame with a metal roof cover over insulation. Doors and windows include glass/aluminum systems, hollow metal doors and frames and associated hardware.

The interior finishes include drywall partition over a metal studs, carpet, cove base, break room/ticket/sales room counters, ticket area/sales room cabinetry, decorative molding, wood base moldings, wood shelving, restroom accessories and fluorescent lighting fixtures.

The mechanical systems include electrical, exterior mounted package split system air conditioning units with heat pumps serving the main terminal. The building also includes general service plumbing for the restroom facilities, break rooms and kitchen areas. The building is equipped with a dry fire sprinkler system.

The facility is equipped with general service plumbing, electrical, and fire protection systems. The facility has additional dedicated plumbing and electrical for the operation of the terminal. Electrical systems include general service electrical for various lighting components and power devices. There is also dedicated electrical power of security, computer and office equipment.

The site improvements include concrete, asphalt, and brick paving, sidewalks, wooden walkways, concrete bollards, and guard railing, and parking equipment, parking bumpers, site lighting, pavement striping, underground utilities and connections.

The main terminal building contains approximately 41,157 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

The **Marine Maintenance Building** consists of a reinforced concrete foundation and concrete slab. The exterior consists of board/batten siding over a metal panel system with steel frame. The roof is provided by a pre-engineered steel frame with a metal roof cover over insulation. Doors and windows include glass/aluminum systems, hollow metal doors and frames, and associated hardware.

The interior finishes include drywall partitions over, vinyl composite tile, counters and cabinetry, shelving, and fluorescent lighting fixtures.

The mechanical systems include electric, exterior package split system of units serving the maintenance building. The building also includes general service plumbing for restroom fixtures as well as specialty plumbing from the Marine maintenance equipment. There is also dedicated electrical power for computer, maintenance and office equipment. The building is not equipped with a fire sprinkler system. It also contains an overhead crane to work in conjunction with the maintenance of the ferry engines.

The site improvements include concrete and asphalt paving, sidewalks, wooden walkways, parking car bumpers, site lighting, pavement striping, underground utilities and connections.

The building contains approximately 2,911 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

The **Shipping/Receiving Building** consists of a reinforced raised concrete slab foundation with concrete slab. The exterior consists of pre-engineered metal panel system with steel frame. The roof is provided by a pre-engineered steel frame with a metal roof cover over insulation. Doors and windows include glass/aluminum systems, hollow metal doors and frames, and associated hardware. There are ample roll up dock high truck doors.

The interior finishes include panel drywall partitions over a metal studs, shelving, restroom accessories and fluorescent lighting fixtures.

The mechanical systems include electric, exterior package split system of units serving the building. The building also includes general service plumbing for restroom fixtures. The building is not equipped with a fire sprinkler system.

The facility is equipped with general service plumbing and electrical. The facility has a dedicated plumbing electrical for the operation of the shipping/receiving components. Electrical systems include general service for various lighting components and convenient power devices. There is also dedicated electrical power for the computer, refrigeration and office equipment.

The site improvements include concrete and asphalt paving, sidewalks, parking areas, site lighting, pavement striping, underground utilities and connections.

The building contains approximately 5,323 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

**The IT Data Building** consists of a raised, reinforced concrete foundation with a concrete slab. The exterior consists of a wood frame with a board and batten siding. The roof is provided by a pre-engineered wood frame with a metal roof cover over insulation. Doors and windows include wood or vinyl windows and wood doors and frames, and associated hardware.

The interior finishes include vinyl tile floor cover, panel drywall partition over a wood studs, shelving, and fluorescent lighting fixtures.

The mechanical systems include electric, exterior package system of units serving the building. There are limited or no plumbing fixtures. The building is not equipped with a fire sprinkler system.

The site improvements include asphalt pavement and underground utilities and connections.

The building contains approximately 356 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

**The Barge Equipment Building** consists of a raised, wood piling foundation with a wooden subfloor. The exterior consists of a wood frame with a board and batten siding. The roof is provided by a pre-engineered wood frame with an asphalt or metal roof cover over insulation. Doors are wood or vinyl in wood frames, and associated hardware.



The interior finishes include vinyl tile floor cover, panel drywall partition over a wood studs and fluorescent lighting fixtures.

The mechanical systems include electric and limited plumbing fixtures. The site improvements include underground utilities and connections.

The building contains approximately 100 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

**Parking Attendant Buildings** consist of a reinforced concrete foundation with a concrete slab. The exterior consists of a wood frame with a shakes or board and batten siding. The roof is provided by a pre-engineered wood frame with a metal roof cover over insulation. Doors and windows include wood or vinyl windows and wood doors and frames, and associated hardware.

The interior finishes include vinyl tile floor cover, panel drywall partition over a wood studs and fluorescent lighting fixtures.

The mechanical systems include electric, exterior package system HVAC units serving the buildings. There are limited or no plumbing fixtures. The building is not equipped with a fire sprinkler system.

The site improvements include asphalt pavement and underground utilities and connections.

These buildings contain approximately 176 square feet. According to conversations with the ownership, the building was originally constructed in 2009 with adequate maintenance. Its effective age is considered 5 years.

Also, there are several wood frame **Storage Buildings**. The exterior consists of a wood frame with batten siding and the roof is provided by a pre-engineered wood frame with a roof cover over insulation. They include wood doors and frames, and associated hardware.

The buildings contain approximately 302 square feet. According to conversations with the ownership, the buildings were originally constructed in 2009 with adequate maintenance. Their effective ages are considered 5 years.

### **General Appearance and Utility**

The interior décor of the main building is in keeping with a waterfront, ferry service building, including, but not limited to open breezeways, decks and stairwells, offices, restrooms, retail and ticket sales areas, mechanical rooms, outside passenger waiting and baggage claim areas, and equipment rooms.

The location of the facility surrounded by other commercial uses within the Deep Point Marina Complex is considered adequate for the current use. In addition, the waterfront location provides excellent views of the adjacent Marina basin and the Cape Fear River.

## **Furniture, Fixtures and Equipment**

The buildings contain typical furniture, fixtures and equipment for the operation of the ferry operation. These personal property items are important to the ongoing operation. This has been discussed in previous section of this report.

***The opinion of market value does not include any tangible personal property (FF&E) or business enterprise value (BEV). As such, this value is for the real property only.***

The FF&E items are defined as personal property from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, 2010*, published by the Appraisal Institute is as follows:

“Generally, movable items; that is, those not permanently affixed to and part of real estate. In deciding whether or not a thing is personal property or real estate, usually they must be considered in (1) the matter in which it is annexed; (2) the intention of the party who made the annexation (that is, to leave permanently or to remove at some time); (3) the purpose for which the premises are used. Generally, and with exceptions, items remain personal property if they can be removed without serious injury either to the real estate or to the item itself

**However, there are four passenger/cargo ramps, one barge loading system ramp, a main terminal generator, an IT data center generator, and an overhead crane that are affixed to the real estate. They are considered real property.**

These items are defined as fixture from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, 2010*, published by the Appraisal Institute is as follows:

“Article that was once personal property that has since been installed or attached to the land or buildings in a rather permanent matter so that it is regarded in law as part of the real estate.”

## **Site Improvements**

Marine-related site improvements include concrete bulkhead, floating dock system, and reinforced fixed dock capable of automobile traffic. According to conversations with the ownership, these improvements were originally constructed in approximately 2009 with adequate maintenance. Their effective ages are considered 5 years.

Additional site improvements include concrete and asphalt paving, sidewalks, parking areas, site lighting, pavement striping, underground utilities and connections.

## **Age and Condition**

The effective age of the improvements were indicated on previous pages of this report.

The improvements are in good condition and appear to be well-maintained. There does not appear to be any major physical deterioration curable. However, minor deferred maintenance was observed on the date of inspection. The overall facility appears to be in good condition.

There is no functional obsolescence found in the design of the facility. The site is located along the Cape Fear River in the Town of Southport with a commercial zoning classification. Therefore, no external obsolescence appears to be present.

### Summary of Construction Areas

The following is a summary of construction and land areas as they relate to the subject property:

#### Building Areas

Ferry Terminal Building	41,157 Square Feet
Marine Maintenance Building	2,911 Square Feet
Shipping/Receiving Building	5,323 Square Feet
IT Data Center Building	356 Square Feet
Storage Buildings	302 Square Feet
Barge Equipment Building	100 Square Feet
Parking Attendant Buildings	176 Square Feet

#### Total Building Area

50,325 Square Feet

#### Gross Land Area

52.60 Acres

### Excess Land and/or Surplus Land

Due to the extensive parking areas that are required for ferry terminal operations, there appears to be some areas of excess and/or surplus land that could be utilized for future parking areas and other land uses.

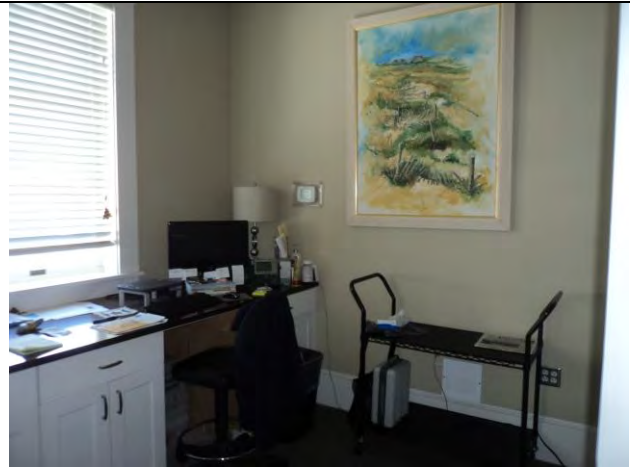
Based on a physical inspection as well a review of aerial photographs, there may be excess and/or surplus land located in northern portions of the subject property that could be utilized for future parking areas and other land uses.

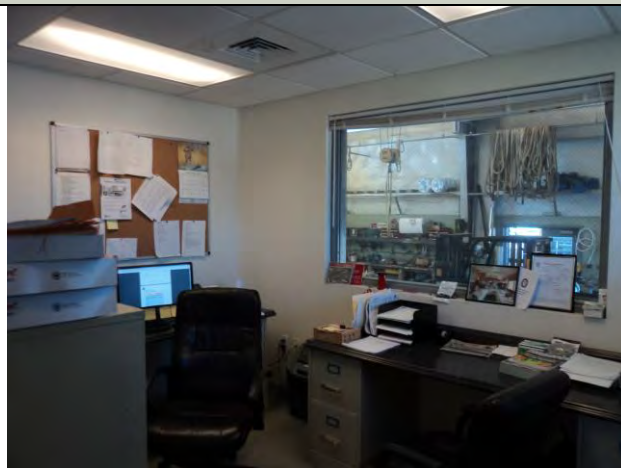
Based on information provided by the Brunswick County GIS as well as a wetland survey provided by a representative of ownership, it appears a portion of the excess and/or surplus land contains areas of wetlands. See extraordinary assumptions. Wetlands would have to be considered in any future development plan.

## PHOTOGRAPHS OF THE SUBJECT

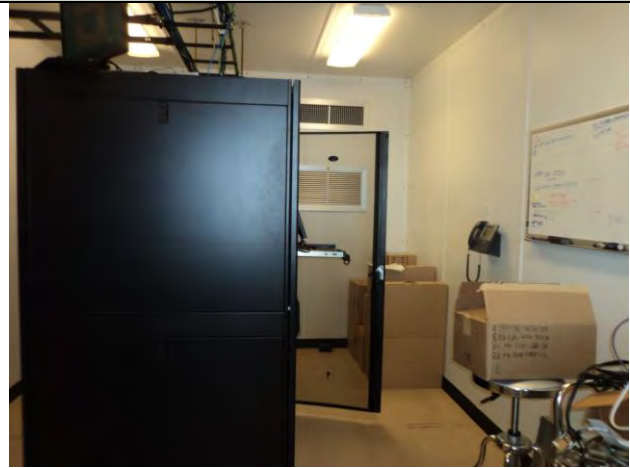
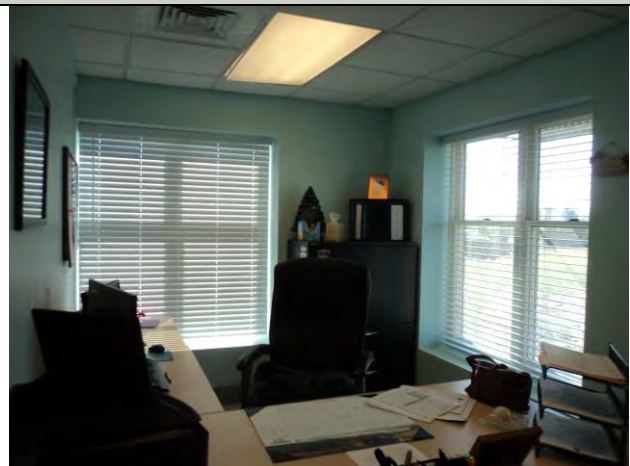
	
Passenger Arriving Area	Passenger Ferry Terminal
	
Passenger Ferry Terminal	Ticket Area
	
Covered Passenger Deck	Passenger Waiting Area



**Passenger Boarding area****Typical Office****Employee Break Area****Island Times Cafe****Contractor Passenger Ferry Area****Baggage Area**

**Marina/River View****Ferry Repair Building****Ferry Dock Area****Ferry Repair Building****Ferry Repair Building****Ferry Repair Building**



**Barge Loading Area****Barge Lift Mechanical Building****Computer Server Building****Computer Server Building****Shipping/Receiving Building****Typical Office-Shipping/Receiving Building**

	
Shipping/Receiving Building	Shipping/Receiving Building
	
Typical Access Road	Typical Parking Area
	
Typical Parking Attendant Station	Typical Parking Attendant Station

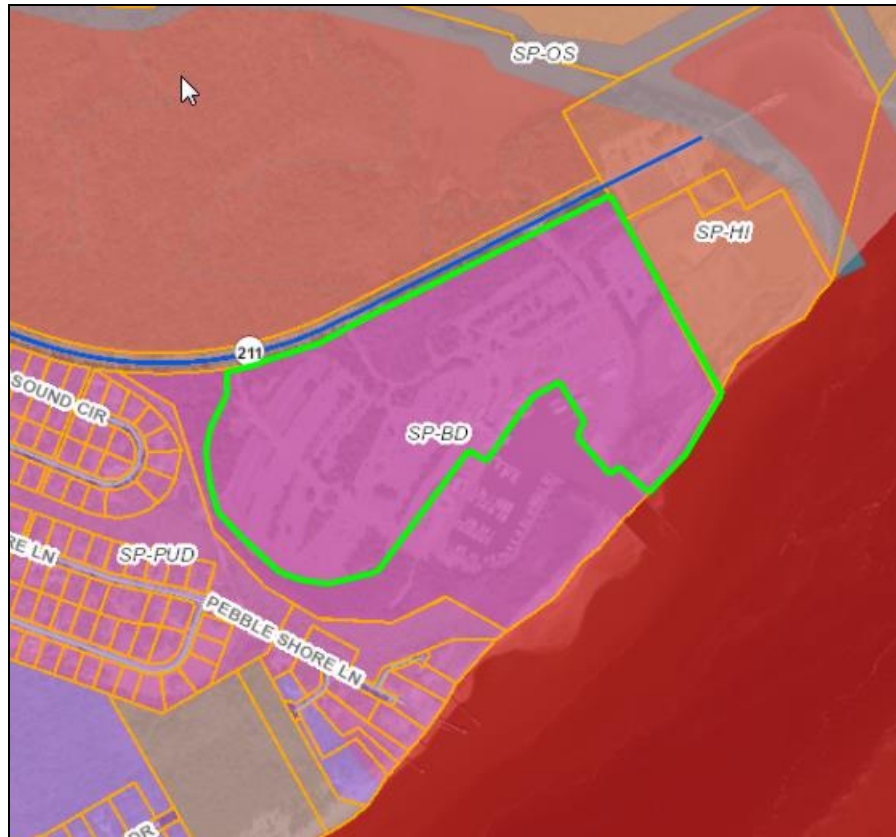


	
<b>Storm Water Retention Pond</b>	<b>Typical Parking Area</b>
	
<b>Typical Access Road</b>	<b>Typical Parking Area</b>
	
<b>Typical Parking Attendant Station</b>	<b>Future Parking Area</b>

**ZONING**

The property is zoned Business District, BD by the City of Southport.

**(H) BD Business District.** A commercial related district with lot and setback requirements suitable for placement abutting residential areas.

**Zoning Map**

It appears that the improvements conform to this zoning classification.

**COASTAL AREA MANAGEMENT ACT**

This Act, effective March 1, 1978, specifically created land use plans, areas of environmental concern and a permit system. The North Carolina Department of Natural and Economic Resources coordinate all government reviewing activities by this Act

Some of the areas of control involved in coastal North Carolina are:

1. Zoning and land use
2. Sanitary waste treatment
3. Ground water quality
4. Erosion and sediment control
5. Air pollution
6. Industrial pollution
7. Development in wetland areas
8. Dredging and fill permits
9. Utility services
10. Building code

The land under study and appraisal is subject to this Act. Many of the items of concern will have to be addressed by the ownership.

The location of the property and the proximity to ocean and estuary areas result in portions of the Island also being subject to the State Coastal Area Management Act. Under this Act, certain "Areas of Environmental Concern" (AEC's) are defined and regulated by the Office of Coastal Management. This Act defines AEC's as follows:

1. Ocean Erodible Areas (OEA): An area lying between mean low water and a line landward of the vegetation line (or the toe of the primary dune), a distance equal to 30 times the annual erosion rate, plus the shoreline regression projected for a 100 year storm.
2. Inlet Hazard Areas (IHA): Determined by a statistical analysis of historic inlet migration or other hydrological factors.
3. The Estuary Shoreline Area (ESA): Covers all land within 75 feet of the mean high water line of the sound.
4. Also, all flood hazard areas designated as "V Zones" on flood insurance maps are included as AEC's by definition.

Within these zones, so-called CAMA permits are required for construction. Construction must be of storm resistant design and must meet other defined criteria, including setbacks of 30 times the long-term annual erosion rate. This setback would range from 100 feet to 200 feet for most of the ocean/beach areas.

**SOIL EROSION AND SEDIMENTATION ORDINANCE**

Obviously due to the subject property's water front location, a substantial amount of the Coastal Area Management Act criteria will be have to be addressed in any land use plan. However, it is reasonable, through the efforts of the ownership; these items could be addressed in a proposed land use plan.

This ordinance governs any land distributing activity, which will exceed one acre in size.

For any land disturbing activity adjacent to a watercourse, a buffer zone must be established in which siltation does not encroach more than 25% within the buffered area.

This ordinance is quite specific as to protection to be afforded to disturbed areas.

**OTHER GOVERNMENT REGULATIONS**

There are reviews of proposed improvements by local, state and federal agencies for conformity with building, fire and sanitation ordinances, soil erosion and sedimentation ordinance, subdivision regulation, flood plain management regulations and other requirements. Also, County Commissioners review and approve major developments to insure conformity with land use programs.

**AD VALOREM TAX VALUATION**

According to the Brunswick County tax records, the **parent parcel (76.68+/- acres)** is assessed for ad valorem tax purposes as follows:

<b>Land</b>	\$ 9,346,800
<b>Improvements</b>	\$ 7,110,690
<b>Total</b>	\$16,457,490

The property is subject to Brunswick County taxes, Doshier Hospital, and Southport Fire fee. The applicable tax rates are as follows:

<b>Brunswick County</b>	0.4850
<b>Southport</b>	0.2956
<b>Doshier Hospital</b>	0.0400
<b>Total</b>	<b>0.8206</b>

Properties are assessed at 100% of their value. This results in the following estimated tax levy:

<b>Assessed Value</b>	\$16,457,490
<b>Tax Rate</b>	\$0.8206 per \$100 of value
<b>Net Tax Levy</b>	\$135050.17
<b>Plus Southport Fire Fee</b>	\$ <u>1,375.00</u>
<b>Total Tax Levy</b>	<b>\$136,425.17</b>

The subject property represents an approximate 52.60 acre portion of the parent parcel. On the date of inspection, the subject property had not been appraised for Ad Valorem tax purposes. The property must first be platted at which time tax values will be assessed. Due to the special-purpose nature of the improvements, no attempt was made to project a tax assessment for the subject property.

## HIGHEST AND BEST USE

### GENERAL

The Appraisal Institute defines Highest and Best Use as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

In estimating Highest and Best Use, there are essentially four stages of analysis:

1. Physically Possible. What uses of the site are physically possible?
2. Legally Permissible. What uses are permitted by zoning and deed restrictions on the site?
3. Financially Feasible. Among the feasible uses, which use will produce the highest net return to the owner of the site?
4. Maximally Productive. Among the feasible uses, which use will produce the highest net return or the highest present value?

The Highest and Best Use of the tract if vacant and available for use may be different from the Highest and Best Use of the improved property. This is true when the improvement is not an appropriate use, but it makes a contribution to the total property value in excess of the value of the tract.

The following tests must be met in estimating the Highest and Best Use: The use must be legal. The use must be probable, not speculative. There must be a profitable demand for such use and it must return to the land the highest net return for the longest period of time.

These tests have been applied to the vacant tract and as improved. In arriving at the estimate of Highest and Best Use, the subject site was analyzed: 1) as if vacant and available for development, and 2) as improved.

### AS IF VACANT

#### Legally Permissible

Legal constraints as they apply to the subject property are public restrictions of zoning. There are no known private restrictions or restrictive covenants that would prevent the development of the site to its highest and best use.

The subject site is zoned Business District, by the Town of Southport. Any proposed development plan would have to address the regulations of this ordinance. This zoning classification permits the development of various commercial type properties.

In addition to the zoning district, the site may be subject to the various setbacks and areas of coastal concern along the Cape Fear River. Furthermore, some portions of the property may be subject to the



restrictions and regulations of the Coastal Area Management Act (CAMA) as it relates to the various wetlands and waterways.

In summary, legally permissible uses would be those consistent with the zoning ordinance; these uses have been discussed in a previous section of this report. Any such use should also comply with any additional government regulations.

### **Physically Possible**

The second constraint imposed on the possible use of the property is dictated by the physical aspects of the site itself. The site is located on Ferry Road, adjacent to the Cape Fear River and within close proximity to the North Carolina public ferry that connects the Town of Southport to Kure Beach. This area is dominated by river related residential, idle land tracts, commercial and limited industrial uses.

The property offers adequate accessibility to area transportation routes and services. Access to the deep-water channel of the Cape Fear River is also adequate. Furthermore, the site has direct access to the Deep Point Terminal boat basin / marina. The Cape Fear River, which is adjacent to the property, provides access to the Atlantic Intracoastal Waterway.

The site contains 52.60 acres; this does not include the submerged boat basin. The site is considered large enough to accommodate a variety of medium-to-large scale developments. Typical lot coverage ratios are affected by availability of municipal sewer, on-site parking requirements, and other zoning requirements.

The subject's access/frontage on a submerged boat basin/marina is considered significant attributes.

A study of similar waterfront properties indicates floor area ratios ranging from under 5% to over 20%. This would indicate the potential for a building(s) containing anywhere from 115,000 to 460,000 square feet.

The site can be characterized as gently sloping and at roadway grade with Ferry Road. Most portions of the site are cleared, with limited areas remain wooded. Any elevation changes are rather gradual, and are not considered to impede the utility of the tract.

Furthermore, the tract has access to all municipal services available for development. The soil characteristics also appear to be suitable for most types of construction.

In summary, by virtue of the subject's access, topography, soil type and availability of utilities, a large variety of uses would be physically possible. Although the site is zoned for business uses, it is surrounded by a variety of idle land, commercial and residential land uses. The property's location on the Cape Fear River, in close proximity to the Atlantic Ocean, with frontage /access to a submerged boat basin/marina is considered its strongest physical attribute. This strategic location would indicate some type of marine-related mixed use.

### **Financially Feasible**

By definition, a use is financially feasible if it produces a positive net return to the site. Almost all legally permitted uses could likely be financially feasible uses of the site.

Financial feasibility can be estimated by analyzing recent land sales within the subject or competing neighborhoods. These sales would have similar physical and legal characteristics to the subject site. Their subsequent development may provide an indication of financially feasible uses.

Within the immediate neighborhood, there has historically been good demand for vacant waterfront tracts. With the exception of single-family home sites, vacant waterfront tracts are becoming more and more difficult to locate.

Waterfront uses along the Cape Fear River, within close proximity to the subject, includes the residential subdivisions, undeveloped timber tracts, limited industrial uses as well as the North Carolina Southport to Kure Beach Ferry Terminal. Also, there are several marinas and a number of residential developments in the Town of Southport. With the exception of the residential projects, all of these property uses would be legally permitted under the current zoning ordinance. Mixed use development would require a conditional use permit.

Based upon the above information, financially feasible uses include mixed uses, marina and boatyard facilities, commercial and recreational uses, among others.

### **Maximally Productive**

The primary factor in determining the maximally productive use of the property is the site's proximity to the Atlantic Ocean, as well as its significant frontage along the Cape Fear River and submerged boat basin / marina. The immediate neighborhood is dominated by riverfront related land uses, including but not limited to, marinas, residential subdivisions limited size local bed-and-breakfast inns and other waterfront related land uses. Historical land development patterns, coupled with the property's water frontage, would indicate some type of marine-related mixed use or commercial development.

Therefore, considering those uses which are physically possible, legally permissible and financially feasible, it appears that some type of marine-related mixed use or commercial development would be the maximally productive use of the site.

Any proposed development plan would be subject to a financial feasibility study which would be based upon land values, cost of construction, and market rents. This is beyond the scope of this assignment.

### **Final Estimate of Highest and Best Use**

Considering the factors outlined above, the final estimate of highest and best use, as if vacant, is for some type of marine-related mixed use or commercial development. The exact size of the project should be determined by a complete and detailed feasibility analysis, which is beyond the scope of this report.

The most logical purchaser of the site would be a local or regional developer. The site may also offer appeal to an end user.

### **AS IMPROVED**

#### **Legally Permissible**

Based on a review of the Business District zoning ordinance, the existing improvements appear to comply with all current zoning regulations. There are no known private restrictions.



As previously noted, areas adjacent to water bodies are subject to various regulations by numerous government agencies. A preliminary observation of these regulations indicates conformity to these various criteria.

The necessary CAMA permits are in place for boat basin/marina. In addition, the site has a permitted dredge spoil disposal area located along the Cape Fear River that can be utilized for future dredging / maintenance of the submerged boat basin / marina. This NPDES permit was approved in April 2017.

### **Physically Possible**

The tract is improved with a ferry terminal operations building with associated covered passenger waiting area and baggage claim, as well as support buildings and a barge ferry operations building for vehicles and barge traffic. These buildings contain approximately 50,325 total square feet. These improvements are considered specialized for its current operation.

This represents an approximate 2% floor area ratio. Based upon floor area ratios for similar commercial buildings in the immediate area, a range of 5% to over 20% appears typical.

The subject property falls slightly below the range of typical floor area ratios due to the extensive parking areas that are required for ferry terminal operations. As previously discussed, there appears to be limited areas of excess and/or surplus land located in northern portions of the subject property that could be utilized for future development. There may be limited areas of wetlands located on the excess and/or surplus land. See extraordinary assumptions.

The placement of the buildings on the site has taken advantage of the vistas overlooking the adjacent navigable Deep Point Marina and Cape Fear River.

The buildings appear to consist of good quality of construction. The buildings appear to be functional and consistent in design with other waterfront commercial buildings.

It appears that the ferry terminal building, marine maintenance building, and shipping/receiving building remain functional and have adequate utility for the current use. Due to the somewhat specialized design of the ferry terminal building, a renovation plan would be needed to convert the building to a different commercial use.

### **Financially Feasible / Maximally Productive**

The improvements represent a specialized use as a ferry terminal with supporting buildings and site improvements.

Due to the substantial size and nature of the improvements, demolition or razing the improvements would make no sense. As previously discussed, a renovation plan would be needed to convert the buildings to a different commercial use due to its somewhat specialized design.

The improvements have adequate "curb appeal" and provide adequate utility for the ferry/barge operation. There is substantial demand for the ferry/barge service. Therefore, the current improvements are considered to be a financially feasible/maximally productive use.

**Final Estimate of Highest and Best Use**

Therefore, the Highest and Best Use, as improved, is for the continued operation of the existing ferry service operation for pedestrians/vehicles/barge traffic with the associated support buildings.

Any excess and/or surplus land area should be held for future development, based upon market demand. The proper timing of any such project is beyond the scope of this report.

## VALUATION METHODOLOGY

To estimate the market value of the property, three individual methods are employed. Each of these methods analyzed the property from a different standpoint using various assumptions and criteria. The final comparison of the value indications by each method will be analyzed in the final section of the report known as the Reconciliation and Final Estimate of Market Value.

The valuation of the land is best accomplished by an appraisal technique known as Land Value By Comparison. Comparable transactions in the subject neighborhood are compared directly to the land being appraised. Land values are affected by many factors, of which the more significant are property rights conveyed elapsed time since the date of sale, the motives of the buyer and seller, location, topography, availability of utilities, accessibility, relative size and shape or utility. These are factors for which adjustments are made to reconcile the divergences between the site and each of the comparable items. The process is one of adjusting the comparable data to the site for the divergent factors. It is accomplished on an electronic spreadsheet using percentiles. From the resulting value indications, a final estimate is derived.

The first method is Cost Approach. In this approach, the market value of the land, as vacant, is estimated. This is accomplished by utilizing a technique known as Land Value by Comparison. This technique compares the subject site to sales and offerings of other similar sites, which are available for a similar highest and best use. Adjustments are then made for any dissimilarity between the transactions analyzed and the subject property. To facilitate the comparison process, the sale prices are reduced to incremental values of either price per square foot or price per acre.

After estimating the market value of the land, a determination of the reproduction or replacement cost new of the building or buildings to include all of the site improvements is estimated. Replacement cost differs from reproduction cost in that it assumes all new technologies are utilized in the construction of the building and no functional inadequacies are reproduced. In other words, the building utility remains the same but different methods may be employed in the construction of the building.

Physical depreciation estimates will then be made based upon the age life method. This method compares the effective age of the building with typical building lives based upon the construction. Site improvements will be estimated based upon the depreciated values. These values are combined with the land plus the depreciated value of the improvements to provide an indication of value by the Cost Approach.

The second method is Sales Comparison Approach where the subject property is compared to sales of other similarly improved properties. This approach has its greatest validity when the properties used for its comparison have recently sold and are very similar to the subject. In those cases where dissimilarities arise, an attempt will be made to make market oriented adjustments and will typically reduce the properties to a single incremental value of price per square foot of building area, including land. A market search resulted in no comparable sales data. **Therefore, this approach is not utilized. Please see Limiting Conditions.**

The final method is the Income Approach, which in the case of income producing properties, typically is the most germane to the actual market value of the property. In estimating the value of the property by the Income Approach, it is first necessary to estimate the Gross Potential Income or market rent which the property could generate if available on the open market. This is done by comparing the subject property

to similar properties in making adjustments in the rents or income received based upon the subject property's construction and location.

After the gross income or market rent has been derived, an estimate of typical expenses based upon the property type to include vacancy and/or lease-up is employed. This results in a net operating income. Every effort is made to utilize actual operating and expense statements, however, in proposed properties and those properties where information is not available, these expenses will be based upon typical performances of other properties observed in the market.

The final segment of the Income Approach will involve capitalizing the net operating income into a value estimate. This is accomplished in a number of ways, however, typical methods employed is capitalizing the net operating income at an Overall Rate of Return or utilizing a discounted cash flow analysis.

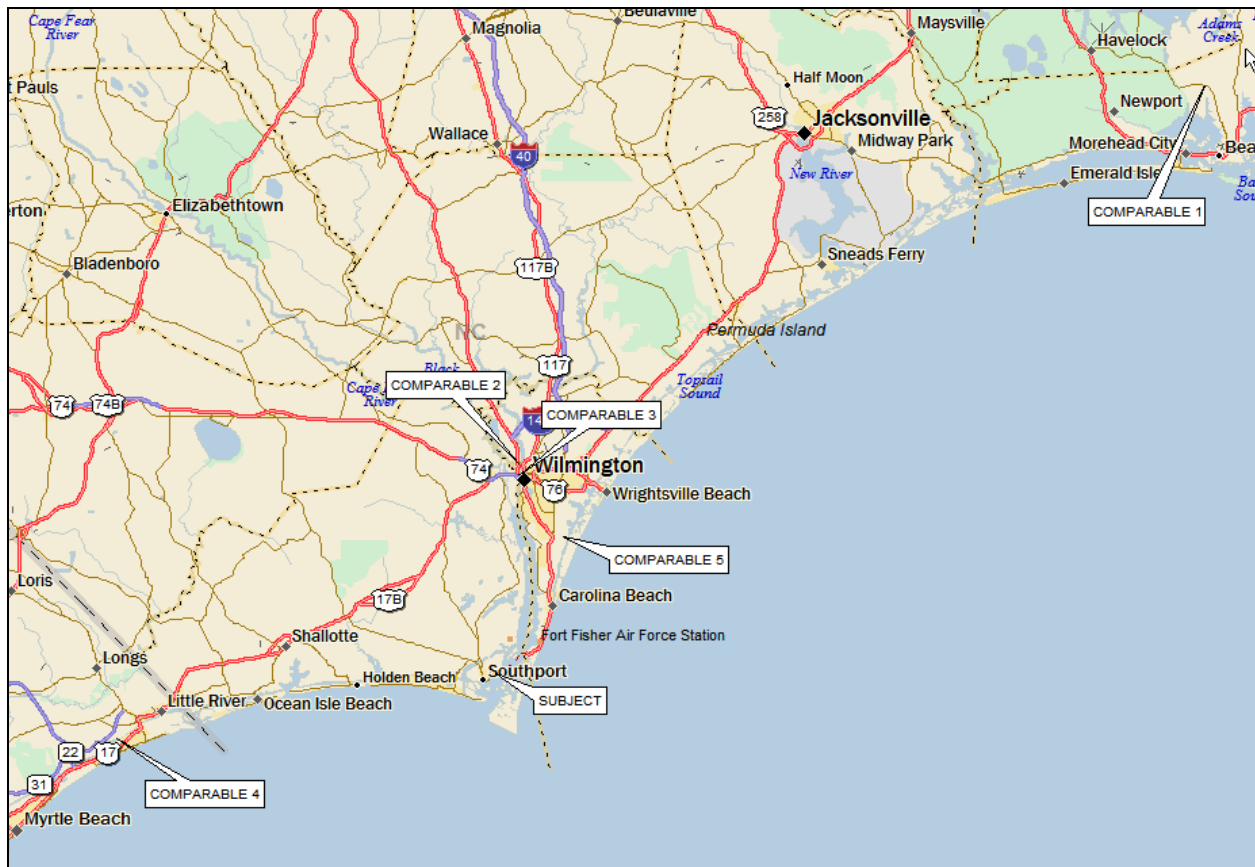
The final process in estimating market value is the reconciliation of the approaches employed into a single value estimate. This may or may not coincide with one of the approaches. It represents, however, the best judgment of the appraiser after consideration of the available data and the results of the appraisal techniques employed. **This approach is not utilized. Please see Limiting Conditions.**

**This assignment is only for the real estate. At the Client's request, this appraisal was limited to the Cost Approach. Therefore, the Income and Sales Comparison Approach was excluded from the analysis. Omission of these Approaches does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP). See Limiting Conditions.**

**LAND VALUE BY COMPARISON****COMPARABLE LAND TRANSACTIONS**

The value of the land has been estimated by direct comparison with the following transactions taken from the immediate and competing neighborhoods. Details of the transactions are as follows:

No.	Location	Sale Date	Price	Size in Upland Acres	Price/ Upland Acre
1.	329 Core Creek Road	Listing	\$2,900,000	14.64	\$198,087
2.	1480 Point Harbor Road	Apr-13	\$450,000	3.37	\$133,531
3.	125 Battleship Road	Dec-15	\$1,525,000	11.00	\$138,636
4.	Old Sanders Drive	Dec-16	\$2,000,000	14.64	\$136,612
5.	100 Aqua Vista Drive	Sep-13	\$10,000,000	75.16	\$133,049

**Comparable Land Sales Map**

## Land Listing No. 1

**Property Identification**

**Record ID** 3035  
**Property Type** Commercial  
**Property Name** Vacant Land- 7 parcels  
**Address** 329 Core Creek Road, Beaufort, Carteret County, North Carolina 28516  
**Location** East side of the Intracoastal Waterway between Core Creek Road and Hwy 101  
**Tax ID** 639901299938000, 639901390526000, 639901393460000, 639901392688000, 639901392984000, 639901396812000, 639901397631000

**Sale Data**

**Grantor** Richard A. Collette  
**Survey Date** April 24, 2019  
**Property Rights** Fee Simple  
**Marketing Time** 94 DOM  
**Financing** TBD  
**Verification** Ross Beebe, Broker; 252-229-0933, Other sources: MLS#100143903; Public Record

**Listing Price** \$2,900,000  
**Cash Equivalent** \$2,900,000

**Land Data**

**Zoning** B-2 & RCP, Marine Business



**Land Listing No. 1 (Cont.)**

<b>Topography</b>	Level
<b>Utilities</b>	W, T, E
<b>Shape</b>	Irregular
<b>Flood Info</b>	In

**Land Size Information**

<b>Gross Land Size</b>	16.000 Acres or 696,960 SF
<b>Uplands Land Size</b>	14.640 Acres or 637,718 SF , 91.50%
<b>Front Footage</b>	2,515 ft Total Frontage: 675 ft Intracoastal; 1,160 ft Core Creek Road;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$181,250
<b>Sale Price/Gross SF</b>	\$4.16
<b>Sale Price/Uplands Acre</b>	\$198,087
<b>Sale Price/Uplands SF</b>	\$4.55
<b>Sale Price/Front Foot</b>	\$1,153

**Remarks**

This represents an active listing on the Intracoastal Waterway in Beaufort, NC.

The site contains approximately 1.36 acres of submerged land (boat basin). Therefore, the site consists of 14.64 upland acres. According to the listing broker, an approximate 25 slip marina could be constructed within the existing boat basin.

The property is dual zoned Marine Business District, B-2 and Recreational Camper Park District, RCP.

The listing broker indicated municipal sewer is located approximately 1/2 mile from the site and possibly could be extended.

The property is improved with various docks/piers, a boat ramp, garage, old house, storage buildings and workshop. According to the listing broker, these improvements had very little to no value. However, these improvements could be utilized as an interim use while developing the site to its highest and best use. Therefore, no demolition cost is adopted.

**Land Sale No. 2****Property Identification**

<b>Record ID</b>	1871
<b>Property Type</b>	Industrial, Waterfront
<b>Property Name</b>	Marine Construction site
<b>Address</b>	1480 Point Harbor Road, Wilmington, New Hanover County, North Carolina 28401
<b>Location</b>	East side of Point Harbor Road, adjacent to the Cape Fear River
<b>Tax ID</b>	R04700-003-004-000

**Sale Data**

<b>Grantor</b>	Jimmie Kevin Alderman
<b>Grantee</b>	ACI Holdings, LLC
<b>Sale Date</b>	April 19, 2013
<b>Deed Book/Page</b>	5729/1518
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Arms' length; bankruptcy sale (see remarks)
<b>Financing</b>	Cash to seller
<b>Verification</b>	Lynn Harris (listing agent); Other sources: Public record
<b>Sale Price</b>	\$450,000
<b>Cash Equivalent</b>	\$450,000

**Land Sale No. 2 (Cont.)****Land Data**

<b>Zoning</b>	I-2, Industrial
<b>Topography</b>	Level to gently sloping to river
<b>Utilities</b>	T, E
<b>Shape</b>	Rectangular
<b>Landscaping</b>	Clear
<b>Flood Info</b>	In

**Land Size Information**

<b>Gross Land Size</b>	3.370 Acres or 146,797 SF
<b>Front Footage</b>	1,054 ft Total Frontage: 536 ft Point Harbor Road; 518 ft N.E. Cape Fear River;

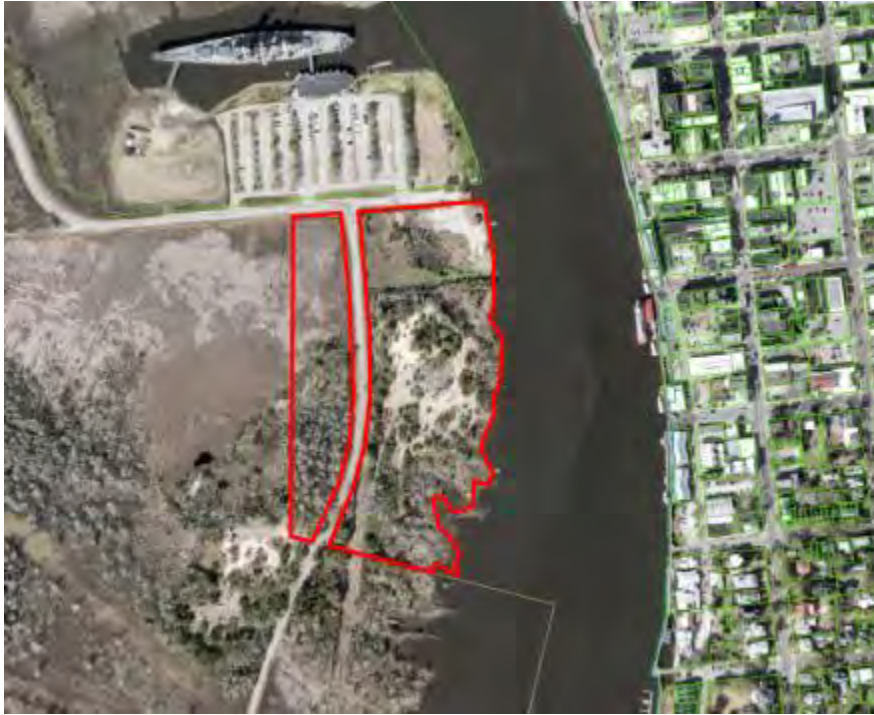
**Indicators**

<b>Sale Price/Gross Acre</b>	\$133,531
<b>Sale Price/Gross SF</b>	\$3.07
<b>Sale Price/Front Foot</b>	\$427

**Remarks**

This represents a 3.37-acre (all uplands) tract on the west side of the N.E. Cape Fear River, across from the Wilmington Central Business District. This area is heavily industrialized. This represents a bankruptcy sale. According to the listing agent, Lynn Harris, the property had been under contract for a higher amount, but the loan did not close. The property was adequately marketed and the buyer and seller were not related. Though under bankruptcy, the sales price was fairly close to perceived market value. The property was acquired for use as a marine construction business. **The entire site consists of upland acres.**

## Land Sale No. 3

**Property Identification**

<b>Record ID</b>	2310
<b>Property Type</b>	Commercial, Waterfront
<b>Property Name</b>	Eagles Island Tract
<b>Address</b>	125 Battleship Road, Wilmington, New Hanover County, North Carolina 28401
<b>Location</b>	South side of USS North Carolina Road at its intersection with Battleship Road
<b>Tax ID</b>	R05300-001-001-000 and R05300-001-002-000

**Sale Data**

<b>Grantor</b>	Muddy Waters Properties, LLC
<b>Grantee</b>	Team Carolina Marine, Inc.
<b>Sale Date</b>	December 29, 2015
<b>Deed Book/Page</b>	5939/2250
<b>Property Rights</b>	Fee simple
<b>Marketing Time</b>	540 DOM
<b>Conditions of Sale</b>	Arms' length
<b>Financing</b>	Cash to seller
<b>Sale History</b>	\$1,935,891 on 5/29/2013 [5740-2239]
<b>Verification</b>	Jason Shott (Grantee); MLS #2162657, Other sources: Public record
<b>Sale Price</b>	\$1,525,000
<b>Cash Equivalent</b>	\$1,525,000

**Land Sale No. 3 (Cont.)****Land Data**

<b>Zoning</b>	B-2, Business District
<b>Topography</b>	Level to gently sloping
<b>Utilities</b>	T, E
<b>Shape</b>	Somewhat rectangular, noncontiguous
<b>Landscaping</b>	Alternating cleared and wooded; some marsh
<b>Flood Info</b>	Mostly in (AE flood zone)

**Land Size Information**

<b>Gross Land Size</b>	18.750 Acres or 816,750 SF
<b>Uplands Land Size</b>	11.000 Acres or 479,160 SF , 58.67%
<b>Wetlands Land Size</b>	7.750 Acres or 337,590 SF , 41.33%
<b>Front Footage</b>	4,939 ft Total Frontage: 2,602 ft Battleship Road; 587 ft USS North Carolina Road; 1,750 ft Cape Fear River;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$81,333
<b>Sale Price/Gross SF</b>	\$1.87
<b>Sale Price/Uplands Acre</b>	\$138,636
<b>Sale Price/Uplands SF</b>	\$3.18
<b>Sale Price/Front Foot</b>	\$309

**Remarks**

This represents the sale of 18.75 gross acres of riverfront land. Property is located along the Cape Fear River on Eagles Island, adjacent to the USS North Carolina battleship park and across the river from downtown Wilmington. According to previous plans filed with the county, there are approximately 11 acres of developable uplands; the remaining 7.75 acres consists of wetlands and marsh.

According to a representative of the grantee, Jason Shott, there are no firm plans for future uses of the property. Mr. Shott indicated that potential uses include conservation, commercial, or residential, among others. The property is zoned for general business use, which would accommodate a mixed use or waterfront commercial development. However, strictly residential development would require a rezoning of the site.

It should be noted that in 2006, a group of investors proposed to build two 20-story condominium towers on the property. The plan, known as City View, fizzled out due to opposition from environmental groups and the real estate downturn. After the failure of the City View project, the property went into foreclosure. The grantor (Muddy Water Properties, LLC) purchased the property on the courthouse steps in May 2013 for a reported consideration of \$1,935,891; several upset bids were filed.

After acquiring the property on the courthouse steps, the site was placed on the open market for sale. It spent roughly 18 months (540 days) on the market before a sales price of \$1,525,000 was agreed upon. Due to the adequate market exposure, this is considered to be an arms' length sale at approximate market rates.

## Land Sale No. 4

**Property Identification**

<b>Record ID</b>	3045
<b>Property Type</b>	Commercial
<b>Property Name</b>	Vacant Land, Commercial Land
<b>Address</b>	Old Sanders Drive 14.64 Acres, N. Myrtle Beach, Horry County, South Carolina 29566
<b>Location</b>	Waterway parcel off Old Sanders Road
<b>Tax ID</b>	144-00-01-006

**Sale Data**

<b>Grantor</b>	FOURTEENPOINTSIXACRES, LLC
<b>Grantee</b>	ICW Properties, LLC
<b>Sale Date</b>	December 15, 2016
<b>Deed Book/Page</b>	3973/144
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Market rates
<b>Verification</b>	Woods Brown (broker); Other sources: Public Record

<b>Sale Price</b>	\$2,000,000
<b>Cash Equivalent</b>	\$2,000,000



**Land Sale No. 4 (Cont.)****Land Data**

<b>Zoning</b>	MRD3, Multi-residential district
<b>Topography</b>	Relatively level
<b>Utilities</b>	All municipal
<b>Shape</b>	Irregular
<b>Flood Info</b>	In X

**Land Size Information**

<b>Gross Land Size</b>	14.640 Acres or 637,718 SF
<b>Front Footage</b>	570 ft Total Frontage: 570 ft Old Sanders Road;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$136,612
<b>Sale Price/Gross SF</b>	\$3.14
<b>Sale Price/Front Foot</b>	\$3,509

**Remarks**

This parcel is located directly on the Atlantic Intracoastal Waterway with approximately 920 feet of frontage and with direct exposure beneath the Main Street Connector in North Myrtle Beach. Access to this 14.64 acre tract is from Old Sanders Road. **The entire site consists of uplands.**

## Land Sale No. 5

**Property Identification**

<b>Record ID</b>	1610
<b>Property Type</b>	Residential, Waterfront
<b>Property Name</b>	Helms Port subdivision
<b>Address</b>	100 Aqua Vista Drive, Wilmington, New Hanover County, North Carolina
<b>Location</b>	East side of Masonboro Loop Road at its intersection with Aqua Vista Drive
<b>Tax ID</b>	P/O R07600-003-014-000

**Sale Data**

<b>Grantor</b>	MBM Capital, LLC
<b>Grantee</b>	SEL Property Investors, LLC
<b>Sale Date</b>	September 12, 2013
<b>Deed Book/Page</b>	5768/2974
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Arms' length
<b>Financing</b>	Market
<b>Verification</b>	Jeffrey Keeter (Grantee); Other sources: Public record

<b>Sale Price</b>	\$10,000,000
<b>Cash Equivalent</b>	\$10,000,000

**Land Data**

<b>Zoning</b>	R-15, Residential
<b>Topography</b>	Gently sloping to water
<b>Utilities</b>	Available to be extended
<b>Shape</b>	Irregular

**Land Sale No. 5 (Cont.)**

<b>Landscaping</b>	Lightly wooded
<b>Flood Info</b>	Partially in
<b><u>Land Size Information</u></b>	
<b>Gross Land Size</b>	75.160 Acres or 3,273,970 SF
<b>Planned Units</b>	159
<b>Front Footage</b>	1,075 ft Masonboro Loop Road;
<b><u>Indicators</u></b>	
<b>Sale Price/Gross Acre</b>	\$133,049
<b>Sale Price/Gross SF</b>	\$3.05
<b>Sale Price/Planned Unit</b>	\$62,893

**Remarks**

This represents the sale of 75.19 +/- acres of land located on Masonboro Loop Road, along the Intracoastal Waterway. Property was formerly utilized as the Aqua Vista Christmas Tree Farm. A Brunswick County-based development firm purchased the site from the Emmart family, who had been operating the tree farm on the site since 1975. According to Jeffrey Keeter, a representative of the grantee, the property was acquired to be developed as an upscale residential subdivision with associated community boating facility, known as Helms Port. **The entire site consists of uplands.**

The New Hanover County Planning Department has approved a site plan consisting of 159 single-family lots. The proposed boating facility will be located in a man-made inland basin that would offer direct access to the Intracoastal Waterway. The basin will sit on about two acres and feature 75 boat slips of varying lengths.

## ANALYSIS OF THE COMPARABLE MARKET DATA

A diligent search was conducted in the subject and competing neighborhoods in order to locate a sufficient number of comparable land sales. A substantial amount of data was discovered. The most comparable data was utilized in this analysis. A portion of the data is somewhat dated; however, the sales are adjusted for the change in market conditions.

## ADJUSTMENT CRITERIA AND PROCEDURES

Adjustments in the comparable market data and the subject property occur in the areas of:

- Condition of Sale
- Market conditions
- Size
- Location
- Utilities
- Entitlements
- Zoning

Typically, a portion of these adjustments are inherent in the data itself while others are somewhat judgmental.

### Condition of Sale

A judgmental 10% downward condition of sale adjustment is adopted for Comparable 1, the active listing, for price negotiations.

### Market Conditions

A 5% annual upward adjustment is adopted for improvement in market conditions over time. This is based upon historical data, as well as a pairing of the comparable market data. This adjustment is somewhat judgmental.

### Size

Pairing of Comparable 2 and 5, after other adjustments, indicate an approximate 5% downward adjustment for Comparable 2 due to its smaller size.

### Location

Pairing of Comparable 1 and 4, after other adjustments, indicate an approximate 10% upward adjustment for Comparable 4 due to its inferior location.

### Utilities

A judgmental 5% upward adjustment is adopted for Comparable 1 due to its inferior utilities. This adjustment is also adopted for Comparable 2, 3 and 5.

Entitlements

A judgmental 10% upward adjustment is adopted for comparable 1-5 due to lack of entitlements for a spoil/dredging permit. The subject has an active permit for a spoil area on site.

Zoning

Pairing of Comparable 1 and 2, after other adjustments, indicate an approximate 5% upward adjustment for Comparable 2 due to its inferior zoning. This adjustment is also adopted for comparable 4 and 5.

The unit of comparison selected is the price per acre of usable upland area. All of the sales represent waterfront parcels with significant riparian areas. Therefore, any value in the submerged riparian areas are considered intrinsic in the sales price and reflected in the amount paid per upland acre.

**ADJUSTMENT OF THE COMPARABLE MARKET DATA**

In the following chart, the comparable transactions were adjusted to the subject site for the various factors of incomparability influencing the value.

**Comparable Land Sales**

Appraisal Date	Apr-19				
Annual Time Adjustment	5.0%				
Size of Subject Property (Upland Acres)	52.60				
Comparable Number	1	2	3	4	5
Price	\$2,900,000	\$450,000	\$1,525,000	\$2,000,000	\$10,000,000
Date of Sale	Apr-19	Apr-13	Dec-15	Dec-16	Sep-13
Upland Acres	14.64	3.37	11.00	14.64	75.16
Price Per Upland Acre	\$198,087	\$133,531	\$138,636	\$136,612	\$133,049
Interest Sold	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest Adjustment	0%	0%	0%	0%	0%
Interest Adjusted Price	\$198,087	\$133,531	\$138,636	\$136,612	\$133,049
Financing	Market	Market	Market	Market	Market
Financing Adjustment	0%	0%	0%	0%	0%
Cash Equivalent Price	\$198,087	\$133,531	\$138,636	\$136,612	\$133,049
Condition Adjustment	-10%	0%	0%	0%	0%
Condition Adjusted Price	\$178,279	\$133,531	\$138,636	\$136,612	\$133,049
Time Adjustment	0%	30%	17%	12%	28%
Time Adjusted Price	\$178,279	\$173,700	\$161,654	\$152,594	\$170,249
Adjustments For:					
Size	0%	-5%	0%	0%	0%
Location	0%	0%	0%	10%	0%
Topography	0%	0%	0%	0%	0%
Utilities	5%	5%	5%	0%	5%
Access/Visibility	0%	0%	0%	0%	0%
Utility	0%	0%	0%	0%	0%
Entitlements	10%	10%	10%	10%	10%
Zoning	0%	5%	0%	5%	5%
Improvements	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Composite Factor	15%	15%	15%	25%	20%
Indicated Value Per Upland Acre	\$205,020	\$199,755	\$185,902	\$190,742	\$204,298
Value Indices					
Minimum Value Per Upland Acre	\$185,902				
Maximum Value Per Upland Acre	\$205,020				
Mean Value Per Upland Acre	\$197,144				
Standard Deviation	\$8,477				
68% Prob. of Value/Upland Acre Falling Between	\$188,667 and \$205,620				



**OPINION OF MARKET VALUE OF THE LAND**

The range of adjusted prices is from \$185,000 to \$205,000 per upland acre. The mean of the range is approximately \$197,000 per upland acre.

Comparable 3 and 5 are given considerable weight in this analysis indicating values of approximately \$186,000 and \$204,000 per acre.

From this data, a value of \$200,000 per upland acre is adopted. This results in the following indication of land value:

52.60 Upland Acres @ \$200,000= \$10,520,000(RD)

**COST APPROACH TO VALUE****ESTIMATED REPLACEMENT COST NEW**

According to *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, **replacement cost** is defined as “the estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design and layout.”

The estimated replacement cost new has been derived from the Marshall Valuation Service and confirmed with local construction costs, when possible. Construction cost estimates provided by ownership were also reviewed. Site costs are estimated based on the costs of similar construction projects.

*Ferry Terminal Building*

Section 14, Page 20 of the Marshall Valuation Service indicates a cost of approximately \$180 to \$235 per square foot for Good to Very Good, Class D Passenger Terminals.

Ownership provided a construction cost estimate of approximately \$165 per square foot for the Ferry Terminal Building.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

*Marine Repair Building*

Section 14, Page 33 of the Marshall Valuation Service indicates a cost of approximately \$148 per square foot for Excellent, Class S Municipal Service Garages, the nearest match to the Marine Repair Building.

Ownership provided a construction cost estimate of approximately \$220 per square foot for the Marine Repair Building.

Conversations with local general contractors indicated construction cost estimates ranging from \$120 to \$150 per square foot for comparable buildings.

*Shipping / Receiving Building*

Section 14, Page 23 of the Marshall Valuation Service indicates a cost of approximately \$70 to \$100 per square foot for Good to Excellent, Class S Distribution Warehouses, and the nearest match to the Shipping / Receiving Building.

Ownership provided a construction cost estimate of approximately \$175 per square foot for the Shipping / Receiving Building.

Conversations with local general contractors indicated construction cost estimates ranging from \$60 to \$90 per square foot for comparable buildings.

IT Data Center Building

Section 14, Page 18 of the Marshall Valuation Service indicates a cost of approximately \$135 per square foot for Average, Class D Computer (Data) Centers, the nearest match to the IT Data Center Building.

Ownership did not provide a construction cost estimate for the IT Data Center Building.

Conversations with local general contractors support the construction cost estimate provided by Marshall Valuation Services.

Storage Building & Barge Equipment Building

Section 17, Page 12 of the Marshall Valuation Service indicates a cost of approximately \$40 per square foot for Good, Class D Toolshed Buildings, the nearest match to the Storage Building & Barge Equipment Building.

Ownership did not provide construction cost estimates for the Storage Building & Barge Equipment Building.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

Parking Attendant Buildings

Section 17, Page 14 of the Marshall Valuation Service indicates a cost of approximately \$80 per square foot for Good, Class D Shed Office Structures, the nearest match to the Parking Attendant Buildings.

Ownership did not provide construction cost estimates for the Parking Attendant Buildings.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

From the estimates obtained from the Marshall Valuation Service, construction cost estimates provided by ownership, and local construction data, a replacement cost new of approximately **\$200.00 per square foot** is adopted for the Ferry Terminal Building, **\$145.00 per square foot** is adopted for the Marine Repair Building, **\$90.00 per square foot** is adopted for the Shipping / Receiving Building, **\$130.00 per square foot** is adopted for the IT Data Center Building, **\$40.00 per square foot** is adopted for the Storage Building & Barge Pump House, and **\$80.00 per square foot** is adopted for the Parking Attendant Buildings.

Site Improvements

The site improvements include concrete and asphalt paving, sidewalks, parking areas, site lighting, pavement striping, underground utilities and connections.

Site improvements costs are estimated from recent comparable projects range from approximately \$100,000 to over \$200,000 per acre. This variance is due to the level of infrastructure.

From this data, site improvement costs are estimated at **\$175,000 per acre**.

#### Bulkhead

Section 51, Page 4 of the Marshall Valuation Service indicates a cost of approximately \$900 per linear foot for precast concrete sheet piling, suitable for large commercial projects.

Local construction cost data from recent comparable projects range from approximately \$1,000 to \$1,200 per linear foot.

A representative of ownership provided a cost estimate of approximately \$1,370 per linear foot for the subject bulkheads.

From this data, a replacement cost new of approximately **\$1,250 per linear foot** is adopted for the bulkhead.

#### Passenger / Cargo Ramps

A representative of ownership provided an invoice from Pinnacle Hydraulics dated February 2009 for two new aluminum ramps with hydraulic systems for the Deep Point terminal. According to this invoice the total cost was approximately \$120,000, or \$60,000 per ramp.

The owner of Pinnacle Hydraulics, Brett Tanner, provided a current cost estimate of approximately \$69,000 to \$72,000 per ramp.

From this data, a replacement cost new of approximately **\$70,000 per ramp** is adopted for the passenger / cargo ramps.

#### Barge Loading System Ramp

A representative of ownership provided a cost estimate of \$400,000 to \$450,000 for the barge loading system ramp including the concrete pedestals for the hydraulics and the hydraulics themselves. Ownerships cost estimate is supported by local cost data.

From this data, a replacement cost new of approximately **\$425,000** is adopted for the barge loading system ramp.

#### Generator

Section 54, Page 3 of the Marshall Valuation Service indicates a cost of approximately \$370 to \$610 per KW for emergency generators considered similar to the subject for institutional and commercial buildings.

According to a representative of ownership, the main terminal generator (Caterpillar 125 KW, Diesel, 3-Phase, 480/277 VAC output) was commissioned in 2009 for approximately \$52,000 including the tank and transfer switch.

From this data, a replacement cost new of \$450 per KW, or approximately **\$56,250**, is adopted for the

main terminal generator. This includes the tank and transfer switch.

According to a representative of ownership, the data center generator (Trade Winds 80KW, Diesel, 3-Phase, 120/208 VAC output) was commissioned in 2013 for approximately \$29,000 including the tank and transfer switch.

From this data, a replacement cost new of \$400 per KW, or approximately **\$32,000**, is adopted for the data center generator.

#### Floating Dock

A representative of ownership provided a cost estimate of approximately \$200 per square foot for the floating dock.

Local construction cost data from recent comparable projects range from approximately \$100 to \$175 per square foot.

From this data, a replacement cost new of **\$175 per square foot** is adopted for the floating dock. This includes the pilings.

#### Fixed Dock

A representative of ownership provided a cost estimate of approximately \$415 per square foot for the reinforced fixed dock capable of automobile traffic.

Local construction cost data from recent comparable projects supports ownerships estimate.

From this data, a replacement cost new of **\$415 per square foot** is adopted for the reinforced fixed dock. This includes the pilings.

#### Overhead Crane

Section 58, Page 6 of the Marshall Valuation Service indicates a cost of approximately \$120,000 for the 5 ton overhead crane.

Ownership did not provide construction cost estimates for the overhead crane.

From this data, a replacement cost new of **\$120,000** is adopted for the overhead crane located within the marine maintenance building.

### **INDIRECT COSTS**

Indirect costs are expenditures for items other than labor and materials that are necessary, but not part of the construction contract; otherwise known as "soft costs."

This is a very broad category and can include such items as design fees (i.e. architect, civil engineering, surveying, PM&E and structural engineering, landscape design, etc.). Other items can include permit and impact fees, legal and appraisal fees, utility tap fees, testing fees (independent inspections or special

inspections), environmental reports, temporary electrical service, as well as carrying costs such as taxes and interest during the construction period among other items.

Many times, indirect costs are expressed as a percentage of direct costs. Based on market data, indirect costs associated with similar type projects typically range from 5% to 10% of direct costs.

For this analysis, indirect costs are estimated to be **10%** of direct costs (exclusive of land); this has been determined by a study of indirect cost estimates extracted from comparable market data. These costs include design fees, impact fees, appraisal and legal fees, carrying costs during construction and other miscellaneous expenses.

### ENTREPRENEURIAL INCENTIVE

Entrepreneurial incentive is an often misinterpreted phase of a real estate venture or project. In the *Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, published by the Appraisal Institute, entrepreneurial incentive is defined as “the amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement.”

This is consistent with the concept as described in *The Appraisal of Real Estate, 14<sup>th</sup> edition*, pp 573, which says the entrepreneurial incentive refers to the amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. In contrast, entrepreneurial profit refers to the difference between the *total cost of development* and marketing and the market value of a property after completion and achievement of stabilized occupancy and income. In short, incentive is anticipated while profit is earned.

For a new building, that is the highest and best use of the site, the difference between the market value and the *total cost of development* (i.e. the sum of **land value and direct and indirect costs**) is the profit-or loss-realized.

Most local developers, in preparing a pro-forma, based in large part from past experiences (the profit actually earned on previous projects), calculate a percentage of all **total project costs**, including land as the basis for estimated incentive. The range can vary from 5% to 15% or more, depending on risk and opportunity and competition. **For a property similar to the subject including the required coastal permits, a 15% developer's profit is adopted.** This developer's profit figure is applied to total project costs (direct and indirect), inclusive of land value.

### DEPRECIATION

Depreciation is defined by the Appraisal Institute as the difference between the contributory value of an improvement and its cost at the time of appraisal. Depreciation in an improvement can result from three major causes operating separately or in combination:

- **Physical Deterioration** – wear and tear from regular use, the impact of the elements or damage
- **Functional Obsolescence** – a flaw in the structure, materials, or design that diminishes the function, utility and value of the improvement



- **External Obsolescence** – a temporary or permanent impairment of the utility or salability of an improvement or property due to negative influences outside the property. (External Obsolescence may result from adverse market conditions. Because of its fixed location, real estate is subject to external influences that usually cannot be controlled by the property owner, landlord, or tenant)

Physical deterioration incurable is measured by the age/life ratio.

There does not appear to be any major physical deterioration curable. However, minor deferred maintenance was observed on the date of inspection. A judgmental \$1,500 cost to cure is adopted for minor repairs.

There does not appear to be any functional or external obsolescence associated with the subject property.

The depreciated cost of the improvements is added to the land value estimate for the final indication of value by this approach.

The Cost Approach is as follows:

## COST APPROACH TO VALUE

Estimated Replacement Cost New					Schedule of Physical Deterioration Incurable					
Improvements on Land					*	EPLN	EA	Ratio	Depreciation	
Ferry Terminal Building	41,157	sf	@	\$200.00 =	\$8,231,400 *	50	5	10.0%	\$823,140	
Marine Maintenance Building	2,911	sf	@	\$145.00 =	\$422,095 *	45	5	11.1%	\$46,899	
Shipping/Receiving Building	5,323	sf	@	\$90.00 =	\$479,070 *	45	5	11.1%	\$53,230	
IT Data Center Building	356	sf	@	\$130.00 =	\$46,280 *	45	5	11.1%	\$5,142	
Storage Buildings	302	sf	@	\$40.00 =	\$12,080 *	40	5	12.5%	\$1,510	
Barge Equipment Building	100	sf	@	\$40.00 =	\$4,000 *	40	5	12.5%	\$500	
Parking Attendant Buildings	176	sf	@	\$80.00 =	\$14,080 *	45	5	11.1%	\$1,564	
Total Improvements on Land					\$50,325	\$9,209,005 *	Subtotal		\$931,986	
Improvements to Land					*					
Site Improvements	of	52.60	ac	@	\$175,000 =	\$9,205,000 *	30	5	16.7%	\$1,534,167
Concrete Bulkhead	of	1,871	lf	@	\$1,250 =	\$2,338,750 *	35	5	14.3%	\$334,107
Passenger/Cargo Ramps	of	4		@	\$70,000 =	\$280,000 *	20	5	25.0%	\$70,000
Barge Loading System Ramp	of	1		@	\$425,000 =	\$425,000 *	20	5	25.0%	\$106,250
Main Terminal Generator	of	1		@	\$56,250 =	\$56,250 *	20	5	25.0%	\$14,063
Data Center Generator	of	1		@	\$32,000 =	\$32,000 *	20	5	25.0%	\$8,000
Floating Dock	of	490	sf	@	\$175 =	\$85,750 *	20	5	25.0%	\$21,438
Fixed Dock	of	1,210	sf	@	\$415 =	\$502,150 *	20	5	25.0%	\$125,538
Overhead Crane	of	1		@	\$120,000 =	\$120,000 *	20	5	25.0%	\$30,000
Total Improvements to Land					\$13,044,900 *	Subtotal			\$2,243,561	
Indirect Costs of 10%					\$2,225,391 *	50	5	10.0%	\$222,539	
Developer's Profit of 15%					\$5,249,894 *	50	5	10.0%	\$524,989	
Total Estimated Reproduction Cost New					\$29,729,190 *	Physical Deterioration Incurable			\$3,923,076	
Schedule of Depreciation					*	Schedule of Functional Obsolescence				
Physical Deterioration					Curable	\$1,500 *				
Physical Deterioration					Incurable	\$3,923,076 *				
Functional Obsolescence					Curable	\$0 *	Functional Obsolescence, Curable		\$0	
Functional Obsolescence					Incurable	\$0 *	Incurable		\$0	
External Obsolescence					\$0 *					
Total Depreciation					\$3,924,576 *	External Obsolescence			\$0	
Reproduction Cost less Depreciation					\$25,804,614 *					
Estimated Value of the Land					\$10,520,000 *					
Value Indicated by the Cost Approach					\$36,324,614 *					
Rounded to					\$36,325,000 *	Total External Obsolescence			\$0	

**RECONCILIATION AND FINAL  
OPINION OF MARKET VALUE**

Indications of market value by the various approaches and techniques are as follows:

**Cost Approach** **\$36,325,000**

**This assignment is only for the real estate. At the Client's request, this appraisal was limited to the Cost Approach. Therefore, the Income and Sales Comparison Approach was excluded from the analysis. Omission of these Approaches does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP). See Limiting Conditions.**

The Cost Approach yielded a value indication of \$36,325,000. The Cost Approach utilized the replacement cost of the improvements, less depreciation, and added the site value.

This approach relied on recent sales of comparable vacant sites to value the subject site, as if vacant and available for development to its Highest and Best use. The sales utilized were recent and required, in some cases, relatively little adjustment.

The estimated Replacement Cost New has been derived from the Marshall Valuation Service and confirmed with local construction costs, when possible. In addition, construction cost estimates provided by ownership were also reviewed.

The Marshall Valuation Service is a widely known and highly respected national firm that provides a continuing update of current costs for all types of real estate construction. This is considered to be a very reliable source and was supported by local construction cost data and information provided by the ownership. Site costs are estimated based on the costs of similar construction projects.

When considering all factors; the age and condition of the improvements, the reliability of the site valuation, the reliability of the replacement cost estimate and the depreciation estimates, this methodology is considered to yield a very credible value conclusion.

Based upon the indication from the Cost Approach, the final opinion of market value is **\$36,325,000**.

ADDENDA

I/A  
**APPRAISAL QUALIFICATIONS**

**LHR / CAP REBUTTAL EXHIBIT 1  
A-41 SUB 22**

**EARL M. WORSLEY JR., MAI  
1133 MILITARY CUTOFF ROAD, SUITE 100  
WILMINGTON, NORTH CAROLINA 28405  
PHONE 910-256-0044 / FAX 910-256-0488  
E-MAIL [eworsley@worsleyrealestate.com](mailto:eworsley@worsleyrealestate.com)**

**EDUCATION**

B.S. EAST CAROLINA UNIVERSITY, 1976  
NC Real Estate Broker, February, 1980; License Number 60472  
Appraisal Institute; MAI Designation No. 8688, 1990  
NC State Certified General Real Estate Appraiser, No. A299, 1991  
SC State Certified General Real Estate Appraiser, No. CG 1560, 1994  
Certified under Appraisal Institute's Continuing Education Program

**EMPLOYMENT HISTORY**

Worsley Real Estate Company, 1996 to Present  
Worsley & Glenn, Partner, 1989 To 1995  
Joseph A. Robb & Associates, 1981 To 1989

**PROFESSIONAL AFFILIATIONS**

Appraisal Institute: MAI Designation No. 8688, 1990  
Counselors of Real Estate No. 2061, CRE, 2001

**APPRAISAL EXPERIENCE**

Planned Unit Developments  
Golf Course Communities  
Private and For Fee Golf Courses  
Hotel, Motels, Restaurants, Resort Developments  
Single and Multi Family Residential Projects  
Apartment Complexes, Townhouses, Condominiums  
Office Buildings, Shopping Centers Day Care Centers  
Warehouses, Industrial and Manufacturing Buildings  
Continuing Care Retirement Centers and Nursing Homes  
Agricultural Land, Conservation and Historical Properties,  
Marinas, Tank Farms and Deep Water Port Related Properties

**EXPERT WITNESS EXPERIENCE**

Federal Bankruptcy Court, Raleigh, New Bern, Wilson and Wilmington, NC

**FINANCIAL CLIENTELE**

Bank of America  
Bank of Hampton Roads  
Bank of the Ozarks  
Branch Bank & Trust Company  
Corning Credit Union  
East Carolina Bank  
First Bank  
First Citizens Bank and Trust  
First Community Bank  
First Federal Bank  
First South Bank  
NewBridge Bank  
Park Sterling Bank  
PNC Bank  
Regions Bank  
SunTrust Bank  
Vantage South Bank  
Wells Fargo Bank

**INSTITUTIONAL CLIENTELE**

Federal National Mortgage Association (FNMA)  
Federal Home Loan Mortgage (FHLMC)  
General Services Administration (GSA)  
Federal Deposit Insurance Corporation (FDIC)  
Resolution Trust Corporation  
US Postal Department  
City of Wilmington  
NC Coastal Land Trust  
NC Nature Conservancy  
NC State Ports Authority  
NC Department of Administration State Property Office  
NC Department of Transportation

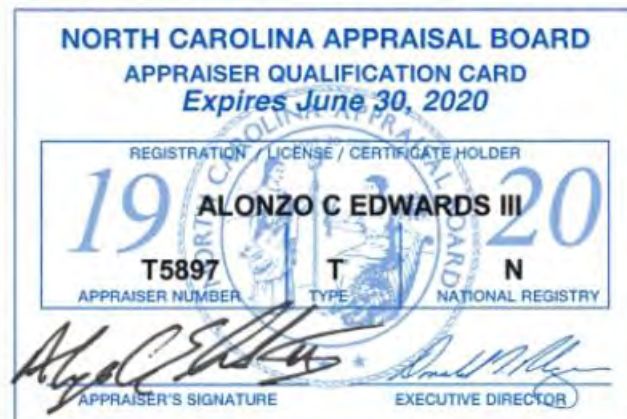
**PROFESSIONAL CLIENTELE**

Ward and Smith, Attorneys, Wilmington, NC  
Schell, Bray and Aycock, Attorneys, Greensboro, NC  
McGladrey & Pullen, CPA's, Wilmington, NC  
Georgia Pacific  
International Paper  
Hanover Medical Specialist PA, Wilmington, NC  
Moore Capital, New York, NY  
Bald Head Island, LTD, Bald Head Island, NC

OFFICIAL COPY

Apr 13 2023







WORSLEY REAL ESTATE COMPANY  
123 North Cardinal Extension Drive, Suite 120  
Wilmington, NC 28405  
Phone: 910.256.0044 • Fax: 910.256.0488

January 9, 2019

Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC 28401

Dear Chair Rabon:

The following is our proposal for appraisal services:

I will perform two real estate appraisals for the properties identified, for appraisal purposes, as Tract 1- approximately 52.60 acres at Deep Point Marina/Ferry Dock identified on the preliminary survey for Bald Head Island Limited, LLC, and Tract 2- approximately 2.13 acres at the Bald Head Island Marina/Ferry Dock identified as the Transportation tract on a preliminary survey for Bald Head Island Ferry Landing, both located in Brunswick County, North Carolina.

The Bald Head Island Transportation Authority ("BHITA") is considered my client and intended user of these appraisal reports. The intended use of the appraisal reports is to establish the fair market value for possible change in ownership.

The value of opinion will be communicated to you via narrative, appraisal reports in accordance with the Uniform Standards of Professional Appraisal Practice Standard 2-2(a) and Appraisal Institute (AI).


Our fee proposal is \$15,000 for two reports with delivery date of approximate 75 days from notice to proceed. Assuming it is not a financial burden, a retainer of one half of the fee, or \$7,500, is due at engagement. The remainder of the fee will be due upon notification of the pending completion and delivery of the appraisal reports. This will provide you ample time to process the remaining fee.

I will consult with John Sainsbury, BHITA's parking and ferry operation valuation consultant, regarding the real estate appraisals.

Any documents provided to us to assist in the preparation of the reports will be retained in our file unless notified otherwise.

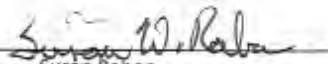
Thank you for the opportunity to provide this service. Should you have any questions, please give me a call.

Sincerely,

  
Earl M. Worsley, Jr., MAI  
EMW/jr:mcc

ENGAGEMENT LETTER


I/A

  
Susan Rabon  
Chair  
Bald Head Island Transportation Authority

  
Date

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act:

  
Finance Director

  
Date

EX 1083 PG 0879

BRUNSWICK COUNTY, NC 04/15/96		1063 0879	
\$2900.00		56 APR 15 PM 4:46	
NORTH CAROLINA		RECEIVED	
Real Estate		RECORDS	
Excise Tax		BRUNSWICK COUNTY, NC	
Excise Tax		Recording Time, Book and Page	
Tax Lot No. _____		Parcel Identifier No. _____	
Verified by _____		County on the _____ day of _____, 1996	
by _____		_____	
Mail after recording to Bald Head Island Limited, P. O. Box 3069, Bald Head Island, NC 28461			
This instrument was prepared by Kenneth M. Kirkman, Esq., P. O. Box 3069, Bald Head Island, NC 28461			
Brief description for the index		_____	
±172.52 acres, Smithville Township		_____	

## NORTH CAROLINA GENERAL WARRANTY DEED

THIS DEED made this 12<sup>th</sup> day of April, 1996, by and between

## GRANTOR

PFIZER INC.,  
a Delaware Corporation  
235 East 42nd Street  
New York, NY 10017-5755

## GRANTEE

BALD HEAD ISLAND LIMITED,  
a Texas Limited Partnership  
P. O. Box 3069  
Bald Head Island, NC 28461

The designation Grantor and Grantee as used herein shall include said parties, their heirs, successors, and assigns, and shall include singular, plural, masculine, feminine or neuter as required by context.

WITNESSETH, that the Grantor, for a valuable consideration paid by the Grantee, the receipt of which is hereby acknowledged, has and by these presents does grant, bargain, sell and convey unto the Grantee in fee simple, the following real property together with all improvements thereon and appurtenances thereunto belonging:

All that certain tract or parcel of land situated in Smithville Township, Brunswick County, North Carolina, and more particularly described on Exhibit A attached hereto, filed herewith and made a part hereof.

The property herein conveyed is a portion of those certain tracts or parcels of land acquired by Pfizer Inc. as follows: 1) from James M. Harper, Jr. and wife, Margaret T. Harper dated September 27, 1971, and recorded in the aforesaid Registry in Book 260 at Page 374; 2) from James M. Harper, Jr. and wife, Margaret T. Harper, by deed dated October 5, 1971, and recorded in the aforesaid Registry in Book 260 at Page 380; 3) from James M. Harper, Jr. and wife, Margaret T. Harper by deed recorded in the aforesaid Registry in Book 260 at Page 400; and 4) from Raymond Sylvester Talton and wife, Beuna Barbour Talton, by deed dated August 16, 1973, and recorded in the aforesaid Registry in Book 296 at Page 1009.

Reference is here made to the aforementioned deeds and to the plat of survey described in Exhibit A for a more particular description of the property herein conveyed.

3 0 2380 0 0 03 0 700

DEED (1083/879)

DX 1083 PC0880

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and all privileges and appurtenances thereto belonging to the Grantor in fee simple.

And the Grantor covenants with the Grantee, that Grantor is seized of the premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever except for the exceptions hereinafter stated.

Title to the property hereinabove described is subject to the following exceptions:

1. Ad valorem real property taxes for 1996 and subsequent years;
2. Any and all easements, restrictions or rights of way of record affecting said property.

IN WITNESS WHEREOF, the Grantor has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors, the day and year first above written.

PFIZER INC., a Delaware corporation

BY: Kenneth E. Kline  
Vice President



ATTEST:

Edna Wilson  
Assistant Secretary

STATE OF New York

CITY/COUNTY OF New York, to-wit:

I, Rosalyn L. Cooper, a Notary Public for said County and State, do hereby certify that Edna Wilson personally appeared before me this day and acknowledged that she is the Assistant Secretary of Pfizer Inc., a Delaware corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its Vice President, sealed with its corporate seal and attested by him/her as its Assistant Secretary.

WITNESS my hand and official seal, this the 12 day of April, 1996.



Rosalyn L. Cooper  
Notary Public

My commission expires: November 18, 1998

State of North Carolina, County of Brunswick:

The foregoing Certificate(s) of Rosalyn L. Cooper, Notary Public, is/are certified to be correct. This instrument and this certificate are duly registered at the date and time and in the Book and Page

shown on the first page hereof. Recorded April 18, 1996  
By Christina Robinson REGISTER OF DEEDS FOR BRUNSWICK COUNTY  
Deputy/Assistant - Register of Deeds

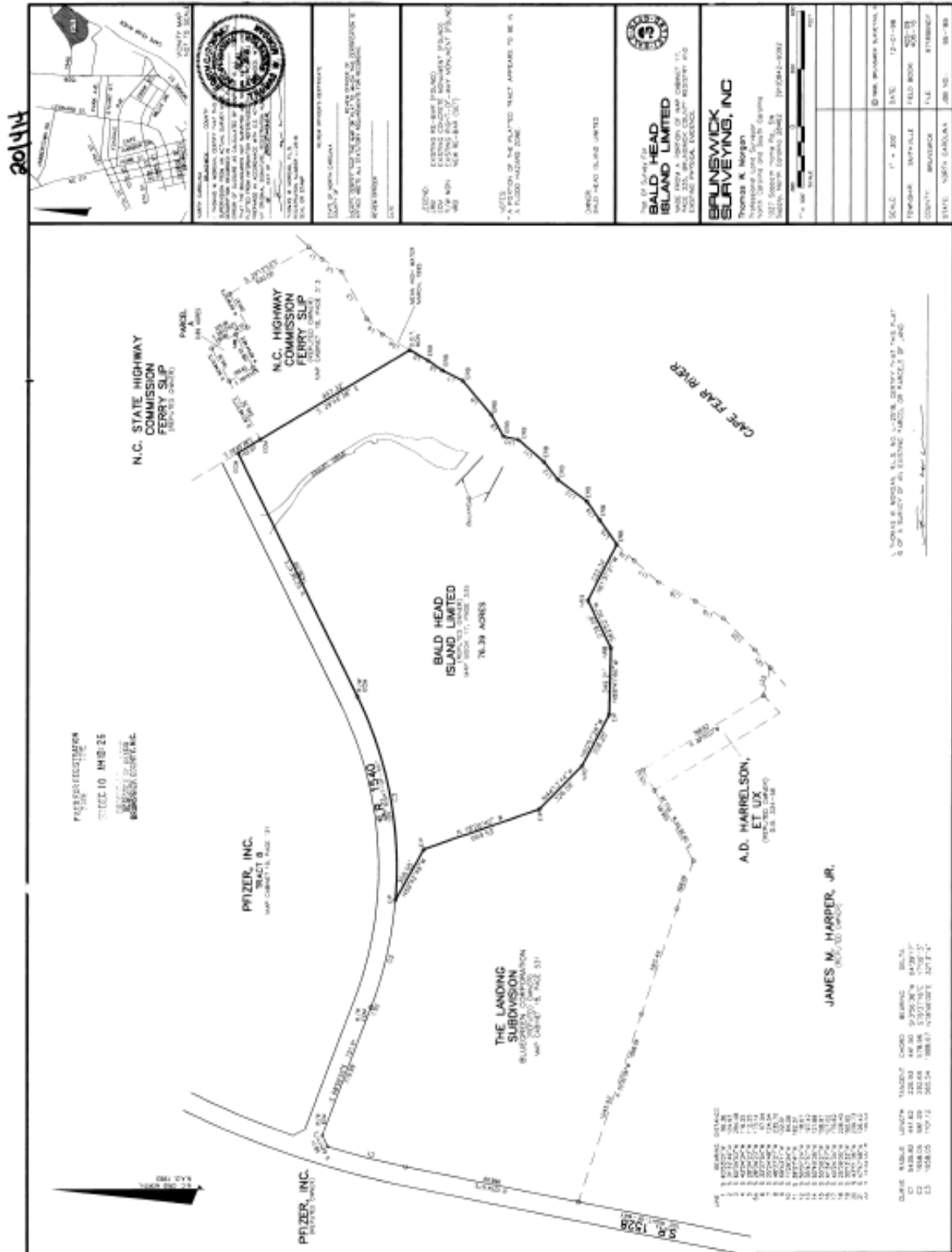


BK 1083 PG 0881

## EXHIBIT A

171.83 acres, more or less, lying and being situated between State Route 1540 and the Cape Fear River, in and near the city limits of the Town of Southport, North Carolina, and being more particularly shown and described on a plat of survey made by Thomas W. Morgan, R.L.S., Brunswick Surveying, Inc. and duly recorded in the Office of the Brunswick County Register of Deeds in Map Cabinet 17 at Page 335 ; and,

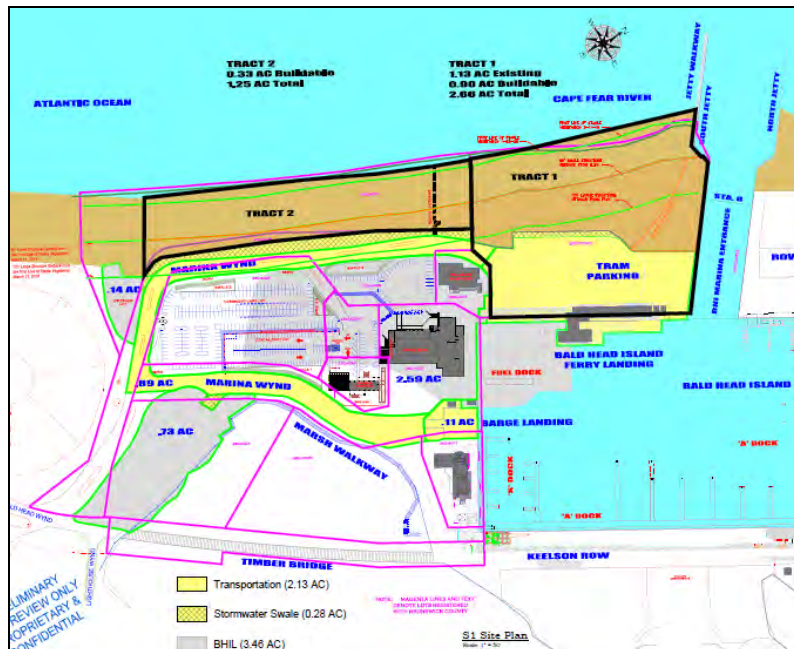
0.69 acre, more or less, adjoining the above described tract of land, and being more particularly shown and described as Parcel A on the aforesaid plat of survey.



PLAT MAP (20/414)

Map Cabinet 20 Page 414 12-10-98 10:26 am \$21.00 Crj

**An Appraisal Report of  
The Real Property of  
The Bald Head Island Ferry Operation  
Located At  
2 Marina Wynd  
On Bald Head Island, Brunswick County,  
North Carolina**



**Prepared For:**

Ms. Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods, LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC

**Prepared By:**

Earl M. Worsley, Jr., MAI  
Worsley Real Estate Company  
1133 Military Cutoff Road, Suite 100  
Wilmington, North Carolina 28405

May 28, 2019

Ms. Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods, LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC

Dear Ms. Rabon:

At your request and authorization, the following is an opinion of the market value of **The Real Property associated with the Bald Head Island Ferry Operation** located at 2 Marina Wynd on Bald Head Island, Brunswick County, North Carolina. Within this context, the **Bald Head Island Transportation Authority** is considered the client and intended user of this report. This report cannot be relied upon by any other parties other than the intended user.

In completing this assignment, I have thoroughly inspected the land, the improvements, and the comparable market data and submit the following opinion. The contents of the appraisal contain the introductory and descriptive material, the investigative process of collecting market data and processing of it into conclusions of highest and best use and ultimately, an opinion of market value.

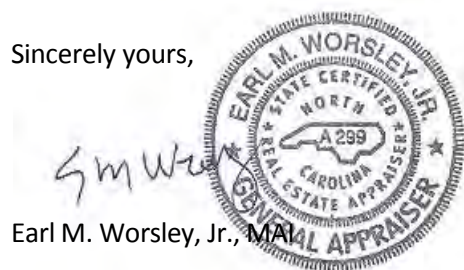
Also, the report is made in conformity with, and subject to, the Code of Ethics and Standards of Professional Practice of the Appraisal Institute (AI) and the guidelines of the Uniform Standards of Appraisal Practice (USPAP) adopted by the Appraisal Foundation.

All estimates and conclusions are subject to the Limiting Conditions in which the context of this report has been written.

The opinion of market value, as of April 24, 2019, was:

**SIX MILLION SEVENTY THOUSAND DOLLARS (\$6,070,000)**

Sincerely yours,



Earl M. Worsley, Jr., MAI

[eworsley@worsleyrealestate.com](mailto:eworsley@worsleyrealestate.com)

File No.: 19-005

**CERTIFICATION**

I certify that, to the best of my knowledge and belief:

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results. The appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- my compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- Earl M. Worsley, Jr., MAI made a personal inspection of the property that is the subject of this report.
- Alonzo C. Edwards, III, state registered trainee number T5897, provided significant real property appraisal assistance to the person signing this certification.
- I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- the reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute(AI).
- the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- As of the date of this report, I, Earl M. Worsley, Jr., MAI, have completed the continuing education program of the Appraisal Institute and the North Carolina Appraisal Board.



Earl M. Worsley, Jr., MAI

May 28, 2019

Date

**LIMITING CONDITIONS**

Unless specifically stated otherwise in this report, this appraisal is contingent upon the following premises and conditions:

I assume no responsibility for legal matters nor do I render any opinion as to the title, which is assumed to be good. Any existing liens or encumbrances, now securing the payment of money, have been disregarded.

The parcel dimensions have either been taken from the plat furnished or the deed of record. They are assumed to be accurate. I have made no survey of the property. The plats in the report are included only to assist the reader in visualizing the property.

The opinions, estimates, data and statistics furnished by others are assumed to be correct. I assume no responsibility for errors or omissions, nor for undisclosed information, which might otherwise affect the valuation estimate.

I am not required to give testimony or to appear in a court of law by reason of this appraisal with reference to the property in question. These services must be contracted for separately.

The undersigned appraiser reserves the right to alter the opinion of market value on the basis of information withheld and/or not discovered in the course of diligent investigation.

In the event that any material data provided to the appraiser is found to be erroneous, the sole liability of the appraiser is to provide an amended appraisal report based upon the correct data.

The liability of the appraiser and/or his employees is limited to fee collected for the report. There is no accountability or liability to any third party.

Values are reported in dollars based on currency prevailing on the effective date of the appraisal.

Inflation has been a fact of life in our economy for decades. Its erosive effect on purchasing power has been more apparent in the past decade. The appraiser is faced with a choice between constant or changing dollars, in conducting the various analyses. Constant dollars imply a constant purchasing power regardless of the time frame. Changing dollars are those expected to be paid or recovered. Rates of return on realty investments are typically quoted in changing dollars, particularly mortgage interest rates and land yield rates. It is neither customary nor convenient to convert future income estimates to constant dollar equivalents with the passage of time. Thus, the analyses and value estimates are conducted in the context of changing dollars.

The appraisal assignment was not based on a requested minimum valuation, a specific valuation, or approval of a loan.

It is assumed that there are no hidden or unapparent conditions of the property, subsoil, or structure which would make it more or less valuable. Unless otherwise stated on this report, the existence of hazardous material, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such material on or in the property. The appraiser, however, is not qualified to detect such substances.



The presence of substances such as asbestos, urea-formaldehyde foam insulation, fuel in underground storage tanks, or other potentially hazardous material may affect the value of the property. The value estimate is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for any such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.

I have not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the Americans with Disabilities Act (ADA). It is possible that a compliance survey of the property together with a detailed analysis of the requirements of the ADA could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since I have no direct evidence relating to this issue, I did not consider possible non-compliance with the requirements of ADA in estimating the value of the property.

**At the request of the Client's Business Valuation Consultant, the Cost Approach was utilized in this analysis. The Business Valuation Consultant has been retained to evaluate the Business Enterprise Value (BEV) or on-going concern. In order to insure the opinion of value reported herein accounts only for the real property, the Sales Comparison and Income Approach were not utilized. This is considered reasonable based on the special-purpose nature of the subject property and the engagement of the Business Valuation Consultant.**

This appraisal considers the **real property**. The furniture fixtures and equipment is considered **tangible personal property of the ferry operator**. Therefore, no estimate of the contributing value of the personal property is included. Also, no estimate of value associated with the **intangible property** which is sometimes referred to as **Business Enterprise Value (BEV)**, is provided.

***The opinion of market value does not include any tangible personal property (FF&E) or business enterprise value (BEV). As such, this value is for the real property only.***

Acceptance of and/or use of this report constitutes acceptance of these conditions.

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**EXECUTIVE SUMMARY****Property Identification:**

**The Bald Head Island Ferry/Barge facility** real property located on an approximate 3.94 acre site. It is further identified as a portion of Brunswick County tax parcels 2600000503, 260JA002, 260JA003, 260JA005, 260JA007, 260JA00701, and 260JA008.

**For the purpose of this analysis, the subject property will be identified as Tract A (2.77+/- acres) and Tract B (1.17+/- acres).** This will be discussed further in a subsequent section of this report.

**Location:**

2 Marina Wynd, Bald Head Island Village, on Bald Head Island, Brunswick County, North Carolina.

**Interest Appraised:**

Fee Simple

**Date of Value:**

April 24, 2019

**Ownership of Record:**

Bald Head Island Limited, LLC

**Proposed Ownership:**

Bald Head Island Transportation Authority

**Land Area:**

**Tract A** – 2.77+/- acres

**Tract B** – 1.17+/- acres

**Zoning:**

Planned District, PD – 3C

**Highest and Best Use:**

Commercial Use

**Improvements:**

Several wood frame structures **utilized as The Bald Head Island Ferry/ Barge Landing facility** with related site improvements.

**Value Indicator****Cost Approach:**

**\$6,070,000**

**FINAL ESTIMATE OF MARKET VALUE:**

**\$6,070,000**

## INTRODUCTION

### DESCRIPTION OF THE REPORT

This report is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of the Uniform Standards of Professional Appraisal Practice (USPAP) for an **Appraisal Report**. Therefore, the reporting option chosen, as stated in the Uniform Standards of Professional Appraisal Practice, is an **Appraisal Report**.

As such it represents a summarization of the data, reasoning, and analyses that were utilized in the appraisal process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning and analyses is retained in the appraiser's file. The depth of discussion contained in this report is specific to the needs of the client and for the intended use stated below. The appraiser is not responsible for unauthorized use of this report.

### PURPOSE AND INTENDED USE OF THE APPRAISAL REPORT

The purpose of this appraisal is to estimate the market value of the described property for the client, Ms. Susan Rabon, Chair, Bald Head Island Transportation Authority (BHITA), and/or their assigns.

The **intended use** of the appraisal report is to value the real property for possible acquisition purposes.

Therefore, the **intended user** is the Bald Head Island Transportation Authority (BHITA). This report is not to be relied upon by any users other than those which are intended.

### DEFINITION OF MARKET VALUE

This appraisal report utilizes the following definition of **market value**, which has been taken from the **Interagency Appraisal and Evaluation Guidelines** and is consistent with the definition of market value taken from the Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, published by the **Appraisal Institute (AI)**.

It is as follows:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a "fair sale", the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. buyer and seller are typically motivated;
2. both parties are well informed or well advised, and acting in what they consider their own best interests;
3. a reasonable time is allowed for exposure in the open market;
4. payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
5. the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

## ADDITIONAL DEFINITIONS

Several additional definitions are utilized throughout this appraisal report. All definitions have been derived from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, which is published by the Appraisal Institute. These definitions are as follows:

- **Business Enterprise Value (BEV):** the value contribution of the total intangible assets of a continuing business enterprise such as marketing and management skill, an assembled work force, working capital, trade names, franchises, patents, trademarks, contracts, leases, customer base, and operating agreements. **Please see Limiting Conditions.**
- **Furniture, Fixtures and Equipment (FF&E):** business trade fixtures and personal property, exclusive of inventory
- **Gross Building Area (GBA):** total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region
- **Real Estate:** an identified parcel or tract of land, including improvements, if any
- **Real Property:** the interests, benefits, and rights inherent in the ownership of the real estate
- **Special-Purpose Property:** a property with a unique physical design, special construction materials, or a layout that particularly adapts its utility to the use for which it was built; also called a *special-design property*.
- **Floor Area Ratio (FAR):** the relationship between the above – ground floor area of a building, as described by the building code and the area of the plot on which it stands.

## HYPOTHETICAL CONDITIONS

As defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, a Hypothetical Condition is “that which is contrary to what exists but is supposed for the purpose of analysis.”

There are no Hypothetical Conditions.

## EXTRAORDINARY ASSUMPTIONS

As defined by *The Dictionary of Real Estate Appraisal, Fourth Edition*, an Extraordinary Assumption is “an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser’s opinions or conclusions.”

No wetland information was provided by the client and/or contact person. This report is based upon the extraordinary assumption that there are no major wetlands located on the site.

The values reported herein are based upon the Extraordinary Assumption that the map entitled Bald Head Island Ferry Landing dated May 7, 2019 (Rev. 2), provided by the client, is accurate. According to this map, Tract 1 contains 2.66 acres, Marina Wynd contains 0.89 acres, the Barge

Landing contains 0.11 acres, and the Storm water swale tract contains 0.28 acres. **This includes the area (surplus land) located adjacent to the main ferry landing that is proposed for future parking expansion.** A copy of this map is located in the Addenda. A title search, survey and wetland delineation map is recommended.

The values reported herein are based upon the Extraordinary Assumption that the square footage of the improvements is accurate. The size of the structures was provided by Mr. Bill Mack, Project Engineer with Bald Head Island Limited, and/or taken from field measurements. No building plans were provided.

Acceptance of and/or use of this report constitutes acceptance of these conditions.

#### **EFFECTIVE DATE AND DATE OF INSPECTION**

The effective date of the report is April 24, 2019, the date of last inspection of the property.

#### **DATE OF THE REPORT**

This report was completed and dated May 28, 2019.

#### **SCOPE OF THE APPRAISAL**

To gather, confirm and analyze the data I performed the following steps:

- Inspected the subject property and reviewed information about the subject property and the surrounding neighborhood;
- Prepared a highest and best use analysis of the subject as if vacant and as improved;
- Collected market information needed to apply the traditional approaches to value: cost approach, sales comparison approach, and income approach;
- Applied the sales comparison approach to the subject site as though vacant;
- Applied the cost approach to the subject property as improved;
- Reconciled the findings of the applicable approaches to value into a final value opinion;
- Prepared a narrative appraisal report setting forth the conclusions derived in this analysis as well as the information upon which the conclusions are based.

**At the request of the Client's Business Valuation Consultant, the Cost Approach only was utilized in this analysis. The Business Valuation Consultant has been retained to evaluate the Business Enterprise Value (BEV) or on-going concern. In order to insure the opinion of value reported herein accounts only for the real property, the Sales Comparison and Income Approach were not utilized. This is considered reasonable based on the special-purpose nature of the subject property and the engagement of the Business Valuation Consultant.**

Omission of the Sales Comparison Approach does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP).

Alonzo C. Edwards, III, state registered trainee number T5897, provided significant real property appraisal assistance to the person signing this report. This assistance included the following: developed site description and analysis; developed building description and analysis; neighborhood description and



development analysis; developed the highest and best use; collected, verified, and analyzed data; developed the applicable approaches to value; and developed the final reconciliation.

### PROPERTY RIGHTS APPRAISED

The Fee Simple Estate is defined in *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition* as follows: “absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

The value opinion further assumes that the property is free and clear of all encumbrances, except those noted in the deed of record, and is available for its highest and best use.

### IDENTIFICATION OF THE PROPERTY

The subject property is irregular in shape and contains approximately 3.94 acres. The property has a street address of 2 Marina Wynd, Bald Head Island, North Carolina. It is further identified as portions of Brunswick County Tax Parcels 2600000503, 260JA002, 260JA003, 260JA005, 260JA007, 260JA00701, and 260JA008.

**For the purpose of this analysis, the subject property will be identified as Tract A (2.77+/- acres) and Tract B (1.17+/- acres). See Extraordinary Assumptions.**

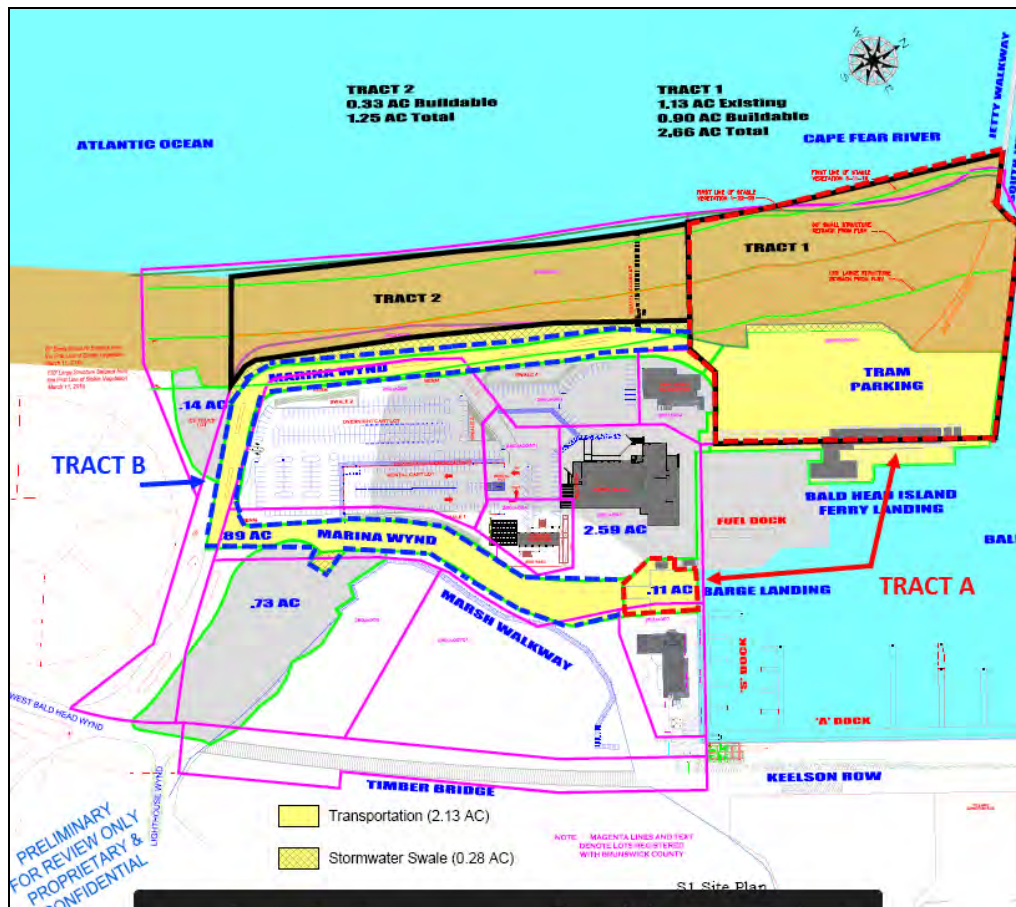
**Tract A** is identified on the Bald Head Island Ferry Landing map as Tract 1 (2.66 acres) and barge landing (0.11 acres).

Improvements on **Tract A** consist of several wood frame structures serving Bald Head Island passenger and vehicular ferry dock facility with related site improvements.

**Tract B** is identified on the Bald Head Island Ferry Landing map as Marina Wynd (0.89+/- acres) and the associated storm water swales (0.28+/- acres). Improvements on **Tract B** consist of roadway improvements and storm water swales.

The subject property is identified as Tract A and B as shown on the map entitled Bald Head Island Ferry Landing. A copy of this map is located on the following page.

## Bald Head Island Ferry Landing Map



## GENERAL APPRAISAL CONCEPT

The subject property is the Bald Head Island Ferry / Barge operation located on Bald Head Island. It is considered to be a type of **special-purpose property**. Please refer to the numerous definitions that are outlined in this report.

The passenger ferries and vehicular barges arrive and depart at the ferry landings within the Bald Head Island Marina across the Cape Fear River from the Deep Point Marina which is located in the Town of Southport. The ferry and barge operation transports passengers as well as vehicles and supplies to and from the island.

Once passengers disembark from the passenger ferry, there is a tram transportation service for arriving passengers with adequate parking. Passenger's luggage is arranged for pickup and loaded onto the tram vehicles by employees and the pedestrians travel to various parts of the island.

In addition, the barge arrives from the mainland at a separate landing within the Bald Head Island Marina which delivers goods and services to the island. Once the vehicles disembark from the barge, they travel

along internal roads to various destinations on the island.

Due to the special use nature of the facility, the **furniture, fixtures and equipment (FF&E)** is an integral part of the operation. This FF&E may be considered tangible personal property; depending on the nature is which is attached to the real estate. In addition, the **Business Enterprise Value (BEV)** consists of all intangible assets relative to the operation of the Ferry facility. **Please see Limiting Conditions.**

It consists of, but is not limited to, the baggage dollies, plus all other baggage handling equipment and supplies, several trucks, approximately twenty – 12 passenger trams and three cargo trailers. In addition, it includes all equipment including radios, baggage supplies used in the performance of the transportation and logistics functions.

In summary, the island transportation system handles a substantial volume of passengers and vehicles. It is the only commercial transportation service to the island from the mainland. The subject of this report is the real estate associated with this transportation operation.

#### **OWNER OF RECORD**

According to the Brunswick County Tax Records, the owner is Bald Head Island Limited, LLC.

#### **HISTORY OF THE PROPERTY**

On June 1, 1983, Bald Head Island Limited, LLC acquired the subject property, as well as several other tracts that is not subject of this report, from Bald Head Island Corporation. This transaction recorded in deed book 532 at page 546 of the Brunswick County register of deeds office.

On the date of inspection, the facility was utilized as the Bald Head Island Ferry operation with associated pedestrian and vehicular dock and road/tramway. It is utilized for a ferry and barge landing for pedestrian passengers and construction vehicles, ticket sales and baggage handling facility, and tram transportation operation.

No contract or option to purchase the subject property was discovered in the course of the assignment.

#### **LEGAL DESCRIPTION**

The deed of the property is located in the addenda. However, this deed includes several tracts that are not subject of this report.

#### **EXPOSURE TIME AND MARKETING TIME**

*Exposure Time* is defined in *The Dictionary of Real Estate Appraisal*, fifth edition as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.”

Based on a review of market data in the subject and competing market areas as well as the current economic climate, an exposure time of 1 year is considered reasonable and is adopted based on the opinion of value as indicated within this report.

According to *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, 2010*, published by the Appraisal Institute, *marketing time* is defined as “an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of the appraisal.”

Based on discussions with local market participants as well as considering the subject property’s physical characteristics, a marketing time of 1 year is considered reasonable and is adopted.

**AREA AND REGIONAL DESCRIPTION**

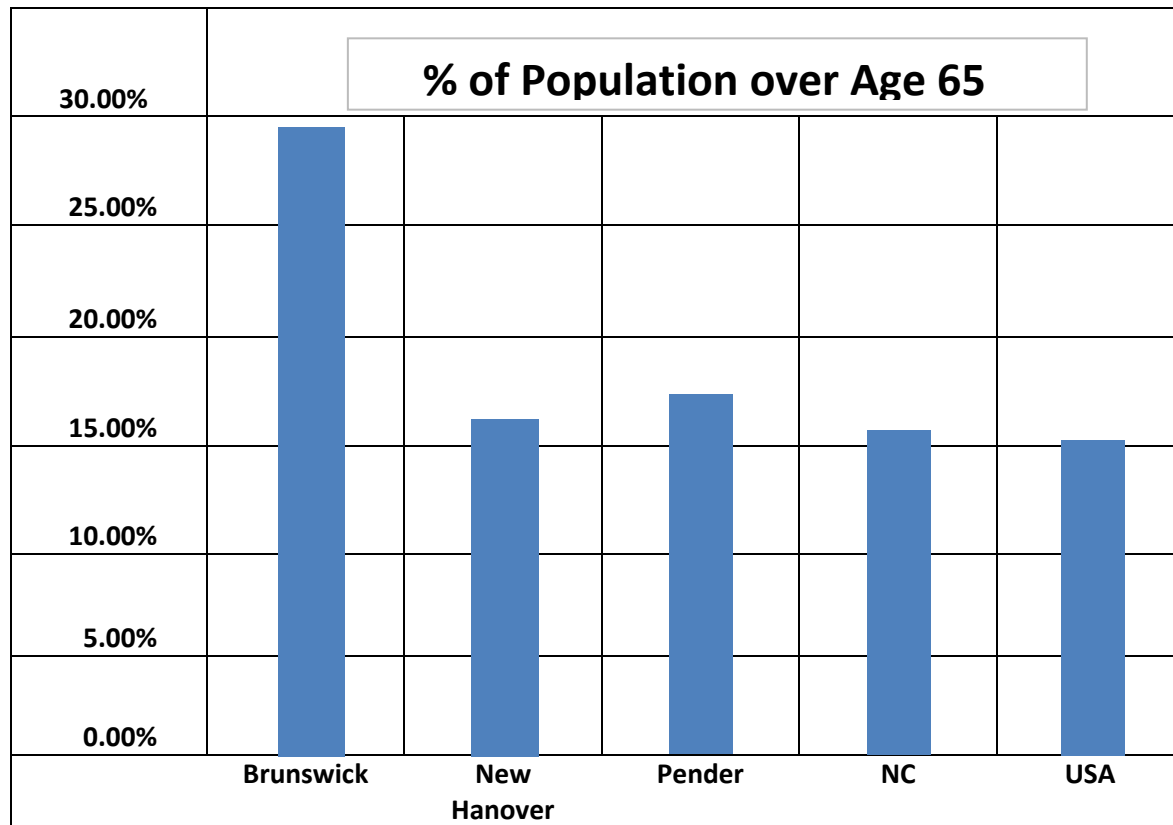
The subject property is located within the Greater Wilmington area, which is made up of three counties: New Hanover, Brunswick and Pender.

**POPULATION AND GROWTH**

POPULATION GROWTH IN THE GREATER WILMINGTON AREA 1990-2017				
Source: US Census Bureau				
	1990	2000	2017	
	Population	Population	Population	CAGR 1990-2017
Brunswick County	51,000	73,000	131,000	3.6%
New Hanover County	120,000	160,000	227,000	2.4%
Pender County	29,000	41,000	61,000	2.8%
Three-County Area	200,000	274,000	419,000	2.8%
NORTH CAROLINA	6,628,000	8,046,000	10,273,000	1.65%
UNITED STATES	250,000,000	274,000,000	323,128,000	1.0%

The population of the Greater Wilmington area is approximately 419,000. As the table above shows, the population growth of the area has been robust over the past 25 years, far outpacing the growth of North Carolina and the United States. This growth has been driven by many factors, mainly the quality of life, the mild year-round climate and the proximity to the Atlantic Ocean.

The population mix of the area is somewhat older, reflecting the popularity of the Wilmington area as a retirement haven.



## DEMOGRAPHICS

Median household income for the area ranges from approximately \$46,580 in Pender County to \$51,232 in New Hanover County. This is generally in line with the statewide average of approximately \$48,256.<sup>1</sup>

## EMPLOYMENT

Major area employers<sup>2</sup> include:

- New Hanover Regional Medical Center/Cape Fear Hospital (Hospitals) – 6,123
- New Hanover County Schools (Education) – 4,443
- Wal-Mart Stores (Retail) - 2,592
- GE Wilmington (GE Hitachi and GE Aviation) - 2,175
- University of NC Wilmington (Higher Education) - 1,860
- Brunswick County Schools (Education) - 1,835
- PPD, Inc. (Discovery & Development Services to Pharmaceutical & Biotech) - 1,500
- New Hanover County (County Government) - 1,611

<sup>1</sup> Source: US Census QuickFacts, 2009-2015 data

<sup>2</sup> Source: Wilmington Chamber of Commerce



- Verizon Wireless (Communications) - 1,411
- Progress Energy - Southport & Wilmington (Electricity) - 1,109
- Corning, Inc. (Optical Fiber) - 1,000
- City of Wilmington (Government) - 998
- Novant Medical/Brunswick Community Hospital (Hospitals) - 623
- Cape Fear Community College (Education) – 600
- Pender County (Government) – 377
- Castle Branch (Employment Screening) - 349

The region, along with the State of North Carolina, suffered from stubbornly high unemployment rates from approximately 2009 to 2014. However, these unemployment rates have fallen in the past several years.

<sup>3</sup>As of Spring, 2018, the unemployment rates in the three counties ranged from 4.0% to 5.6%, versus 4.5% for the State of North Carolina and 3.9% for the United States.

New Hanover County tends to have *lower* unemployment rates, while Brunswick and Pender County tend to have *higher* unemployment rates.

#### ATTACHED HOUSING

New Hanover County has a high rate of multi-family housing and a low rate of home ownership when compared to the State of North Carolina. Conversely, Brunswick and Pender Counties have high rates of home ownership and low rates of multi-family housing. This is evidenced in the following chart:

2017	State of NC	New Hanover County	Brunswick County	Pender County
% Housing Units in Multi-family	17.50%	25.60%	10.10%	5.30%
% Owner Occupied Units	65.10%	57.60%	75.90%	77.60%
% Renter Occupied Units	34.90%	42.40%	23.10%	22.40%

US Census

Source: Bureau

#### TAX BURDEN AND COST OF LIVING

The three counties have property tax rates ranging from \$0.485 to \$0.685 per \$100 of value. This is relatively low compared to most counties in the United States. The cost of living index is 100.7, indicating moderate living expenses. Housing costs are relatively low, offset by high utilities and grocery costs.

#### EDUCATION

Wilmington / New Hanover County has a highly educated population, with over 37.9%<sup>4</sup> holding a bachelor's degree or higher. This compares with 30.3% for the U.S. and 29% for the state.

<sup>3</sup> Source: Bureau of Labor Statistics

The University of North Carolina at Wilmington, with 16,487 students, is a major academic institution, offering Bachelors', Masters' and PhD's. There is also the highly successful Cape Fear Community College, with over 29,671 students.

## CLIMATE

The area enjoys a very favorable year-round climate, with mild winters, pleasant springs and autumns and hot humid summers. The coldest month is January, with average highs of 56 degrees and lows of 36 degrees<sup>5</sup>. The warmest month is July, averaging 90° / 73°.

## RECREATION AND CULTURE

The area has spectacular beaches, which attract large numbers of locals and tourists. There are dozens of golf courses and tennis clubs, softball, baseball, hiking and numerous other outdoor activities for year-round enjoyment.

There are also significant cultural opportunities ranging from live theater, a local symphony, excellent public libraries and museums.

All these recreational and cultural amenities, combined with the mild year-round climate, have proven to be a beacon for lifestyle-oriented working people and retirees.

## PROJECTIONS

The spectacular growth of population has slowed in the past several years, as in-migration of retirees was dramatically reduced by the real estate crisis of 2008 and the resulting national depression. Despite this, a recent projection published in the Greater Wilmington Business Journal indicates growth in population of the metro area, between 2012 and 2017, will average 1.2% per year.

## SUMMARY

The Greater Wilmington area has grown at very high rates over the past 25+ years. The growth rate has plateaued in the wake of an economic correction. Unemployment has been stubbornly high over the past several years, but has recently shown signs of improvement. With all of the advantages of the area, it is likely that the future economy and growth rate of the area will prosper.

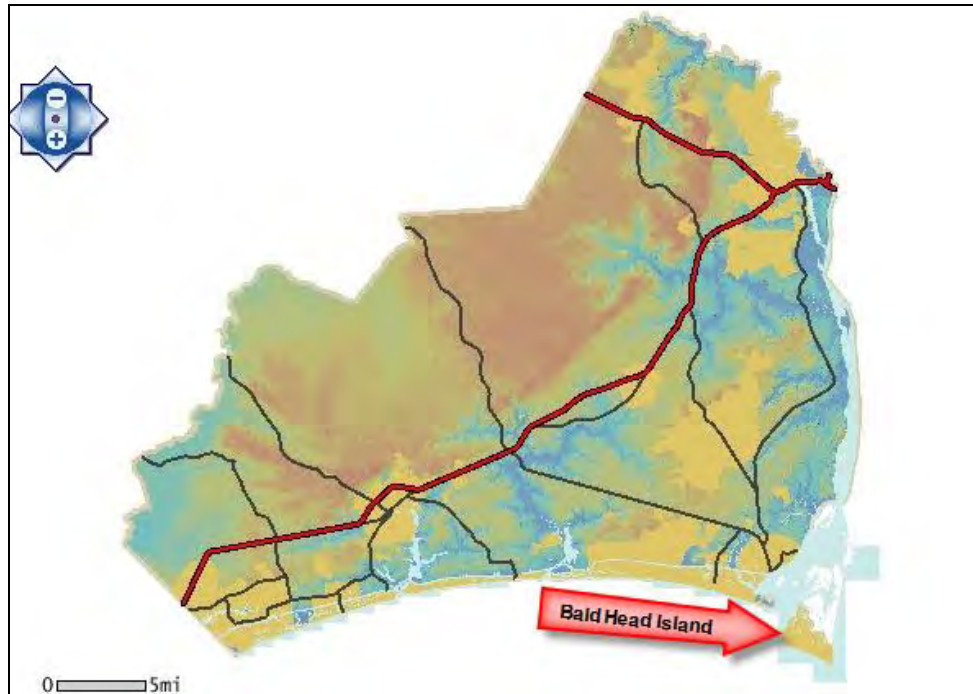
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<sup>4</sup> Source: County Facts, U.S. Census Bureau

<sup>5</sup> Source: weather.com monthly averages

### THE IMMEDIATE NEIGHBORHOOD

Bald Head Island is a coastal barrier island located at the extreme southwest tip of North Carolina. It is situated at the mouth of the Cape Fear River approximately 2 miles off the coast of Southport and about 30 miles south of Wilmington. It is the largest and southernmost of a series of small islands connected by extensive salt marshes that form an area known as Smith Island.



Access to this somewhat unique coastal island retreat is limited to a privately operated ferry system. There is no vehicular land access. The ferry ride past neighboring Caswell and Oak Islands is approximately 20 minutes. It provides access to the mainland at the developer's sister resort known as Indigo Plantation near Southport.

The island has approximately 14 miles of beaches and undisturbed natural dune line, a very dense maritime forest as well as an area located along the north side of the island which fronts on tidal creeks marshes and maritime estuaries of the Cape Fear River. The southernmost barrier island in the State of North Carolina and the northernmost subtropical island on the east coast, the island is 3½ miles long by 1½ miles wide. It comprises approximately 12,000 acres including upland, tidal marshes and creeks, shallow bays and marshland.

Over 10,000 acres are protected for conservation. It has a certain intrinsic value due to the nesting of Loggerhead turtles on the beach as well as the maritime forest and subtropical vegetation. The climate is considered moderate due to the effect of the surrounding water body with an average temperature of approximately 75 degrees with winter temperatures of approximately 50 degrees.

The island is home to several species of plants that are only located on Bald Head Island. One of these known plant species is a plant commonly known as Bald Head Blue Curl, which is a small indigenous plant in

abundance which is within the mint family. Bald Head is also known for its Palmetto Palm trees. This constitutes the northern range limit for this species within the Eastern United States. The maritime forest consists of primarily palmetto, pine, cedar, and Oak and dogwood trees. It is a dense forest that is home to various forms of wildlife.

Topographic feature of the dune ridge along the southern and eastern shores consists of undisturbed natural dunes with cord grass and other ocean front oriented plant life. Elevations, considered the highest in Brunswick County, range between 45 and 52 feet above mean sea level. This portion of the island is dominated by these dunes as well as its undisturbed views of the Atlantic Ocean. These beaches are the sites of the spring and fall sea turtle nesting areas.

The Bald Head Island landmark bearing the greatest significance is Old Baldy. Commissioned in 1817 by Thomas Jefferson, it is North Carolina's oldest lighthouse and stands as the only high rise on the island.

Much of the island's development has occurred within the last 30 years. The Mitchell Family purchased the undeveloped and unsold portions of the island in 1983 and began construction of the Bald Head Villas. In 1984, the first units of Royal James Landing opened. In addition, the Bald Head Island Conservancy was established, the Island Chandler Grocery and Administrative Building opened and the East Beach Gazebo was built. In 1995, the first buildings in the Timber creek project, as well as tennis courts and a swimming pool were constructed.

In 1987, a new low density master plan was presented to the property owners. This award winning plan contributes to the environmentally sensitive development that is characteristic of the island. In the years that followed, development and conservation efforts have merged to form a unique coastal residential community.

Bald Head Island is characterized by first and second home residential areas of the upper income range. Housing types include attached townhouses, detached single family dwellings and small detached patio homes scattered along the ocean, within the maritime forest, along the tidal marshes, around the ferry dock/marina and the golf course.

Harbor Village has been developed around the marina, shops, inns and West Beach. Seaside communities include Flora's Bluff, Killegray Ridge and Braemar. Home sites incorporated with the maritime forest enjoy a vast assortment of wildlife, including over 150 species of birds. Creek side homes include Lighthouse Landing and Palmetto Cove. Link side and dune ridge homes complete the vast array of choices on Bald Head Island.

There is ample amount of idle land for development. Demand for residential lots appears to be adequate. Lot prices range from \$35,000 to over \$2 million. Homes are available from \$250,000 to over \$4 million.

As the Bald Head Planned Unit Development is a primarily second home development, there are a limited number of year round residents estimated to be approximately 250. As stated in a previous section of this report, Brunswick County is receiving a substantial amount of retirees locating in Brunswick County for its moderate climate and amenities.

Amenities primarily consist of resort and water oriented activities. There is an 18-hole masterpiece golf course which winds through the natural contours of the massive dunes and the maritime forest. Most holes provide scenic views including the historic lighthouse, the ocean and beaches. Water comes into play on 15

holes in the form of fresh water lagoons, amidst live oaks, clusters of palm and sea oaks. This course is a championship layout which was designed by George Cobb in the mid 1970's. It provides a centerpiece of the amenity package.

Additional amenities include four all weather tennis courts and 25 meter pool, two croquet courts, the previously described beaches, the River Pilot Cafe and Lounge and Deli, a well protected floating dock marina at the ferry dock, as well as undisturbed tidal marshes and estuary sounds.

Most successful residential subdivisions have been developed around these golf courses or surrounding natural water bodies. In this context, Bald Head Island has positioned itself to receive its share of retirees. However, the majority of the homebuyers on Bald Head Island are of an affluent background wishing to have a second home on a secluded, somewhat isolated, barrier island to escape the pressures and stress of their professional lives. The location of Bald Head Island obviously fits this description.

In summary, the property is located in the Bald Head Island Planned Unit Development. It is difficult to describe the natural topography features which vary from ocean front undisturbed dunes to dense maritime forests to tidal marshes and creeks which are flooded daily. Due to Bald Head's unique features, it attracts affluent second homebuyers and retirees.

The economy and the local real estate market were adversely affected by the past national economic downturn. Property values on the island eroded substantially from 2008 to the early 2012 era.

Residential construction, which had been robust prior to the recession, decreased substantially with less than 10 houses under construction until 2014. In addition, there were numerous foreclosures and distressed sales.

In recent years, the economy has rebounded from the economic downturn. According to local market participants and island residents, construction activity has increased and there has been some velocity in the number of real estate transactions. It appears that the real estate market recovered from the severe economic downturn.

Conversations with the developer and local real estate agents, as well as a survey of residential inventory, indicates an adequate amount of residential dwelling units on the market.

**DESCRIPTION OF THE PROPERTY****Location**

The subject property is located on Bald Head Island, Brunswick County, North Carolina near the intersection of Marina Wynd and West Bald Head Wynd, adjacent to the Bald Head Island Marina. It has a Street address of 2 Marina Wynd. It is further identified as portions of Brunswick County tax parcels 2600000503, 260JA002, 260JA003, 260JA005, 260JA007, 260JA00701, and 260JA008.

The general location of the subject property is illustrated on the aerial photograph below.

**Size, Shape and Dimensions**

The land is an irregularly shaped area containing approximately 3.94 acres. **For appraisal purposes, the land will be identified as Tract A - 2.77 acres and Tract B - 1.17 acres.**

The entire tract is irregular in shape due to its current use as ferry and barge dock for pedestrian passengers and construction/delivery vehicles as well as the tram/vehicle roadway. Please see the map entitled Bald Head Island Ferry Landing dated May 7, 2019 (Rev. 2).

The site has adequate frontage on the adjacent marina basin at the pedestrian ferry dock and barge dock. Also, it has substantial frontage on the Cape Fear River and additional frontage on the marina entrance to the Cape Fear River. This information is taken from a plat map.



## Roads and Access

Marina Wynd provides direct access to the tram parking area and pedestrian ferry landing as well as the vehicle barge ferry landing. It connects to Keelson Row and West Bald Head Wynd.

These streets are considered neighborhood streets within the Bald Head Island road system. They connect to West Bald Head Wynd, which provides access to other portions of the island.

These roads are maintained by either the Village of Bald Head Island or the Master Developer. They are considered public or private roads that provide access to a general portion of the neighborhood and other points on the island.

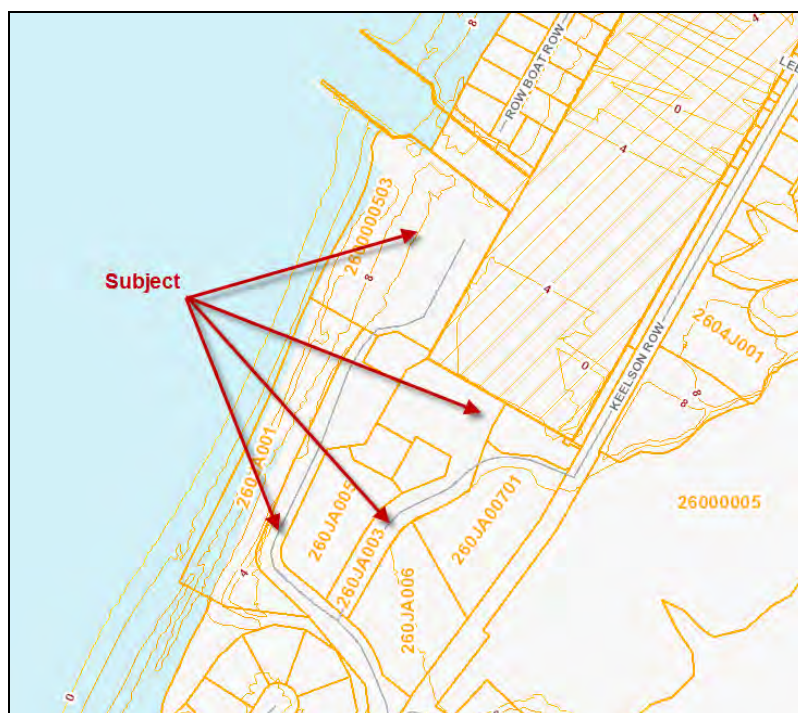
The site has frontage and access on Marina Wynd, the Bald Head Island Marina, as well as the Cape Fear River.

## Utilities and Services

Municipal water and sewer service, electricity, and telephone are available to the site.

## Topography

Tract's A and B can be generally characterized as level and clear, at roadway grade. Portions of Tract A are slightly above grade and consist of coastal sand dunes along the Cape Fear River. The site is generally 2 to 8 feet above sea level. A topographic map provided by Brunswick County is located below.



### ***Flood Information***

Generally, Tract A is considered to be favorable for most commercial development. Tract B, due to its irregular shape as well as areas encumbered by an access easement, has **limited utility and/or commercial development potential**. These tracts are subject to strict architectural guidelines provided by the Planning Department of the Village of Bald Head Island.

There are no additional major easements or restrictions of record other than those normal for utility, riparian rights and street purposes. No other encroachments were observed or are assumed.

## THE IMPROVEMENTS

### General

The improvements located on Tract A consist of a wood frame ferry ticket/service facility containing a total of approximately 8,816 feet. This includes an approximate 5,621 square foot ferry terminal, 2,345 square foot baggage area, and 450 square feet of storage buildings. Also, there is an approximate 400 square foot wood frame storage building that houses the barge lift equipment and other items.

There appears to be ample parking and areas for the maneuvering of trams and other vehicles on Tract A. A portion of Tract A along the Cape Fear River is currently undeveloped. According to conversations with a representative of ownership, the undeveloped area could be used for future parking expansion.

The structures are situated on Tract A providing good access and visibility from Marina Wynd. In addition, the waterfront location provides navigable water access as well as views of the Cape Fear River and the marina basin. The main building is accessed from an entryway from the tram parking area. Also, the barge landing area has direct access to Marina Wynd.

The improvements to the land located on Tract B consist of roadway site improvements including an underground storm water retention system, storm water swales, marl stone base and asphalt paving.

No plans of the ferry ticket/service facility were provided.

### General Construction Details

General construction details of the improvements located on Tract A consist of a wood frame pedestrian ferry facility situated on a piling/concrete foundation with a metal roof.

Interior construction details of the ferry ticket office include sheetrock and/or wood panel walls and vinyl or wood floors. There is a ticket counter, office areas and storage space. Additional Interior construction details consist of hollow core wood doors in wood frames, cabinets, countertops, a sink, sheetrock walls, and ceilings, non-recessed fluorescent fixtures and thru the wall HVAC units.

A covered deck provides access from the main ticket sales service area to cover shelter for patrons waiting area for the ferry.

The wooden walkway provides access from the main area to a covered deck which serves as a passenger loading area as well as a baggage claim area.

Also, there is a vehicular barge dock lift and limited size frame storage/mechanical lift building at the barge landing area.

The site improvements consist of adequate parking areas, yard lights, landscaping, utility taps and signage. As previous discussed, the improvements located on Tract B are limited to roadway site improvements.

### General Appearance and Utility

The main building is in keeping with a waterfront, ferry service building, including, but not limited to open decks, outside passenger waiting and baggage claim areas, and built-in wooden benches.

The location of the facility surrounded by other commercial uses adjacent to the Bald Head Island Marina is considered adequate for the current use. In addition, the waterfront location provides excellent views of the adjacent Marina basin.

### Furniture, Fixtures and Equipment

The buildings contain typical furniture, fixtures and equipment for the operation of the ferry operation. These personal property items are important to the ongoing operation. This has been discussed in previous section of this report.

***The opinion of market value does not include any tangible personal property (FF&E) or business enterprise value (BEV). As such, this value is for the real property only.***

The FF&E items are defined as personal property from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, 2010*, published by the Appraisal Institute is as follows:

“Generally, movable items; that is, those not permanently affixed to and part of real estate. In deciding whether or not a thing is personal property or real estate, usually they must be considered in (1) the matter in which it is annexed; (2) the intention of the party who made the annexation (that is, to leave permanently or to remove at some time); (3) the purpose for which the premises are used. Generally, and with exceptions, items remain personal property if they can be removed without serious injury either to the real estate or to the item itself

**However, there are four passenger/cargo ramps and one barge loading system ramp that are affixed to the real estate. They are considered real property.**

These items are defined as fixture from *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition, 2010*, published by the Appraisal Institute is as follows:

“Article that was once personal property that has since been installed or attached to the land or buildings in a rather permanent matter so that it is regarded in law as part of the real estate.”

### Age and Condition

The main structure was originally constructed in approximately 1988 the Brunswick County tax records. This indicates an actual physical age of approximately 31 years. Due to an average maintenance program, its effective age is considered to be approximately 20 years. Limited deferred maintenance was noted. The physical age of the other, limited size, buildings are unknown. However, their effective ages are considered to be approximately 20 years.

The buildings conform well to other property uses within the neighborhood. In addition, it has an adequate “curb appeal” and would provide adequate utility for the ferry operation.

### Summary of Construction Areas and Land Areas

The building and on site improvements consist of the following approximate construction areas:

Ferry Terminal Building	5,621 Square Feet
Covered Baggage Deck Area	2,345 Square Feet
Storage Buildings	450 Square Feet
Barge Equipment Building	400 Square Feet
Total Square Footage	8,816 Square Feet
Land Area (Tract A)	2.77 acres; 120,661 square feet
Land Area (Tract B)	1.17 acres; 50,965 square feet
Total	3.94 acres; 171,626 square feet

### Surplus Land

Surplus land is defined as (source; dictionary of real estate appraisal, fifth edition) land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel.

Based on the land area of **Tract A**, the ferry/barge landing facility indicates an approximate 7.3% floor area ratio. Typical floor area ratios for similar properties generally range from 5% to over 20%. This falls towards the bottom of the range of comparable data.

As previously discussed, a portion of Tract A along the Cape Fear River is currently undeveloped. According to conversations with a representative of ownership, the undeveloped area could be used for future parking expansion.

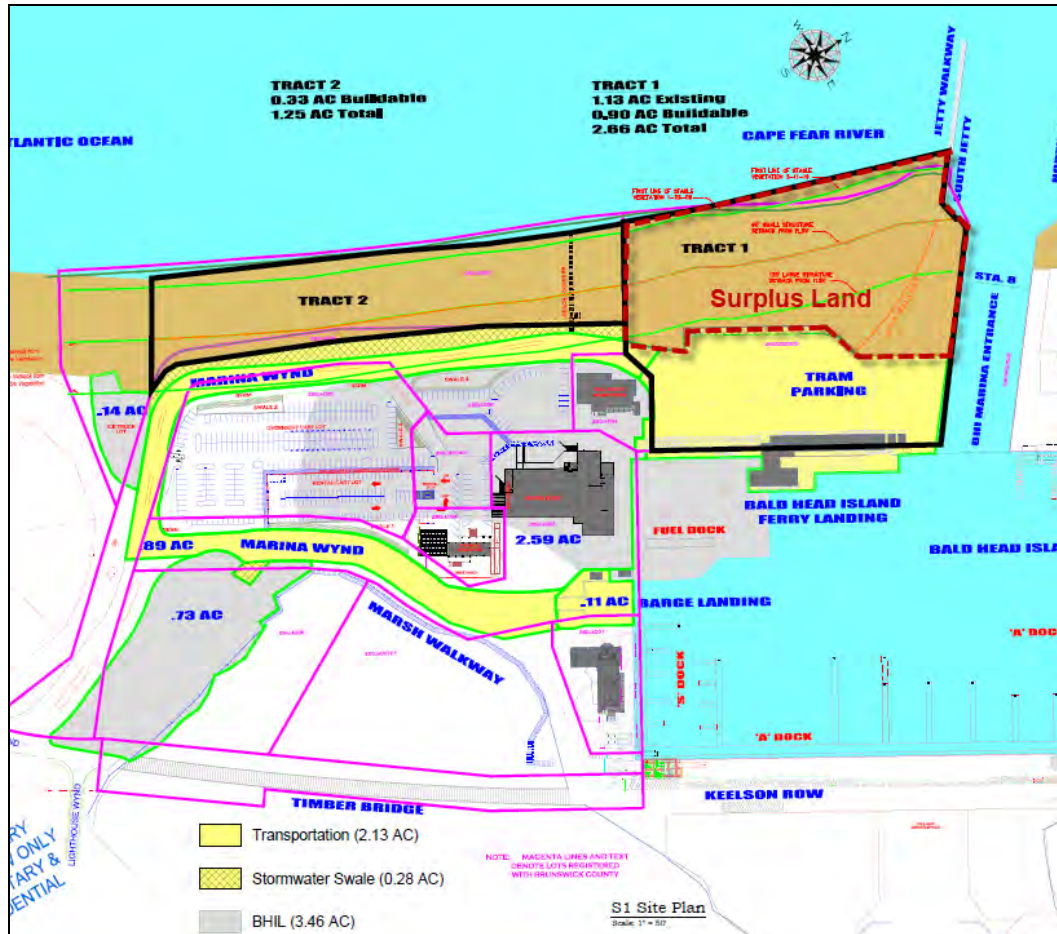
Based upon measurements taken from the map provided by the current owner, there is approximately 1.53 acres of idle surplus land located in western portion of Tract A.

Therefore, **Tract A** contains approximately **1.53 acres** of surplus land. It is identified on the Bald Head Island Ferry Landing Site Plan.

An aerial illustrating the approximate location of the surplus land is located on the following page.






## Surplus Land





## PHOTOGRAPHS OF THE SUBJECT

	
Tram Parking Area	View from marina
	
Side View Main Building	Covered Passenger Deck
	
Covered Passenger Deck	Covered Passenger Deck





Covered Passenger Deck



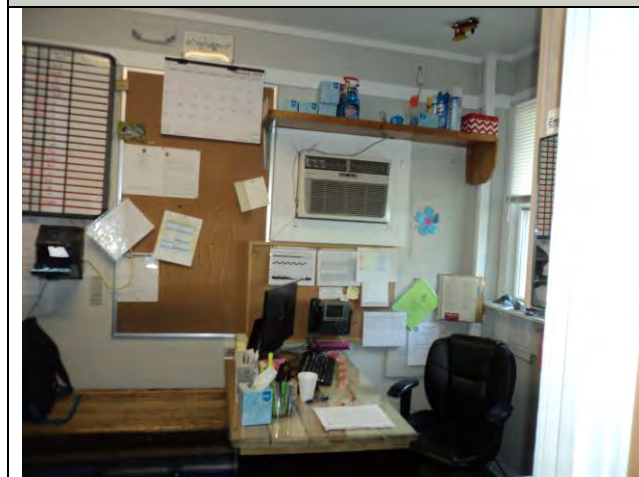
Covered Passenger Deck



Main Ferry Ticket Building



Interior of Ferry Ticket building



Interior of Ferry Ticket building



Baggage Claim Area





Baggage Claim area



Storage buildings



Marina/River Entrance



Tract A (Surplus Land)



Tract A (Surplus Land)



Tract A ( Surplus Land)



Tract B (Roadway)



Tract B (Roadway)



Tract B (Roadway)



Tract A (Barge Landing area)



Tract A (Barge Landing area)



Tract A ( Barge Landing area)



**ZONING AND APPLICABLE ORDINANCE**

The property is zoned planned district PD-3C by the Village of Bald Head.

- E. **PD-3C (Planned Development 3 Commercial District):** Planned Development 3 Commercial District is established as a district in which the principal use of land is for mixed use which includes residential, commercial services, offices, marina and marina related, club facilities, transient inn uses and leisure activities and their attendant uses. Furthermore it is the intent of this district to encourage the construction and continued use of land necessary for the embarkation and debarkation of ferry passengers.

**Zoning Map**



It appears that the improvements conform to this zoning classification.

**COASTAL AREA MANAGEMENT ACT**

This Act, effective March 1, 1978, specifically created land use plans, areas of environmental concern and a permit system. The North Carolina Department of Natural and Economic Resources coordinate all government reviewing activities by this Act.

Some of the areas of control involved in coastal North Carolina are:

1. Zoning and land use
2. Sanitary waste treatment
3. Ground water quality
4. Erosion and sediment control
5. Air pollution
6. Industrial pollution
7. Development in wetland areas
8. Dredging and fill permits
9. Utility services
10. Building code

The land under study and appraisal is subject to this Act. Many of the items of concern will have to be addressed by the ownership.

The location of the property and the proximity to ocean and estuary areas result in portions of the Island also being subject to the State Coastal Area Management Act. Under this Act, certain "Areas of Environmental Concern" (AEC's) are defined and regulated by the Office of Coastal Management. This Act defines AEC's as follows:

1. Ocean Erodible Areas (OEA): An area lying between mean low water and a line landward of the vegetation line (or the toe of the primary dune), a distance equal to 30 times the annual erosion rate, plus the shoreline regression projected for a 100 year storm.
2. Inlet Hazard Areas (IHA): Determined by a statistical analysis of historic inlet migration or other hydrological factors.
3. The Estuary Shoreline Area (ESA): Covers all land within 75 feet of the mean high water line of the sound.
4. Also, all flood hazard areas designated as "V Zones" on flood insurance maps are included as AEC's by definition.



Within these zones, so-called CAMA permits are required for construction. Construction must be of storm resistant design and must meet other defined criteria, including setbacks of 30 times the long-term annual erosion rate. This setback would range from 100 feet to 200 feet for most of the ocean/beach areas.

#### **SOIL EROSION AND SEDIMENTATION ORDINANCE**

Obviously due to the subject property's water front location, a substantial amount of the Coastal Area Management Act criteria will be have to be addressed in any land use plan. However, it is reasonable, through the efforts of the ownership; these items could be addressed in a proposed land use plan.

This ordinance governs any land distributing activity, which will exceed one acre in size.

For any land disturbing activity adjacent to a watercourse, a buffer zone must be established in which siltation does not encroach more than 25% within the buffered area.

This ordinance is quite specific as to protection to be afforded to disturbed areas.

#### **OTHER GOVERNMENT REGULATIONS**

There are reviews of proposed improvements by local, state and federal agencies for conformity with building, fire and sanitation ordinances, soil erosion and sedimentation ordinance, subdivision regulation, flood plain management regulations and other requirements. Also, County Commissioners review and approve major developments to insure conformity with land use programs.

**AD VALOREM TAX VALUATION****APPRAISED TAX VALUE**

As previously discussed, the subject property is identified as portions of Brunswick County tax parcels 2600000503, 260JA002, 260JA003, 260JA005, 260JA007, 260JA00701, and 260JA008.

On the date of inspection, the property had not been appraised for Ad Valorem tax purposes. The property must first be platted at which time tax values will be assessed.

In order to project the tax value, as is, a study of comparable sites and their assessed values was conducted.

The market data suggests assessed land values of approximately \$70,000 to over \$250,000 per acre for comparable tracts. Those considered most similar to the subject property in terms of size and location range from approximately \$170,000 to \$220,000 per acre.

From this data, a projected tax assessment of approximately \$200,000 per acre is adopted for the land.

This would indicate a projected tax assessment for the 3.94 acres as follows:

$$3.94 \times \$200,000 = \textbf{\$788,000}$$

The improvements (ticket/service ferry facility) located on Brunswick County Tax Parcel 2600000503 has been assessed for \$489,320. It appears the Brunswick County Tax Office does not assess the road improvements.

From this data, a projected tax assessment of **\$489,320** is adopted for the improvements.

The projected ad valorem tax assessment is as follows:

<b>Land (projected)</b>	\$788,000
<b>Improvements (projected)</b>	\$489,320
<b>Total (projected)</b>	\$1,277,320

**TAX RATES**

Properties in Brunswick County are revalued every eight years in order to comply with North Carolina State Statutes. Properties are assessed at 100% of appraised value.

The property is subject to Brunswick County and Bald Head Island property taxes, as well as a Doshier Hospital fee. The applicable tax rates are as follows:

<b>Brunswick County</b>	\$0.4850
<b>Bald Head Island Zone A</b>	\$0.7771
<b>Doshier Hospital</b>	\$0.0400
<b>Total</b>	\$1.3021

**PROJECTED TAX LEVY**

This results in the following projected tax levy:

Projected Assessed Value	Tax Rate	Tax Levy
\$1,277,320	\$1.3021	\$16,632

## HIGHEST AND BEST USE

### GENERAL

The Appraisal Institute defines Highest and Best Use as follows:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and that results in the highest value.

In estimating Highest and Best Use, there are essentially four stages of analysis:

1. Physically Possible. What uses of the site are physically possible?
2. Legally Permissible. What uses are permitted by zoning and deed restrictions on the site?
3. Financially Feasible. Among the feasible uses, which use will produce the highest net return to the owner of the site?
4. Maximally Productive. Among the feasible uses, which use will produce the highest net return or the highest present value?

The Highest and Best Use of the tract if vacant and available for use may be different from the Highest and Best Use of the improved property. This is true when the improvement is not an appropriate use, but it makes a contribution to the total property value in excess of the value of the tract.

The following tests must be met in estimating the Highest and Best Use: The use must be legal. The use must be probable, not speculative. There must be a profitable demand for such use and it must return to the land the highest net return for the longest period of time.

These tests have been applied to the vacant tract and as improved. In arriving at the estimate of Highest and Best Use, the subject site was analyzed: 1) as if vacant and available for development, and 2) as improved.

### AS IF VACANT

#### Legally Permissible

The zoning classification would allow a variety of commercial and service oriented uses. Architectural review is controlled by the Village of Bald Head Island. However, portions of Tract B are encumbered by an access easement.

#### Physically Possible

The land is located on Marina Wynd, which is a neighborhood street in the Bald Head Island transportation system. It has a direct access to the Bald Head Island Marina. This location provides good exposure to the surrounding Bald Head Island Marina. Access is adequate to West Bald Head Wynd,

Keelson Row and the marina basin. The land is surrounded by a variety of commercial retail and service-oriented uses.

These include, but are not limited to, retail and service uses associated with the Marina commercial village, which is located on the Bald Head Island Boat basin/Marina. This location makes it convenient for residents and tourists to access this commercial village. The land has public sewer and water available.

The size of Tract A at approximately 2.77 acres would allow for an approximate 6,000 to 24,000 square foot building or buildings based on an approximate 5% to 20% floor area ratio.

Tract B has limited utility due to the tract's irregular shape and areas encumbered by an access easement.

### **Financially Feasible / Maximally Productive**

By definition, a use is financially feasible if it produces a positive net return to the site. Almost all legally permitted uses could likely be financially feasible uses of the site.

Financial feasibility can be estimated by analyzing recent land sales within the subject or competing neighborhoods. These sales would have similar physical and legal characteristics to the subject site. Their subsequent development may provide an indication of financially feasible uses.

As the master developer has controlled most land transactions on the island, there have been limited land sales of commercially zoned land on the island. However, there appears to be adequate demand for service oriented uses based upon the number of dwelling units on the island. Retail and/or service use would be a typical plan use required by the surrounding residential neighborhoods.

As previously discussed, land values have rebounded in recent years from the past national economic downturn. In addition, there have been ample building permits issued for commercial buildings in competing neighborhoods due to the current robust economy.

### **Final Estimate of Highest and Best Use**

In conclusion, the Highest and Best Use of Tracts A, as if vacant, is for commercial development. The typical use would be retail and/or service use. The most probable user would be an owner/user or a local or regional developer.

Due to the irregular shape of Tract B as well as the access easements encumbering portions of the tract, which limits its utility, the Highest and Best Use would be for continued use as a road right-of-way.

### **AS IMPROVED**

#### **Legally Permissible**

The existing improvements on Tract A appear to conform to the zoning requirements of the zoning district. In addition, there appear to be no constraints of the development for commercial use.

Tract B is unimproved regarding improvements on the land. However, it has improvements to the land



in form of roadway/street infrastructure.

The existing improvements on Tract B appear to conform to the zoning requirements of the zoning district. In addition, there appear to be no constraints of the development for roadway use.

### **Physically Possible**

Tract A is improved with a service/retail pedestrian ferry operations building with associated covered passenger waiting area and baggage claim, as well as several storage buildings and a barge ferry landing for vehicles and barge traffic. These buildings contain approximately 8,816 total square feet. These improvements are considered specialized for its current operation.

This represents an approximate 7.3% floor area ratio. Typical floor area ratios for similar properties generally range from 5% to over 20%.

Based upon a physical inspection of the site and the placement of the existing improvements, Tract A appears to have surplus land that can be developed in the future. As previously discussed, a portion of Tract A along the Cape Fear River is currently undeveloped. According to conversations with a representative of ownership, the undeveloped area could be used for future parking expansion.

Based upon measurements taken from the map provided by the current owner, there is approximately 1.53 acres of idle surplus land located in western portion of Tract A.

The placement of the buildings on the site has taken advantage of the vistas overlooking the adjacent navigable Bald Head island Marina.

The main building appears to consist of average quality of construction. The building appears to be functional and consistent in design with other waterfront commercial buildings. The service space is utilized by the Bald Head Island ferry service for embarking and disembarking patrons.

It appears that the main building remains functional and has adequate utility for its current use. Due to its somewhat specialized design, a renovation plan would be needed to convert the building to a different commercial use.

Tract B is improved with the roadway site improvements for vehicular traffic.

The placement of the improvements on Tract B, which is irregularly shaped, provides ample utility for its current right-of-way vehicular roadway. Obviously, the most important attribute of the improvements is roadway access to the Marina which provides access to the passenger and vehicular ferry landings.

The improvements to the land on Tract B appear to consist of average quality construction. The site improvements for the vehicular roadway appear to be functional and consistent in design with other similar roadway site improvements. The roadway is utilized by the Bald Head Island ferry service for embarking and disembarking large vehicular trucks and associated supplies and equipment that arrive from the mainland.

It appears that the improvements on Tract B remain functional and has adequate utility for its current use.

**Financially Feasible / Maximally Productive**

The current improvements are considered special-purpose in nature.

Due to the substantial size and nature of the improvements, demolition or razing the improvements would make no sense. As previously discussed, a renovation plan would be needed to convert the buildings to a different commercial use due to its somewhat specialized design.

The improvements have adequate “curb appeal” and provide adequate utility for the ferry/barge operation. There is substantial demand for the ferry service. Therefore, the current improvements are considered to be a financially feasible/maximally productive use.

**Final Estimate of Highest and Best Use**

Therefore, the Highest and Best Use, as improved, is for the continued operation of the existing ferry service operation for pedestrians/vehicles/barge traffic with the associated roadway.

## VALUATION METHODOLOGY

To estimate the market value of the property, three individual methods are employed. Each of these methods analyzed the property from a different standpoint using various assumptions and criteria. The final comparison of the value indications by each method will be analyzed in the final section of the report known as the Reconciliation and Final Estimate of Market Value.

The valuation of the land is best accomplished by an appraisal technique known as Land Value By Comparison. Comparable transactions in the subject neighborhood are compared directly to the land being appraised. Land values are affected by many factors, of which the more significant are property rights conveyed elapsed time since the date of sale, the motives of the buyer and seller, location, topography, availability of utilities, accessibility, relative size and shape or utility. These are factors for which adjustments are made to reconcile the divergences between the site and each of the comparable items. The process is one of adjusting the comparable data to the site for the divergent factors. It is accomplished on an electronic spreadsheet using percentiles. From the resulting value indications, a final estimate is derived.

The first method is Cost Approach. In this approach, the market value of the land, as vacant, is estimated. This is accomplished by utilizing a technique known as Land Value by Comparison. This technique compares the subject site to sales and offerings of other similar sites, which are available for a similar highest and best use. Adjustments are then made for any dissimilarity between the transactions analyzed and the subject property. To facilitate the comparison process, the sale prices are reduced to incremental values of either price per square foot or price per acre.

After estimating the market value of the land, a determination of the reproduction or replacement cost new of the building or buildings to include all of the site improvements is estimated. Replacement cost differs from reproduction cost in that it assumes all new technologies are utilized in the construction of the building and no functional inadequacies are reproduced. In other words, the building utility remains the same but different methods may be employed in the construction of the building.

Physical depreciation estimates will then be made based upon the age life method. This method compares the effective age of the building with typical building lives based upon the construction. Site improvements will be estimated based upon the depreciated values. These values are combined with the land plus the depreciated value of the improvements to provide an indication of value by the Cost Approach.

The second method is Sales Comparison Approach where the subject property is compared to sales of other similarly improved properties. This approach has its greatest validity when the properties used for its comparison have recently sold and are very similar to the subject. In those cases where dissimilarities arise, an attempt will be made to make market oriented adjustments and will typically reduce the properties to a single incremental value of price per square foot of building area, including land. A market search resulted in no comparable sales data. **Therefore, this approach is not utilized. Please see Limiting Conditions.**

The final method is the Income Approach, which in the case of income producing properties, typically is the most germane to the actual market value of the property. In estimating the value of the property by the Income Approach, it is first necessary to estimate the Gross Potential Income or market rent which the property could generate if available on the open market. This is done by comparing the subject property

to similar properties in making adjustments in the rents or income received based upon the subject property's construction and location.

After the gross income or market rent has been derived, an estimate of typical expenses based upon the property type to include vacancy and/or lease-up is employed. This results in a net operating income. Every effort is made to utilize actual operating and expense statements, however, in proposed properties and those properties where information is not available, these expenses will be based upon typical performances of other properties observed in the market.

The final segment of the Income Approach will involve capitalizing the net operating income into a value estimate. This is accomplished in a number of ways, however, typical methods employed is capitalizing the net operating income at an Overall Rate of Return or utilizing a discounted cash flow analysis.

The final process in estimating market value is the reconciliation of the approaches employed into a single value estimate. This may or may not coincide with one of the approaches. It represents, however, the best judgment of the appraiser after consideration of the available data and the results of the appraisal techniques employed. **This approach is not utilized. Please see Limiting Conditions.**

**This assignment is only for the real estate. At the Client's request, this appraisal was limited to the Cost Approach. Therefore, the Income and Sales Comparison Approach was excluded from the analysis. Omission of these Approaches does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP). See Limiting Conditions.**

**LAND VALUE BY COMPARISON****COMPARABLE LAND TRANSACTIONS**

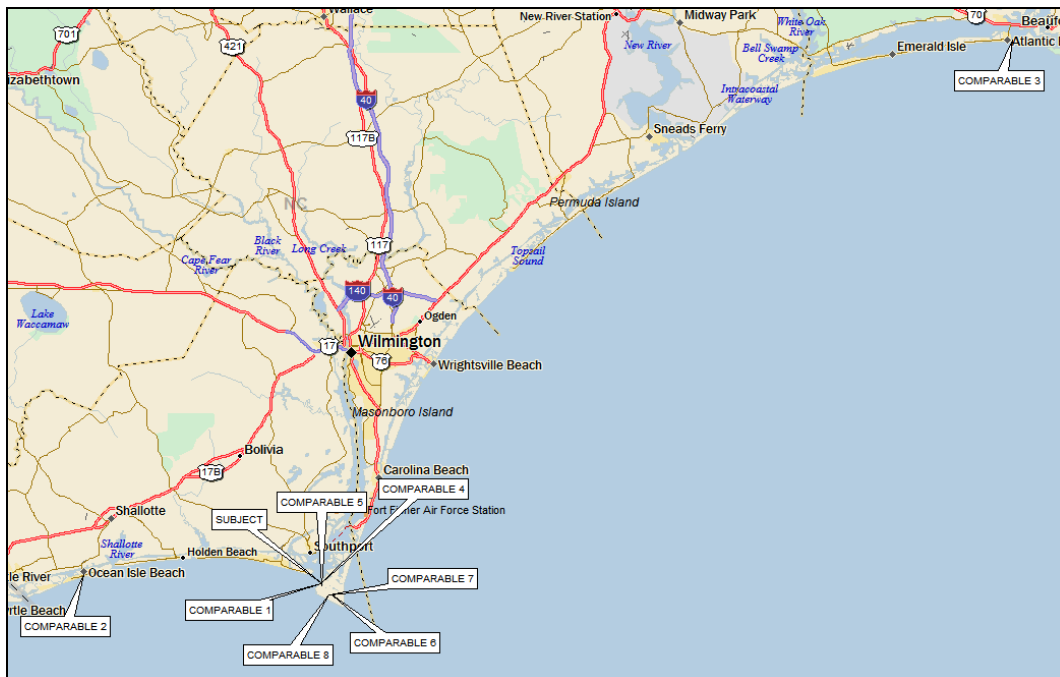
The value of the land has been estimated by direct comparison with the following transactions taken from competing areas along the North Carolina coast.

Comparable 1 through 4 are utilized to determine the value of **Tract A**. Comparable 5 through 9 are utilized to determine the value of **Tract B**.

The location of each transaction is shown on the comparable sales map. Details of the transactions follow:

**COMPARABLE LAND SALES SUMMARY TABLE**

No.	Location	Sale Date	Price	Size in Upland SF	Price/ Upland SF
1.	111 Keelson Row	Dec-16	\$1,175,000	48,787	\$24.08
2.	43 Causeway Drive	Feb-18	\$2,000,000	78,844	\$25.37
3.	431 E. Fort Macon Road	Dec-16	\$1,000,000	47,916	\$20.87
4.	Lot 3 Keelson Row	Dec-17	\$825,000	36,590	\$22.55
5.	1.32 Acres Lighthouse Wynd	Feb-16	\$651,000	51,836	\$12.56
6.	256 Edward Teach Wynd	Sep-15	\$2,500,000	217,190	\$11.51
7.	Maritime Way	Feb-15	\$175,000	11,607	\$15.08
8.	Edward Teach Wynd (Lot 2)	Jun-15	\$175,000	15,246	\$11.48

**COMPARABLE LAND SALES MAP**



## Land Sale No. 1

**Property Identification**

<b>Record ID</b>	2617
<b>Property Type</b>	Commercial
<b>Property Name</b>	Vacant Land
<b>Address</b>	111 Keelson Row, Bald Head Island, Brunswick County, North Carolina 28461
<b>Location</b>	East side of Keelson Row, approximately 900 feet north of Lighthouse Wynd
<b>Tax ID</b>	2604J001 & 2604J00101

**Sale Data**

<b>Grantor</b>	Bald Head Island Limited, LLC
<b>Grantee</b>	The Village of Bald Head Island
<b>Sale Date</b>	December 29, 2016
<b>Deed Book/Page</b>	3856/1040
<b>Recorded Plat</b>	98/75
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Ken Mowbray, broker; 910-231-3418, Other sources: Public Record

<b>Sale Price</b>	\$1,175,000
<b>Cash Equivalent</b>	\$1,175,000

**Land Sale No. 1 (Cont.)****Land Data**

<b>Zoning</b>	PD-3, Planned Development 3 Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All municipal
<b>Shape</b>	Irregular
<b>Flood Info</b>	In AE

**Land Size Information**

<b>Gross Land Size</b>	1.320 Acres or 57,499 SF
<b>Uplands Land Size</b>	1.120 Acres or 48,787 SF , 84.85%
<b>Wetlands Land Size</b>	0.200 Acres or 8,712 SF , 15.15%
<b>Front Footage</b>	211 ft Total Frontage: 211 ft Keelson Row;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$890,152
<b>Sale Price/Gross SF</b>	\$20.44
<b>Sale Price/Uplands Acre</b>	\$1,049,111
<b>Sale Price/Uplands SF</b>	\$24.08
<b>Sale Price/Front Foot</b>	\$5,569

**Remarks**

This represents the sale of a .98 acre parcel and .34 acre parcel for a total of 1.32 acres on Bald Head Island. There is a pond which measures approximately 0.2+/- acres on the site, leaving 1.12 upland acres.

It should be noted, there were improvements on the site including, but not limited to, the following: restroom facility, storage building, asphalt parking area, retaining wall, and pier / floating dock.

## Land Sale No. 2

**Property Identification**

<b>Record ID</b>	1002
<b>Property Type</b>	Commercial
<b>Property Name</b>	Vacant Land
<b>Address</b>	43 Causeway Drive, Ocean Isle Beach, Brunswick County, North Carolina
<b>Location</b>	East side of Causeway Dr (Hwy 904), just north of 3rd St and situated on the Causeway in Ocean Isle Beach
<b>Tax ID</b>	243MA03511

**Sale Data**

<b>Grantor</b>	OIB Holdings, LLC
<b>Grantee</b>	McMullen Ventures, LLC
<b>Sale Date</b>	February 20, 2018
<b>Deed Book/Page</b>	4017/1117
<b>Recorded Plat</b>	76/55
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Arm's Length
<b>Verification</b>	Other sources: MLS #100101763; public record
<b>Sale Price</b>	\$2,000,000
<b>Cash Equivalent</b>	\$2,000,000

**Land Data**

<b>Zoning</b>	OI- C-2, Commercial Business District
<b>Topography</b>	Level and clear
<b>Utilities</b>	All municipal
<b>Shape</b>	Mostly rectangular
<b>Flood Info</b>	In

**Land Sale No. 2 (Cont.)****Land Size Information**

<b>Gross Land Size</b>	1.810 Acres or 78,844 SF
<b>Front Footage</b>	675 ft Causeway Dr (Hwy 904); 625 ft Intracoastal Waterway;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$1,104,972
<b>Sale Price/Gross SF</b>	\$25.37

**Remarks**

This represents the sale of a 1.81 acre parcel in Ocean Isle Beach, NC. 675+/- feet of road and 625+/- water frontage. To the best of the appraiser's knowledge, the entire site consists of uplands.

## Land Sale No. 3

**Property Identification**

<b>Record ID</b>	2589
<b>Property Type</b>	Multi-family
<b>Property Name</b>	Waterfront - Vacant Land
<b>Address</b>	431 E. Fort Macon Road, Atlantic Beach, Carteret County, North Carolina
<b>Location</b>	On the north side of Fort Macon Drive close to the intersection of Money Island Drive & Fort Macon Rd
<b>Tax ID</b>	638513139665000

**Sale Data**

<b>Grantor</b>	Pinnacle East, LLC
<b>Grantee</b>	J & B East Properties, LLC
<b>Sale Date</b>	December 28, 2016
<b>Deed Book/Page</b>	1563/129
<b>Recorded Plat</b>	31/434
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Market rates
<b>Verification</b>	Alan Shelor, Broker; 252-723-1467, Other sources: Public Records
<b>Sale Price</b>	\$1,500,000

**Land Sale No. 3 (Cont.)**

<b>Cash Equivalent</b>	\$1,500,000
<b>Downward Adjustment</b>	\$500,000 Marina Improvements & entitlements for condo project
<b>Adjusted Price</b>	\$1,000,000

**Land Data**

<b>Zoning</b>	RS, Resort Service
<b>Topography</b>	Level
<b>Utilities</b>	W, E, T
<b>Shape</b>	Somewhat Rectangular
<b>Landscaping</b>	Adequate
<b>Flood Info</b>	In

**Land Size Information**

<b>Gross Land Size</b>	1.280 Acres or 55,757 SF
<b>Uplands Land Size</b>	1.100 Acres or 47,916 SF , 85.94%
<b>Wetlands Land Size</b>	0.180 Acres or 7,841 SF , 14.06%
<b>Front Footage</b>	124 ft Total Frontage: 124 ft E. Fort Macon Road;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$781,250 Adjusted
<b>Sale Price/Gross SF</b>	\$17.94 Adjusted
<b>Sale Price/Uplands Acre</b>	\$909,091 Adjusted
<b>Sale Price/Uplands SF</b>	\$20.87 Adjusted
<b>Sale Price/Front Foot</b>	\$8,065 Adjusted

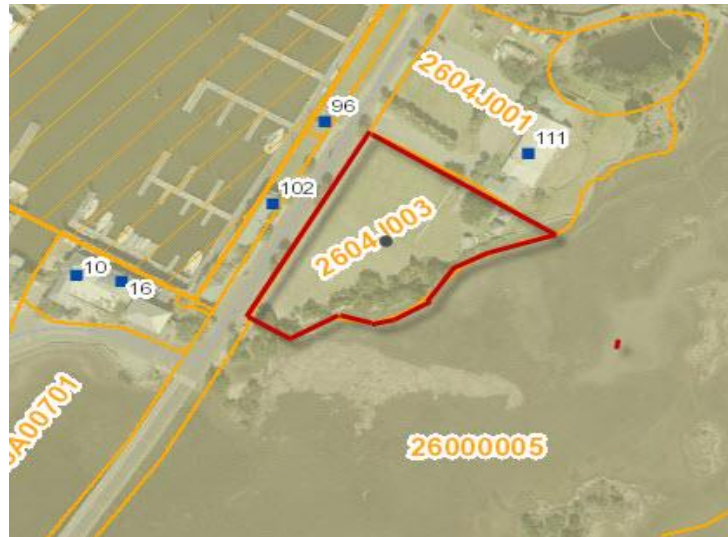
**Remarks**

Waterfront site- Permits and plans/entitlements in place for a residential condo project. Planned for 12 large luxury sound front condominiums, each including a 30-foot boat slip and 13,000-pound lift. Each unit is 2,160 SF, single level and has 10 foot ceilings. The units have 3 full baths, 2 master suites as well as 2 bonus rooms. The units are to be completed in March 2018.

On the date of sale, a boat basin with docks, boat lifts, and seawalls was in place. In addition, entitlements / plans were in place to develop a residential condominium project. Conversations with the broker indicate the buyer placed approximately \$500,000 worth of value on the existing improvements and entitlements / plans. Therefore, \$500,000 will be deducted from the sales price.



## Land Sale No. 4

**Property Identification**

<b>Record ID</b>	3049
<b>Property Type</b>	Commercial
<b>Property Name</b>	Vacant Land
<b>Address</b>	Lot 3 Keelson Row, Bald Head Island, Brunswick County, North Carolina 28461
<b>Location</b>	East side of Keelson Row, approximately 900 feet north of Lighthouse Wynd
<b>Tax ID</b>	2604J003

**Sale Data**

<b>Grantor</b>	Bald Head Island Limited, LLC
<b>Grantee</b>	The Village of Bald Head Island
<b>Sale Date</b>	December 08, 2017
<b>Deed Book/Page</b>	3997/410
<b>Recorded Plat</b>	98/75
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Verification</b>	Ken Mowbray, broker; 910-231-3418, Other sources: Public Record
<b>Sale Price</b>	\$825,000
<b>Cash Equivalent</b>	\$825,000

**Land Sale No. 4 (Cont.)****Land Data**

<b>Zoning</b>	PD-3, Planned Development 3 Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All municipal
<b>Shape</b>	Irregular
<b>Flood Info</b>	In AE

**Land Size Information**

<b>Gross Land Size</b>	0.840 Acres or 36,590 SF
<b>Front Footage</b>	244 ft Total Frontage: 244 ft Keelson Row;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$982,143
<b>Sale Price/Gross SF</b>	\$22.55
<b>Sale Price/Front Foot</b>	\$3,381

**Remarks**

This represents the sale of a .84 acre parcel on Bald Head Island, NC. To the best of the appraiser's knowledge, the entire site consists of uplands.

## An aerial photograph of a wooded area with yellow lines delineating property parcels. A specific parcel is outlined with a red line and marked with green cross-ticks. Various parcel numbers are visible in yellow text, including 26040010, 26040021, 260000001, 2600000521, 2600000510, 2604001007, 2604001002, 2604001003, 2604001004, 2604001005, 2604001006, 2604001007, 2604001008, 2604001009, 2604001010, 2604001011, 2604001012, 2604001013, 2604001014, 2604001015, 2604001016, 2604001017, 2604001018, 2604001019, 2604001020, 2604001021, 2604001022, 2604001023, 2604001024, 2604001025, 2604001026, 2604001027, 2604001028, 2604001029, 2604001030, 2604001031, 2604001032, 2604001033, 2604001034, 2604001035, 2604001036, 2604001037, 2604001038, 2604001039, 2604001040, 2604001041, 2604001042, 2604001043, 2604001044, 2604001045, 2604001046, 2604001047, 2604001048, 2604001049, 2604001050, 2604001051, 2604001052, 2604001053, 2604001054, 2604001055, 2604001056, 2604001057, 2604001058, 2604001059, 2604001060, 2604001061, 2604001062, 2604001063, 2604001064, 2604001065, 2604001066, 2604001067, 2604001068, 2604001069, 2604001070, 2604001071, 2604001072, 2604001073, 2604001074, 2604001075, 2604001076, 2604001077, 2604001078, 2604001079, 2604001080, 2604001081, 2604001082, 2604001083, 2604001084, 2604001085, 2604001086, 2604001087, 2604001088, 2604001089, 2604001090, 2604001091, 2604001092, 2604001093, 2604001094, 2604001095, 2604001096, 2604001097, 2604001098, 2604001099, 2604001100. A road labeled 'MONTROSE AVE' runs diagonally across the upper left. Blue dots with numbers 104, 105, 106, 107, 108, 109, 110, 111, 112, 113, 114, 115, 116, 117, 118, 119, 120, 121, 122, 123, 124, 125, 126, 127, 128, 129, 130, 131, 132, 133, 134, 135, 136, 137, 138, 139, 140, 141, 142, 143, 144, 145, 146, 147, 148, 149, 150, 151, 152, 153, 154, 155, 156, 157, 158, 159, 160, 161, 162, 163, 164, 165, 166, 167, 168, 169, 170, 171, 172, 173, 174, 175, 176, 177, 178, 179, 180, 181, 182, 183, 184, 185, 186, 187, 188, 189, 190, 191, 192, 193, 194, 195, 196, 197, 198, 199, 200 are scattered throughout the map.

<b>Record ID</b>	2618
<b>Property Type</b>	Commercial
<b>Property Name</b>	Vacant Land
<b>Address</b>	1.32 acres Lighthouse Wynd, Bald Head Island, Brunswick County, North Carolina
<b>Location</b>	Northeast side of Lighthouse Wynd at its intersection with N Bald Head Wynd
<b>Tax ID</b>	2600000518

<b>Grantor</b>	Bald Head Island Limited, LLC
<b>Grantee</b>	Bald Head Association
<b>Sale Date</b>	February 08, 2016
<b>Deed Book/Page</b>	3735/1016
<b>Recorded Plat</b>	0086/0030
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Cash to seller
<b>Verification</b>	Ken Mowbray (broker); Other sources: Public Record

**Land Data**

**Zoning** PD-3, Planned Development 3 Commercial

**Land Sale No. 5 (Cont.)**

<b>Topography</b>	Level
<b>Utilities</b>	All municipal
<b>Shape</b>	Irregular
<b>Flood Info</b>	In Mostly AE with .13 acres VE

**Land Size Information**

<b>Gross Land Size</b>	1.320 Acres or 57,499 SF
<b>Uplands Land Size</b>	1.190 Acres or 51,836 SF , 90.15%
<b>Wetlands Land Size</b>	0.130 Acres or 5,663 SF , 9.85%
<b>Front Footage</b>	258 ft Total Frontage: 258 ft Lighthouse Wynd;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$493,182
<b>Sale Price/Gross SF</b>	\$11.32
<b>Sale Price/Uplands Acre</b>	\$547,063
<b>Sale Price/Uplands SF</b>	\$12.56
<b>Sale Price/Front Foot</b>	\$2,523

**Remarks**

This represents the sale of a 1.32 acre lot near the chapel on Bald Head Island.

## Land Sale No. 6

**Property Identification**

<b>Record ID</b>	2328
<b>Property Type</b>	Commercial
<b>Property Name</b>	Bald Head Island Commercial Site
<b>Address</b>	256 Edward Teach Wynd, Bald Head Island, Brunswick County, North Carolina 28461
<b>Location</b>	Southeast corner of Edward Teach Wynd and Federal Road
<b>Tax ID</b>	26400019

**Sale Data**

<b>Grantor</b>	Bald Head Island Limited, LLC
<b>Grantee</b>	The Village of Bald Head Island
<b>Sale Date</b>	September 30, 2015
<b>Deed Book/Page</b>	3693/0414
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Market
<b>Verification</b>	Grantor; Other sources: Public Record

<b>Sale Price</b>	\$2,500,000
<b>Cash Equivalent</b>	\$2,500,000

**Land Data**

<b>Zoning</b>	PD-2C, Planned Development 2 Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All municipal

**Land Sale No. 6 (Cont.)**

**Shape** Mostly rectangular  
**Flood Info** Mostly AE flood zone, partial X

**Land Size Information**

**Gross Land Size** 4.986 Acres or 217,190 SF  
**Front Footage** 1,004 ft Total Frontage: 484 ft Federal Road; 520 ft Edward Teach Wynd;

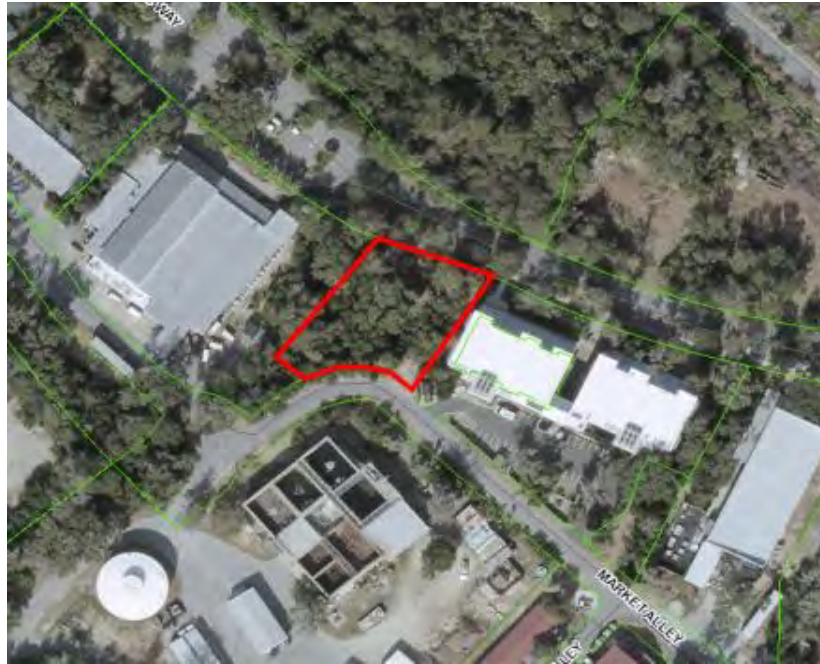
**Indicators**

**Sale Price/Gross Acre** \$501,404  
**Sale Price/Gross SF** \$11.51  
**Sale Price/Front Foot** \$2,490

**Remarks**

This represents the sale of 4.986 +/- acre site located at the corner of Edward Teach Wynd and Federal Road. Property is located adjacent to the main commercial "hub" of the island, which consists of a small grocery store, hardware store, and several seasonal retailers. According to a representative of the grantor, the site was purchased by the Village of Bald Head Island in order to be developed with a maintenance/support facility. To the best of the appraiser's knowledge, the entire site consists of uplands. To the best of the appraiser's knowledge, the entire site consists of uplands.



**Land Sale No. 7****Property Identification**

<b>Record ID</b>	2023
<b>Property Type</b>	Commercial
<b>Property Name</b>	Maritime Way - Lot 10 Revised
<b>Address</b>	Maritime Way, Bald Head Island, Brunswick County, North Carolina 28461
<b>Location</b>	South side of Maritime Way, about 550 feet west of Federal Road
<b>Tax ID</b>	2642J01501

**Sale Data**

<b>Grantor</b>	Bald Heal Island Limited, LLC
<b>Grantee</b>	Maritime Market Properties, LLC
<b>Sale Date</b>	February 03, 2015
<b>Deed Book/Page</b>	3608/872
<b>Recorded Plat</b>	68/27
<b>Property Rights</b>	Fee simple
<b>Conditions of Sale</b>	Arms' length
<b>Financing</b>	Market
<b>Verification</b>	Ken Mowbray (Grantor); Other sources: Public record

<b>Sale Price</b>	\$175,000
<b>Cash Equivalent</b>	\$175,000

**Land Sale No. 7 (Cont.)****Land Data**

<b>Zoning</b>	PD-2C, Planned Development 2 Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All municipal
<b>Shape</b>	Slightly irregular
<b>Landscaping</b>	Wooded
<b>Flood Info</b>	AE flood zone

**Land Size Information**

<b>Gross Land Size</b>	0.266 Acres or 11,607 SF
<b>Front Footage</b>	189 ft Total Frontage: 95 ft Maritime Way; 94 ft Market Alley;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$656,759
<b>Sale Price/Gross SF</b>	\$15.08
<b>Sale Price/Front Foot</b>	\$926

**Remarks**

Sale of a 0.266-acre lot, located on Bald Head Island. It is legally identified as Lot 10 Revised of the Shops at Maritime Way, as depicted in Plat Book 68 at Page 27 of the Brunswick County Registry. Sales price was \$175,000 - this equates to \$656,759 per acre or \$15.08 per square foot. To the best of the appraiser's knowledge, the entire site consists of uplands.

## Land Sale No. 8

**Property Identification**

<b>Record ID</b>	2326
<b>Property Type</b>	Commercial
<b>Property Name</b>	Bald Head Island Commercial Site
<b>Address</b>	Edward Teach Wynd (Lot 2), Bald Head Island, Brunswick County, North Carolina 28461
<b>Location</b>	Northeast side of Edward Teach Wynd, just southeast of Muscadine Wynd
<b>Tax ID</b>	2642J021

**Sale Data**

<b>Grantor</b>	Bald Head Island Limited, LLC
<b>Grantee</b>	Aubrey Properties, LLC
<b>Sale Date</b>	June 17, 2015
<b>Deed Book/Page</b>	3655/1260
<b>Recorded Plat</b>	26/458
<b>Property Rights</b>	Fee Simple
<b>Conditions of Sale</b>	Arm's Length
<b>Financing</b>	Market (D/T to commercial land)
<b>Verification</b>	Grantor; Other sources: Public record

<b>Sale Price</b>	\$175,000
<b>Cash Equivalent</b>	\$175,000

**Land Sale No. 8 (Cont.)****Land Data**

<b>Zoning</b>	PD-2C, Planned Development 2 Commercial
<b>Topography</b>	Level
<b>Utilities</b>	All municipal
<b>Shape</b>	Rectangular
<b>Landscaping</b>	Wooded
<b>Flood Info</b>	Partially AE Flood Zone

**Land Size Information**

<b>Gross Land Size</b>	0.350 Acres or 15,246 SF
<b>Front Footage</b>	208 ft Total Frontage: 208 ft Edward Teach Wynd;

**Indicators**

<b>Sale Price/Gross Acre</b>	\$500,000
<b>Sale Price/Gross SF</b>	\$11.48
<b>Sale Price/Front Foot</b>	\$841

**Remarks**

This represents the sale of an approximate 0.35-acre parcel on Bald Head Island. According to a representative of the grantor, the site was purchased for the development of a small self-storage facility. The site is located within close proximity to one of the island's prime retail centers and only grocery store. To the best of the appraiser's knowledge, the entire site consists of uplands.

## ANALYSIS OF THE COMPARABLE MARKET DATA

A diligent search was conducted in order to locate a sufficient number of comparable land transactions considered competitive to the subject. A substantial amount of data was discovered. The most comparable data was utilized in this analysis.

As previously discussed, there has been limited water front commercial land sales activity on Bald Head Island. North Carolina. Recently, the master developer has started selling commercial land on the island. A portion of the transactions utilized in this analysis are located on Bald Head Island.

Comparable 1 through 4 are utilized to determine the value of **Tract A**. Comparable 5 through 8 are utilized to determine the value of **Tract B**.

## ADJUSTMENT CRITERIA AND PROCEDURES

### Tract A

Adjustments in the comparable market data and the subject property occur in the areas of:

- Condition of Sale
- Market Conditions
- Location
- Utilities
- Access
- Improvements

Typically, a portion of these adjustments are inherent in the data itself while others are somewhat judgmental. The data does not indicate a size adjustment is warranted.

### Condition of Sale

A 10% upward condition of sale adjustment is adopted for Comparable 1 and 4. These sites were acquired by The Village of Bald Head Island at a slight discount according to the seller. This adjustment is somewhat judgmental.

### Market Conditions

A 5% annual upward adjustment is adopted for improvement in market conditions over time. This is based upon historical data, as well as a pairing of the comparable market data. This adjustment is somewhat judgmental.

### Location

Pairing of Comparable 3 and 4, after other adjustments, indicate an approximate 15% upward adjustment for Comparable 3 due to its inferior location. This adjustment is also adopted for Comparable 2.

### Utilities

A judgmental 10% upward adjustment is adopted for Comparable 3's inferior utilities.

Access

A judgmental 10% upward adjustment is adopted for Comparable 1 due to its inferior water access. This adjustment is also adopted for Comparable 4.

Improvements

Pairing of Comparable 1 and 2, after other adjustments, indicates an approximate 5% downward adjustment for Comparable 1's superior improvements.

**Tract B**

Adjustments in the comparable market data and the subject property occur in the areas of:

- Market Conditions
- Size

Typically, a portion of these adjustments are inherent in the data itself while others are somewhat judgmental.

Market Condition

A 5% annual upward adjustment is adopted for improvement in market conditions over time. This is based upon historical data, as well as a pairing of the comparable market data. This adjustment is somewhat judgmental.

Size

Comparable 6 is adjusted upward 5% due to its larger size. This adjustment is somewhat judgmental; however, it is based on the basis of economies of scale, which generally concludes that larger properties tend to sell for less per incremental unit of value.

Comparable 7 and 8 are adjusted downward 5% due to their smaller size. These adjustments are somewhat judgmental; however, they are based on the basis of economies of scale, which generally concludes that smaller properties tend to sell for more per incremental units of value.

The unit of comparison selected is the price per upland square foot.

**ADJUSTMENT OF THE COMPARABLE MARKET DATA**

In the following charts, the comparable transactions were adjusted to the subject site for the various factors of incomparability influencing the value.



**Comparable Land Sales**

Appraisal Date	Apr-19			
Annual Time Adjustment	5.0%			
Size of Subject Property (Upland SF)	120,661			
	<b>Tract A</b>			
Comparable Number	1	2	3	4
Price	\$1,175,000	\$2,000,000	\$1,000,000	\$825,000
Date of Sale	Dec-16	Feb-18	Dec-16	Dec-17
Size in SF	48,787	78,844	47,916	36,590
Price Per SF	\$24.08	\$25.37	\$20.87	\$22.55
Interest Sold	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest Adjustment	0%	0%	0%	0%
Interest Adjusted Price	\$24.08	\$25.37	\$20.87	\$22.55
Financing	Market	Market	Market	Market
Financing Adjustment	0%	0%	0%	0%
Cash Equivalent Price	\$24.08	\$25.37	\$20.87	\$22.55
Condition Adjustment	10%	0%	0%	10%
Condition Adjusted Price	\$26.49	\$25.37	\$20.87	\$24.80
Time Adjustment	12%	6%	12%	7%
Time Adjusted Price	\$29.56	\$26.84	\$23.28	\$26.48
Adjustments For:				
Size	0%	0%	0%	0%
Location	0%	15%	15%	0%
Topography	0%	0%	0%	0%
Utilities	0%	0%	10%	0%
Physical Characteristics	0%	0%	0%	0%
Access	10%	0%	0%	10%
Improvements	-5%	0%	0%	0%
Composite Factor	5%	15%	25%	10%
Indicated Value Per SF	\$31.04	\$30.87	\$29.10	\$29.13
Value Indices				
Minimum Value Per SF		\$29.10		
Maximum Value Per SF		\$31.04		
Mean Value Per SF		\$30.04		
Standard Deviation		\$0.92		
68% Prob of Value/SF Falling Between		\$29.12	and	\$30.96

**Comparable Land Sales**

Appraisal Date	Apr-19			
Annual Time Adjustment	5.0%			
Size of Subject Property (Upland SF)	50,965			
	<b>Tract B</b>			
Comparable Number	5	6	7	8
Price	\$651,000	\$2,500,000	\$175,000	\$175,000
Date of Sale	Feb-16	Sep-15	Feb-15	Jun-15
Size in SF	51,836	217,190	11,607	15,246
Price Per SF	\$12.56	\$11.51	\$15.08	\$11.48
Interest Sold	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest Adjustment	0%	0%	0%	0%
Interest Adjusted Price	\$12.56	\$11.51	\$15.08	\$11.48
Financing	Market	Market	Market	Market
Financing Adjustment	0%	0%	0%	0%
Cash Equivalent Price	\$12.56	\$11.51	\$15.08	\$11.48
Condition Adjustment	0%	0%	0%	0%
Condition Adjusted Price	\$12.56	\$11.51	\$15.08	\$11.48
Time Adjustment	16%	18%	21%	19%
Time Adjusted Price	\$14.57	\$13.56	\$18.26	\$13.69
Adjustments For:				
Size	0%	5%	-5%	-5%
Location	0%	0%	0%	0%
Topography	0%	0%	0%	0%
Utilities	0%	0%	0%	0%
Physical Characteristics	0%	0%	0%	0%
Access	0%	0%	0%	0%
Improvements	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Composite Factor	0%	5%	-5%	-5%
Indicated Value Per SF	\$14.57	\$14.24	\$17.35	\$13.01
Value Indices				
Minimum Value Per SF		\$13.01		
Maximum Value Per SF		\$17.35		
Mean Value Per SF		\$14.79		
Standard Deviation		\$1.59		
68% Prob of Value/SF Falling Between		\$13.21	and	\$16.38

**OPINION OF MARKET VALUE OF THE LAND (TRACT A)**

The range of adjusted prices is from approximately \$29.10 to \$31.04 per square foot. The mean of the range is approximately \$30.04.

Comparable 1 and 4 are given considerable weight in this analysis indicating values of approximately \$31.04 and \$29.13 per square foot.

From this data, a value of \$30.00 per square foot is adopted. This results in the following indication of land value:

$$120,661 \text{ Square Feet @ } \$30.00 = \$3,619,830$$

**OPINION OF MARKET VALUE OF THE LAND (TRACT B)**

The range of adjusted prices is from approximately \$13.01 to \$17.35 per square foot. The mean of the range is approximately \$14.79.

The mean of the range is given weight in this analysis indicating a value of approximately \$14.79.

From this data, a value of \$14.79 per square foot is adopted. This results in the following indication of land value:

$$50,965 \text{ Square Feet @ } \$14.79 = \$753,772$$

**However, Tract B can only accommodate limited uses due to its irregular shape (used as a roadway). In addition, representatives of ownership indicate an easement for ingress, egress and regress will be placed on Tract B allowing for the continued use of the roadway by adjacent property owners. This has been discussed in depth within a previous section of this report. Therefore, the utility of Tract B is severely restricted; this is considered to have a substantial impact on the value of the tract.**

In an effort to determine the basis for this adjustment, a thorough data search was performed. On October 26, 1990, Wilmington Machinery, Inc. purchased a 5.69 acre tract within the North Chase Industrial Park in Wilmington, New Hanover County, North Carolina.

At time of sale, this property was improved with the Wilmington Machinery manufacturing facility. The confirmed sales price was \$296,500, or approximately \$52,109 per acre. This transaction is recorded in Deed Book 1515 at Page 876 of the New Hanover County Register of Deeds Office.

Also on October 26, 1990, Wilmington Machinery, Inc. purchased an adjacent 2.71 acre tract. The confirmed sales price was \$20,000, or approximately \$7,380 per acre. This transaction is recorded in Deed Book 1515 at Page 878 of the New Hanover County Register of Deeds Office.

This tract is situated below a Carolina Power and Light Company (Progress Energy) high tension power line easement. Although the easement prevented the construction of any habitable structures, the site was purchased and is currently utilized as a green space site for the adjacent Wilmington Machinery facility.

Comparing the two sales prices indicates an approximate 85% difference in the sales prices due to the difference in Highest and Best Use caused by the high tension power line easement.

The opinion of value per upland square foot is thus reduced from \$14.79 per square foot to \$2.22 per square foot (this represents an 85% discount).

Therefore, the final value of Tract B is calculated as follows:

$$50,965 \text{ square feet @ } \$2.22 = \$113,142$$

As a test of reasonableness, a data search was expanded to the mainland to locate an adequate number of land transactions that were acquired for roadways in surrounding commercial and residential subdivisions.

The data search resulted in locating limited transactions ranging in prices from approximately \$2.00 to \$5.00 per square foot. Although they are not located on Bald Head Island, they do provide an indication of prices for mainland land sales with the same or similar highest and best use as the subject property.

Therefore, the previous value estimate (\$113,142) is considered to be reasonable.

#### **OPINION OF MARKET VALUE – SUBJECT PROPERTY IN ITS ENTIRETY**

For the purpose of this analysis, the subject property was identified as Tract A and Tract B. Therefore, the opinion of land value for the subject property in its entirety is calculated as follows:

$$\begin{aligned} \$3,619,830 + \$113,142 &= \$3,732,972 \\ \text{Rounded} &= \$3,730,000 \end{aligned}$$

**COST APPROACH TO VALUE****ESTIMATED REPLACEMENT COST NEW**

According to *The Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, **replacement cost** is defined as “the estimated cost to construct, at current prices as of the effective appraisal date, a substitute for the building being appraised, using modern materials and current standards, design and layout.”

The estimated replacement cost new has been derived from the Marshall Valuation Service and confirmed with local construction costs, when possible. Limited construction cost estimates provided by ownership were also reviewed. Site costs are estimated based on the costs of similar construction projects.

**Ferry Terminal Building**

Section 14, Page 20 of the Marshall Valuation Service indicates a cost of approximately \$65 to \$85 per square foot for Low Cost to Fair, Class D Passenger Terminals.

Ownership did not provide a construction cost estimate for the Ferry Terminal Building.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

**Covered Decks / Baggage Area**

Section 66, Page 2 of the Marshall Valuation Service indicates a cost of approximately \$25 to \$30 per square foot for Covered Decks.

Ownership did not provide construction cost estimates for the Covered Decks / Baggage Area.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

**Storage & Barge Equipment Buildings**

Section 17, Page 12 of the Marshall Valuation Service indicates a cost of approximately \$40 per square foot for Good, Class D Toolshed Buildings.

Ownership did not provide construction cost estimates for the Storage & Barge Equipment Buildings.

Conversations with local general contractors support the range of construction cost estimates provided by Marshall Valuation Services.

From the estimates obtained from the Marshall Valuation Service and local construction data, a replacement cost new of approximately **\$75.00 per square foot** is adopted for the Ferry Terminal Building, **\$30.00 per square foot** is adopted for the Covered Decks / Baggage Area, and **\$40.00 per square foot** is adopted for the Storage and Barge Equipment Buildings.

Site Improvements

Site improvements include clearing and grading, asphalt paved parking areas, driveways, concrete sidewalks, utility taps, adequate landscaping, and yard lights.

Site improvements costs are estimated from recent comparable projects range from approximately \$100,000 to over \$200,000 per acre. This variance is due to the level of infrastructure.

From this data, site improvement costs are estimated at **\$125,000 per acre**.

Bulkhead

Section 51, Page 4 of the Marshall Valuation Service indicates a cost of approximately \$900 per linear foot for precast concrete sheet piling, suitable for large commercial projects.

Local construction cost data from recent comparable projects range from approximately \$1,000 to \$1,200 per linear foot.

A representative of ownership provided a cost estimate of approximately \$1,370 per linear foot for the subject bulkheads.

From this data, a replacement cost new of approximately **\$1,250 per linear foot** is adopted for the bulkhead.

Generator

Section 54, Page 3 of the Marshall Valuation Service indicates a cost of approximately \$370 to \$610 per KW for emergency generators considered similar to the subject for institutional and commercial buildings.

According to a representative of ownership, the ticket booth generator (Briggs and Stratton 10KW) was replaced in April 2018 for approximately \$5,000 including the tank and transfer switch.

From this data, a replacement cost new of approximately **\$5,000** is adopted for the generator.

Passenger / Cargo Ramps

A representative of ownership provided an invoice from Pinnacle Hydraulics dated February 2009 for two new aluminum ramps with hydraulic systems for the Deep Point terminal. According to this invoice the total cost was approximately \$120,000, or \$60,000 per ramp.

The owner of Pinnacle Hydraulics, Brett Tanner, provided a current cost estimate of approximately \$69,000 to \$72,000 per ramp.

From this data, a replacement cost new of approximately **\$70,000 per ramp** is adopted for the passenger / cargo ramps.



Barge Loading System Ramp

A representative of ownership provided a cost estimate of \$400,000 to \$450,000 for the barge loading system ramp including the concrete pedestals for the hydraulics and the hydraulics themselves. Ownerships cost estimate is supported by local cost data.

From this data, a replacement cost new of approximately **\$425,000** is adopted for the barge loading system ramp.

**INDIRECT COSTS**

Indirect costs are expenditures for items other than labor and materials that are necessary, but not part of the construction contract; otherwise known as “soft costs.”

This is a very broad category and can include such items as design fees (i.e. architect, civil engineering, surveying, PM&E and structural engineering, landscape design, etc.). Other items can include permit and impact fees, legal and appraisal fees, utility tap fees, testing fees (independent inspections or special inspections), environmental reports, temporary electrical service, as well as carrying costs such as taxes and interest during the construction period among other items.

Many times, indirect costs are expressed as a percentage of direct costs. Based on market data, indirect costs associated with similar type projects typically range from 5% to 10% of direct costs.

For this analysis, indirect costs are estimated to be **10%** of direct costs (exclusive of land); this has been determined by a study of indirect cost estimates extracted from comparable market data. These costs include design fees, impact fees, appraisal and legal fees, carrying costs during construction and other miscellaneous expenses.

**ENTREPRENUERIAL INCENTIVE**

Entrepreneurial incentive is an often misinterpreted phase of a real estate venture or project. In the *Dictionary of Real Estate Appraisal, 5<sup>th</sup> edition*, published by the Appraisal Institute, entrepreneurial incentive is defined as “the amount an entrepreneur expects to receive for his or her contribution to a project. Entrepreneurial incentive may be distinguished from entrepreneurial profit in that it is the expectation of future profit as opposed to the profit actually earned on a development or improvement.”

This is consistent with the concept as described in *The Appraisal of Real Estate, 14<sup>th</sup> edition*, pp 573, which says the entrepreneurial incentive refers to the amount an entrepreneur expects or wants to receive as compensation for providing coordination and expertise and assuming the risks associated with the development of a project. In contrast, entrepreneurial profit refers to the difference between the *total cost of development* and marketing and the market value of a property after completion and achievement of stabilized occupancy and income. In short, incentive is anticipated while profit is earned.

For a new building, that is the highest and best use of the site, the difference between the market value and the *total cost of development* (i.e. the sum of **land value and direct and indirect costs**) is the profit-or loss-realized.

Most local developers, in preparing a pro-forma, based in large part from past experiences (the profit actually earned on previous projects), calculate a percentage of all **total project costs**, including land as the basis for estimated incentive. The range can vary from 5% to 15% or more, depending on risk and opportunity and competition. For a property similar to the subject, a **15%** developer's profit is adopted. This developer's profit figure is applied to total project costs (direct and indirect), inclusive of land value.

## DEPRECIATION

Depreciation is defined by the Appraisal Institute as the difference between the contributory value of an improvement and its cost at the time of appraisal. Depreciation in an improvement can result from three major causes operating separately or in combination:

- **Physical Deterioration** – wear and tear from regular use, the impact of the elements or damage
- **Functional Obsolescence** – a flaw in the structure, materials, or design that diminishes the function, utility and value of the improvement
- **External Obsolescence** – a temporary or permanent impairment of the utility or salability of an improvement or property due to negative influences outside the property. (External Obsolescence may result from adverse market conditions. Because of its fixed location, real estate is subject to external influences that usually cannot be controlled by the property owner, landlord, or tenant)

Physical deterioration incurable is measured by the age/life ratio.

There does not appear to be any major physical deterioration curable. However, minor deferred maintenance was observed on the date of inspection. A judgmental \$1,000 cost to cure is adopted for minor repairs.

There does not appear to be any functional or external obsolescence associated with the subject property.

The depreciated cost of the improvements is added to the land value estimate for the final indication of value by this approach.

The Cost Approach is as follows:

## COST APPROACH TO VALUE

Estimated Reproduction Cost New							Schedule of Physical Deterioration Incurable				
Improvements on Land							*	EPLN	EA	Ratio	Depreciation
Ferry Terminal Building	of	5,621	sf	@	\$75.00 =	\$421,575	*	45	20	44.4%	\$187,367
Covered Decks/Baggage Area	of	2,345	sf	@	\$30.00 =	\$70,350	*	45	20	44.4%	\$31,267
Storage Buildings	of	450	sf	@	\$40.00 =	\$18,000	*	40	20	50.0%	\$9,000
Barge Equipment Building	of	400	sf	@	\$40.00 =	\$16,000	*	40	20	50.0%	\$8,000
Total Improvements on Land						\$525,925	*	Subtotal			\$235,633
							*				
Improvements to Land							*				
Site Improvements		2.41	ac	@	\$125,000 =	\$301,250	*	30	15	50.0%	\$150,625
Bulkhead		770	lf	@	\$1,250 =	\$962,500	*	35	10	28.6%	\$275,000
Generator		1		@	\$5,000 =	\$5,000	*	20	1	5.0%	\$250
Passenger/Cargo Ramps		4		@	\$70,000 =	\$280,000	*	20	5	25.0%	\$70,000
Barge Loading System Ramp		1		@	\$425,000 =	\$425,000	*	20	5	25.0%	\$106,250
Total Improvements to Land						\$1,973,750	*	Subtotal			\$602,125
							*				
							*				
Indirect Costs of 10%						\$249,968	*	45	20	44.4%	\$111,097
Developer's Profit of 15%						\$971,946	*	45	20	44.4%	\$431,976
Total Estimated Reproduction Cost New						\$3,721,589	*	Physical Deterioration Incurable			\$1,380,831
							*	Schedule of Functional Obsolescence			
Schedule of Depreciation							*	Curable			
Physical Deterioration			Curable			\$1,000	*				
Physical Deterioration			Incurable			\$1,380,831	*				
Functional Obsolescence			Curable			\$0	*	Functional Obsolescence Curable			\$0
Functional Obsolescence			Incurable			\$0	*	Incurable			\$0
External Obsolescence						\$0	*				
Total Depreciation						\$1,381,831	*				
Reproduction Cost less Depreciation						\$2,339,758	*				
Estimated Value of the Land						\$3,730,000	*				
Value Indicated by the Cost Approach						\$6,069,758	*				
							*				
							*	External Obsolescence			\$0

**RECONCILIATION AND FINAL  
OPINION OF MARKET VALUE**

Indications of market value by the various approaches and techniques are as follows:

**Cost Approach****\$6,070,000**

**This assignment is only for the real estate. At the Client's request, this appraisal was limited to the Cost Approach. Therefore, the Income and Sales Comparison Approach was excluded from the analysis. Omission of these Approaches does not diminish the credibility of the assignment results and is permitted under the Uniform Standards of Professional Appraisal Practice (USPAP). See Limiting Conditions.**

The Cost Approach yielded a value indication of \$6,070,000. The Cost Approach utilized the replacement cost of the improvements, less depreciation, and added the site value.

This approach relied on recent sales of comparable vacant sites to value the subject site, as if vacant and available for development to its Highest and Best use. The sales utilized were recent and required, in some cases, relatively little adjustment.

The estimated Replacement Cost New has been derived from the Marshall Valuation Service and confirmed with local construction costs, when possible. Limited construction cost estimates provided by ownership were also reviewed.

The Marshall Valuation Service is a widely known and highly respected national firm that provides a continuing update of current costs for all types of real estate construction. This is considered to be a very reliable source and was supported by local construction cost data and information provided by the ownership. Site costs are estimated based on the costs of similar construction projects.

When considering all factors; the age and condition of the improvements, the reliability of the site valuation, the reliability of the replacement cost estimate and the depreciation estimates, this methodology is considered to yield a very credible value conclusion.

Based upon the indication from the Cost Approach, the final opinion of market value is **\$6,070,000**.

ADDENDA

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**EDUCATION**

B.S. EAST CAROLINA UNIVERSITY, 1976  
NC Real Estate Broker, February, 1980; License Number 60472  
Appraisal Institute; MAI Designation No. 8688, 1990  
NC State Certified General Real Estate Appraiser, No. A299, 1991  
SC State Certified General Real Estate Appraiser, No. CG 1560, 1994  
Certified under Appraisal Institute's Continuing Education Program

**EMPLOYMENT HISTORY**

Worsley Real Estate Company, 1996 to Present  
Worsley & Glenn, Partner, 1989 To 1995  
Joseph A. Robb & Associates, 1981 To 1989

**PROFESSIONAL AFFILIATIONS**

Appraisal Institute: MAI Designation No. 8688, 1990  
Counselors of Real Estate No. 2061, CRE, 2001

**APPRAISAL EXPERIENCE**

Planned Unit Developments  
Golf Course Communities  
Private and For Fee Golf Courses  
Hotel, Motels, Restaurants, Resort Developments  
Single and Multi Family Residential Projects  
Apartment Complexes, Townhouses, Condominiums  
Office Buildings, Shopping Centers Day Care Centers  
Warehouses, Industrial and Manufacturing Buildings  
Continuing Care Retirement Centers and Nursing Homes  
Agricultural Land, Conservation and Historical Properties,  
Marinas, Tank Farms and Deep Water Port Related Properties

**EXPERT WITNESS EXPERIENCE**

Federal Bankruptcy Court, Raleigh, New Bern, Wilson and Wilmington, NC

**FINANCIAL CLIENTELE**

Bank of America  
Bank of Hampton Roads  
Bank of the Ozarks  
Branch Bank & Trust Company  
Corning Credit Union  
East Carolina Bank  
First Bank  
First Citizens Bank and Trust  
First Community Bank  
First Federal Bank  
First South Bank  
NewBridge Bank  
Park Sterling Bank  
PNC Bank  
Regions Bank  
SunTrust Bank  
Vantage South Bank  
Wells Fargo Bank

**INSTITUTIONAL CLIENTELE**

Federal National Mortgage Association (FNMA)  
Federal Home Loan Mortgage (FHLMC)  
General Services Administration (GSA)  
Federal Deposit Insurance Corporation (FDIC)  
Resolution Trust Corporation  
US Postal Department  
City of Wilmington  
NC Coastal Land Trust  
NC Nature Conservancy  
NC State Ports Authority  
NC Department of Administration State Property Office  
NC Department of Transportation

**PROFESSIONAL CLIENTELE**

Ward and Smith, Attorneys, Wilmington, NC  
Schell, Bray and Aycock, Attorneys, Greensboro, NC  
McGladrey & Pullen, CPA's, Wilmington, NC  
Georgia Pacific  
International Paper  
Hanover Medical Specialist PA, Wilmington, NC  
Moore Capital, New York, NY  
Bald Head Island, LTD, Bald Head Island, NC





WORSLEY REAL ESTATE COMPANY  
123 North Cardinal Extension Drive, Suite 120  
Wilmington, NC 28405  
Phone: 910.256.0044 • Fax: 910.256.0488



January 9, 2019

Susan Rabon, Chair  
Bald Head Island Transportation Authority (BHITA)  
C/O McGuire Woods LLP  
Mr. J. Dickson McLean, Attorney  
300 N. Third Street, Suite 320  
Wilmington, NC 28401

Dear Chair Rabon:

The following is our proposal for appraisal services.

I will perform two real estate appraisals for the properties identified, for appraisal purposes, as Tract 1- approximately 52.60 acres at Deep Point Marina/Ferry Dock identified on the preliminary survey for Bald Head Island Limited, LLC, and Tract 2- approximately 2.13 acres at the Bald Head Island Marina/Ferry Dock identified as the Transportation tract on a preliminary survey for Bald Head Island Ferry Landing, both located in Brunswick County, North Carolina.

The Bald Head Island Transportation Authority ("BHITA") is considered my client and intended user of these appraisal reports. The intended use of the appraisal reports is to establish the fair market value for possible change in ownership.

The value of opinion will be communicated to you via narrative appraisal reports in accordance with the Uniform Standards of Professional Appraisal Practice Standard 2-2(a) and Appraisal Institute (AI).

Our fee proposal is \$15,000 for two reports with delivery date of approximate 75 days from notice to proceed. Assuming it is not a financial burden, a retainer of one half of the fee, or \$7,500, is due at engagement. The remainder of the fee will be due upon notification of the pending completion and delivery of the appraisal reports. This will provide you ample time to process the remaining fee.

I will consult with John Sainsbury, BHITA's parking and ferry operation valuation consultant, regarding the real estate appraisals.

Any documents provided to us to assist in the preparation of the reports will be retained in our file unless notified otherwise.

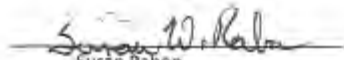
Thank you for the opportunity to provide this service. Should you have any questions, please give me a call.

Sincerely,

A handwritten signature in dark ink, appearing to read "Earl M. Worsley, Jr.", written over a horizontal line.  
Earl M. Worsley, Jr., MAI

EMWjrmcc

ENGAGEMENT LETTER

  
Susan Rabon  
Chair  
Bald Head Island Transportation Authority

  
Date

This instrument has been preaudited in the manner required by the Local Government Budget and Fiscal Control Act:

  
Finance Director

  
Date



BOOK 532 PAGE 546

RECEIVED REGISTRATION  
BOOK 532 PAGE 546  
1983 JUN 14 PM 4:41

WILLIAM J. ROBINSON  
REGISTER OF DEEDS  
BRUNSWICK COUNTY, N.C.



Mail after recording to:

This instrument was prepared by: Hinton and Bruckel

Brief description for the Index: Bald Head Island and  
.923 acre tract in Southport

NORTH CAROLINA

GENERAL WARRANTY DEED

BRUNSWICK COUNTY

THIS DEED made this 1st day of June, 1983, by and between  
BALD HEAD ISLAND CORPORATION, a North Carolina corporation,  
Grantor, and BALD HEAD ISLAND LIMITED, a Texas limited partner-  
ship, Grantee, P. O. Box 4000, The Woodlands, Texas 77380.

The designation "Grantor" and "Grantee" as used herein shall  
include said parties, their successors and assigns.

## WITNESSETH:

That the Grantor, for the sum of One Dollar (\$1.00) and  
other valuable consideration paid by the Grantee, the receipt of  
which is hereby acknowledged, has, and by these presents does  
grant, bargain, sell and convey unto the Grantee in fee simple,  
that certain lot or parcel of land situated in Smithville Town-  
ship, Brunswick County, North Carolina, and more particularly  
described as follows:

SEE SCHEDULE A ATTACHED HERETO AND INCORPORATED

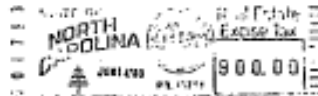
HEREIN BY REFERENCE.

TO HAVE AND TO HOLD the aforesaid lot or parcel of land and  
all privileges and appurtenances thereto belonging to the Grantee  
in fee simple.

D/50-5



DEED (532/546)



REV 532 REG 547

6-14-83  
And Grantor does hereby covenant that it is seized of the premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever, except for the exceptions hereinafter stated.

This conveyance is made expressly subject to the exceptions in Schedule B attached hereto and incorporated herein by reference.

IN WITNESS WHEREOF, the Grantor has caused this instrument to be signed in its corporate name by its duly authorized officers and its seal to be hereunto affixed by authority of its Board of Directors as of the day and year first above written.



BALD HEAD ISLAND CORPORATION

By: James E. Harrington  
President

NORTH CAROLINA

Brunswick COUNTY

I, Donna Jones, a Notary Public in and for said State and County, do hereby certify that Charles X. Hunter III personally appeared before me this day and acknowledged that he is Secretary of BALD HEAD ISLAND CORPORATION, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, James E. Harrington, sealed with its corporate seal, and attested by Donna Jones self as its Secretary.

WITNESS my hand and notarial seal this the 14th day of June, 1983.

Donna Jones  
Notary PublicMy commission expires: 9-13-86

D/50-5

2



STATE OF NORTH CAROLINA, Brunswick County  
The foregoing Certificate(s) of Donna Jones, Notary Public

Recorded this 14th day of June 19 83 at 4:41 o'clock P. M. fd  
Robert J. Robinson, Registrar of Deeds

Robert J. Robinson

STATE OF NORTH CAROLINA JAN 1 1983 6-14-83	Real Estate Tax 900.00	BOOK 532 PAGE 548	STATE OF NORTH CAROLINA JAN 1 1983 6-14-83	Real Estate Tax 900.00
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## SCHEDULE A - DESCRIPTION

All those certain tracts or parcels of land lying and being in Smithville Township, Brunswick County, North Carolina, and more particularly described as follows:

PARCEL A

Bounded on the North by an agreed division line with Hugh McRae and Company set forth in deed recorded in Book 76, at Page 480 in the Brunswick County Public Registry, bounded on the West and South by the channel of the Cape Fear River; and bounded on the East by the Atlantic Ocean, and described as follows:

TRACT ONE:

BEGINNING in the mouth of Lighthouse Creek, at Four Posts, where the U.S. Government formerly kept a beacon light in the mouth of said creek, it being about 150 feet east of the present place where said beacon light is now kept by said Government, and running thence up the main channel of Lighthouse Creek in an easterly direction about five miles to a point in the head of said creek about 400 yards west of the eastern coast of the Atlantic Ocean; thence about south-east to the Atlantic Ocean and into the Atlantic Ocean until the line reaches a depth of three feet of water; thence with the eastern boundary line of the Atlantic Ocean said boundary to be on a line along said coast at a point where the water will average a depth of three feet to a point on Frying Pan Shoals; thence with the boundary of the western coast of said Atlantic Ocean, said boundary being on a line in said ocean where the water will reach a depth of three feet, and in a westerly direction to the bar at the mouth of the Cape Fear River, being a distance of about five miles; thence up said river with the channel of the same to a point in said channel opposite Lighthouse Creek; thence direct to the place of BEGINNING, being said Four Posts in the mouth of Lighthouse Creek where said beacon lights were formerly kept by said Government, and containing Five Thousand Acres, more or less.

The foregoing description includes and is intended to include all land of Smith Island south of Light House Creek.

BEING the same property conveyed to Frank O. Sherrill by Brunswick County, by deed dated March 23, 1938 and recorded in Book 66, at Page 226 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by deed dated June 30, 1970 and recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT TWO:

BEGINNING at the mouth of Lighthouse Creek, four beacon posts, and runs with Lighthouse Creek in a southeasterly direction about four miles to the Atlantic Ocean; thence with the Atlantic Ocean in a northeasterly direction to new inlet; thence with New Inlet to the Cape Fear River; thence with the Cape Fear River to the BEGINNING, this being the balance of the property bought by T. F. Boyd about 20 years ago less that part which he had sold to other parties.

D/50-3	STATE OF NORTH CAROLINA JAN 1 1983 6-14-83	Real Estate Tax 900.00	STATE OF NORTH CAROLINA JAN 1 1983 6-14-83	Real Estate Tax 900.00
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BOOK 532 PAGE 549

BEING the same property conveyed to Frank O. Sherrill by D. C. Boyd and wife, Bessie B. Boyd, by deed dated November 29, 1938, recorded in Book 66 at page 515 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by deed dated June 30, 1970 and recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT THREE A:

A certain piece or parcel of land situate on Cape or Smith's Island. BEGINNING at the first bluff point of high land on the south side of Lower Cape Creek; running thence south twelve poles along said creek to a stake; thence southeast twenty poles along said creek to a stake; thence south seventy-five east, twenty poles along said creek to a stake; thence southwest forty-one poles; thence northwest forty-six poles; thence northeast thirty-nine poles to the BEGINNING, containing ten acres, together with the free use and navigation of said Lower Cape Creek from the entrance into Cape Fear River to the aforesaid land;

TRACT THREE B:

At 'southeast end of Smith Island at mouth of Cape Fear River, beginning at a point 2000 feet N. 59° W. from the south corner of the building used for quarters of the Life Saving Station on the pitch of Cape Fear, N.C., and running thence N. 44° E. 1320 feet; thence N. 46° W. 660 feet; thence S. 44° W. 1320 feet; thence S. 46° E. 660 feet to the place of BEGINNING, the whole containing 20 acres, more or less, together with a right of way thirty feet wide running from the middle of the western boundary of above tract of land N. 46° W. 13,600 feet to the easterly boundary of the "present" Cape Fear Lighthouse Reservation. Then beginning on the prolongation of the same line when it intersects with the westerly boundary of the same reservation, and running thence N. 29° W. 1220 feet to low water line on the easterly bank of Cape Fear River, including the right to cut down trees and to construct road beds or tramways, erect such boat houses, landings and store sheds as may be necessary or convenient for the proper construction, maintenance and repairs at all times hereafter of the New Cape Fear Light Station, N.C. This right of way covers 10 acres, more or less.

Tracts Three A and Three B being the same property conveyed to Frank O. Sherrill by deed from the United States of America dated October 24, 1963, recorded in Book 176, at Page 221 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by deed from Frank O. Sherrill and Ruth J. Sherrill, his wife, dated June 30, 1970, recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT FOUR:

BEGINNING in the center of the middle cord of the Rock Dam across New Inlet, the point being marked with a cross cut in the Rock Dam it being the beginning corner of a tract of land conveyed by Frank O. Sherrill to Hugh McRae & Company by deed dated December 9, 1943, and running from said point (1) South 70° 20' East 7150 feet crossing what is known as Still Water Basin to low water mark on the shore of the Atlantic Ocean, the line being marked by an iron monument on the beach 110 feet from low water mark; (2) thence with low water mark of the Atlantic Ocean South 15° West

COPY 532 PAGE 550

42,000 feet to the point of Cape Fear; (3) thence with the Southern shore of Bald Head Island with low water mark North 62° West 20,000 feet to a point beyond the Western shore of said Island in the ship channel of Cape Fear River; (4) thence up the various courses of the ship channel of the Cape Fear River in a Northeasterly direction to a point in said channel North 70° 20' West 2300 feet from the point of beginning; (5) thence South 70° 20' East 2300 feet to the BEGINNING.

Including the property generally known as the Bald Head Island Tract.

All of which will more fully appear by reference to a survey made by C. J. Josephans and Eric Norden, Civil Engineers, October 29, 1943.

Being the same property conveyed to Frank O. Sherrill by Hugh McRae & Company by deed dated December 9, 1943 and recorded in Book 76, at page 480 in the Brunswick County Public Registry.

Together with all right, title and interest of Frank O. Sherrill in an easement reserved to the said Frank O. Sherrill over and across the lands formerly owned by Hugh McRae & Company, lying immediately north of the property of Frank O. Sherrill, said easement being set forth in that deed from Frank O. Sherrill and wife, Ruth J. Sherrill, to Hugh McRae & Company dated December 9, 1943 and recorded in Book No. 355, Page 209 in the Office of the Register of Deeds of New Hanover County, N.C.

All of the tract referred to as "Tract Four" being the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by that certain deed without warranty dated June 30, 1970, recorded in Book 244, Page 258 in the Brunswick County Public Registry.

Together with those easements (a) retained in the deed to The Nature Conservancy dated May 3, 1976, and recorded in Book 401 at Page 598 in the Brunswick County Registry and (b) set forth in that Easement from the State of North Carolina dated June 19, 1979 and recorded in Book 427 at Page 927 in the Brunswick County Registry.

Grantor further does hereby grant, convey and assign unto Grantee, the right of use, all rights, privileges and easements of Grantor reserved in the deeds to Young Realty Co., Inc. recorded in Book 399, Page 448 and Book 499, Page 167, Brunswick County Registry.

#### PARCEL B

BEGINNING at a point in the southern line of Moore Street in the City of Southport, said point being located South 29° 20' 48" East 51.2 feet from a point in the center line of Moore Street, said point in the center line of Moore Street being located north 56° 32' East 457.23 feet from the point where the culvert of Bonnett's Creek crosses Moore Street in the City of Southport, North Carolina, said beginning point also being a common corner with the Wriley Willis tract. From said beginning point runs thence south 29° 28' 48" East 602.65 feet to the mean high water mark of the Cape Fear River, runs thence north 43° 49' 42" East and with the mean high water mark of the Cape Fear River 139.32 feet to a point; runs thence north 29° 28' 48" West 575.64 feet

to a concrete monument in the southern right-of-way line of Moore Street; runs thence South 54° 57' 22" West and with the southern right-of-way line of Moore Street 134.09 feet to the place and point of beginning; the same containing 0.923 acres more or less and being the same tract of land as was conveyed to the Grantor by warranty deed from Phillip King and wife, Susan T. King, dated December 22, 1977, and recorded in Book 390, Page 14 of the Brunswick County Registry.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on March 27, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for an enlargement of the waterward section of an existing pier abutting the property conveyed in the Parcel B above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(1) and incorporated herein by reference.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on January 22, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for installation of a wooden fender system, for placement of riprap material on both sides of the entrance channel jetties, and installation of a sandbag bulkhead with backfill, abutting the property conveyed in the Parcel A above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(2) and incorporated herein by reference.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on July 13, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for lengthening the entrance channel jetties on the Cape Fear River, abutting the property conveyed in the Parcel A above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(3) and incorporated herein by reference.

LESS AND EXCEPTING FROM THE ABOVE DESCRIBED TRACTS ONE, TWO, THREE-A, THREE-B and FOUR (Parcel A), all of the lots and tracts listed on "Exhibit A", consisting of the following pages 5 through 10, attached hereto and incorporated herein by reference.

DNK 532 PAGE 552

## EXHIBIT A

## BALD HEAD ISLAND CORPORATION

SUBJECT: LOTS IN STAGE 1, ACCORDING TO A SURVEY OF BALD HEAD ISLAND BY WM. F. FREEMAN ASSOCIATES, ENGINEERS, MAPS OF WHICH ARE DULY RECORDED IN MAP BOOK 12, PAGES 1-9, RECORDS OF BRUNSWICK COUNTY, NORTH CAROLINA

1	137	199	254	346	416	497
3	142	200	255	347	417	498
4	147	201	256	348	418	499
5	148	202	257	349	419	500
6	149	203	258	350	420	501
7 *	150	204	259	351	421	502
9	151	205	260	352	422	503
10	152	206	261	353	423	504
11	153	207	262	354	424	505
12	154	208	265	357	425	
14	155	209	266	362	426	507
15	156	210	300	363	427	508
16	157	211	301	364	428	509
17	158	212	302	365	429	510
18	159	214	303	366	430	511
19	160	215	304	367	431	512
20	161	216	305	368	432	513
21	162	217	306	370	433	514
22	163	218	307	371	434	515
102	164	219	308	372	436	516
103	165	220	309	373	437	517
104	166	221	310	374	438	518
106 *	167	222	311	375	439	519
107	168	223	312	376	440	520
108	170	224	313	377	441	521
109	171	225	314	378	442	522
110	172	226	315	379	447	523
111	173	227	316	380	449	524
112	174	228	317	381	452	525
114	175	229	318	382	453	527
115	176	230	319	385	454	529
146	177	231		389	461	532
117	178	232	321	390	463	535
118	179	233	322	391	464	536
119	180	234	323	392	465	537
120	181	235	324	394	466	538
121	182	238	325	395	467	539
122	183	239	326	396	468	540
123	184	240	327	397	469	541
124	185	241	328	398	470	543
125	186	242	329	399	471	545
126	187	243	330	400	476	546
127	188	244	331	402	477	547
128	189	245	332	403	479	548
129	190	246	334	404	480	549
130	191	247	336	408	481	550
131	192	248	337	409	487	551
132	193	249	341	410	491	552
133	194	250	342	411	492	553
134	195	251	343	412	493	554
135	196	252	344	413	494	555
136	197	253	345	414	495	556
	198			415	496	

\*Lot should have been conveyed referencing Map Book 12 at Page 11.

INDEX 532 PAGE 553

557	616	672	739	857	942	1086
558	617	673	741	858	943	1087
559	618	674	742	859	944	1088
560	619	675	743		945	1089
561	620	676	744		946	1090
562	621	677	745	863	947	1091
563	622	678	747	864	948	1092
564	623	679	748	865	949	1093
565	625	680	749	866	950	1094
566	626	681	750	867	951	1095
567	627	682	751	869	952	1096
568	628	683		871	953	1097
569	629	684	753	872	957	1098
570	630	685	754	873	958	1099
571	631	686	755	883	959	1101
572	632	687	757	884	960-2/3	1102
573	633	688	758	885	961 inter-	1103
574	634	689	759	889	962 est	1104
575	635	690	760	891	963 only	1105
576	636	691	761	892	964	1106
	637				965	
577	638	692	763	893	966	1107
		693				
578	639	697	764	894	967	1108
579	640	698	765	900	968	1109
580	641	699	766	907	1000	1110
581	642	700	767	908		1111
582	643	701	768	909	1037	1112
583	644	702	769*	910	1046	1200
584	645	703	771*	911	1051	1201
585	646	704	775*	912	1052	1203
586	647	705	776*	913	1053	1205
587	648	706	777*	915	1057	1206
588	649	707	779	918	1061	1207
589	650	708	780	919	1062	1208
590	651	710	791	921	1065	1209
591	652	719	792	922	1066	1210
592	653	720	807	923	1067	1211
593	654	721	808	924	1068	
594	655	722	809	925	1069	
595	656	723	810	926	1070	
600	657	724	811	927	1071	
601	658	725	813	928	1072	
602	659	726	823	929	1073	1286
603	660	727	824	930	1074	1287
604	661	728	825	931	1075	1288
605	662	729	826	932	1076	1289
606	663	730	827	933	1077	1290
607	664	731	828	934	1078	1291
608	665	732	829	935	1079	1292
610	666	733	837	936	1080	1293
611	667	734	838	937	1081	1294
612	668	735	843	938	1082	1295
613	669	736	844	939	1083	1296
614	670	737	846	940	1084	1297
615	671	738	848	941	1085	1298
			849			
			850			

\*Lots should have been conveyed referencing Map Book 12 at  
Page 10.

BOOK 542 PAGE 554

1299	1354
1300	1355
1301	1356
1302	1357
1303	1358
1304	1359
1305	1360
1306	1362*
1307	1363
1308	1364
1309	1365
1310	1366
1314	1367
1317	1368
1318	1369
1319	1370
1320	1371
1321	1373
1323	1374
1324	1375
1327	1376
1328	1377
1329	1379
1331	1380
1334	1381
1335	1382
1338	1383
1339	
1340	
1341	
1342	
1343	
1347	
1348	
1349	
1350	
1351	
1352	
1353	

\* (Portion reconveyed to BMIC by deed in Book 390 at Page 173 and added to Lot 1361 by Map Cabinet I at Page 373).

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 10, Brunswick County Registry:

769	774
771	775
772	776
773	777
778	

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at page 11, Brunswick County Registry:

105  
106

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 36, Brunswick County Registry:

1059



BOOK 532 PAGE 555

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 39, Brunswick County Registry:

229

Lots in Stage I, according to surveys of parts of Bald Head Island recorded in the following Map Books in the Brunswick County Registry:

<u>Lot</u>	<u>Map Cabinet</u>	<u>Page</u>
1100	I	373
1361	I	373
1362	I	373
624	J	319

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet L, Page 195, Brunswick County Registry:

EC-1  
EC-2  
EC-3  
EC-4

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 84, Brunswick County Registry:

1029	1037	1240
1030	1038	1248
1031	1039	1249
1032	1040	1253
1033	1042	1254
1034	1043	1255
1035	1044	
1036		

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 85, Brunswick County Registry:

1005	1213
1006	1214
1007	1215-A
1009	1216
	1217

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 86, Brunswick County Registry:

1012	1025	1221
1013	1026	1228
1016	1027	1229
1022	1028	1238
		1239

Lots in Stage I, according to a survey of part of Bald Head Island entitled "BALD HEAD ISLAND VILLAS" recorded in Map Cabinet M, Page 250, Brunswick County Registry:

1	5	9
2	6	10
3	7	11
4	8	

8

D/50-3

BOOK 532 PAGE 556

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 19, Brunswick County Registry:

138-A  
146-A

Lots in Stage I, according to a survey of part of Bald Head Island entitled "BALD HEAD ISLAND VILLAS" recorded in Map Cabinet N, Page 133, Brunswick County Registry:

12	16
13	17
14	18
15	

A 2.2860 acre condominium tract in Stage I conveyed to Cinco Associates by deed recorded in Book 344, Page 333 of the Brunswick County Public Registry.

A 4.944 acre tract was conveyed to Robert C. Hayes by deed dated July 25, 1977 and recorded in Book 379, Page 583 in the Brunswick County Registry.

Middle Island and 2,000 feet of ocean frontage adjacent thereto was conveyed to Young Realty Co., Inc., by deed recorded in Book 399, Page 448 and Book 499, Page 167, Brunswick County Registry.

Quitclaim deed of a portion of the Marsh Highlands and high marsh to the State of North Carolina dated May 3, 1976 and recorded in Book 401, Page 616 in the Brunswick County Registry.

Deed to The Nature Conservancy dated May 3, 1976 recorded in Book 401, Page 598 in the Brunswick County Registry.

Deed of Trust to NSI covering 26 lots (Lots Nos. 1493-1501, 1506-1513 and 1515-1527) north of North Bald Head Wynd recorded in Book 291, Page 523, Brunswick County Registry. This Deed of Trust was foreclosed.

Property of Charles D. Young as shown on map recorded in Map Book 12, Page 37, Brunswick County Registry, and property conveyed by deed recorded in Book 325, Page 125, and Book 482, Page 190, Brunswick County Registry.

Property conveyed to Walter R. Davis by deed recorded in Book 462, Page 763, Brunswick County Registry.

Property conveyed to Arron W.E. Capel by deed recorded in Book 473, Page 484, Brunswick County Registry.

Property conveyed to Bald Head Island Villas Association by deed recorded in Book 487, Page 974, Brunswick County Registry, saving and excepting any portion of Lots 19 and 20, as shown on map recorded in Map Cabinet N, Page 133, Brunswick County Registry.

Property conveyed to Walter R. Davis by deed recorded in Book 492, Page 89, Brunswick County Registry.

Property conveyed to Arron W.E. Capel by deed recorded in Book 501, Page 401, Brunswick County Registry.

Property conveyed to Bald Head Island Villas Association by deed recorded in Book 512, Page 513, Brunswick County Registry.

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Property conveyed to Rising 3, Inc. by deed recorded in Book 520, Page 898, Brunswick County Registry.

Property conveyed to STATE OF NORTH CAROLINA, by deed recorded in Book 489, Page 7, Brunswick County Registry.

Phase II, Royal James Landing as shown on map recorded in Map Cabinet N, Page 251, Brunswick County Registry.

Gazebo Tract north of North Bald Head Wynd more particularly described as follows:

BEGINNING at a point in the north right-of-way line of North Bald head Wynd, said point being North 32° 18' 41" East 60.00 feet from the northwesternmost corner of Lot 809, Stage I, Bald Head Island, recorded in Map Book 12, Page 1 through 9, Brunswick County Registry and also having N.C. Grid Coordinates N=45732.932 and E=2,303,716.772; thence from said POINT OF BEGINNING North 21° 35' 05" East 352.89 feet to a point in the high water line of Bald Head Creek; thence along the high water mark of said creek the following two courses and distances: (1) South 45° 12' 43" East 116.95 feet to a point; (2) South 26° 10' 07" East 73.05 feet to a point; thence leaving said creek South 38° 38' 06" West 286.42 feet to a point in the northern right-of-way of North Bald Head Wynd; thence along said northern right-of-way line along a curve to the left having a radius of 2,894.79 feet a distance of 79.24 feet to the POINT AND PLACE OF BEGINNING, and containing 0.95 acres according to a survey entitled "Gazebo Tract, Bald Head Island" dated June 13, 1983, prepared by Moore, Gardner & Associates, Inc., Consulting Engineers, Cary, North Carolina.

TOGETHER with a non-exclusive easement for access, ingress and egress over and on all the existing roads, wynds, trails, paths, and courts of Stage I, Bald head Island, as shown on all existing recorded maps, and over the marina, docks and adjoining property and the Mainland facilities.

LESS AND EXCEPTING from the above described Parcel A, the following lots:

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12, Pages 1 - 9, Brunswick County Registry:

369	752
478	954
489	1311
490	1313
531	1315

Lot in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 86, Brunswick County Registry:

1227

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 84, Brunswick County Registry:

1251
1252

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## SCHEDULE B

1. Taxes for the year 1983 and subsequent years, not yet due and payable.
2. Assessments of the Bald Head Association for the year 1983 and subsequent years.
3. Deed of Trust from Carolina Cape Fear Corporation to Dotson G. Palmer, et al, Trustees for Mutual Savings and Loan Association, dated March 28, 1973, recorded in Book 288, Page 470, Brunswick County Registry, securing \$250,000.00; which Deed of Trust was amended by Modification Agreement recorded in Book 342, Page 129. (Affects Bald Head Inn tract only)
4. Title to any portion of the property below the mean high water line or any waters that ebb and flow with the tide.
5. No liability is assumed for loss or damage occasioned by the fact that Parcel A does not abut a public road or highway or is not serviced by any right-of-way or easement over adjoining or adjacent property to any such road or highway. (This exception does not apply to Parcel B).
6. Duties and restrictions imposed by the Brunswick County Dune Protection Law and the Coastal Area Management Act.
7. Easement for utilities over front, rear and side 10 feet of all plotted lots as reserved in paragraph 6 of the restrictions recorded in Book 263, Page 621, and Book 498, Page 260, Brunswick County Registry.
8. Rights and restrictions contained in those Section 10 Harbor Permits issued by the Department of Army recorded in Book 313, Page 302, and in this deed from Bald Head Island Corporation to Bald Head Limited.
9. Restrictions and conditions created by the following maps of Bald Head Island recorded in the Office of the Register of Deeds for Brunswick County, North Carolina:
  - Map Book 12, Pages 1 - 21
  - Map Book 12, Pages 36-39
  - Map Cabinet I, Page 373
  - Map Cabinet J, Page 135
  - Map Cabinet J, Pages 176-184
  - Map Cabinet J, Page 319
  - Map Cabinet K, Pages 29-32
  - Map Cabinet L, Page 195
  - Map Cabinet M, Page 84-86
  - Map Cabinet M, Page 250
  - Map Cabinet M, Page 277
  - Map Cabinet N, Page 19
  - Map Cabinet N, Page 133
  - Map Cabinet N, Page 251
10. Easement rights contained in deeds to Robert C. Hayes and Young Realty Co., Inc. respectively recorded in Book 379, at Page 583 and Book 399, Page 448 in the Brunswick County registry.
11. Appurtenant Easement (conservation) to The Nature Conservancy dated May 3, 1976, recorded in Book 401 at Page 602 in the Brunswick County Registry.

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12. Declaration of Restrictions on Stage 1 recorded in Book 374, Page 645, Brunswick County Registry as amended by Amended and Restated Declaration of Restrictions recorded in Book 409, Page 421, and Book 498, Page 260, Brunswick County Registry.

13. Declaration of Covenants, Conditions and Restrictions for Bald Head Island Villas, recorded in Book 487, Page 687, Brunswick County Registry.

14. Easements to Carolina Power and Light Company recorded in Book 442, Page 199, Book 462, Page 174, and Book 474, Page 487, Brunswick County Registry.

15. Modification and Relocation Agreement among Bald Head Island Corporation, Bald Head Property Owners Association and various owners recorded in Book 472, Page 174, Brunswick County Registry.

16. Easement Agreements between Bald Head Island Corporation and various property owners recorded in Brunswick County Registry as follows:

<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>
470	634	470	636	470	638
470	640	470	642	470	644
470	646	470	648	470	650
470	652	470	654	470	656
470	658	470	660	470	662
470	664	470	666	470	668
470	670	470	672	470	674
470	676	470	678	470	680
470	682	472	855	472	857
472	859	472	909	472	915
472	917	472	919	472	921
472	923	472	925	472	927
474	569	474	571	474	573
475	739	476	29	476	35
476	41	477	195	477	197
477	598	477	604	477	610
477	616	477	622	477	746
477	752	478	256	478	870
478	876	478	882	479	133
479	139	479	145	479	151
479	879	479	883	479	891
480	267	480	273	480	642
480	656	480	666	480	672
480	678	480	684	481	245
481	251	481	257	482	118
482	120	482	126	482	132
482	138	482	144	482	150
482	156	482	643	482	649
482	655	483	1	483	7
483	13	483	19	483	25
483	824	483	830	483	836
484	239	484	245	484	251
484	257	484	263	484	269
484	830	484	836	484	842
484	848	484	855	484	861
485	877	485	883	485	889
485	895	485	901	486	920
487	398	487	404	487	967
488	84	488	92	488	100

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<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>
488	425	488	431	488	437
489	361	489	994	490	897
490	903	490	909	490	915
491	458	492	87	494	110
		494	112		
494	711	494	717	494	719
495	246	495	492	495	498
496	646	497	361	498	252
497	355	498	246		
498	258	498	593	499	165
501	957	501	964	503	37
503	43	504	108	504	784
505	274	505	445	505	816
505	899	505	905	505	911
505	917	505	586	507	360
507	366	507	372	508	35
508	41	508	47	508	53
508	766	508	858	508	864
509	539	509	545	509	551
509	557	509	672	510	21
				510	25
510	29	510	35	510	147
510	674	510	680	510	686
510	692	510	917	511	135
511	143	511	754	511	760
511	766	511	771	512	232
512	239	512	629	512	635
512	641	512	645	513	743
513	749	513	755	513	761
514	852	515	304	516	243
516	249	517	342	517	352
517	358	517	365	517	372
518	27	518	158	518	504
519	749	519	860	520	389
520	917	520	921	522	178
523	98	523	104	524	664
524	906	525	445	525	451
525	457	527	563	527	586
527	588	527	590	527	599
528	392	528	398	528	401
528	403	529	705	529	712
529	715	529	717	529	719
531	286	531	296	531	302
531	309	531	315	531	323
531	336	531	336	532	17

17. Declaration of Ratification and Approval recorded in  
Book 487, Page 685, Brunswick County Registry.



Application No. SAW0081-N-010-099116 BOOK 532 PAGE 561  
 Name of Applicant Bald Head Island Corporation  
 Effective Date See page 4  
 Expiration Date (if applicable) 31 December 1954

DEPARTMENT OF THE ARMY  
PERMIT

Referring to written request dated 16 February 1951 for a permit to:  
 (X) Perform work in or affecting navigable waters of the United States, when the representation of the Chief of Engineers, Department of the Army, is required pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (34 U.S.C. 4031);  
 ( ) Discharge dredged or fill material into waters of the United States upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 404 of the Federal Water Pollution Control Act 960 Stat. 816, P.L. 92-500;  
 ( ) Transport dredged material for the purpose of dumping it into ocean waters upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972 86 Stat. 1653; P.L. 92-532;

Bald Head Island Corporation  
 PO Box 11058  
 Southport, NC 28461

is hereby authorized by the Secretary of the Army:  
 to enlarge the waterward section of an existing pier

is on the Cape Fear River  
 at Southport, Brunswick County, North Carolina

in accordance with the plans and drawings submitted hereto which are incorporated in and made a part of this permit (as drawings give the location of other definite identification marks.)

subject to the following conditions:

I. General Conditions:

a. That all activities identified and authorized herein shall be consistent with the terms and conditions of this permit; and that any activities not specifically described and authorized herein shall constitute a violation of the permit and the permit may result in the modification, suspension or revocation of this permit, in whole or in part, as set forth more specifically in General Condition g or h herein; and in the event of such legal proceedings as the United States Government may consider appropriate, whether or not this permit has been previously modified, suspended or revoked in whole or in part.

END FORM 1 JUL 53 EDITION OF 1 APR 54 IS OBSOLETE.

DER 1145-2-3009

Incl 1

ARX 532 PAGE 562

- b. That all activities authorized herein shall, if they involve, during their continuation or operation, any discharge of pollutants into waters of the United States or other waters, be at all times consistent with applicable water quality standards, effluent limitations and standards of performance, prohibitions, preservation standards and management practices established pursuant to the Federal Water Pollution Control Act of 1972 (P.L. 92-500, 86 Stat. 816), the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532, 86 Stat. 1033), or pursuant to applicable State and local law.
- c. That when the activity authorized herein involves a discharge during its continuation or operation, of any pollutants (including dredged or fill material, and others) into waters of the United States, the authorized activity shall, at applicable water quality standards are revised or modified during the term of this permit, be modified, if necessary, to conform with such revised or modified water quality standards within 6 months of the effective date of any revision or modification of water quality standards, or as directed by an implementation plan contained in such revised or modified standards, or within such longer period of time as the District Engineer, in consultation with the Regional Administrator at the Environmental Protection Agency, may determine to be reasonable under the circumstances.
- d. That the discharge will not destroy a threatened or endangered species as identified under the Endangered Species Act, or endanger the critical habitat of such species.
- e. That the permittee agrees to make every reasonable effort to preserve the conservation or operation of the work authorized herein in a manner so as to avoid any adverse impact on fish, wildlife, and natural environmental values.
- f. That the permittee agrees that he will prosecute the continuation of work authorized herein in a manner so as to minimize any degradation of water quality.
- g. That the permittee shall permit the District Engineer or his authorized representative(s) or designee(s) to make periodic inspections at any time deemed necessary in order to ensure that the activity being performed under authority of this permit is in accordance with the terms and conditions presented herein.
- h. That the permittee shall maintain the structure or work authorized herein in good condition and in accordance with the plans and drawings attached hereto.
- i. That this permit does not convey any property rights, either in real estate or material, or any exclusive privilege(s) and that it does not authorize any rights to property or violation of rights or any infringement of Federal, State, or local laws or regulations nor does it obviate the requirement to obtain State or local agency approval by law for the activity authorized herein.
- j. That this permit may be summarily suspended, in whole or in part, when a finding by the District Engineer (the immediate supervisor of the activity) authorized herein would be in the general public interest. Such suspension shall be effective upon receipt by the permittee of a written notice of suspension which shall indicate (1) the extent of the suspension, (2) the reasons for this action, and (3) any corrective or preventative measures to be taken by the permittee when and as directed by the District Engineer in order to prevent further violations of the permit. The permittee shall take immediate action to comply with the provisions of the notice. Within ten days following receipt of this notice of suspension, the permittee may request a hearing in order to present information relevant to a decision as to whether the permit should be reinstated, modified or revoked. If a hearing is requested, it shall be conducted pursuant to procedures prescribed by the Chief of Engineers. After completion of the hearing, or within a reasonable time after issuance of the suspension notice to the permittee if no hearing is requested, the permit will either be reinstated, modified or revoked.
- k. That this permit may be either suspended, suspended or revoked in whole or in part if the Secretary of the Army or his authorized representative determines that there has been a violation of any of the terms or conditions of this permit or that such action would otherwise be in the public interest. Any such modification, suspension, or revocation shall become effective 30 days after receipt by the permittee of written notice of such action which shall specify the facts or conduct warranting such action (1) within the 30-day period, the permittee is able to satisfactorily demonstrate that (a) the alleged violation of the terms and conditions of this permit did not, in fact, occur or (b) the alleged violation was accidental, and the permittee has been cooperative with the terms and conditions of this permit, and is able to provide satisfactory assurance that future operations shall be in full compliance with the terms and conditions of this permit, or (2) within the aforesaid 30-day period, the permittee requests that a public hearing be held to present and and within 60 days commencing the proposed modification, suspension or revocation. The conduct of this hearing and the procedures for making a final decision shall be modified, suspend or revoke this permit in whole or in part shall be pursuant to procedures prescribed by the Chief of Engineers.
- l. That in issuing this permit, the Government has relied on the information and data which the permittee has provided in connection with his permit application. If, subsequent to the issuance of this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Government may, in addition, institute appropriate legal proceedings.
- m. That any modification, suspension, or revocation of this permit shall not be the basis for any claim for damages against the United States.
- n. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, as far in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period of more than one week, resumption of work and its completion.

BOOK 532 PAGE 563

b. That if the activity authorized herein is not started on or before 31st day of March, 1982, one year from the date of issuance of this permit unless otherwise specified and is not completed on or before 31st day of December, 1984, seven years from the date of issuance of this permit unless otherwise specified this permit, if not previously revoked or specifically extended, shall automatically expire.

g. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

h. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer procedure by which the permittee is transferring his interests herein to a third party pursuant to General Condition i hereof, he must remove the area to a condition satisfactory to the District Engineer.

i. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of title to and interests in real property.

j. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

k. That this permit may not be transferred to a third party without prior written notice to the District Engineer, either by the transferor's written agreement to comply with all terms and conditions of this permit or by the transferee subscribing to the permit in the space provided below and thereby agreeing to comply with all terms and conditions of this permit. In addition, if the permittee transfers the interests authorized herein by conveyance of realty, the deed shall reference this permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

l. Special Condition: (Here list conditions relating specifically to the proposed structure or work authorized by this permit.)

The following Special Conditions will be applicable when appropriate: **BY: 532 USE 564**

# STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:

a. That the permittee does not authorize the installation with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structure or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no attempt shall be made by the permittee to prevent the full and free use by the public of all navigable waters at or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be provided by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of inspection of the permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the direction of the Secretary of the Army or his authorized representative, the Secretary or his designee may restore the waterway to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. Structures for Small Boats: This permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by small craft from passing vessels. The holder of this permit does not release the permittee from taking all proper steps to insure the integrity of the structure permitted herein and the safety of boats moored nearby from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

## MAINTENANCE DREDGING:

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for years from the date of issuance of this permit (ten years unless otherwise indicated):

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

## DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 404(a) of the FWPCA and published in 40 CFR 230;

b. That the discharge will consist of suitable material free from toxic pollutants in either than trace quantities;

c. That the fill created by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution; and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

## DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 220-228.

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

**BALD HEAD ISLAND CORPORATION**

BY: [Signature]  
PERMITTEE  
[Signature]  
TITLE

9 March 1981  
DATE

BY AUTHORITY OF THE SECRETARY OF THE ARMY:  
[Signature]  
K. A. KOPCEK  
LTC, CE  
DEP DIST ENGR

27 March  
DATE

for **ROBERT K. HUGHES, COLONEL**  
DISTRICT ENGINEER,  
U.S. ARMY, CORPS OF ENGINEERS

Transferor hereby agrees to comply with the terms and conditions of this permit.

**BALD HEAD ISLAND, LIMITED**  
by [Signature]  
TRANSFEREE

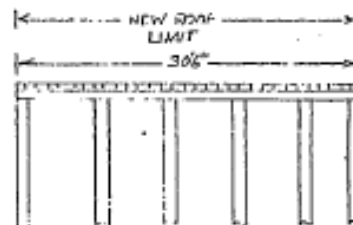
14 June 83  
DATE

[Signature]

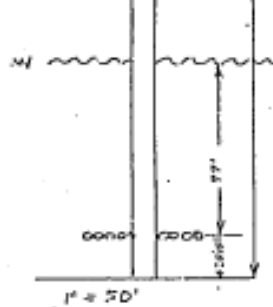
NO. 532 PAGE 565

PROJECT  
SITE

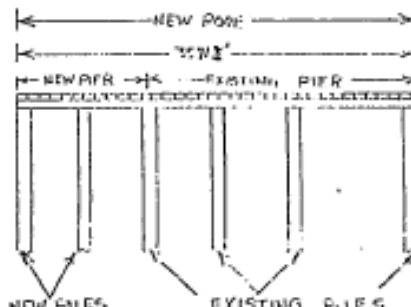
EXISTING ROOF  
NORTH  
WEST  
ELEV



NORTH ELEV  
1" = 10'



PLAN VIEW

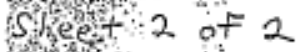


NEW PILES  
EXISTING PILES  
WEST ELEVATION

- NOTES
- 1) ALL CONST. & MATCH EXIST.
  - 2) NEW ROOF TO COVER ENTIRE END OF PIER
  - 3) ALL PILES TO BE 12" DIA 6' I O.C.

4) ADDITION

SHEET 1 OF 2





3

6. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, as far in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period of more than work, resumption of work and its completion.

REF 532 PAGE 569

b. That if the activity authorized herein is not started on or before 31st day of July, 1982 (one year from the date of issuance of this permit unless otherwise specified and is not completed on or before 31st day of December, 1982), then years from the date of issuance of this permit unless otherwise specified this permit, if not previously revoked or specifically extended, shall automatically expire.

c. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

d. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer proceeding by which the permittee is transferring his interests herein to a third party pursuant to General Condition 6 hereof, he must render the area to a condition satisfactory to the District Engineer.

e. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of title to and interests in real property.

f. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

g. That this permit may not be transferred to a third party without prior written notice to the District Engineer, given by the permittee's written agreement in conformity with all terms and conditions of this permit or by the transferee subscribing to this permit in the space provided below and thereby agreeing to comply with all terms and conditions of this permit. In addition, if the permittee transfers the interests authorized herein by conveyance of realty, the deed shall reference this permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

h. Special Conditions: (Here list conditions relating specifically to the proposed structure or work authorized by the permit):

All special conditions of the basic permit, SANCO80-N-010-000348, issued 24 May 1974, and subsequent modifications remain valid and in full force and effect.

The following Special Conditions will be applicable when appropriate:

DATE 532 PAGE 570

**STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:**

a. That this permit does not authorize the interference with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structures or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no action shall be made by the permittee to prevent the full and free use by the public of all navigable waters or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be permitted by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of expiration of this permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the direction of the Secretary of the Army or his authorized representative, the Secretary or his designee may cause the waterway to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. Structures for Small Boats: That permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by wave wash from passing vessels. The issuance of this permit does not relieve the permittee from taking all proper steps to insure the stability of the structure permitted herein and the safety of boats moored therein from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

**MAINTENANCE DREDGING:**

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for \_\_\_\_\_ years from the date of issuance of this permit (ten years unless otherwise indicated).

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

**DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:**

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 304(b) of the FWPCA and published in 40 CFR 230;

b. That the discharge will consist of suitable material free from toxic pollutants in other than trace quantities;

c. That the sediment by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution; and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

**DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:**

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 220-226.

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

**BALD HEAD ISLAND CORPORATION**

BY:

*[Signature]*  
PERMITTEE  
(Title)

DATE

BY AUTHORITY OF THE SECRETARY OF THE ARMY

*[Signature]*  
LTC, CE  
DEP. COMMANDER

DATE

1. ROBERT K. HUGHES, COLONEL

Commander and  
District Engineer,  
U.S. Army, Corps of Engineers

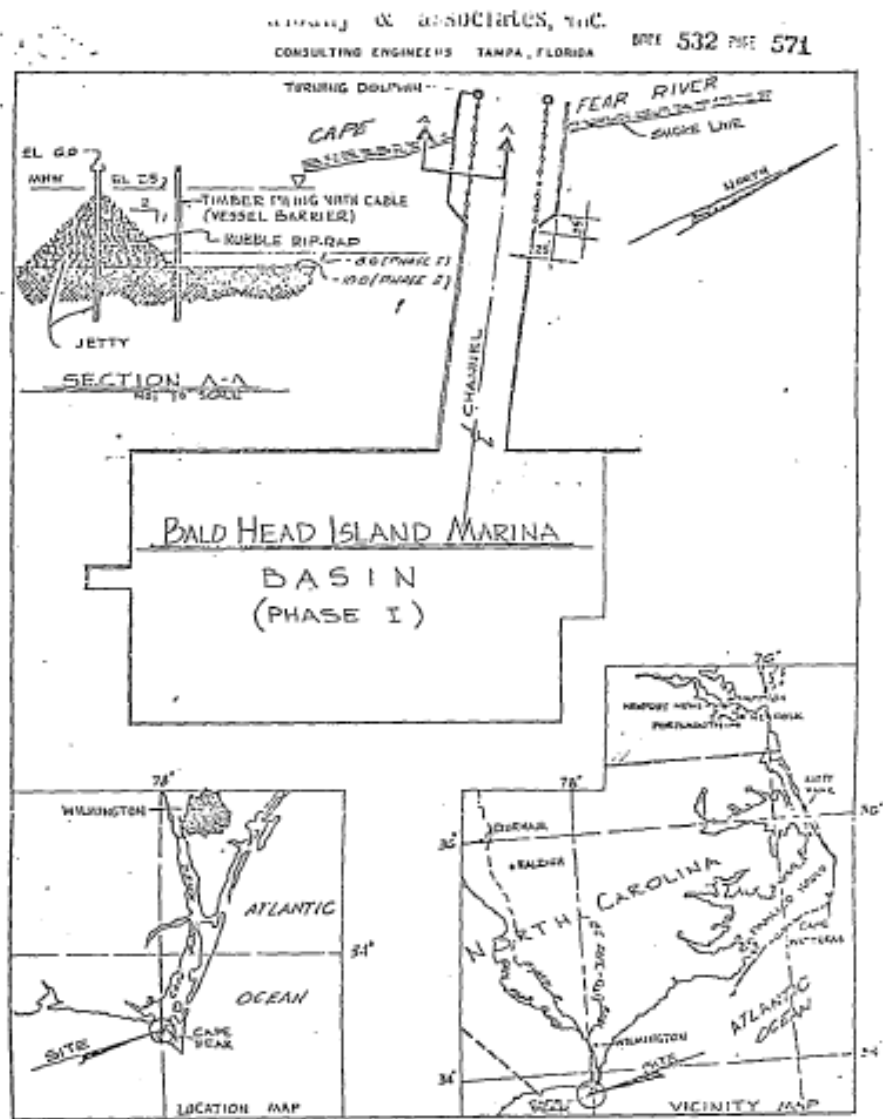
Transferor hereby agrees to comply with the terms and conditions of the permit.

**BALD HEAD ISLAND LIMITED**

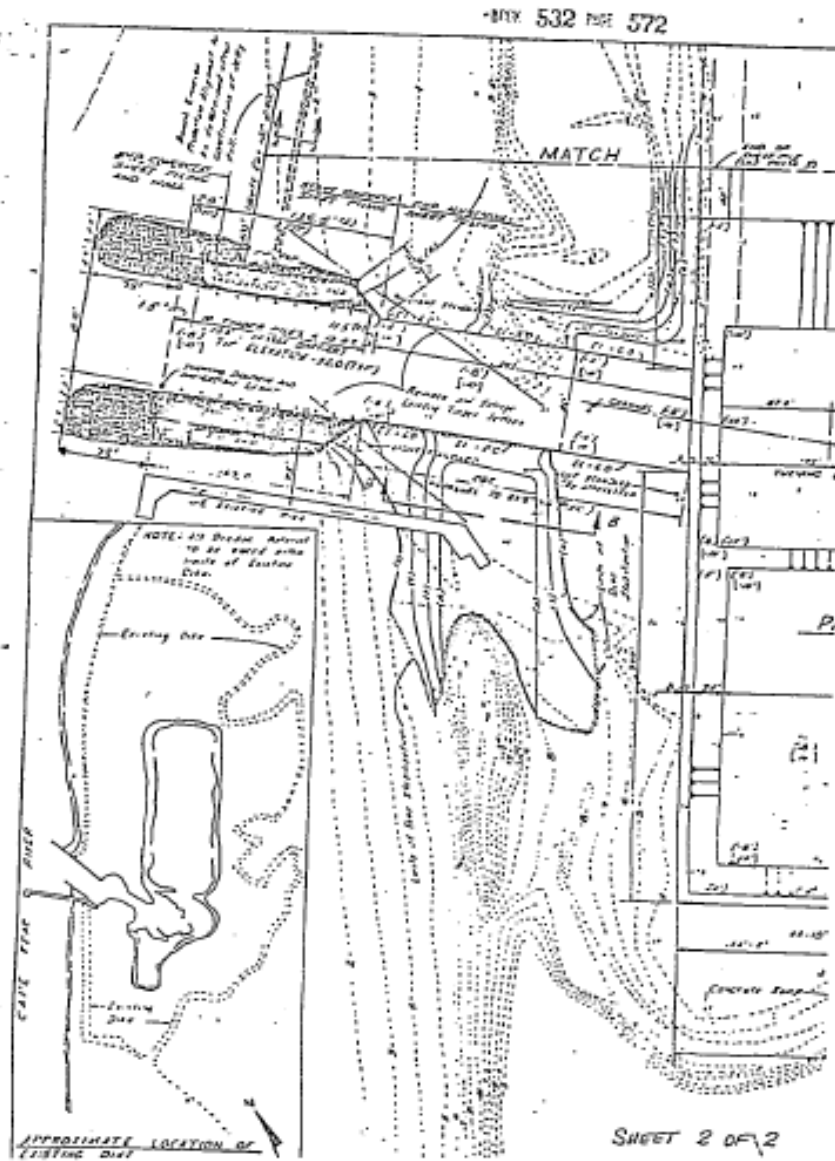
*[Signature]*  
TRANSFEREE

*[Signature]*  
Mick D. Mitchell

14 June 1983  
DATE



SHEET 1 OF 2



MODE 532 PAGE 573

DEPARTMENT OF THE ARMY  
CORPS OF ENGINEERS  
NOTICE OF AUTHORIZATION

13 July 19 81

A PERMIT TO : Deepen the entrance channel jetties on the Cape Fear River

AT : Bald Head Island, near Southport, Brunswick County, North Carolina

HAS BEEN ISSUED TO : Bald Head Island Corporation ON 11 July 19 81

ADDRESS OF PERMITTEE : 704 East Moore Street  
PO Box 11058  
Southport, NC 28461

PERMIT NUMBER : SAHCOB1-010-000225

FOR COMMANDER AND : Robert Hughes  
ROBERT HUGHES, COL, ICE

THIS NOTICE MUST BE CONSPICUOUSLY DISPLAYED AT THE SITE OF WORK



Application No. SAAC000-N-010-000368Name of Applicant Bald Head Island CorporationEffective Date (See Page 4)

BOOK 532 PAGE 574

Expiration Date (if applicable) 31 December 1984

## DEPARTMENT OF THE ARMY

## PERMIT

## MODIFICATION

Referring to written request dated 15 September 1980 for a permit to:

X 1. Perform work in or affecting navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 U.S.C. 403);

X 2. Discharge dredged or fill material into waters of the United States upon the issuance of a permit from the Secretary of the Army, acting through the Chief of Engineers pursuant to Section 404 of the Federal Water Pollution Control Act (33 Stat. 816, P.L. 85-623);

X 3. Transport dredged material for the purpose of dumping it into ocean waters upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 103 of the Marine Pollution, Research and Sanitation Act of 1972 (42 Stat. 1952, P.L. 92-532);

Bald Head Island Corporation  
704 East Moore Street  
PO Box 11058  
Southport, NC 28461

Is hereby authorized by the Secretary of the Army:

to  
install a wooden fender system, to place riprap material on both sides  
of the entrance channel jetties, and to install a sandbag bulkhead with  
backfill

on the Cape Fear River at Bald Head Island

near Southport, Brunswick County, North Carolina

in accordance with the plans and drawings attached hereto which are incorporated in and made a part of this permit (see drawings give file number or other definite identification marks.)

Subject to the following conditions:

## I. General Conditions:

a. That all activities described and authorized herein shall be consistent with the terms and conditions of this permit; and that any alteration not specifically provided and authorized herein shall constitute a violation of the terms and conditions of the permit which may result in the modification, suspension or revocation of this permit, in whole or in part, as set forth more specifically in General Condition 1 or 4 hereof, and in the violation of such legal proceedings as the United States Government may consider appropriate, whether or not the permit has been previously modified, suspended or revoked in whole or in part.

ENG FORM 1121 EDITION OF 1 APR 74 IS OBSOLETE.

(ER 1145-2-000)

Incl 1

BY 532 PMS 575

b. That all activities authorized herein shall, if they involve, during their construction or operation, any discharge of pollutants into waters of the United States or ocean waters, be in full compliance with applicable water quality standards, effluent limitations and standards of performance, prohibitions, pretreatment standards and other requirements established pursuant to the Federal Water Pollution Control Act of 1972 (P.L. 92-500; 86 Stat. 816), the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532; 86 Stat. 1052), or pursuant to applicable State and local law.

c. That when the activity authorized herein involves a discharge during its construction or operation, of any pollutant (including dredged or fill material), into waters of the United States, the authorized activity shall, if applicable water quality standards are revised or modified during the term of the permit, be modified, if necessary, to conform with such revised or modified water quality standards within 6 months of the effective date of any revision or modification of water quality standards, or as directed by an enforcement action contained in such revised or modified standards, or within such longer period of time as the District Engineer, in consultation with the Regional Administrator of the Environmental Protection Agency, may determine to be reasonable under the circumstances.

d. That the discharge will not destroy a threatened or endangered species as identified under the Endangered Species Act, or endanger the critical habitat of such species.

e. That the permittee agrees to make every reasonable effort to prosecute the construction or operation of the work authorized herein in a manner so as to minimize any adverse impact on fish, wildlife, and natural environmental values.

f. That the permittee agrees that he will prosecute the construction or work authorized herein in a manner so as to minimize any degradation of water quality.

g. That the permittee shall permit the District Engineer or his authorized representative(s) or designee(s) to make periodic inspections at any time deemed necessary in order to ensure that the activity being performed under authority of this permit is in accordance with the terms and conditions herein.

h. That the permittee shall maintain the structure or work authorized herein in good condition and in accordance with the plans and drawings attached hereto.

i. That this permit does not convey any property rights, either in real estate or material, or any exclusive privileges; and that it does not authorize any injury to persons or violation of rights or any infringement of Federal, State, or local laws or regulations nor does it obviolate the requirements to obtain State or local permits required by law for the activity authorized herein.

j. That this permit may be summarily suspended, in whole or in part, upon a finding by the District Engineer that immediate termination of the activity authorized herein would be in the general public interest. Such suspension shall be effective upon receipt by the permittee of a written notice thereof which shall indicate (1) the grounds for the suspension, (2) the steps for this action, and (3) any corrective or preventative measures to be taken by the permittee which are deemed necessary by the District Engineer to their imminent hazard to the general public interest. The permittee shall take immediate action to comply with the provisions of this notice. Within ten days following receipt of this notice of suspension, the permittee may request a hearing in order to present information relevant to a decision as to whether the permit should be reinstated, modified or revoked. If a hearing is requested, it shall be conducted pursuant to procedures prescribed by the Chief of Engineers. After completion of the hearing, or within a reasonable time after issuance of the suspension notice to the permittee if no hearing is requested, the permit will either be reinstated, modified or revoked.

k. That this permit may be either modified, suspended or revoked in whole or in part if the Secretary of the Army or his authorized representative determines that there has been a violation of any of the terms or conditions of this permit or that such action would otherwise be in the public interest. Any such modification, suspension, or revocation shall become effective 30 days after receipt by the permittee of written notice of such action which shall specify the facts or conduct warranting same unless (1) within the 30-day period the permittee is able to satisfactorily demonstrate that (a) the alleged violation of the terms and conditions of this permit did not, in fact, occur or (b) the alleged violation was accidental, and the permittee has been operating in compliance with the terms and conditions of this permit and is able to provide satisfactory assurance that future operations shall be in full compliance with the terms and conditions of this permit; or (2) within the aforesaid 30-day period, the permittee requests that a public hearing be held to present oral and written evidence concerning the proposed modification, suspension or revocation. The conduct of this hearing and the procedure for making a final decision either to modify, suspend or revoke this permit in whole or in part shall be pursuant to procedures prescribed by the Chief of Engineers.

l. That in issuing this permit, the Government has relied on the information and data which the permittee has provided in connection with his permit application. If, subsequent to the issuance of this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Government may, in addition, institute appropriate legal proceedings.

m. That any modification, suspension, or revocation of this permit shall not be the basis for any claim for damages against the United States.

n. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, as far in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period of more than one week, resumption of work and its completion.

DEIX 532 PAGE 576

10. That if the activity authorized herein is not started on or before 31st day of January, 1982, hereafter, the date of expiration of this permit unless otherwise specified and it was completed on or before 31st day of December, 1982, (three years from the date of issuance of this permit unless otherwise specified) the permit, if not previously renewed or specifically extended, shall automatically expire.

11. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

12. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer procedure by which the permittee is transferring his interest herein to a third party pursuant to General Condition 1 hereof, he must restore the area to a condition satisfactory to the District Engineer.

13. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of sale to and interests in real property.

14. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

15. That this permit may not be transferred to a third party without prior written notice to the District Engineer, either by the permittee's written agreement to comply with all terms and conditions of this permit or by the District Engineer's written agreement to transfer the permit to the third party. In either case, the permittee shall execute and deliver to the District Engineer a deed or other instrument conveying the permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

16. Special Conditions: (Here list conditions relating specifically to the proposed structure or work authorized by the permit):

Before any excavation or construction is begun, the permittee and his contractor will meet onsite with a representative of the US Army Corps of Engineers to delineate and stake the sandbag bulkhead and breakwater structure alignments.

and referring here to the work of applicable when appropriate.

BOOK 532 PAGE 577

#### STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:

a. That the permit does not authorize the interference with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structure or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no attempt shall be made by the permittee to prevent the full and free use by the public of all navigable waters at or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be prescribed by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of revocation of the permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the direction of the Secretary of the Army or his authorized representative, the Secretary or his delegates may cause the waterway to be restored to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. Structures for Small Boats: That permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by wave wash from passing vessels. The issuance of this permit does not release the permittee from taking all proper steps to insure the integrity of the structure permitted herein and the safety of boats moored thereto from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

#### MAINTENANCE DREDGING:

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for \_\_\_\_\_ years from the date of issuance of this permit, ten years unless otherwise indicated:

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

#### DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 404(b) of the FWPCA and published in 40 CFR 220;

b. That the discharge will consist of suitable material free from toxic pollutants in other than trace quantities;

c. That the fill created by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution; and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

#### DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 220-228;

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND CORPORATION

BY [Signature]  
PERMITTEE [Signature]  
TITLE

1/8/81

DATE

BY AUTHORITY OF THE SECRETARY OF THE ARMY:

GEORGE T. BUNCH  
EXECUTIVE ADJUTANT  
BY [Signature]

22 Jan 1981

DATE

ROBERT K. HUGHES, Colonel  
DISTRICT ENGINEER,  
U.S. ARMY, CORPS OF ENGINEERS

Transferee hereby agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND LIMITED

BY [Signature]  
TRANSFEEE

14 June 1983

DATE

M. D. Antlell

U. S. GOVERNMENT PRINTING OFFICE: 1980-004-004-01

BOX 532 PAGE 578

jue: Kammor



DEPARTMENT OF THE ARMY  
WILMINGTON DISTRICT, CORPS OF ENGINEERS  
P. O. BOX 1890  
WILMINGTON, NORTH CAROLINA 28402

IN REPLY REFER TO  
SAWS73-10-15-386

16 January 1981

Mr. John Messick  
Bald Head Island, Inc.  
PO Box 1058  
Southport, NC 28461

Dear Mr. Messick:

In accordance with your written request of 12 January 1981, Department of the Army Permit No. SAKS73-10-15-386 issued 24 May 1974 to Bald Head Island Corporation is hereby modified.

The following condition is incorporated into the authorization and supersedes previously established work completion dates.

That if the activity authorized herein is not completed on or before 31 December 1981, this permit if not previously revoked or specifically extended shall automatically expire.

All other conditions of the permit issued 24 May 1974 and previous modification of 14 December 1977 remain in full force and effect.

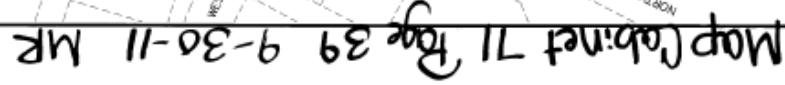
BY AUTHORITY OF THE SECRETARY OF THE ARMY:

*Robert K. Hughes*  
ROBERT K. HUGHES  
Colonel, Corps of Engineers  
District Engineer

*George T. Duvich*  
GEORGE T. DUVICH  
EXECUTIVE ASSISTANT

CP:  
Director, Atlantic Marine Center  
National Ocean Survey, NOAA  
ATTN: CAM04, 439 W. York Street  
Norfolk, VA 23510

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

**PLAT (71/39)**



# February 17, 2021 Public Hearing

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## Bald Head Island Transportation Authority



February 17, 2021

# Introductions and Overview

I/A

LHR / CAP REBUTTAL EXHIBIT 3  
A-41 SUB 22

BHITA

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## Speakers



**Susan Rabon**

BHITA  
Board Chair



**Mary Nash Rusher**

McGuireWoods LLP  
Authority Counsel / Bond Counsel



**Jim Leonard**

Mercator International  
Authority Feasibility Consultant



**Derik Andreoli**

Mercator International  
Authority Feasibility Consultant



**Ted Cole**

Davenport & Company LLC  
Authority Financial Advisor



**Eric Golynsky**

UBS Financial Services Inc.  
Authority Bond Underwriter

## Meeting Format

1. Opening Remarks - Susan Rabon
2. Prepared Presentation - Authority Consultants
3. Public Comment

# Presentation Topics for Discussion

I/A

LHR / CAP REBUTTAL EXHIBIT 3  
A-41 SUB 22

McGuireWoods LLP

- Authority Governance
- Enabling Legislation
- Timeline of Key Events
- Existing and Proposed Operating Structure
- Due Diligence Initiatives and Process
- Financial Feasibility Overview
- Asset Purchase Agreement and Purchase Price
- Operating and Transition Services Agreement
- Revenue Bond Overview
- Financial Modeling and Projections
- Historical and Projected Rate Increases
- Bond Rating Process and Outcome
- Next Steps

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- The composition of the Authority Board is modeled after other similar North Carolina Transportation Authorities and includes State and Local Representation.
- The Ferry Transportation Authority Act established an 11 member Board of Trustees consisting of the Mayor and Mayor Pro Tempore of the municipality only accessible by vessel (Village of Bald Head Island), as well as 9 appointed members. The Trustees serve three-year staggered terms.

## Board of Trustees as of 2/17/2021

Trustee	Appointed By:
Ms. Susan Rabon (Chair)*	Governor
Mr. Robert Howard (Vice Chair)	Brunswick County
Mr. Landon Zimmer (Secretary)	NCDOT
Mr. David Jessen (Treasurer)	General Assembly
Dr. Rex Cowdry**	NCDOT
Mr. Jed Dixon	NCDOT

\*Bald Head Island Property Owner

\*\*Bald Head Island Resident

Trustee	Appointed By:
Mr. Paul Cozza	General Assembly
Mr. Jim Powell	City of Southport
Mayor Andy Sayre**	Village of Bald Head Island
Mayor Pro Tem Michael Brown**	Village of Bald Head Island
Mr. Claude Pope**	Village of Bald Head Island

- The Authority Board has relied on independent consultants to support all of its activities. No full-time staff has been hired, although the Authority does have a part-time Interim Finance Director and a part-time Interim Clerk.

# Enabling Legislation – Authority Mandate<sup>I/A</sup>

LHR / CAP REBUTTAL EXHIBIT 3  
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On July 18, 2017 Senate Bill 391, Session Law 2017-120, known as the Ferry Transportation Authority Act, was enacted into law and became Article 29 of Chapter 160A of the North Carolina General Statutes.

- The purpose of the Ferry Transportation Authority Act is to authorize the creation of an Authority to provide reliable and safe public ferry transportation services in its service area.
- Under Section 6.(a) of the Ferry Transportation Authority Act, the newly-created Authority was charged to purchase “the assets used and useful for the ferry transportation service... and owned by the private ferry transportation service or its affiliates... at or below their appraised value.”
- The Ferry Transportation Authority Act establishes the authority and powers of the Authority, including its financial accountability, its operation as a public body fulfilling a public purpose, its general powers, and the independent rate-setting authority of the Board of Trustees to establish rates, fees, charges, routes and schedules.
- The Bald Head Island Transportation Authority (“BHITA” or the “Authority”) filed its Articles of Incorporation with the Office of the Secretary of State on August 23, 2017 following public hearings held by, and approvals from, each of the Village Council of the Village of Bald Head Island, the Board of Alderman of the City of Southport, and the County Commissioners of the County of Brunswick.

# Authority Timeline of Key Events

I/A

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<b>February 2017-March 2017:</b>	Conceptual meetings with the Village of Bald Head Island Council, City of Southport Board of Alderman, Brunswick County Board of Commissioners, North Carolina Utilities Commission, North Carolina Department of Transportation and Bald Head Island constituents (Club, Bald Head Association, Bald Head Island Conservancy).
<b>April 2017-June 2017:</b>	Additional input meetings with stakeholders, media statements and five open public information sessions at the Bald Head Association Center, Raleigh and Greensboro. The Village of Bald Head Island Council, City of Southport and Brunswick County Boards all held public hearings and <u>unanimously</u> adopted resolutions in support of the Ferry Transportation Authority Act.
<b>July 18, 2017:</b>	Governor Cooper signs the Ferry Transportation Authority Act into law after <u>unanimous</u> passage in the State House and Senate, including 11 committee and floor votes.
<b>August 2017:</b>	Village of Bald Head Island Council, City of Southport and Brunswick County Boards all <u>unanimously</u> approve Articles of Incorporation.
<b>Nov. 2017 - Dec. 2020:</b>	Over 40 Authority meetings resulting in the hiring of required consultants; asset, infrastructure, financial and legal due diligence; and negotiation of purchase price with the Seller. Information required for negotiations disclosed under a Confidentiality and Non- Disclosure Agreement with the Seller.
<b>March 2018 - June 2020:</b>	The Village of Bald Head Island Council <u>unanimously</u> approves grants under six interlocal agreements, fully funded by the Seller.
<b>May 24, 2018:</b>	Authority Briefing with LGC Staff
<b>March 12, 2019:</b>	Authority Briefing with LGC Staff
<b>Fall 2020:</b>	Multiple Discussions with LGC Staff to review Authority Due Diligence and proposed Revenue Bond Transaction.
<b>December 1, 2020:</b>	LGC Public Information Session
<b>December 8, 2020:</b>	Authority Board adopts a resolution approving the Asset Purchase Agreement ( <u>7-4 vote</u> ) and the Findings Resolution ( <u>8-3 vote</u> ), authorizing the application to the LGC for the bond sale.
<b>December 16, 2020:</b>	Authority Board adopts revised Findings Resolution stating a not-to-exceed amount for the financing ( <u>9-2 vote</u> ).

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APR 17 2023



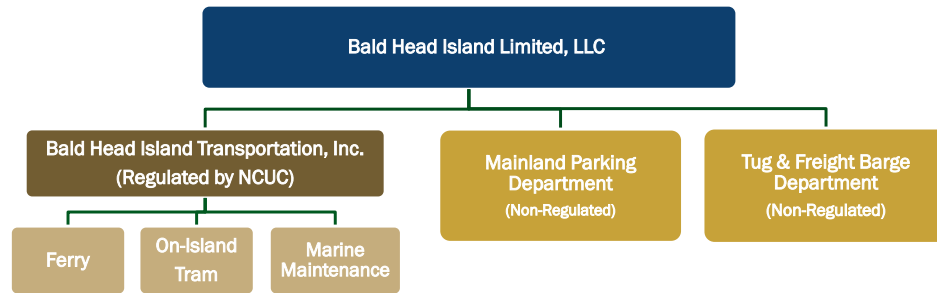
# Existing and Proposed Operating Structure

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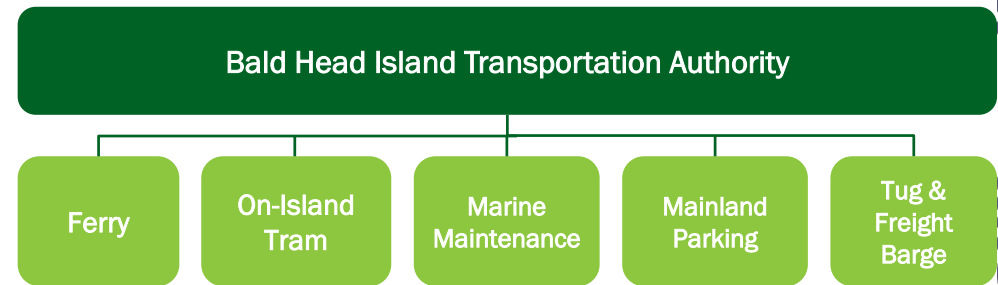
McGuireWoods LLP

## Current Operating Structure



- The current transportation system is operated under the umbrella of Bald Head Island Limited, LLC and divided into three separate operating companies / departments:
  - Bald Head Island Transportation, Inc. (a regulated company) which is responsible for three components: Ferry, On-Island Tram and Marine Maintenance
  - Mainland Parking Department (unregulated)
  - Tug & Freight Barge Department (unregulated)
- The Seller has indicated that it intends to divest of these assets through one or more transactions. As such, one potential alternative outcome to the Authority structure shown to the right would be for these assets to be owned and operated by one or more private, for-profit entities.

## New Authority Operating Structure



- Under the new operating structure, the Authority will operate the Ferry, On-Island Tram, Marine Maintenance, Parking and Tug and Freight Barge (the “System”) as a combined, locally-governed, non-profit system with a low cost of capital.
  - Answers the need for a platform of long-term governance, stewardship and operation
  - Creates a decision-making body addressing comprehensive interests
  - Enhances the viability and sustainment of Bald Head Island
  - Simplifies existing operations into an integrated transportation and logistics system
  - Creates potential for operational efficiency gains to mitigate the level of future fare increases

# Authority Due Diligence

I/A

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## Due Diligence

- Asset / Infrastructure Due Diligence
  - Vessel Survey Reports – KOPCO
  - Marina Infrastructure Due Diligence Report (Deep Point Terminal and Bald Head Island Terminal) – Moffatt & Nichol
  - Real Estate Appraisals (Deep Point Terminal and Bald Head Island Terminal) – Earl Worsley
  - Environmental Reports (Deep Point Terminal and Bald Head Island Terminal) – S&ME
  - Title and Surveys on Real Estate (Deep Point Terminal and Bald Head Island Terminal)
  - System Valuations and Financial Projections – HMS Global
- Financial Due Diligence
  - Historical Financial Review (Monthly, Calendar Year, and Fiscal Year)
  - Independent Audited Financial Statements of Seller (2014-2019) for Ferry, Parking and Tug & Freight Barge – RSM US LLP
  - Pro Forma Financial Models (Monthly and Fiscal Year)
  - Bond Feasibility Study – Mercator International LLC
  - Operational Plan Option Analysis
  - Credit Rating Agency Evaluation
  - Bond Underwriter Due Diligence
  - Independent Financial Advisor engaged
- Legal Due Diligence / Documentation
  - Asset Purchase Agreement
  - Operating and Transition Services Agreement
  - Bond Documents

## Asset Valuation

Assets	Valuation Source	Value
<b>Land and Improvements</b>		
Deep Point Terminal (mainland)	Worsley	36,325,000
Bald Head Island Terminal	Worsley	6,070,000
<b>Total Land and Improvements</b>		<b>42,395,000</b>
<b>Marine Vessels</b>		
Ranger	KOPCO/HMS	1,200,000
Patriot	KOPCO/HMS	975,000
Sans Souci	KOPCO/HMS	410,000
Adventure	KOPCO/HMS	592,500
Capt Cooper	KOPCO/HMS	2,100,000
USS Brandon Randall	KOPCO/HMS	245,000
<b>Total Marine Vessels</b>		<b>5,522,500</b>
<b>Vehicles</b>		
DPA 001 - 2014 Dodge Ram 1500	KBB	15,000
T 028 - 2003 GMC Sonoma	KBB	4,000
MM001 - 2006 Ford F250	KBB	5,500
MM002 - 2006 Ford F250	KBB	5,500
MM005 - 2004 Ford F250	KBB	5,000
Island Tram Trucks (19)	Mercator/Web	142,500
Passenger Trams (20)	Mercator/Web	140,000
Luggage Dollies (82)	Mercator/Web	61,500
Forklift (estimated)		30,000
<b>Total Vehicles</b>		<b>409,000</b>
<b>Furniture &amp; Equipment</b>	Audited Financial Statements	1,400,324
<b>Information Technology</b>	Audited Financial Statements	1,214,099
<b>Grand Total</b>		<b>50,940,923</b>

# Financial Feasibility Study Approach<sup>I/A</sup>

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- Operational Continuity:
  - Management Services Agreement maintains continuity and gives the Authority time to hire its own management team and transition operations
  - Status Quo Continues: Assumes no change to operations, schedules, services, staff, management
- Volume and Revenue Forecasts:
  - Drivers of ferry and barge demand are the number of existing housing units and the number of housing units being added
  - In median scenario, expect housing additions at rate of 1.7% per year (about 20 units per year) resulting in ferry traffic growth of 2.3% per year over the first 10 years of the forecast
  - In low scenario, housing additions are reduced to 0.8% (about 10-11 per year), with ferry traffic growing at 1.3% per year over the first 10 years of the forecast
  - Rates track inflation. Assumes a FY 2022 “catch up” for past inflation, with next increases not coming until FY 2027
  - Volume is capped when system capacity is reached / island is fully built (not relevant for low case)
- Cost Forecasts:
  - Operating costs are based on historical actual spending, adjusted to reflect new management structure, inflation, and rising volume
  - Authority will own the Deep Point Terminal campus and the Bald Head Island Terminal campus, so lease payments cease
- Capital Spending to Maintain the Operation:
  - Regular spending, including scheduled maintenance and overhaul of ferries and barge equipment
  - New parking spaces added in the first year, with ongoing investments to keep up with volume growth
  - All maintenance capital as identified by engineering consultants, including rebuild of passenger dock at BHI
  - Ferry replacements
  - Dredging at Deep Point and Bald Head Island

# BHITA – Real Estate Fundamentals

I/A

LHR / CAP REBUTTAL EXHIBIT 3  
A-41 SUB 22

Mercator International

- Ferry ticket sales grew at a compound annual growth rate (CAGR) of 5.1% between 2000 and 2007, which coincides with the ramp up of the US housing bubble and growth in the US home price index of 8.7% per year on a compound annual basis.
- Ticket sales contracted from 354,000 in 2007 to 263,000 in 2012, and this coincides with the US home price index, which peaked in March 2007, and continued to decline until reaching a trough in 2012.
- Between February 2012 and February 2020, home prices grew at a CAGR of 5.9%, while ticket sales grew at a CAGR of 4.5%.

Figure 2: BHI ferry ticket sales by major category, 2000 to 2019



# BHITA – Ticket Sales and Residential Construction/Housing Stock

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- Ferry ticket sales have been volatile, with a prolonged contraction between 2007 and 2012 explained by the local housing market which mirrored the national market.
- Construction on the island grew rapidly prior to housing market collapse, which preceded the 2008/9 recession.
- Ferry ticket sales can be accurately predicted by multivariate econometric model that is driven by housing stock and annual additions to housing stock.

Figure 12: Residential units built per year and accumulated housing stock, 2000 to 2019

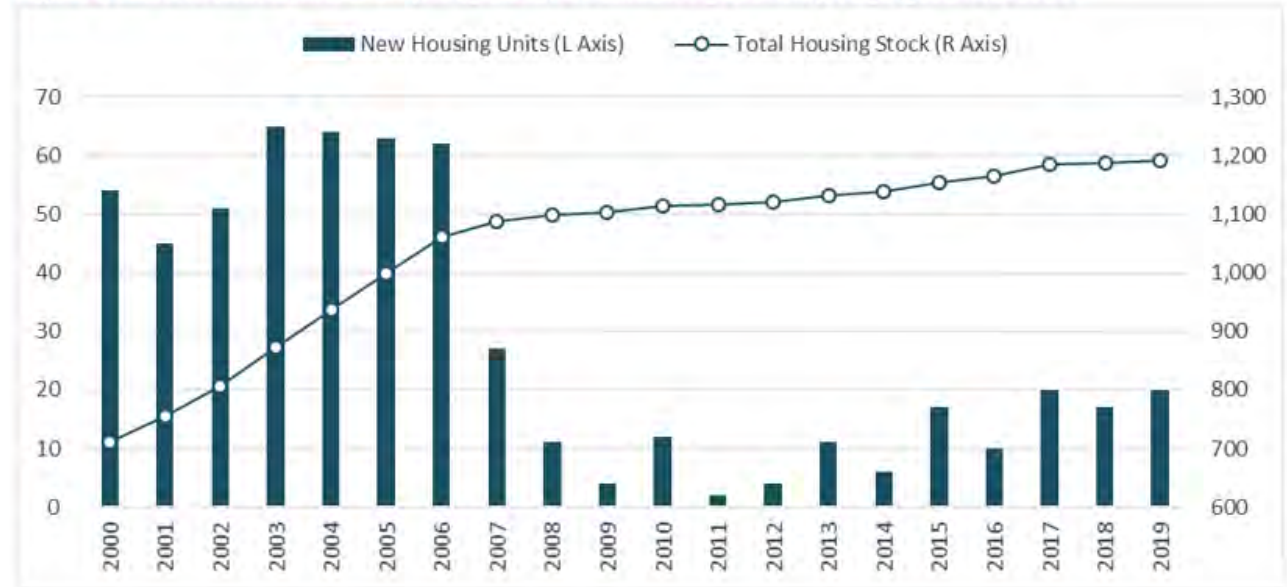
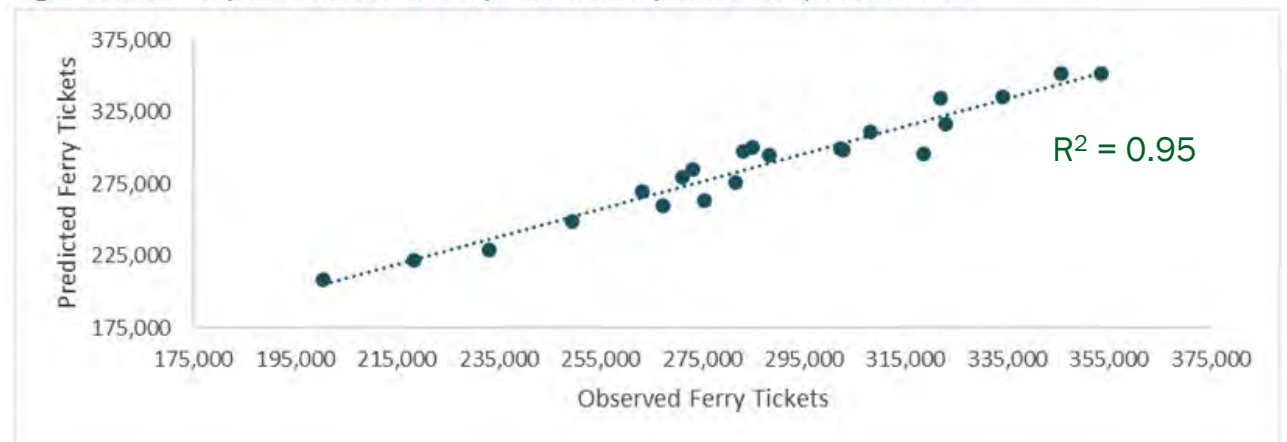


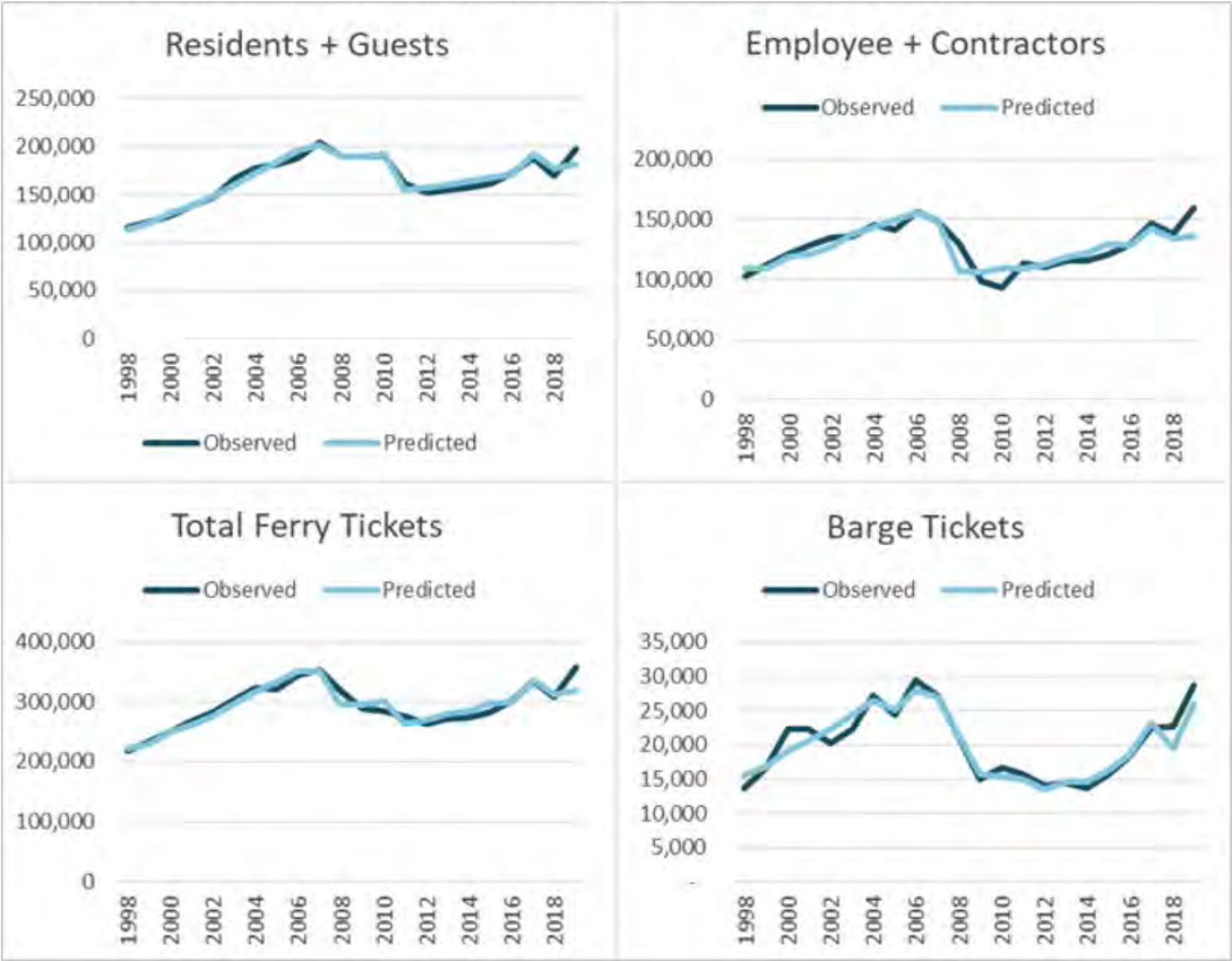
Figure 17: Scatterplot of observed and predicted ferry ticket sales, 1997 to 2018<sup>21</sup>





# BHITA – Ticket Sales Model ‘Backcast’<sup>I/A</sup>

Figure 16: Observed and predicted BHI ferry and barge ticket volumes, 1997 to 2019



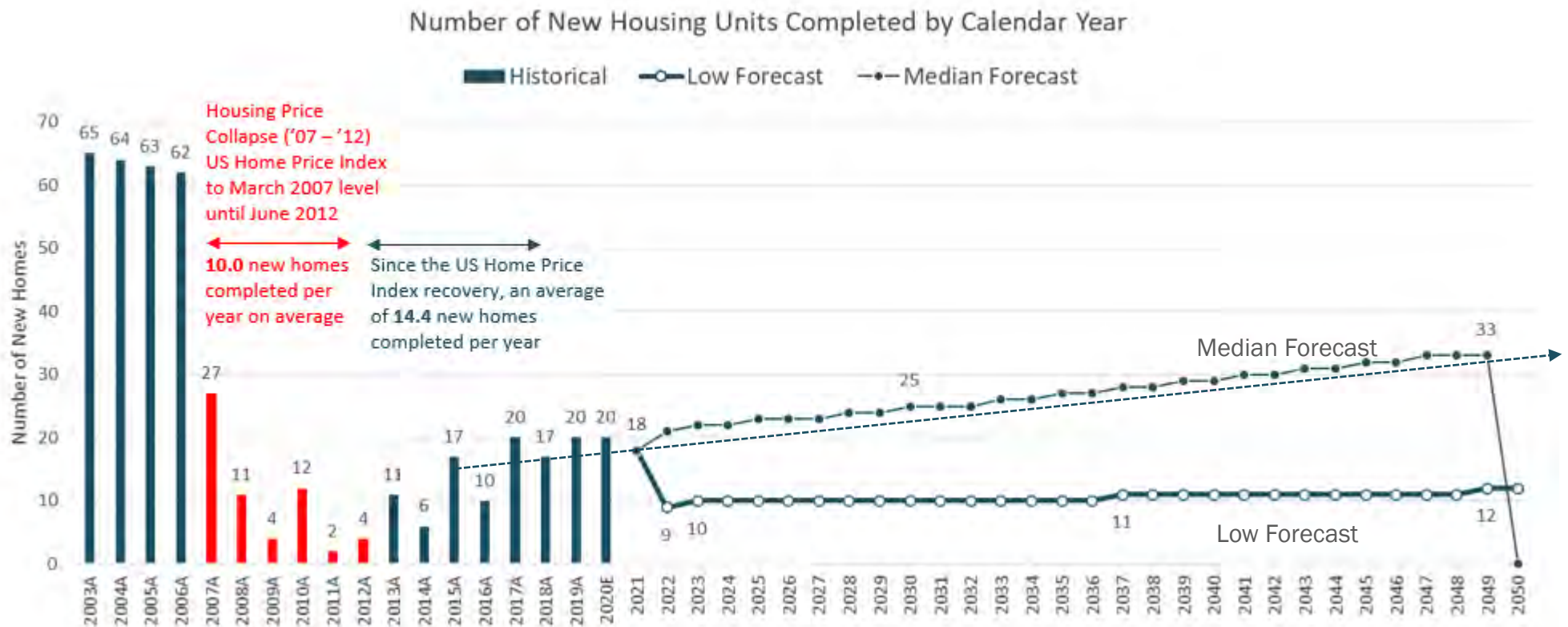


# BHITA – Conservative Outlook for New Home Construction/Housing Stock Growth Rates

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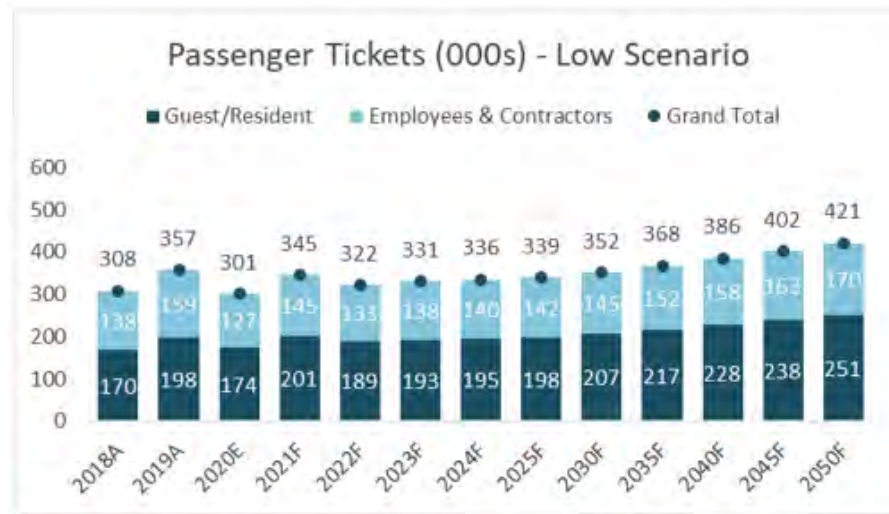
- During the housing bubble, more than 60 new homes were completed per year, but between 2007 and 2012, the average per year dropped to 10.
- In the fourteen years since 2007, fewer than 10 homes were completed in only 4 years.
- Since 2012, there has been only one year when new home completions fell below 10.
- Under the **low scenario**, new home construction is held at 10/year through 2036, while under the **median scenario** this number continues along the recent trajectory (dashed line), slowly rising to 25/year by 2030.
- Under the median scenario, the island is completely built out by 2050 – property records indicate that an additional 800 residential units can be built. Ferry traffic is curtailed as of 2045 when the R-T ferry passenger limit of 535,000 is reached.



# BHITA – Forecast of Passenger and Barge Ticket Sales through 2050

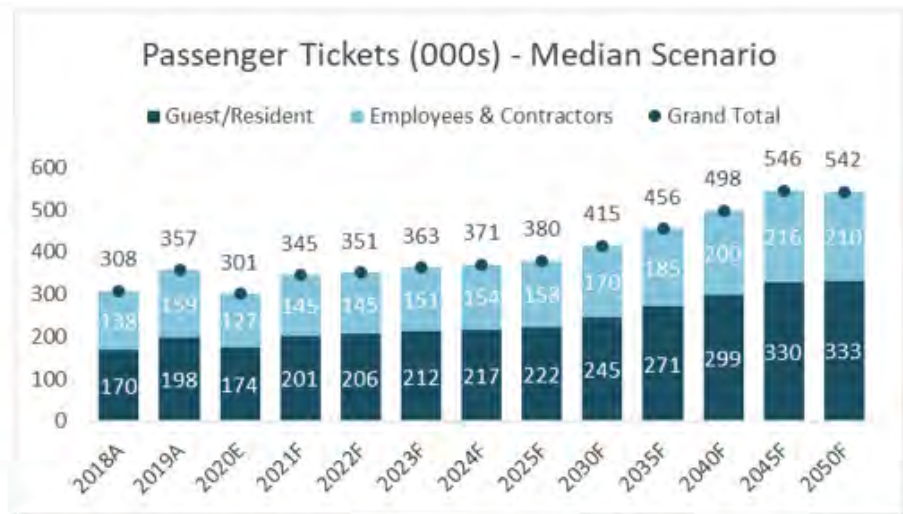
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- **LOW Scenario (used for bond rating):** Passenger ferry ticket sales are forecasted to grow at a CAGR of about 1.1% in the near term declining to 0.9% over the long term, while barge tickets are forecasted to grow at slightly higher rates of 1.8% and 1.4% over the near- and long-term.
- **MEDIAN Scenario:** Passenger tickets grow at CAGRs of 2.1% and 1.5% over the near term and long term, respectively, while barge tickets grow at rates of 3.0% and 1.7%, respectively.



CAGRs

	10-Year (2022-2032)	Full Term (2022-2050)
<b>Low Growth Rates</b>		
Newbuilds	0.8%	0.8%
Passenger Tickets		
Guest/Resident	1.1%	1.0%
Emp's & Contractors	1.1%	0.8%
Grand Total	1.1%	0.9%
Barge Tickets	1.8%	1.4%



CAGRs

	10-Year (2022-2032)	Full Term (2022-2050)
<b>Median Growth Rates</b>		
Newbuilds	1.7%	1.6%
Passenger Tickets		
Guest/Resident	2.2%	1.7%
Emp's & Contractors	1.9%	1.3%
Grand Total	2.1%	1.5%
Barge Tickets	3.0%	1.7%

NOTE: All volumes discussed on this slide are expressed in calendar years. These volumes were adjusted to fiscal years for the financial modeling. As a result, the figures on this slide will not exactly match volumes in the financial model.

# Ferry Ridership Classes

I/A

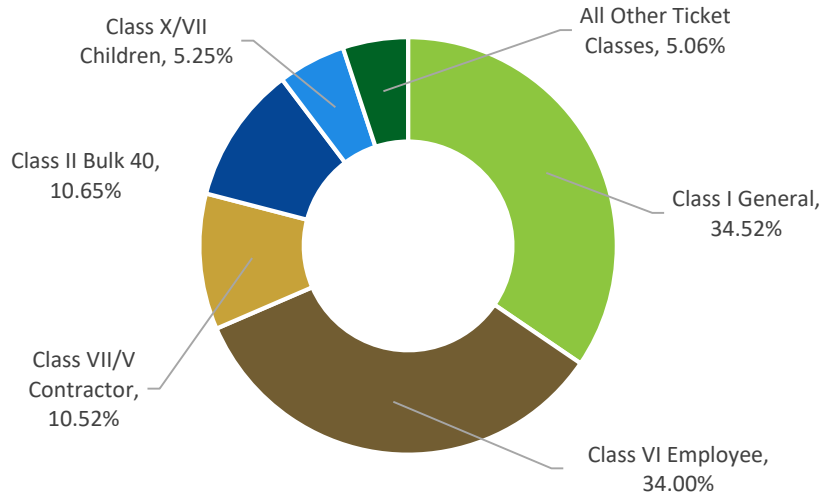
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Ferry Ridership by Ticket Class  
2020



Annual Ferry Ridership 2020	% of Total Ridership	Fare
Class I General	34.52%	\$23.00
Class VI Employee	34.00%	\$14.00
Class VII/V Contractor	10.52%	\$14.00
Class II Bulk 40	10.65%	\$17.50
Class X/VII Children	5.25%	\$12.00
All Other Ticket Classes	5.06%	\$9.00 - \$15.00
<b>Total Ridership</b>	<b>100.00%</b>	

## Bald Head Island Transportation, Inc.

Annual Ferry Ridership % of Total by Class	2009 (a)	2010	2011 (b)	2012	2013	2014	2015	2016	2017	2018 (c)	2019 (c)	2020 (d)	Average (2009-2020)
Class I General	35.29%	36.91%	34.37%	34.84%	34.64%	34.37%	34.56%	34.36%	35.64%	33.92%	33.27%	34.52%	34.72%
Class VI Employee	18.51%	16.59%	29.01%	30.67%	32.32%	32.54%	33.70%	32.77%	32.57%	34.36%	32.09%	34.00%	29.93%
Class VII/V Contractor	12.10%	13.18%	12.04%	11.02%	10.14%	9.44%	8.83%	9.95%	10.96%	10.47%	12.20%	10.52%	10.90%
Class II Bulk 40	7.19%	7.53%	10.75%	9.11%	8.95%	8.81%	8.70%	9.16%	8.82%	9.94%	11.94%	10.65%	9.30%
Class X/VII Children	6.13%	6.32%	6.45%	6.41%	6.32%	6.14%	6.08%	5.92%	5.68%	5.29%	4.98%	5.25%	5.91%
All Other Ticket Classes	20.78%	19.47%	7.38%	7.95%	7.63%	8.69%	8.13%	7.84%	6.33%	6.02%	5.52%	5.06%	9.23%
<b>Total Ridership</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

(a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.

(b) In 2010, the regulated utility concluded a rate case with the North Carolina Utilities Commission. New Ticket classes and tariffs became effective January 1, 2011. Ferry Ticket prices have not changed since January, 2001.

(c) Hurricane Florence (September 2018) had significant effects on Ferry operations during the Q4 2018 -to- Q2 2019 period.

(d) COVID-19 had significant effects on Ferry operations in 2020.

# Historical and Projected Fare Increases

I/A

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A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
Date	CPI	Ferry - Class I Rates				Barge - Cost per 6ft				Parking - General Lot*				Parking - Revenue per Slot/Day			
	Annual Growth	Actual/ Planned Rate	% Growth	Hypothetical Rate (Inflation Adjusted)	Difference vs. Actual	Actual/ Planned Rate	% Growth	Hypothetical Rate (Inflation Adjusted)	Difference vs. Actual	Actual/ Planned Rate	% Growth	Hypothetical Rate (Inflation Adjusted)	Difference vs. Actual	Actual/ Planned Rate	% Growth	Hypothetical Rate (Inflation Adjusted)	Difference vs. Actual
7/1/1993	-	\$15.00															
7/1/1994	2.8%	\$15.00	0.0%	\$15.42	\$0.42												
7/1/1995	2.8%	\$15.00	0.0%	\$15.84	\$0.84												
7/1/1996	3.0%	\$15.00	0.0%	\$16.31	\$1.31												
7/1/1997	2.2%	\$15.00	0.0%	\$16.67	\$1.67												
7/1/1998	1.7%	\$15.00	0.0%	\$16.95	\$1.95												
7/1/1999	2.1%	\$15.00	0.0%	\$17.32	\$2.32	\$45.00											
7/1/2000	3.7%	\$15.00	0.0%	\$17.95	\$2.95	\$45.00	0.0%	\$46.65	\$1.65								
7/1/2001	2.7%	\$15.00	0.0%	\$18.44	\$3.44	\$45.00	0.0%	\$47.92	\$2.92								
7/1/2002	1.5%	\$15.00	0.0%	\$18.71	\$3.71	\$45.00	0.0%	\$48.62	\$3.62	\$7.00							
7/1/2003	2.1%	\$15.00	0.0%	\$19.10	\$4.10	\$45.00	0.0%	\$49.64	\$4.64	\$7.00	0.0%	\$7.15	\$0.15				
7/1/2004	3.0%	\$15.00	0.0%	\$19.67	\$4.67	\$45.00	0.0%	\$51.13	\$6.13	\$7.00	0.0%	\$7.36	\$0.36				
7/1/2005	3.2%	\$15.00	0.0%	\$20.30	\$5.30	\$45.00	0.0%	\$52.75	\$7.75	\$7.00	0.0%	\$7.59	\$0.59				
7/1/2006	4.1%	\$15.00	0.0%	\$21.14	\$6.14	\$50.00	11.1%	\$54.93	\$4.93	\$7.00	0.0%	\$7.91	\$0.91				
7/1/2007	2.4%	\$15.00	0.0%	\$21.64	\$6.64	\$50.00	0.0%	\$56.23	\$6.23	\$7.00	0.0%	\$8.10	\$1.10				
7/1/2008	5.6%	\$15.00	0.0%	\$22.85	\$7.85	\$50.00	0.0%	\$59.38	\$9.38	\$7.00	0.0%	\$8.55	\$1.55				
7/1/2009	-2.1%	\$15.00	0.0%	\$22.37	\$7.37	\$50.00	0.0%	\$58.13	\$8.13	\$9.00	28.6%	\$8.37	(\$0.63)				
7/1/2010	1.2%	\$15.00	0.0%	\$22.65	\$7.65	\$50.00	0.0%	\$58.85	\$8.85	\$9.00	0.0%	\$8.47	(\$0.53)	\$8.28			
7/1/2011	3.6%	\$23.00	53.3%	\$23.47	\$0.47	\$50.00	0.0%	\$60.99	\$10.99	\$9.00	0.0%	\$8.78	(\$0.22)	\$7.59	-8.2%	\$8.58	\$0.98
7/1/2012	1.4%	\$23.00	0.0%	\$23.80	\$0.80	\$50.00	0.0%	\$61.85	\$11.85	\$9.00	0.0%	\$8.90	(\$0.10)	\$7.60	0.1%	\$8.70	\$1.09
7/1/2013	2.0%	\$23.00	0.0%	\$24.27	\$1.27	\$50.00	0.0%	\$63.06	\$13.06	\$9.00	0.0%	\$9.08	\$0.08	\$7.27	-4.4%	\$8.87	\$1.60
7/1/2014	2.0%	\$23.00	0.0%	\$24.75	\$1.75	\$50.00	0.0%	\$64.31	\$14.31	\$9.00	0.0%	\$9.26	\$0.26	\$6.94	-4.6%	\$9.04	\$2.11
7/1/2015	0.2%	\$23.00	0.0%	\$24.79	\$1.79	\$50.00	0.0%	\$64.42	\$14.42	\$9.00	0.0%	\$9.28	\$0.28	\$7.00	0.9%	\$9.06	\$2.06
7/1/2016	0.8%	\$23.00	0.0%	\$25.00	\$2.00	\$50.00	0.0%	\$64.96	\$14.96	\$9.00	0.0%	\$9.35	\$0.35	\$6.41	-8.5%	\$9.13	\$2.73
7/1/2017	1.7%	\$23.00	0.0%	\$25.43	\$2.43	\$50.00	0.0%	\$66.08	\$16.08	\$9.00	0.0%	\$9.51	\$0.51	\$5.94	-7.3%	\$9.29	\$3.35
7/1/2018	2.9%	\$23.00	0.0%	\$26.18	\$3.18	\$50.00	0.0%	\$68.03	\$18.03	\$9.00	0.0%	\$9.79	\$0.79	\$6.09	2.5%	\$9.57	\$3.48
7/1/2019	1.8%	\$23.00	0.0%	\$26.65	\$3.65	\$55.00	10.0%	\$69.26	\$14.26	\$10.00	11.1%	\$9.97	(\$0.03)	\$6.30	3.4%	\$9.74	\$3.44
7/1/2020	1.0%	\$23.00	0.0%	\$26.91	\$3.91	\$55.00	0.0%	\$69.94	\$14.94	\$10.00	0.0%	\$10.07	\$0.07	\$6.61	4.9%	\$9.84	\$3.23
7/1/2021	2.0%	\$27.00	17.4%	\$27.45	\$0.45	\$60.00	9.1%	\$71.34	\$11.34	\$12.00	20.0%	\$10.27	(\$1.73)	\$8.00	21.1%	\$10.03	\$2.03
7/1/2022	2.0%	\$27.00	0.0%	\$28.00	\$1.00	\$60.00	0.0%	\$72.77	\$12.77	\$12.00	0.0%	\$10.48	(\$1.52)	\$8.00	0.0%	\$10.23	\$2.23
7/1/2023	2.0%	\$27.00	0.0%	\$28.56	\$1.56	\$60.00	0.0%	\$74.22	\$14.22	\$12.00	0.0%	\$10.69	(\$1.31)	\$8.00	0.0%	\$10.44	\$2.44
7/1/2024	2.0%	\$27.00	0.0%	\$29.13	\$2.13	\$60.00	0.0%	\$75.71	\$15.71	\$12.00	0.0%	\$10.90	(\$1.10)	\$8.00	0.0%	\$10.65	\$2.65
7/1/2025	2.0%	\$27.00	0.0%	\$29.72	\$2.72	\$60.00	0.0%	\$77.22	\$17.22	\$12.00	0.0%	\$11.12	(\$0.88)	\$8.00	0.0%	\$10.86	\$2.86
7/1/2026	2.0%	\$29.00	7.4%	\$30.31	\$1.31	\$62.50	4.2%	\$78.77	\$16.27	\$12.75	6.3%	\$11.34	(\$1.41)	\$8.50	6.3%	\$11.08	\$2.58

\* Average of Peak and Non-Peak Rates.

# Financial Forecast and Key Assumptions – Consolidated BHITA

## Median (Expected) Scenario

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- Volume returns to a “normal” pattern in CY 2021; growth of about 2%.
- Prior peak passenger level (359,000 tickets in 2019) is reached again in FY 2024. System capacity reached in about 2045
- Parking Capacity expansion will be undertaken in FY 2022 to increase capacity to about 500,000 vehicle days per year.
- Barge traffic does not reach previous peak (28,744 recorded in 2019) until 2028.
- EBITDA of \$5.6 million during each of the first two full fiscal years, increasing to about \$6.0 million in 2026.
- EBITDA reaches \$7.6 million in 2030, \$9.5 million in 2035.

			13 mo to Jan CY 2020	5 mo to Jun FY 2021	Fiscal Years Ending June 30:												
Consolidated BHITA Results	UOM				FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2035	FY 2040	FY 2045	FY 2050
Ferry Tickets	Passengers		307,995	145,805	347,800	356,700	366,500	375,400	383,600	389,100	395,600	404,700	412,200	451,300	494,100	537,800	537,800
Barge Traffic	Barge Tickets		23,600	9,900	23,800	25,300	26,100	27,100	27,800	27,900	29,000	29,900	30,300	34,200	38,200	42,700	39,300
Parking Volume	Vehicle Days		387,191	183,297	437,231	448,420	460,740	471,928	482,237	489,151	497,322	508,762	518,191	567,345	621,150	676,087	676,087
Ferry Capacity	R-T Passengers		401,250	401,250	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000
Revenue- Ferry, Barge, Parking	USD (000s)		9,340	4,451	12,216	12,564	12,905	13,235	13,530	14,575	14,861	15,218	16,002	19,063	23,260	28,326	30,192
Costs	USD (000s)		7,887	2,945	6,565	6,908	7,115	7,324	7,531	7,720	7,934	8,167	8,385	9,591	10,984	12,582	13,807
EBITDA - BHITA	USD (000s)		1,454	1,506	5,651	5,657	5,790	5,911	5,999	6,855	6,928	7,052	7,616	9,472	12,276	15,745	16,384
EBITDA Margin	% of Rev		15.6%	33.8%	46.3%	45.0%	44.9%	44.7%	44.3%	47.0%	46.6%	46.3%	47.6%	49.7%	52.8%	55.6%	54.3%
Unit Rev	USD/Ferry Tkt		30.33	30.53	35.12	35.22	35.21	35.25	35.27	37.46	37.57	37.60	38.82	42.24	47.07	52.67	56.14
Unit Costs	USD/Ferry Tkt		25.61	20.20	18.88	19.37	19.41	19.51	19.63	19.84	20.06	20.18	20.34	21.25	22.23	23.39	25.67
Unit EBITDA	USD/Ferry Tkt		4.72	10.33	16.25	15.86	15.80	15.74	15.64	17.62	17.51	17.42	18.48	20.99	24.85	29.28	30.47
YoY Growth Rates																	
BHITA Revenue	%					2.9%	2.7%	2.6%	2.2%	7.7%	2.0%	2.4%	5.1%	1.9%	1.9%	5.1%	-2.1%
BHITA Costs	%					5.2%	3.0%	2.9%	2.8%	2.5%	2.8%	2.9%	2.7%	2.7%	2.8%	2.6%	0.8%
BHITA EBITDA	%					0.1%	2.4%	2.1%	1.5%	14.3%	1.1%	1.8%	8.0%	1.1%	1.1%	7.3%	-4.4%

Note: EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization



# Financial Forecast and Key Assumptions – Consolidated BHITA

## Low (Bond Rating) Scenario

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- Passenger growth of about 1%; Ferry system capacity is not reached before 2050.
- Parking capacity expansion will be undertaken in FY 2022 to increase capacity to about 500,000 vehicle days per year.
- Barge traffic is lower due to reduced construction activity. 2019 peak barge traffic not reached again until 2049.
- EBITDA of \$5.0 million in FY22, then about 4.5 million per year until 2027.
- EBITDA reaches \$5.4 million in 2030, \$6.3 million in 2035.

		13 mo to Jan CY 2020	5 mo to Jun FY 2021	Fiscal Years Ending June 30:												
Consolidated BHITA Results	UOM			FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2035	FY 2040	FY 2045	FY 2050
Ferry Tickets	Passengers	307,995	145,805	334,700	326,400	332,900	337,600	341,400	343,200	345,200	349,500	352,200	366,800	384,200	400,000	418,900
Barge Traffic	Barge Tickets	23,600	9,900	19,700	20,800	21,400	21,800	22,200	22,000	22,500	23,000	22,800	24,400	26,100	27,500	29,400
Parking Volume	Vehicle Days	387,191	183,297	420,763	410,329	418,500	424,409	429,186	431,449	433,963	439,368	442,763	461,117	482,991	502,854	526,614
Ferry Capacity	R-T Passengers	401,250	401,250	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000	535,000
Revenue- Ferry, Barge, Parking	USD (000s)	9,340	4,451	11,566	11,367	11,594	11,758	11,900	12,701	12,804	12,975	13,490	15,265	17,815	20,712	23,386
Costs	USD (000s)	7,887	2,945	6,558	6,843	7,019	7,190	7,360	7,522	7,689	7,873	8,052	8,989	10,083	11,291	12,681
EBITDA - BHITA	USD (000s)	1,454	1,506	5,008	4,524	4,575	4,568	4,540	5,179	5,115	5,102	5,438	6,276	7,732	9,422	10,705
EBITDA Margin	% of Rev	15.6%	33.8%	43.3%	39.8%	39.5%	38.8%	38.2%	40.8%	39.9%	39.3%	40.3%	41.1%	43.4%	45.5%	45.8%
Unit Rev	USD/Ferry Tkt	30.33	30.53	34.56	34.83	34.83	34.83	34.86	37.01	37.09	37.13	38.30	41.62	46.37	51.78	55.83
Unit Costs	USD/Ferry Tkt	25.61	20.20	19.59	20.96	21.09	21.30	21.56	21.92	22.27	22.53	22.86	24.51	26.24	28.23	30.27
Unit EBITDA	USD/Ferry Tkt	4.72	10.33	14.96	13.86	13.74	13.53	13.30	15.09	14.82	14.60	15.44	17.11	20.13	23.55	25.56
YoY Growth Rates																
BHITA Revenue	%				-1.7%	2.0%	1.4%	1.2%	6.7%	0.8%	1.3%	4.0%	0.8%	0.9%	4.6%	1.1%
BHITA Costs	%				4.3%	2.6%	2.4%	2.4%	2.2%	2.2%	2.4%	2.3%	2.2%	2.3%	2.3%	2.4%
BHITA EBITDA	%				-9.7%	1.1%	-0.1%	-0.6%	14.1%	-1.2%	-0.3%	6.6%	-1.1%	-0.9%	7.6%	-0.3%

Note: EBITDA = Earnings Before Interest, Taxes, Depreciation and Amortization



# Future Capital Expenditures

I/A

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A-41 SUB 22

Mercator International

- Over the period of time between 2011 and 2019, capital spending on the combined system totaled \$10.5 Million, or an average of \$927,000 per year.
- Ongoing routine capital expenditures, including ferry engine overhauls, are extrapolated from historical actual expenditures.
- Facility maintenance projects are included as per engineering consultant recommendations.
- Ferry replacements are programmed and itemized based on estimated remaining life.
- The Authority will pay 33% of the cost of annual maintenance dredging and periodic major dredging at Deep Point and 27% of the major dredging at BHI, and pay 0% for entrance channel dredging at BHI. The BHITA share of annual maintenance dredging, although none has been required in recent years, is included in operating cost estimates. Major dredging (done about every 10 years) is included as "Capital Dredging".
- Projects that address capacity, such as parking lot expansion, are programmed according to expected demand.
- All required capital expenditures for repair and replacement work identified by Moffat & Nichol is programmed for completion in the next 10 years.

## Capital Spending Forecast (\$000s)

	Fiscal Year													
	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031-'35	2036-'40	2041-'45	2045-'50
<b>Ferry and Tram System</b>	Feb-Jun													
Docks/Piers/Bulkheads	0	107	74	155	0	0	527	538	188	0	0	0	0	0
Capital Dredging	0	0	0	0	93	0	138	0	0	0	112	164	330	0
Ferry Vessel Overhaul	80	80	0	166	0	172	0	183	187	187	404	651	966	805
Ferry Vessel Replacement (net)	0	0	2,435	2,153	0	0	0	0	0	0	5,484	0	0	7,166
Vehicles (Trucks and Trams)	27	55	56	86	236	152	246	220	412	164	792	454	706	649
Equipment - Luggage Dollies	0	0	0	0	0	0	0	0	122	0	0	0	0	0
IT - Ticketing System	0	250	0	0	0	0	0	0	0	0	0	0	0	0
Other / Sustaining	38	77	79	81	82	84	86	87	89	91	482	532	587	648
<b>Subtotal Ferry and Tram</b>	<b>145</b>	<b>569</b>	<b>2,645</b>	<b>2,640</b>	<b>412</b>	<b>407</b>	<b>996</b>	<b>1,028</b>	<b>998</b>	<b>441</b>	<b>7,273</b>	<b>1,802</b>	<b>2,589</b>	<b>9,268</b>
<b>Freight Barge System</b>														
Docks/Piers/Barge Ramps	0	0	0	0	0	320	0	0	0	0	0	390	0	475
Barge / Towboat Replacement	0	0	0	0	0	0	0	0	179	305	0	0	0	0
Other / Sustaining	13	27	27	28	28	29	29	30	30	31	165	182	201	222
<b>Subtotal Freight Barge</b>	<b>13</b>	<b>27</b>	<b>27</b>	<b>28</b>	<b>28</b>	<b>349</b>	<b>29</b>	<b>30</b>	<b>210</b>	<b>336</b>	<b>165</b>	<b>572</b>	<b>201</b>	<b>697</b>
<b>Parking Operations</b>														
Parking Lots: Land Acquisition	0	0	0	0	0	0	0	0	0	0	0	549	618	0
Parking Lots: Development	0	347	0	0	0	200	0	0	194	546	291	840	394	0
Other / Sustaining - Parking	6	12	12	12	12	13	13	13	13	14	73	80	88	98
Other / Sustaining - Landlord	65	133	135	138	141	144	146	149	152	155	825	911	1,006	1,110
<b>Subtotal Parking</b>	<b>71</b>	<b>492</b>	<b>147</b>	<b>150</b>	<b>153</b>	<b>356</b>	<b>159</b>	<b>163</b>	<b>360</b>	<b>715</b>	<b>1,188</b>	<b>2,380</b>	<b>2,107</b>	<b>1,208</b>
<b>Grand Total Capital Spending</b>	<b>229</b>	<b>1,088</b>	<b>2,819</b>	<b>2,818</b>	<b>593</b>	<b>1,112</b>	<b>1,185</b>	<b>1,220</b>	<b>1,568</b>	<b>1,492</b>	<b>8,626</b>	<b>4,754</b>	<b>4,897</b>	<b>11,173</b>
<b>Vessel Replacement Capex (net)</b>	<b>-</b>	<b>-</b>	<b>2,435</b>	<b>2,153</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>5,484</b>	<b>-</b>	<b>-</b>	<b>7,166</b>
<b>Other than Vessel Replacement Capex</b>	<b>229</b>	<b>1,088</b>	<b>384</b>	<b>665</b>	<b>593</b>	<b>1,112</b>	<b>1,185</b>	<b>1,220</b>	<b>1,568</b>	<b>1,492</b>	<b>3,142</b>	<b>4,754</b>	<b>4,897</b>	<b>4,008</b>

Note: The capital expenditures reflect capital dredging costs that are not shown in the most recent pro forma financial model.

Source: Mercator International

# Financial Modeling and Bond Sizing Assumptions

I/A

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A-41 SUB 22

Davenport & Company LLC

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## ■ Assumptions used in the financial projections assume the following:

- **30-year municipal Bonds** payable solely from the revenues of the System.
  - Proceeds fund \$47,750,000 purchase price to Seller.
  - Working capital (estimated at \$1 million).
  - Debt service reserve fund (estimated at \$3.3 million).
  - Operating and Maintenance Reserve Fund for unforeseen operating and maintenance costs (estimated at \$1.6 million).
  - Bond Documents also provide for a reserve for capital improvements funded beginning on July 1, 2021 (estimated to be 20% of the 5-year Capital Improvement Plan).
- **Scheduled vessel replacements** funded primarily by additional subordinated debt amortized over 10 years.
- **Fare increases sized to roughly keep pace with inflation.** For the ferry, the initial increase of \$4 per full fare ticket reflects the CPI increase *since the last fare increase a decade ago*. The next increase is projected to occur in 2026.
- **Current operating schedules would be unchanged.** As traffic increases over time, additional trips would be added as needed.
- **Operating and maintenance expenses** would be consistent with inflation-adjusted historical figures.
- **A capital improvement plan** based on historic costs and independent evaluations of the vessels, terminals, and other assets.
  - Funded from a combination of cash on hand and permitted subordinate debt.

# Revenue Bond Overview

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Sources of Funds		
Par Amount	\$	49,940,000
Premium		5,996,386
<b>Total</b>	<b>\$</b>	<b>55,936,386</b>

Uses of Funds		
Cash Due at Closing for Acquisition	\$	47,750,000
Working Capital		1,000,000
Debt Service Reserve Fund		3,295,125
Operating and Maintenance Reserve Fund		1,641,296
Cost of Issuance		1,500,000
Underwriter's Discount		749,100
Additional Proceeds		865.75
<b>Total</b>	<b>\$</b>	<b>55,936,386</b>

## Key Features/Statistics

- Assumed Rating: BBB-
- Term: 30 years
- Estimated TIC: 4.15%
- Interest Rate Mode: Fixed Rate
- Call Provisions: 10-year Par Call
- Average Annual DS: \$3,264,022

Fiscal Year	Principal	Interest	Debt Service
2022	\$ -	\$ 2,236,863	\$ 2,236,863
2023	670,000	2,447,283	3,117,283
2024	700,000	2,415,949	3,115,949
2025	735,000	2,383,098	3,118,098
2026	770,000	2,348,632	3,118,632
2027	805,000	2,312,551	3,117,551
2028	845,000	2,274,730	3,119,730
2029	885,000	2,235,044	3,120,044
2030	925,000	2,193,493	3,118,493
2031	965,000	2,150,104	3,115,104
2032	1,015,000	2,104,600	3,119,600
2033	1,245,000	2,050,125	3,295,125
2034	1,305,000	1,986,375	3,291,375
2035	1,375,000	1,919,375	3,294,375
2036	1,445,000	1,848,875	3,293,875
2037	1,520,000	1,774,750	3,294,750
2038	1,595,000	1,696,875	3,291,875
2039	1,675,000	1,615,125	3,290,125
2040	1,765,000	1,529,125	3,294,125
2041	1,850,000	1,438,750	3,288,750
2042	1,945,000	1,343,875	3,288,875
2043	2,050,000	1,244,000	3,294,000
2044	2,155,000	1,138,875	3,293,875
2045	2,260,000	1,028,500	3,288,500
2046	2,375,000	912,625	3,287,625
2047	2,500,000	790,750	3,290,750
2048	2,630,000	662,500	3,292,500
2049	2,765,000	527,625	3,292,625
2050	2,905,000	385,875	3,290,875
2051	3,055,000	236,875	3,291,875
2052	3,210,000	80,250	3,290,250
<b>Total</b>	<b>\$ 49,940,000</b>	<b>\$ 49,313,472</b>	<b>\$ 99,253,472</b>

Note: As of December 23, 2020. Preliminary and subject to change.

# Financial Modeling Overview – Median Case

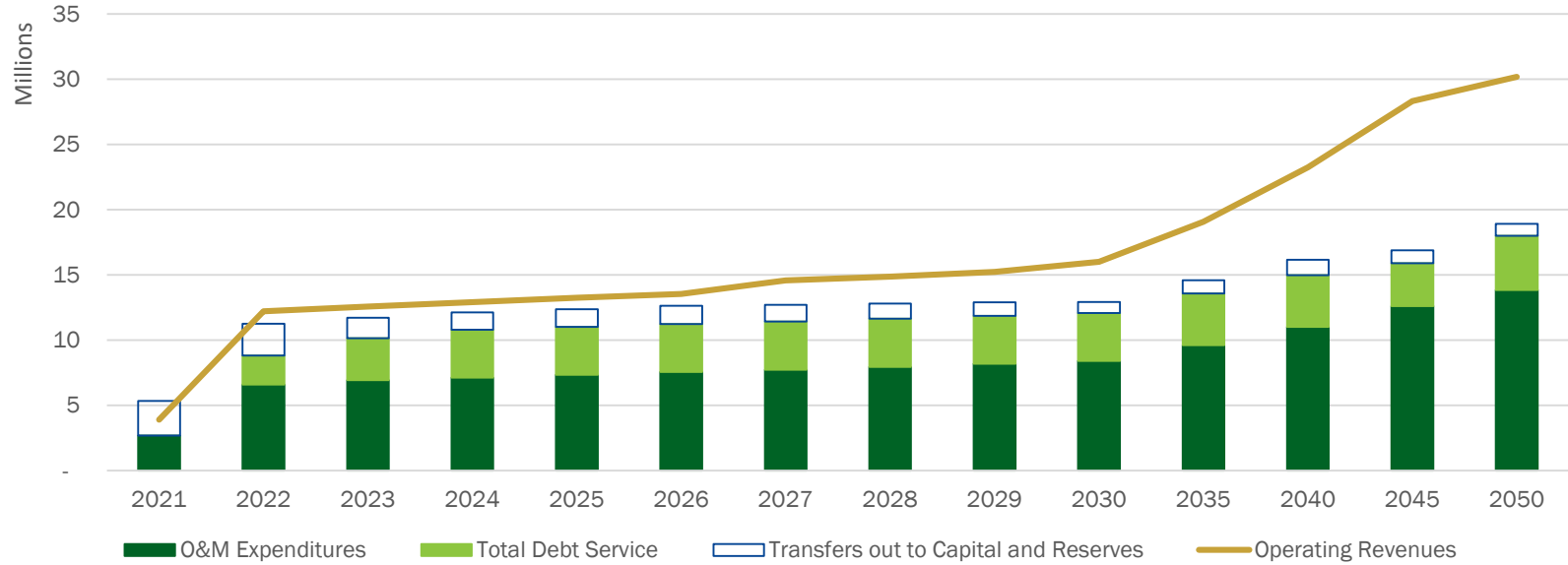
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## BHITA Cash Flow Summary

Scenario:	Median
Vessel Funding:	Subordinated Debt Funded
Acquisition Funding:	100% Senior Lien

Fiscal Year	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2030 Projected	2035 Projected	2040 Projected	2045 Projected	2050 Projected
1 Operating Revenues	\$ 3,897,148	\$ 12,215,945	\$ 12,564,439	\$ 12,904,963	\$ 13,234,535	\$ 13,529,602	\$ 14,575,221	\$ 14,861,456	\$ 15,218,352	\$ 16,001,593	\$ 19,062,519	\$ 23,259,664	\$ 28,326,093	\$ 30,191,880
2 O&M Expenditures	2,664,346	6,579,427	6,922,360	7,129,346	7,339,092	7,546,465	7,735,460	7,949,808	8,183,042	8,402,009	9,609,048	11,003,883	12,604,011	13,832,216
3 Net Revenues Available for Debt Service	\$ 1,232,802	\$ 5,636,519	\$ 5,642,079	\$ 5,775,617	\$ 5,895,443	\$ 5,983,138	\$ 6,839,760	\$ 6,911,647	\$ 7,035,311	\$ 7,599,584	\$ 9,453,471	\$ 12,255,781	\$ 15,722,082	\$ 16,359,664
4														
5 Debt Service														
6 Senior Lien Net Debt Service	\$ -	\$ 2,236,863	\$ 3,117,283	\$ 3,115,949	\$ 3,118,098	\$ 3,118,632	\$ 3,117,551	\$ 3,119,730	\$ 3,120,044	\$ 3,118,493	\$ 3,294,375	\$ 3,294,125	\$ 3,288,500	\$ 3,290,875
7 Subordinated Debt Service	-	-	91,769	558,068	557,763	557,445	557,114	556,770	556,412	556,040	666,198	664,057	-	871,031
8 Total Debt Service	\$ -	\$ 2,236,863	\$ 3,209,052	\$ 3,674,017	\$ 3,675,861	\$ 3,676,077	\$ 3,674,665	\$ 3,676,500	\$ 3,676,456	\$ 3,674,533	\$ 3,960,573	\$ 3,958,182	\$ 3,288,500	\$ 4,161,906
9														
10 Net Revenues Before Capital / Transfers	\$ 1,232,802	\$ 3,399,655	\$ 2,433,027	\$ 2,101,600	\$ 2,219,583	\$ 2,307,061	\$ 3,165,095	\$ 3,235,147	\$ 3,358,854	\$ 3,925,051	\$ 5,492,898	\$ 8,297,598	\$ 12,433,582	\$ 12,197,758
11														
12 Transfers out to Capital and Reserves	(2,671,027)	(2,440,731)	(1,567,091)	(1,320,873)	(1,354,596)	(1,414,758)	(1,284,801)	(1,172,930)	(1,029,241)	(852,273)	(1,005,194)	(1,183,220)	(985,790)	(917,747)
13														
14 System Surplus/Deficit	\$ 1,195,933	\$ 958,924	\$ 865,936	\$ 780,727	\$ 864,986	\$ 892,303	\$ 1,880,295	\$ 2,062,217	\$ 2,329,614	\$ 3,072,777	\$ 4,487,704	\$ 7,114,378	\$ 11,447,792	\$ 11,280,011
15														
16 Unrestricted Reserves	1,195,933	2,154,857	3,020,793	3,801,520	4,666,506	5,558,809	7,439,104	9,501,321	11,830,935	14,903,712	34,682,042	66,212,256	116,007,060	175,539,280
17 Restricted Reserves	1,644,857	2,195,655	2,937,489	3,567,324	4,302,446	4,579,402	4,540,363	4,463,636	3,896,282	3,227,474	4,502,330	4,246,897	4,837,234	5,144,285
18 Total Reserves	\$ 2,840,789	\$ 4,350,512	\$ 5,958,282	\$ 7,368,844	\$ 8,968,952	\$ 10,138,211	\$ 11,979,466	\$ 13,964,957	\$ 15,727,217	\$ 18,131,186	\$ 39,184,373	\$ 70,459,154	\$ 120,844,294	\$ 180,683,566
19														
20 Senior Lien Debt Service Coverage (1.30x minimum)	0.00x	2.52x	1.81x	1.85x	1.89x	1.92x	2.19x	2.22x	2.25x	2.44x	2.87x	3.72x	4.78x	4.97x
21 Total Debt Service Coverage (1.05x minimum)	0.00x	2.52x	1.76x	1.57x	1.60x	1.63x	1.86x	1.88x	1.91x	2.07x	2.39x	3.10x	4.78x	3.93x
22 Unrestricted Days Cash on Hand	164	120	159	195	232	269	351	436	528	647	1317	2196	3359	4632

# Financial Modeling Overview – Low Case

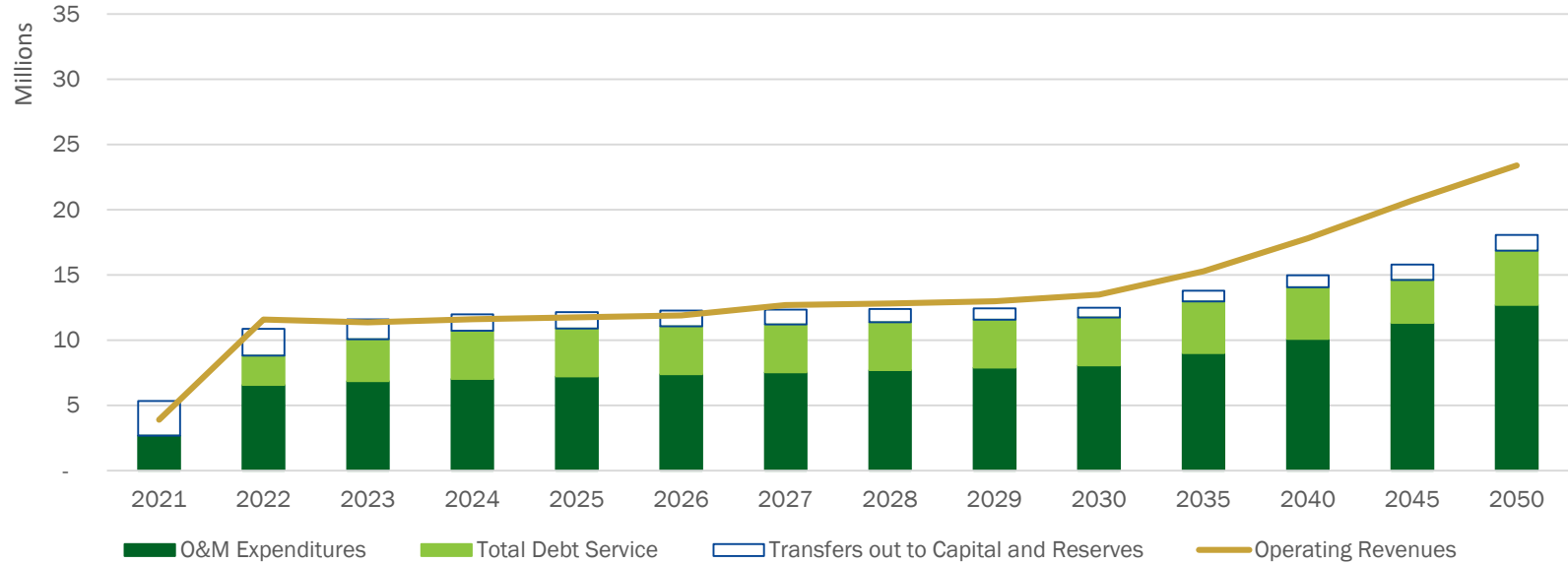
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BHITA	
Cash Flow Summary	
Scenario:	Low
Vessel Funding:	Subordinated Debt Funded
Acquisition Funding:	100% Senior Lien

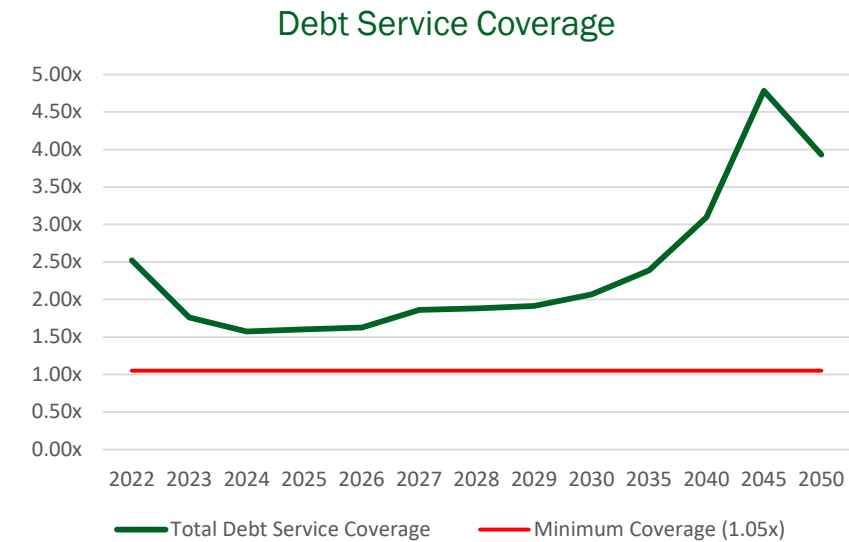
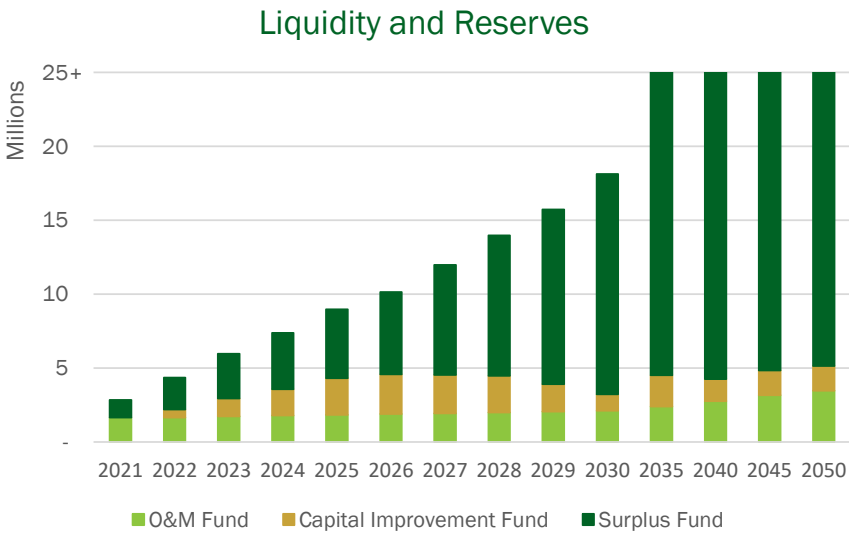
Fiscal Year	2021 Projected	2022 Projected	2023 Projected	2024 Projected	2025 Projected	2026 Projected	2027 Projected	2028 Projected	2029 Projected	2030 Projected	2035 Projected	2040 Projected	2045 Projected	2050 Projected
1 Operating Revenues	\$ 3,897,148	\$ 11,565,771	\$ 11,367,034	\$ 11,593,698	\$ 11,757,688	\$ 11,899,598	\$ 12,700,852	\$ 12,803,887	\$ 12,975,473	\$ 13,489,587	\$ 15,265,163	\$ 17,815,478	\$ 20,712,220	\$ 23,386,409
2 O&M Expenditures	2,664,346	6,572,292	6,857,179	7,034,018	7,205,144	7,375,314	7,537,269	7,704,816	7,889,836	8,068,573	9,007,819	10,103,369	11,313,024	12,706,150
3 Net Revenues Available for Debt Service	\$ 1,232,802	\$ 4,993,479	\$ 4,509,854	\$ 4,559,680	\$ 4,552,544	\$ 4,524,284	\$ 5,163,583	\$ 5,099,071	\$ 5,085,636	\$ 5,421,013	\$ 6,257,345	\$ 7,712,108	\$ 9,399,196	\$ 10,680,259
4														
5 Debt Service														
6 Senior Lien Net Debt Service	\$ -	\$ 2,236,863	\$ 3,117,283	\$ 3,115,949	\$ 3,118,098	\$ 3,118,632	\$ 3,117,551	\$ 3,119,730	\$ 3,120,044	\$ 3,118,493	\$ 3,294,375	\$ 3,294,125	\$ 3,288,500	\$ 3,290,875
7 Subordinated Debt Service	-	-	91,769	558,068	557,763	557,445	557,114	556,770	556,412	556,040	666,198	664,057	-	871,031
8 Total Debt Service	\$ -	\$ 2,236,863	\$ 3,209,052	\$ 3,674,017	\$ 3,675,861	\$ 3,676,077	\$ 3,674,665	\$ 3,676,500	\$ 3,676,456	\$ 3,674,533	\$ 3,960,573	\$ 3,958,182	\$ 3,288,500	\$ 4,161,906
9														
10 Net Revenues Before Capital / Transfers	\$ 1,232,802	\$ 2,756,616	\$ 1,300,803	\$ 885,663	\$ 876,684	\$ 848,208	\$ 1,488,918	\$ 1,422,571	\$ 1,409,180	\$ 1,746,480	\$ 2,296,772	\$ 3,753,926	\$ 6,110,696	\$ 6,518,352
11														
12 Transfers out to Capital and Reserves	(2,669,243)	(2,053,259)	(1,512,600)	(1,273,357)	(1,265,013)	(1,216,307)	(1,128,869)	(1,012,058)	(868,016)	(732,994)	(823,591)	(909,740)	(1,204,708)	(1,200,426)
13														
14 System Surplus/Deficit	\$ 1,197,717	\$ 703,357	\$ (211,797)	\$ (387,695)	\$ (388,330)	\$ (368,100)	\$ 360,048	\$ 410,513	\$ 541,164	\$ 1,013,486	\$ 1,473,181	\$ 2,844,186	\$ 4,905,988	\$ 5,317,926
15														
16 Unrestricted Reserves	1,197,717	1,901,073	1,689,276	1,301,581	913,252	545,152	905,200	1,315,714	1,856,878	2,870,364	9,308,096	22,333,845	43,185,734	69,984,433
17 Restricted Reserves	1,643,073	2,153,893	2,841,236	3,423,556	4,069,094	4,347,493	4,152,522	3,914,924	3,386,093	3,144,115	4,002,604	4,074,043	5,143,277	5,491,559
18 Total Reserves	\$ 2,840,789	\$ 4,054,966	\$ 4,530,512	\$ 4,725,137	\$ 4,982,346	\$ 4,892,646	\$ 5,057,723	\$ 5,230,638	\$ 5,242,971	\$ 6,014,479	\$ 13,310,700	\$ 26,407,888	\$ 48,329,011	\$ 75,475,992
19														
20 Senior Lien Debt Service Coverage (1.30x minimum)	0.00x	2.23x	1.45x	1.46x	1.46x	1.45x	1.66x	1.63x	1.63x	1.74x	1.90x	2.34x	2.86x	3.25x
21 Total Debt Service Coverage (1.05x minimum)	0.00x	2.23x	1.41x	1.24x	1.24x	1.23x	1.41x	1.39x	1.38x	1.48x	1.58x	1.95x	2.86x	2.57x
22 Unrestricted Days Cash on Hand	164	106	90	68	46	27	44	62	86	130	377	807	1393	2010

# Financial Modeling – Key Indicators

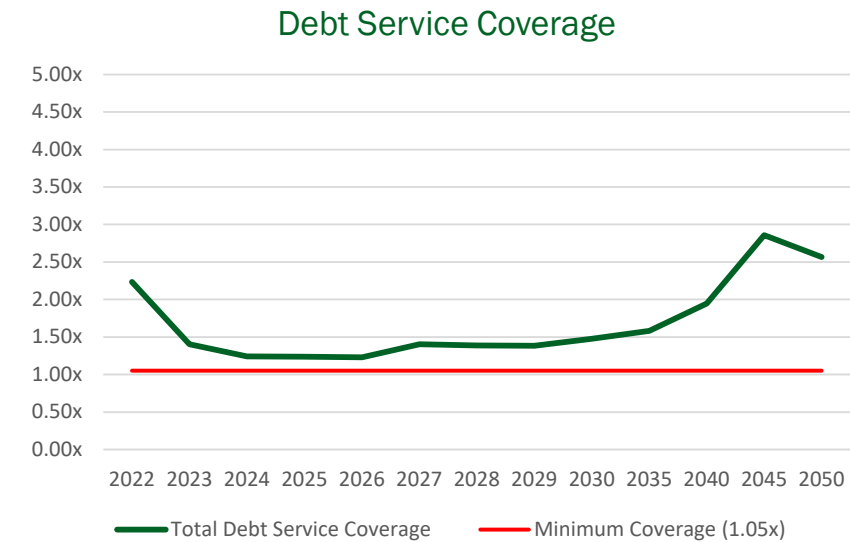
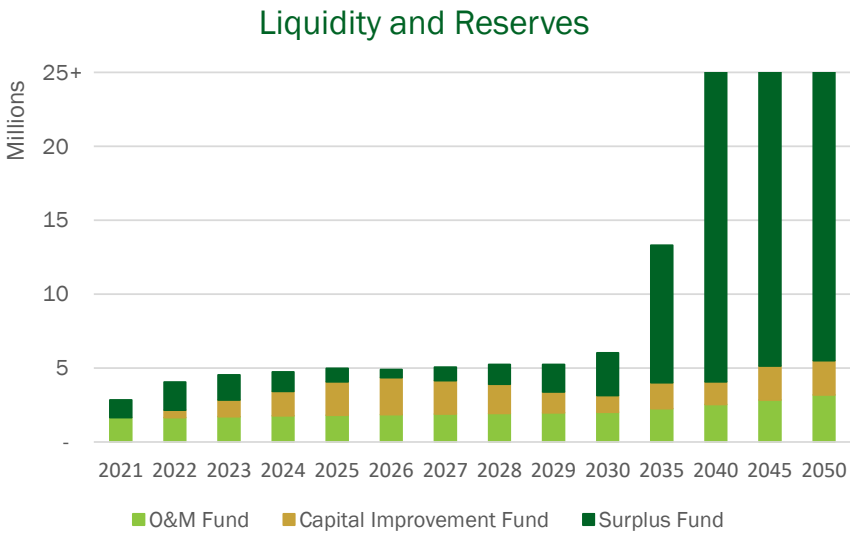
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## Median Case



## Low Case





# Credit Ratings and Global Perspective

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UBS Financial Services Inc.

- The Authority received a BBB- / stable outlook credit rating from Standard and Poor's.
  - This rating would need to be reviewed if the Bond issue is delayed beyond mid-April.
- The BBB- credit rating from S&P makes BHITA the highest rated unsubsidized ferry operation in the world.
- For perspective, BHITA is rated 8 notches above Hornblower, the largest private ferry operator in the United States.
- BHITA is rated 10 notches above the largest unsubsidized private ferry operators in Spain, noting most ferry systems around the world are subsidized (similar to mass transit).
- BHITA's credit ratings are comparable to other infrastructure assets in the United States with a narrow revenue base, like the Monroe Expressway near Charlotte, which is also rated BBB-.
- Most state and local governments are rated in the "A" category or higher, but they are supported by a much broader revenue base.

## Standard & Poor's

AAA
AA+
AA
AA-
A+
A
A-
BBB+
BBB
<b>BBB-</b>
BB+
BB
BB-
B+
B
B-
CCC+
CCC
CCC-
CC
C
D

Investment Grade

Non Investment  
Grade

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Bald Head Island Transportation Authority, North Carolina; Transit

Credit Profile

US\$46.755 mil transp sys rev bonds ser 2021A due 08/01/2051

Long Term Rating BBB-/Stable New

US\$3.185 mil transp sys rev bonds (taxable) ser 2021B due 08/01/2031

Long Term Rating BBB-/Stable New

Rating Action

S&P Global Ratings assigned its 'BBB-' long-term rating to the Bald Head Island Transportation Authority, N.C.'s estimated \$46.8 million series 2021A tax-exempt transportation system revenue bonds and estimated \$3.2 million series 2021B taxable transportation system revenue bonds, using its "Global Not-For-Profit Transportation Infrastructure Enterprises" criteria, published Nov. 2, 2020. The outlook is stable.

The bonds are secured by system net revenues, which include all revenues, income, proceeds, tolls, rents, proceeds of ticket sales, parking revenue, lease money, returns, and charges derived from the system less operating and maintenance (O&M) expenses. The system is composed of four services: ferry transit, on-island tram transportation, parking at Deep Point Terminal, and barge (tug and freight) operations. The ferry system consists of four vessels and transports passengers from the Deep Point Terminal in Southport, N.C. (mainland) to Bald Head Island, a residential and resort barrier island community four nautical miles off the coast of mainland North Carolina.

We view the bond provisions as credit neutral. The rate covenant requires net revenues to provide at least 1.3x debt service coverage (DSC), per the indenture, on senior-lien debt and 1.05x DSC on senior- and subordinate-lien debt. An additional bonds test is also in effect based on a historical test the same as the rate covenant and 1.45x of projected net revenues on senior bonds. Furthermore, there is an O&M reserve requirement at 25% of fiscal 2022 O&M expenses as projected by the feasibility report, revised each year based on budgeted O&M for the following year, and a capital improvement fund requirement at 20% of the five-year capital improvement plan (CIP) for the system with a minimum balance of \$500,000. A cash-funded debt service reserve provides additional liquidity for bondholders.

The proposed series 2021A&B bond proceeds will be used to finance the acquisition of the system from Bald Head Island Ltd. and Bald Head Island Transportation; fund a debt service reserve, O&M reserve, and \$1 million in working capital; pay capitalized interest; and pay costs of issuance.

Post issuance, the authority will have approximately \$49.94 million in senior-lien debt outstanding. However, our financial risk profile assessment also considers an expected \$4.6 million in additional subordinate-lien debt for a ferry vessel replacement in fiscal 2023 in our evaluation of financial performance, debt and liabilities capacity, and liquidity and financial flexibility.

- Standard & Poor's assumed the "low growth" scenario in determining the bond rating.
- "Key credit strengths, in our opinion, are:
  - Autonomous rate-setting flexibility with the ability to increase fares across service lines (ferry, parking, and barge);
  - Generally favorable historical demand trends prior to the pandemic and a monopolist competitive position; and
  - Moderate debt burden following the proposed series 2021A&B bonds and subordinate-lien debt for the ferry vessel replacement in 2023, with no additional near-term debt needs and a manageable capital improvement plan."
- "Key credit weaknesses, in our view, are the authority's:
  - Role as a marginal provider of relatively discretionary transit service to a single location and narrow market with comparatively low activity levels;
  - Exposure to revenue fluctuations due to weather-related events, periods of economic weakness, and a generally limited and highly correlated revenue stream;
  - Demand and future growth prospects that we view as somewhat limited, constrained by residential housing buildout, and susceptible to different economic conditions; and
  - Exposure to longer-term climate-related risks that could result in more frequent and more severe weather events."

# Asset Purchase Agreement

I/A

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A-41 SUB 22

McGuireWoods LLP

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Apr 17 2023

- Bald Head Island Transportation, Inc. (“BHIT”) and Bald Head Island Limited, LLC (“BHIL” and together, the “Sellers”) will enter into an Asset Purchase Agreement with the Authority.
  - Purchase Price of \$47,750,000.
  - Authority to purchase all of Sellers’ rights, title and interests in and to the assets of Sellers used and useful in the operation of passenger ferry transportation services, the tug and freight barge services, the parking operations at the Deep Point terminal facilities, the on-island tram services and the marine maintenance department.
    - Includes land and improvements at the Deep Point and Bald Head Island terminals, furniture, fixtures, machinery, equipment, vehicles, vessels, and other tangible personal property, intellectual property, contracts, leases, permits, inventory associated exclusively with the business and business records.
  - Authority is not assuming any of the Sellers’ liabilities.
  - Authority has required Seller, at Seller’s expense, to provide representations and warranties insurance.
  - Asset Purchase is contingent upon successful closing of the Revenue Bonds.
  - Authority will share in a pro-rata portion of costs relating to the Deep Point marina bulkhead (42%) and will also become a member of the Bald Head Island Marina Association and will be responsible for a pro-rata share of costs relating to the Bald Head Island marina bulkhead (23%).
  - Sellers and Authority will enter into an option agreement with respect to an additional 2.21 acres for parking at Deep Point Terminal.
- Following closing, the Authority and BHIT will enter into an Operating and Transition Services Agreement pursuant to which BHIT will operate the System until the Authority is able to hire executive staff, and take over the operations in an orderly fashion.

# Operating and Transition Services Agreement<sup>I/A</sup>

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A-41 SUB 22

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- Bald Head Island Transportation, Inc. (the “Operator”) will enter into an Operating and Transition Services Agreement with the Authority.
  - Operator will operate the System at the direction of, and reporting to, the Authority, including vessel operations, vessel maintenance, parking management, barge and freight, tram, passenger delivery services and ticket sales.
  - Current employees of the Operator, including its Chief Executive Officer and Chief Financial Officer, will continue to operate the facilities in the same manner as before the asset transfer for and on behalf of the Authority, until the operations can be smoothly and efficiently transferred to the Authority during the term of the Agreement.
  - Operator will continue to operate the System using employees of the Operator.
  - Operator will pay costs of operating the System using revenues of the System collected by Operator and delivered to the Authority; funds will be made available to the Operator as needed to pay operating expenses.
  - Operator and Authority intend to transition all operations to the Authority by June 30, 2022:
    - Employees and human resources functions;
    - Information technology;
    - Accounting;
    - Security;
    - Emergency response;
    - All other aspects of operating the System.
- Operator will not charge a fee for its management services. All costs, including employee costs, of operating the system will be paid by the Authority from the revenues of the System. Operator shall engage, at the Authority’s expense, an experienced certified public accounting firm approved by the Authority to review Operator’s books and records in connection with this Agreement.

# Next Steps – Bond Issuance and Asset Purchase

I/A

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- Authority Board approves Final Resolution authorizing Bond Sale subject to parameters established by the Board of Trustees.
- Local Government Commission approves Bond Financing subject to established parameters.
- Bond Documents and Offering Documents Finalized.
- Bond Underwriting Pre-Marketing completed.
- Bond Sale conducted and Asset Purchase Agreement and Bond Purchase Agreement executed.
- Simultaneous Closing on Bond Sale and Asset Purchase.
- Authority commences operations.

# Operational / Governance Post-Closing Considerations

I/A

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- Transition from a system operated for the Authority by BHI Transportation to a system operated by the Authority
  - Hiring of senior management
  - Transition of staff and systems from BHI Transportation to the Authority
- Develop formal and informal ways to get customer input about ferry, barge, and parking operations
- Continuing efforts to minimize both risk and disruption from Covid-19
- Move toward a modern ticketing and reservation system to improve predictability and eliminate long lines
- Focus on improving baggage handling at busy periods
  - Situation is most challenging at island terminal due to limited space
  - Baggage conveyor on mainland is operational, but is labor intensive
- Explore ways to improve system efficiency
- Mid-term: Explore modernizing tram system
- Mid-term: Explore hybrid diesel-electric boats to lower operating costs and carbon emissions, in keeping with the island's eco-friendly identity



# Disclaimer

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# Municipal Advisor Disclosure

## Davenport & Company LLC

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The enclosed information relates to an existing or potential municipal advisor engagement.

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## Deep Point Ferry Terminal & Parking Facility

1301 Ferry Road

Southport, Brunswick County, NC 28461

NKF Job No.: 21-0147725-1

### Appraisal Report Prepared For:

Susan Rabon

Chair

Bald Head Island Transportation Authority

1029 N. Howe Street, Authority Office

Southport, NC 28461

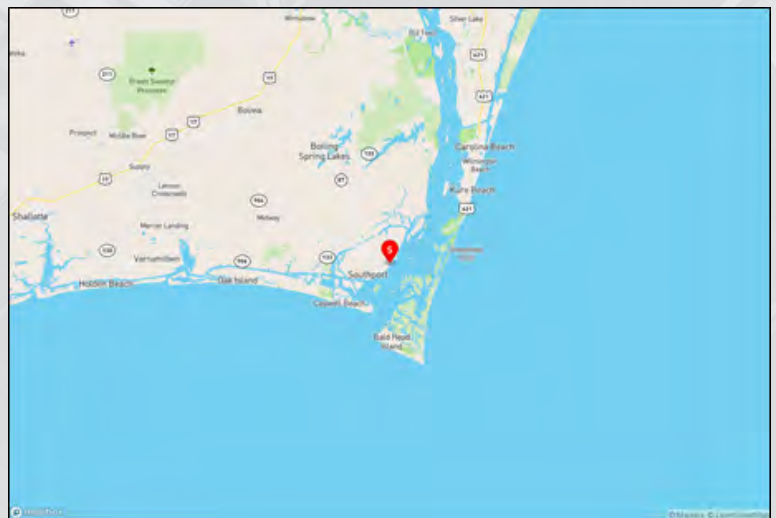
### Prepared By:

**Newmark Knight Frank**

Valuation & Advisory, LLC

1400 Centrepark Blvd, Suite 310

West Palm Beach, Florida 33401





July 26, 2021

Susan Rabon  
Chair  
Bald Head Island Transportation Authority  
1029 N. Howe Street, Authority Office  
Southport, NC 28461

RE: Appraisal of a single-tenant ferry terminal and parking facility at Deep Point Ferry Terminal & Parking Facility located at 1301 Ferry Road, Southport, Brunswick County, NC 28461, prepared by Newmark Knight Frank Valuation & Advisory, LLC (herein "Firm" or "NKF")

NKF Job No.: 21-0147725-1

Dear Ms. Rabon:

The "Subject Property" is a 50,325 square foot square foot one-story terminal building that houses the Bald Head Island (BHI) – Southport Ferry and located at 1301 Ferry Road. The building is in average condition, is of average quality and tenant appeal, and was built in 2009. The site encompasses approximately 54.801 acres (2,387,144 square feet) and is located along the east side of Ferry Road and the west bank of the Cape Fear River. The site is allocated with an estimated 11.54 acres attributable to the ferry terminal and barge operations with the remaining 43.26 acres allocated to parking for approximately 1,950 vehicles. Currently, the improvements are 100% occupied and leased via an internal lease with an entity related to the existing ownership. This lease is disregarded to value the fee simple interest in the subject land and improvements. The valuation specifically excludes both the ferry system and any FF&E related to the ferry and baggage operations.

## Key Value Considerations

### Strengths

- ❖ Subject is the sole provider of ferry and barge service to the island for both passengers and goods.
- ❖ Strong housing demand and additional development parcels bode well for increased demand.
- ❖ The ferry system is the most common form of transportation to BHI with alternatives limited to private vessels. Air service is predominantly for medical emergencies.
- ❖ The growth of work-from-home initiatives have resulted in rapidly escalating property values in resort areas as homeowners can work from their vacation homes which also increases the need for goods and services on the island.

### Risk Factors

- ❖ As a waterfront parcel proximate to the Atlantic Ocean, the primary physical risk is from hurricanes.

July 26, 2021  
Susan Rabon

- ❑ Inflation is increasing the cost of goods and services with increased risk of interest rate hikes which will make housing more expensive and create greater risk of a bubble should a rapid correction occur.
- ❑ Ongoing pandemic risk reduced ferry capacity in 2020 due to social distancing and new variants of the virus create risk of additional shutdowns or economic distress.

### COVID-19 Pandemic

The COVID-19 Pandemic has had a significant impact on the economy and, by extension, real estate markets. Commercial real estate is transforming and adapting with some similarities and some differences to previous crises. As the Pandemic has progressed, there has been greater clarity about the effects through metric and transactional data as well as market participant information and expectations. Effects and projections related to COVID-19 will be addressed throughout the report.

Based on the analysis contained in the following report, the opinion of value for the subject is:

#### Value Conclusions

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$33,000,000

*Compiled by NKF*

### Extraordinary Assumptions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

### Hypothetical Conditions

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

The appraisal was developed based on, and this report has been prepared in conformance with the Client's appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989, and the Interagency Appraisal and Evaluation Guidelines (December 2, 2010).





## Certification

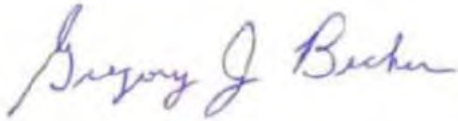
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of North Carolina.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Greg Becker, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.
13. Significant real property appraisal assistance was provided by Daniel Stoops who has not signed this certification. The assistance of Daniel Stoops consisted of conducting research on the market, subject property, and transactions involving comparable properties, all under the supervision of the person(s) signing this report.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark Knight Frank", "NKF Valuation & Advisory", "NKF, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.



## Certification

16. Greg Becker, MAI, MRICS has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.



Greg Becker, MAI, MRICS  
Senior Managing Director  
Certified General Real Estate Appraiser  
North Carolina # A7729  
Telephone: (561) 212-5165  
Email: Greg.Becker@nrmrk.com

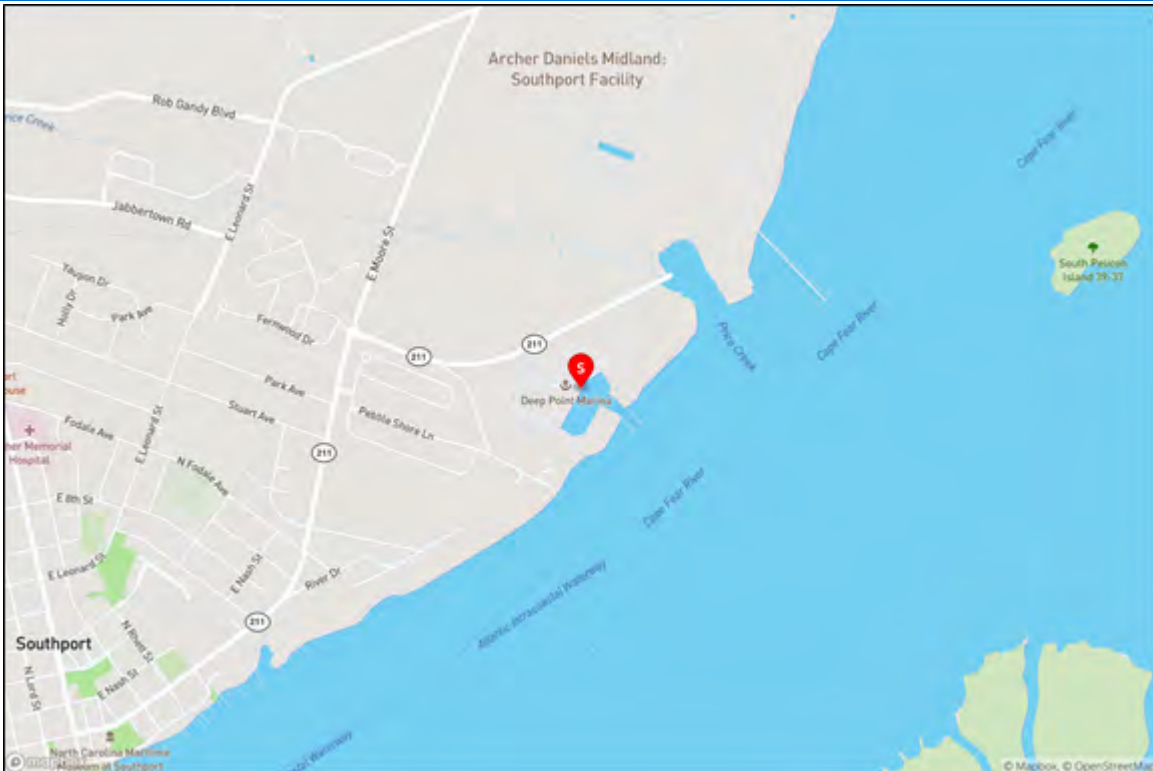


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Aerial Photo



Location Map

Subject Photographs

I/A

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Subject View



Subject View



Subject View



Subject View



Subject View



Loading Dock





Subject Photographs

I/A

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Ferry Road - East



Ferry Road - West



Access Road



Access Gate



Entrance



Parking



Subject Photographs

I/A



Parking



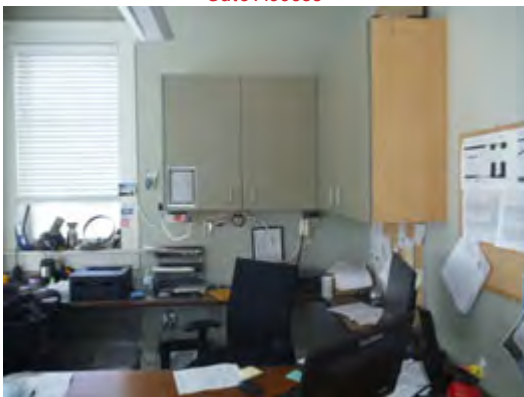
Parking



Gate Access



Interior View



Interior View



Interior View

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Subject Photographs

I/A

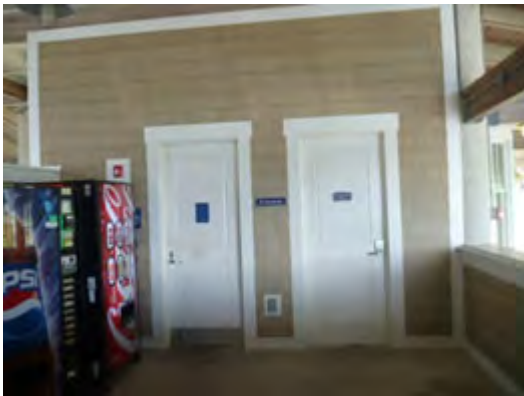
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*Interior View*



*Interior View*



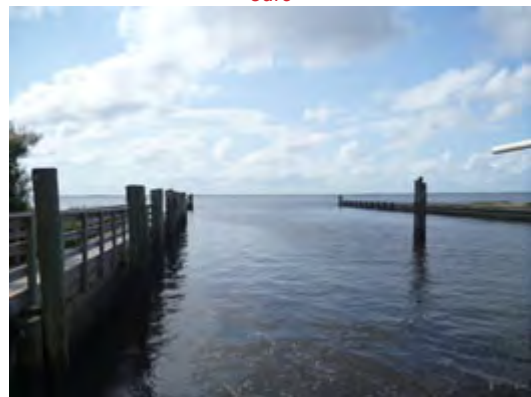
*Bathroom*



*Cafe*



*Loading Bridge*



*Marina Outlet*

Subject Photographs

I/A



*Outlet*



*Boat Slips*



*Dock*



*Sea Wall*



*Sea Wall*



*Drop Off/Pick Up Area*

# Executive Summary

## Deep Point Ferry Terminal & Parking Facility

Property Type:	Specialty-Ferry System
Street Address:	1301 Ferry Road
City, State & Zip:	Southport, Brunswick County, NC 28461
Gross Building Area (SF):	50,325
Net Rentable Area (SF):	50,325
Year Built:	2009
Current Occupancy:	N/A
Land Area:	54.801 acres; 2,387,144 SF
Zoning:	BD
Highest and Best Use - As Vacant:	A Commercial Use
Highest and Best Use - As Improved:	Commercial Use

## In-Contract Summary

Buying Entity:	Bald Head Island Transportation Authority
Selling Entity:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price:	\$47,750,000
Contract Date:	Draft - June 2021

## Analysis Details

Valuation Date:	July 17, 2021
Market Value "As Is"	July 17, 2021
Inspection Date and Date of Photos:	July 17, 2021
Report Date:	July 26, 2021
Report Type:	Appraisal Report
Client:	Bald Head Island Transportation Authority
Intended Use:	Asset Valuation
Intended User:	Bald Head Island Transportation Authority
Appraisal Premise:	Market Value "As Is"
Intended Use and User:	The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark Knight Frank will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.
Interest Appraised:	Fee Simple
Exposure Time (Marketing Period) Estimate:	10 Months (10 Months)

## Valuation Summary

Cost Approach	\$/SF	\$ Total
Replacement Cost New (Including Dev. Profit)		\$30,134,976
Depreciated Cost		\$23,964,416
Land Value		\$10,080,000
Stabilization Discount		\$0
Deferred Maintenance		(\$175,000)
Near Term Capital Expenses		\$0
Indicated Cost Approach Value	As Is	\$673.62 \$33,900,000



## Executive Summary

Income Capitalization Approach - Direct Capitalization Method		\$/SF	\$ Total
Capitalization Rate Indicators and Conclusion		Indication	
Investor Surveys		7.0% - 8.0%	
Band of Investment		7.25%	
Concluded Going-In Capitalization Rate		7.25%	
Stabilized Income Estimate			
Potential Gross Income		\$46.05	\$2,317,500
Stabilized % Vacancy & Collection Loss		0.00%	\$0
Net Other Income		\$0.00	\$0
Effective Gross Income		\$46.05	\$2,317,500
Operating Expenses		\$0.00	\$0
Operating Expense Ratio			0.0%
Net Operating Income		\$46.05	\$2,317,500
Capitalization Rate			7.25%
Indicated Direct Capitalization Value	As Is	\$631.89	\$31,800,000
Indicated Income Capitalization Approach Value	As Is	\$631.89	\$31,800,000
Market Value Conclusion	As Is	\$655.74	\$33,000,000
Exposure / Marketing Time	Min	Max	Average
Concluded Exposure Time	10 Months or Less		
Concluded Marketing Time	10 Months or Less		

Compiled by NKF

### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

Compiled by NKF



# Introduction

## Ownership History

The current owner is Bald Head Island Limited LLC.

### Ownership History

To the best of our knowledge, no sale or transfer of ownership has taken place within the three-year period prior to the effective date of the appraisal.

Listing Status:	Not Listed For Sale
In-Contract:	Draft - June 2021
Buyer:	Bald Head Island Transportation Authority
Seller:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price:	\$47,750,000
Sales in the Previous Three Years:	None

*Compiled by NKF*

The above pricing reflects the overall purchase, inclusive of the Bald Head Island Ferry Terminal, the subject, the barge and ferry operation as well as the supporting FF&E. No allocation of the purchase price was provided. To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective date of the appraisal.

## Definition of Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- ❖ Buyer and seller are typically motivated;
- ❖ Both parties are well informed or well advised, and acting in what they consider their own best interests;
- ❖ A reasonable time is allowed for exposure in the open market;
- ❖ Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- ❖ The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*

## Appraisal Report

This appraisal is presented in the form of an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion of value in accordance with the intended use and user.

## Purpose of the Appraisal

The primary purpose of the appraisal is to develop an opinion of the As Is market value of the Fee Simple interest in the property.

### Purpose of the Appraisal

Appraisal Premise	Interest Appraised	Date of Value
Market Value "As Is"	Fee Simple	7/17/2021

*Compiled by NKF*

## Scope of Work

### Extent to Which the Property is Identified

- ❑ Physical characteristics
- ❑ Legal characteristics
- ❑ Economic characteristics

### Extent to Which the Property is Inspected

NKF inspected the subject property on July 17, 2021 as per the defined scope of work. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.

### Type and Extent of the Data Researched

- ❑ Exposure and marketing time;
- ❑ Neighborhood and land use trends;
- ❑ Demographic trends;
- ❑ Market trends relative to the subject property type;
- ❑ Physical characteristics of the site and applicable improvements;
- ❑ Flood zone status;
- ❑ Zoning requirements and compliance;
- ❑ Real estate tax data;
- ❑ Relevant applicable comparable data; and
- ❑ Investment rates

### Type and Extent of Analysis Applied

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report.



## Introduction

**Application of Approaches to Value**

Approach	Comments
Cost Approach	The Cost Approach is applicable and is utilized in this appraisal.
Sales Comparison Approach	The Sales Comparison Approach is not applicable and is not utilized in this appraisal.
Income Capitalization Approach	The Income Capitalization Approach is applicable and is utilized in this appraisal.

*Compiled by NKF*

The sales comparison approach was not used because there is inadequate market data to develop a value estimate for this approach. The exclusion of this approach is not considered to impact the reliability of the appraisal.

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Apr 13 2023



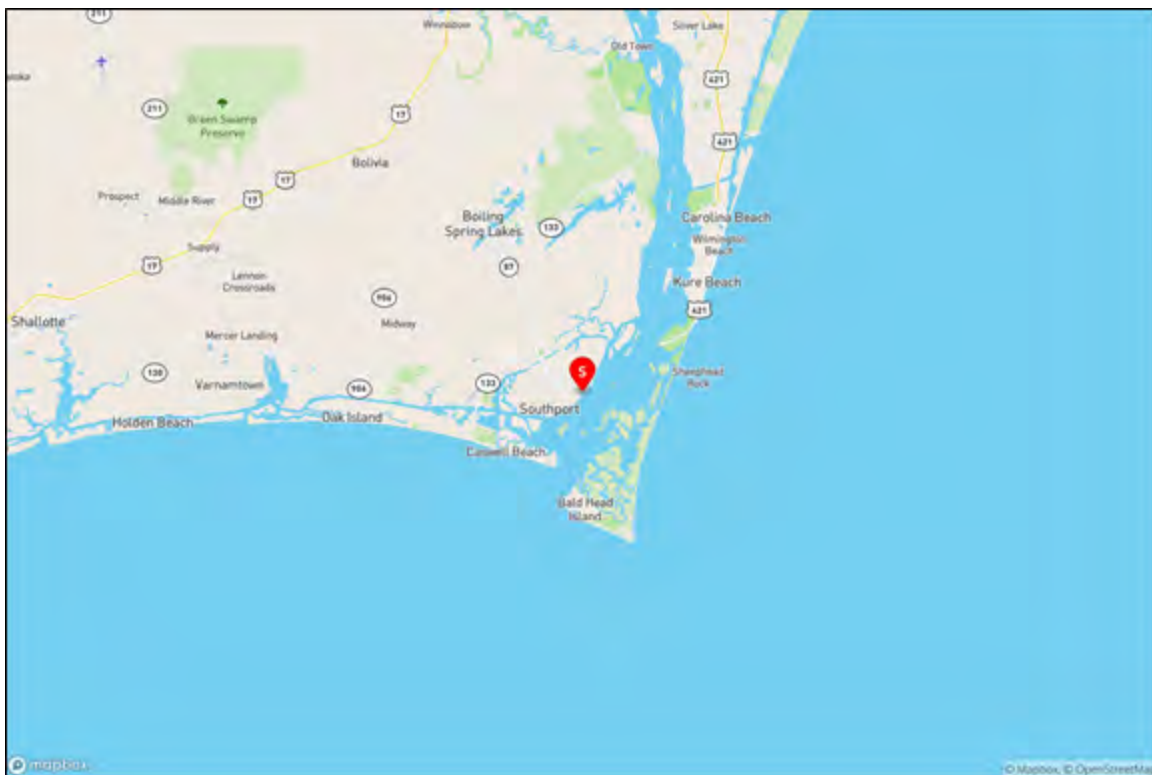
# Economic Analysis

## The Impact of COVID-19

It is well known that the past several months have been volatile. Real estate market volatility has resulted from the COVID-19 pandemic as well as other events such as oil price declines. Every day, there is greater clarity about the effects and expectations as evidenced by transaction activity, various data sources, and market participants. We have continuously reached out to brokers and other market participants to understand how the market is reacting.

Most of our major data sources, such as Moody's Economy.com, include both COVID-19 pandemic period data and projections inclusive of its effects. This data is included within this section as well as throughout this report and is a central foundation of our analysis. There are an increasing number of transactions occurring and these are providing indications of trends.

## Area Analysis



Area Map

The subject is located within Southport and Brunswick County, North Carolina. It is part of the Myrtle Beach-Conway-North Myrtle Beach metro area (Myrtle Beach Metropolitan Statistical Area).

## Economic Analysis

Moody's Analytics' Economy.com provides the following economic summary for the Myrtle Beach Metropolitan Statistical Area as of April, 2021.

Moody's Analytics Précis® Metro Indicators: Myrtle Beach Metropolitan Statistical Area												
2015	2016	2017	2018	2019	2020	INDICATORS	2021	2022	2023	2024	2025	2026
16.7	17.0	17.3	17.6	17.9	17.5	Gross metro product (C12\$ bil)	18.8	20.5	21.6	22.7	23.6	24.6
1.8	1.9	2.3	1.7	1.4	-2.3	% change	7.6	9.0	5.3	4.9	4.2	4.0
155.4	160.9	166.9	171.6	175.2	162.2	Total employment (th)	172.1	180.8	185.4	188.8	191.7	194.6
2.6	3.5	3.7	2.8	2.1	-7.4	% change	6.1	5.0	2.6	1.8	1.5	1.5
7.2	6.0	5.2	4.6	4.0	8.8	Unemployment rate (%)	5.7	5.0	4.9	4.9	4.9	4.9
8.7	7.2	6.6	8.2	6.3	8.0	Personal income growth (%)	5.0	0.9	7.3	6.6	5.7	5.6
46.1	47.6	49.0	52.4	57.0	64.2	Median household income (\$ ths)	65.8	63.9	65.9	67.8	69.4	71.0
431.2	447.3	463.5	481.0	496.9	512.4	Population (th)	522.5	535.5	548.6	561.7	574.9	588.0
3.6	3.7	3.6	3.8	3.3	3.1	% change	2.0	2.5	2.4	2.4	2.3	2.3
15.2	16.7	16.9	18.7	17.2	16.9	Net migration (th)	11.5	14.6	14.7	14.9	15.1	15.2
5,763	6,209	7,468	6,741	6,989	8,411	Single-family permits (#)	10,318	11,788	11,320	11,393	11,790	11,655
391	316	1,119	705	851	851	Multifamily permits (#)	2,956	4,946	4,274	4,425	4,295	3,592
187	194	204	216	230	244	FHFA house price (1995Q1=100)	256	266	275	281	285	287

Source: Moody's Analytics Précis® US Metro

Moody's summarizes the area's economic performance in recent months as follows:

### Recent Performance

Myrtle Beach Metropolitan Statistical Area is mounting an exceptional comeback in light of its deep recession just a year ago. Despite falling much further than average in 2020, payroll growth has consistently outpaced the U.S. and the South over the past few months. This climaxed in April when payrolls surged more than 24% from a year earlier, more than twice the national and regional averages. Most of these gains were in leisure and hospitality as tourism season got fully underway and more of the country emerged from lockdown. The only limit on the pace of hiring over the next several months will be the metro-area workforce. Myrtle Beach is behind both the South and the U.S. when it comes to drawing workers back into the labor market.

### Market Comparison

The following table illustrates key economic indicators and a comparison of the Myrtle Beach Metropolitan Statistical Area to the regional grouping as a whole. As indicated, Myrtle Beach is projected to outperform the South Region Metros in six of eight performance categories shown over the next five years.

Comparison of Key Economic Indicators - Myrtle Beach Metropolitan Statistical Area Metro to South Region										
Indicator	Myrtle Beach Metropolitan Statistical Area			Annual Growth		South Region Metros			Annual Growth	
	2015	2020	2025	2015 - 2020	2020 - 2025	2015	2020	2025	2015 - 2020	2020 - 2025
Gross metro product (C12\$ bil)	17.0	18.8	24.6	2.1%	5.5%	5,420	5,744	6,953	1.2%	3.9%
Total employment (th)	160.9	172.1	194.6	1.4%	2.5%	47,822	49,052	54,113	0.5%	2.0%
Unemployment rate (%)	6.0%	5.7%	4.9%			5.3%	7.1%	4.2%		
Personal income growth (%)	7.2%	5.0%	5.6%			4.2%	5.4%	4.9%		
Population (th)	447.3	522.5	588.0	3.2%	2.4%	113,395	118,897	123,636	1.0%	0.8%
Single-family permits (#)	6,209	10,318	11,655	10.7%	2.5%	362,601	542,304	671,104	8.4%	4.4%
Multifamily permits (#)	316	2,956	3,592	56.4%	4.0%	182,944	186,669	179,649	0.4%	-0.8%
FHFA house price (1995Q1=100)	194	256	287	5.7%	2.3%	304	399	437	5.6%	1.8%
Myrtle Beach Metropolitan Statistical Area outperforming South Region Metros										
Myrtle Beach Metropolitan Statistical Area underperforming South Region Metros										

Source: Moody's Analytics Précis® US Metro; Compiled by NKF



## Employment Sectors and Trends

Employment data by occupation and business/industry sectors provides an indication of the amount of diversification and stability in the local economy. Job sector composition also gives an indication of the predominant drivers of current and future demand for supporting commercial real estate sectors. The following tables display employment data by occupation sector and by business/industry sector for the area and region.

Current Employment by Occupation Sector										
Occupation Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC MSA		North Carolina	
<b>White Collar</b>	<b>4,705</b>	<b>59.8%</b>	<b>950</b>	<b>59.3%</b>	<b>29,258</b>	<b>55.6%</b>	<b>114,881</b>	<b>57.5%</b>	<b>3,084,783</b>	<b>62.1%</b>
Administrative Support	676	8.6%	108	6.7%	5,468	10.4%	20,313	10.2%	504,768	10.2%
Management/Business/Financial	1,281	16.3%	245	15.3%	7,466	14.2%	29,785	14.9%	884,363	17.8%
Professional	1,864	23.7%	377	23.5%	10,123	19.2%	36,953	18.5%	1,208,140	24.3%
Sales and Sales Related	884	11.2%	220	13.7%	6,201	11.8%	27,830	13.9%	487,512	9.8%
<b>Services</b>	<b>1,245</b>	<b>15.8%</b>	<b>198</b>	<b>12.4%</b>	<b>9,738</b>	<b>18.5%</b>	<b>41,577</b>	<b>20.8%</b>	<b>732,969</b>	<b>14.8%</b>
<b>Blue Collar</b>	<b>1,918</b>	<b>24.4%</b>	<b>454</b>	<b>28.3%</b>	<b>13,656</b>	<b>25.9%</b>	<b>43,259</b>	<b>21.7%</b>	<b>1,146,102</b>	<b>23.1%</b>
Construction/Extraction	763	9.7%	185	11.5%	4,960	9.4%	15,309	7.7%	267,702	5.4%
Farming/Fishing/Forestry	47	0.6%	0	0.0%	229	0.4%	851	0.4%	24,316	0.5%
Installation/Maintenance/Repair	280	3.6%	75	4.7%	2,144	4.1%	6,815	3.4%	166,202	3.3%
Production	305	3.9%	54	3.4%	2,530	4.8%	7,904	4.0%	305,389	6.2%
Transportation/Material Moving	523	6.6%	140	8.7%	3,793	7.2%	12,380	6.2%	382,493	7.7%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.0%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

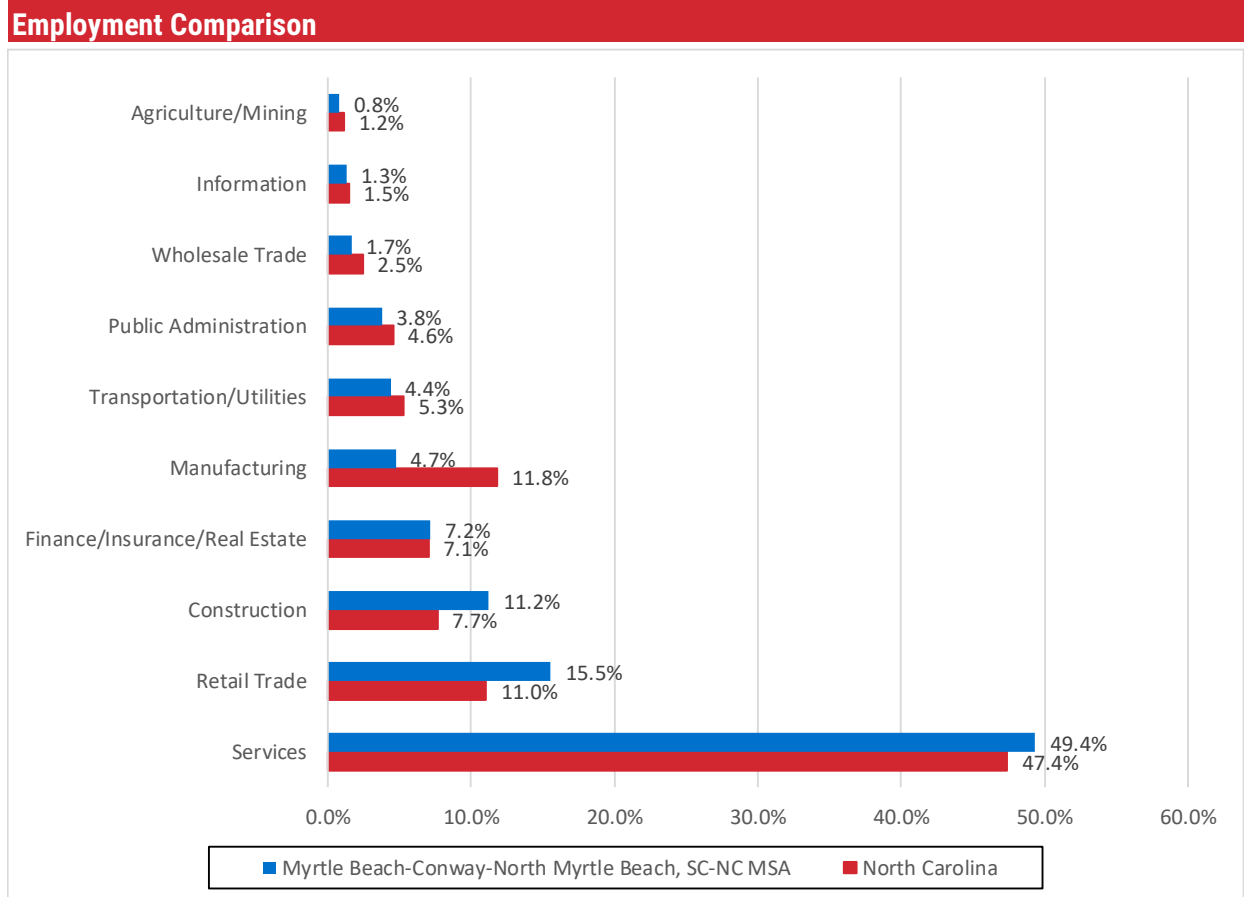
Source: ESRI; Compiled by NKF

Current Employment by Industry Sector										
Industry Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC MSA		North Carolina	
Agriculture/Mining	117	1.5%	8	0.5%	426	0.8%	1,636	0.8%	57,664	1.2%
Construction	1,048	13.3%	250	15.6%	6,999	13.3%	22,382	11.2%	380,270	7.7%
Manufacturing	346	4.4%	130	8.1%	3,309	6.3%	9,483	4.7%	586,018	11.8%
Wholesale Trade	47	0.6%	6	0.4%	609	1.2%	3,325	1.7%	121,721	2.5%
Retail Trade	895	11.4%	118	7.4%	7,510	14.3%	31,051	15.5%	548,365	11.0%
Transportation/Utilities	886	11.3%	215	13.4%	3,703	7.0%	8,751	4.4%	265,009	5.3%
Information	78	1.0%	18	1.1%	691	1.3%	2,644	1.3%	75,132	1.5%
Finance/Insurance/Real Estate	485	6.2%	119	7.4%	3,220	6.1%	14,345	7.2%	350,247	7.1%
Services	3,680	46.8%	728	45.4%	23,621	44.9%	98,565	49.4%	2,351,975	47.4%
Public Administration	286	3.6%	13	0.8%	2,564	4.9%	7,535	3.8%	227,453	4.6%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.2%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

Source: ESRI; Compiled by NKF

Comparing the industry sectors for the local market area (Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA) to North Carolina indicates the local market area is somewhat more heavily weighted toward the Retail Trade, Construction, Services, and Finance/Insurance/Real Estate sectors.

By contrast, the industry employment totals for North Carolina indicate somewhat higher proportions within the Manufacturing, Transportation/Utilities, Public Administration, Wholesale Trade, Agriculture/Mining, and Information sectors. The following graphic further illustrates this comparison.

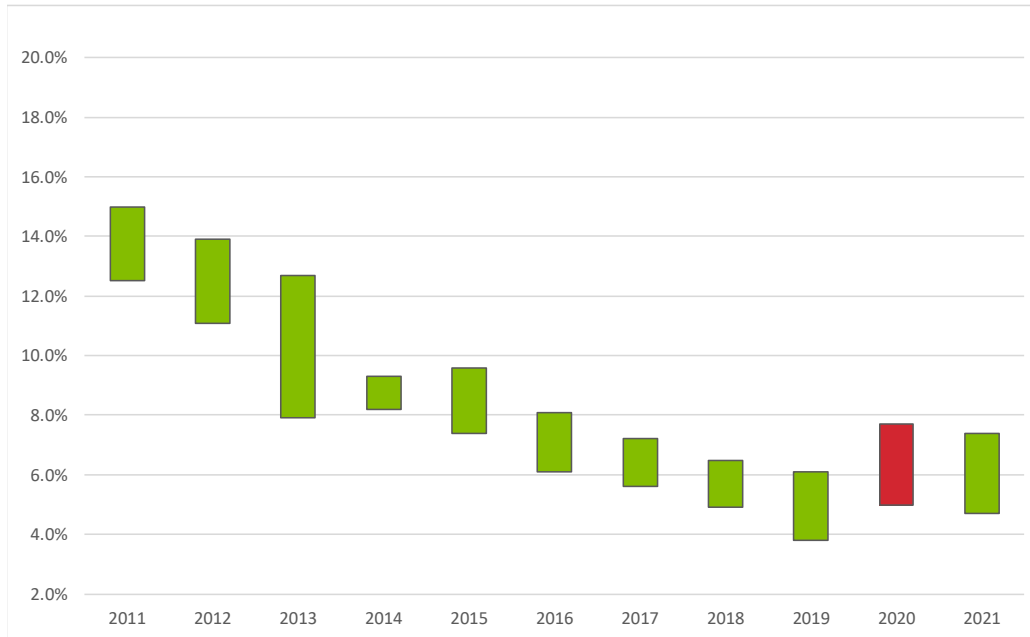


Source: ESRI; Compiled by NKF

## Unemployment

The following table displays the historical unemployment data for the area derived from the US Department of Commerce, Bureau of Labor Statistics. The most recent reported unemployment rate for the Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area is 4.7% (May 2021).

**Unemployment Rate: Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area**



Bars represent beginning to end range of unemployment rates in each year

Red bars denote increasing unemployment from beginning to end of year

Green bars are declining unemployment from beginning to end of year

*Compiled by NKF*



## Major Employers

The following table lists a number of major employers with the Myrtle Beach Metropolitan Statistical Area as reported by Moody's. While not all-encompassing, this list provides further indication of the types of economic sectors that are drivers for the area.

Selected Major Employers: Myrtle Beach Metropolitan Statistical Area		
Rank	Employer	Employees
1	Wal-Mart Stores Inc.	2,623
2	Coastal Carolina University	1,582
3	Conway Medical Center	1,500
4	Grand Strand Regional Medical Center	1,400
5	Progress Energy Co.	>1,000
6	Food Lion	1,000
7	Myrtle Beach National	980
8	Blue Cross/Blue Shield	837
9	National Golf Management	800
10	HTC Communications	684
11	(McLeod Loris Seacoast) Loris Healthcare	680
12	Wyndham Vacation Ownership	650
13	Lowe's Building Supply	603
14	Kingston Plantation	550
15	Novant Medical/Brunswick College	500-999
16	Sands Oceanfront Resorts	500
17	Bi-Lo	468
18	Ocean Lakes Family Campground	450
19	Conbraco Industries Inc.	410
20	AVX Corp.	400

Source: Moody's Analytics Précis® US Metro

## Analysis

Further economic analysis from Moody's is detailed as follows:

### Tourism

Myrtle Beach's economic outlook is always dominated by tourism, but for the next year and a half this will especially be the case. Leisure/hospitality payrolls will outperform national and regional averages by orders of magnitude this summer as the metro area is perfectly positioned to benefit from the impending surge in consumer spending and pent-up demand among vacationers. Myrtle Beach has offerings for a wide range of visitors from across the socioeconomic spectrum, catering to lower-income vacationers as easily as high-income visitors. This, coupled with its ease of access to most of the East Coast, will help it recover and expand faster than many of its peers. These trends are already beginning to play out in the data. Air traffic at Myrtle Beach International Airport has already surpassed 2019, pre-pandemic levels. Occupancy rates and revenue per



available room are almost double 2019 levels. Leisure/hospitality employment has nearly doubled from a year ago, in turn, and will surpass pre-pandemic peaks by mid-2022, more than a full year before the rest of the South.

### Retirees

The end of the pandemic will also bring a reacceleration of retiree in-migration to Myrtle Beach. After a year and a half of tremendous uncertainty, pent-up retirements and relocations will boost population growth in retiree havens across the country, but Myrtle Beach will especially benefit. The metro area boasts one of the most affordable environments for retirees on the East Coast, and house prices are still very competitive despite the near-term pressures from the pandemic. The growing retiree population will support continued expansion in the healthcare sector, which so far this year is on pace to see the fastest rate of job growth in more than a decade.

### Housing

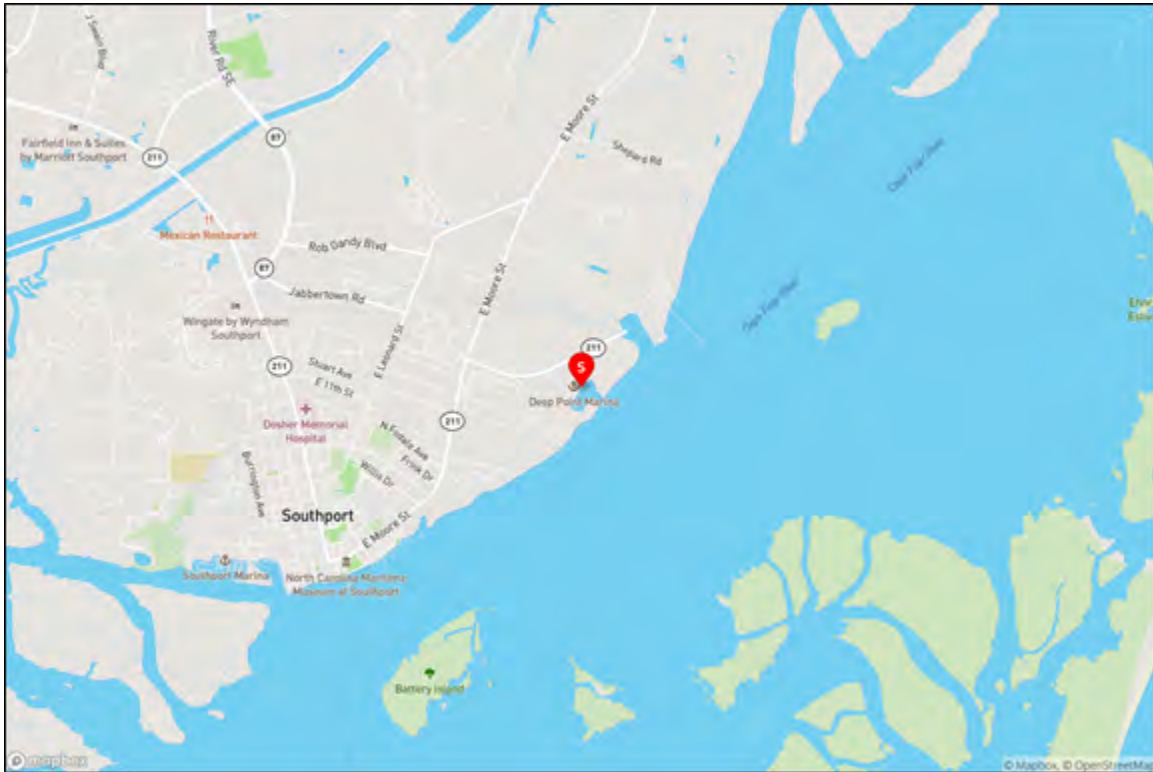
Faster population gains will turbocharge the metro area's already fast-paced housing market. Prices have been growing faster than in the U.S. and the South for the past three years, well before the demand surge during the pandemic. This has allowed Myrtle Beach to get off to a faster start regarding construction than other parts of the country. Permits have increased to a level not seen since before the Great Recession and building activity is steadily outpacing that in the rest of the already high-flying South. Strong demand and high affordability for a retiree destination will allow the metro area to continue to see stronger price growth throughout the forecast. This price appreciation will eventually eat into affordability, however, as prices rise faster than incomes.

### Conclusion

Positive Attributes	Negative Attributes
❑ Popular destination for tourists, retirees.	❑ Volatility from dependence on tourism and national discretionary consumer spending.
❑ Very strong population growth, including	
❑ favorable migration trends.	❑ Risk of property damage due to coastal location.
❑ Low cost of doing business.	

Myrtle Beach Metropolitan Statistical Area has a strong few years of growth ahead. Its relatively low costs and industry mix position it to benefit perfectly from the nascent surge in consumer demand. The only real limit on the pace of near-term hiring will be the pace of recovery in the labor force. However, rising average hourly earnings and the expiration of enhanced unemployment benefits are sure to alleviate much of those pressures by the end of the year.

## Neighborhood Analysis



Area Map

### Boundaries

The subject is located in the Southport city of Brunswick County. This area is part of the Southport submarket as defined by Costar and is generally delineated as follows:

North	US State Highway 211
South	Cape Fear River
East	Cape Fear River
West	US State Highway 211

### Surrounding Area of Influence Trends

#### Description

The subject's surrounding area is viewed as suburban. The immediate area around the subject can be described as residential and commercial developments.

#### Fundamental Real Estate Cycle

The surrounding area is considered to be within the expansion stage of its real estate cycle.

#### Nuisances or Hazards

Our observation of the area revealed no evidence of significant nuisances or hazards.

## Access

### Primary Access

Primary access to the property is provided by US State Highway 211.

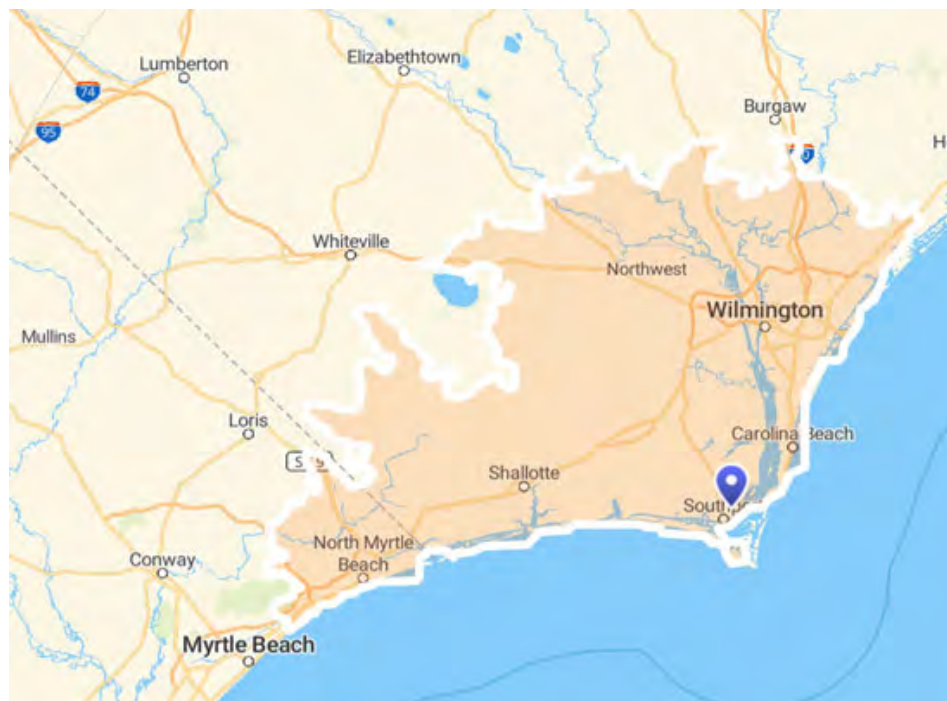
North Carolina Highway 211 (NC 211) is a 162.5-mile-long primary state highway in the U.S. state of North Carolina. It traverses mostly through the Sandhills and Coastal Plain regions of the state, connecting the cities of Candor, Aberdeen, Raeford, Lumberton, Bladenboro, and Southport.

### Transportation

Brunswick Transit System, Inc. (BTS) is a non-profit community transportation system that coordinates general public and human services transportation for the residents of Brunswick County. BTS was incorporated in 1989 and operates under the NC Nonprofit Corporation Act and the USC 501(c)(3) Internal Revenue Code. The transit system operates a fleet of 17 vehicles, including ADA equipped vehicles to assist persons with special needs.

### Distance from Key Locations

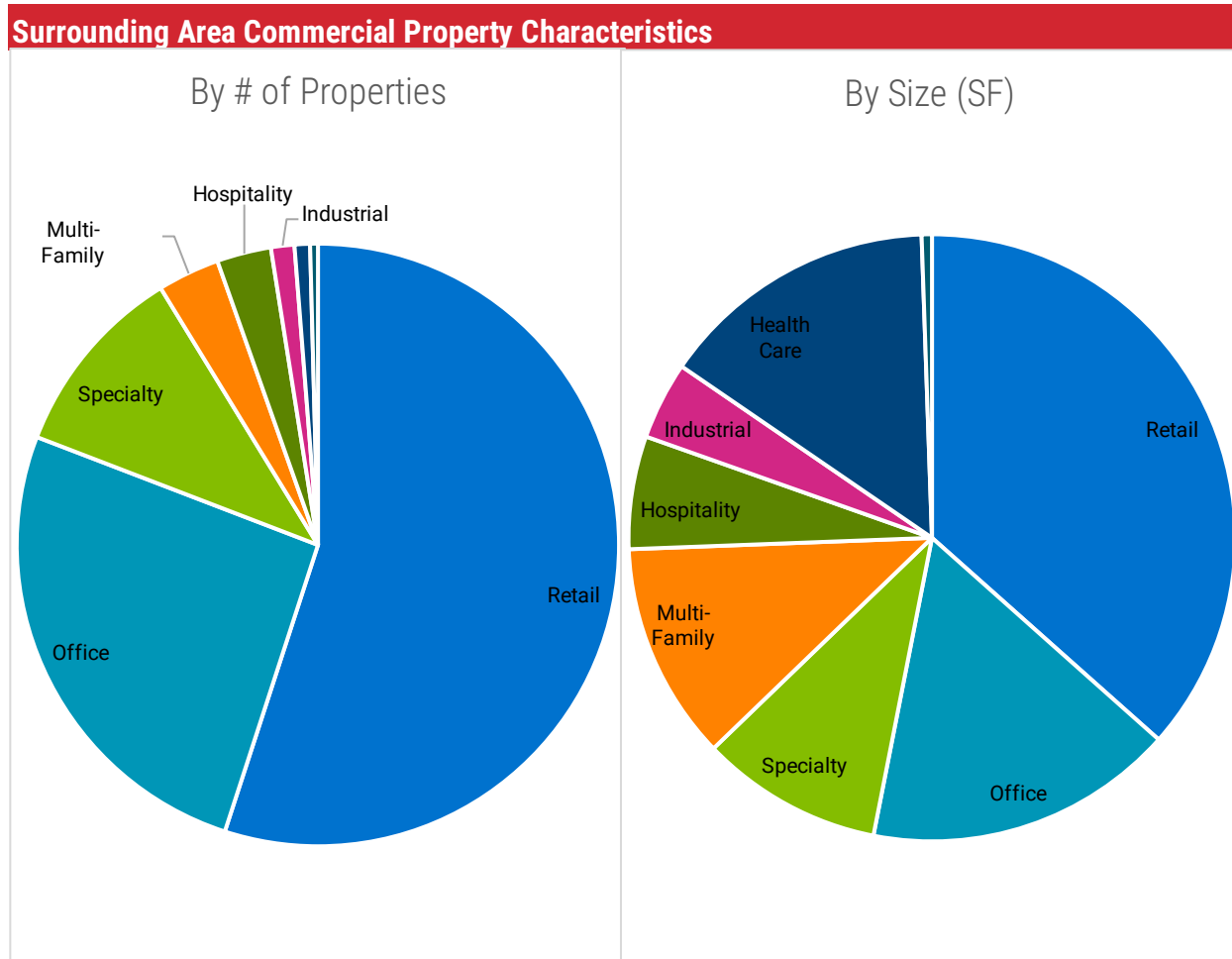
The commute to the Downtown Wilmington Information Center is about fifty minutes and the drive to Wilmington International Airport is about forty minutes. The following illustrates the 60-minute drive time from the subject.



Drive Time Map

## Land Use

The following was developed from Costar data for the major property types in the surrounding two-mile radius around the subject.



Source: Costar; Compiled by NKF

Within the immediate area of the subject, property uses include the following:

- ❑ Within a two-mile radius, Costar recognizes a total of 240 commercial use properties.
- ❑ Costar recognizes 132 retail, 62 office, 25 specialty properties in this radius. Retail properties dominate the subject's surrounding area in terms of number of properties.
- ❑ Within this radius, the total property size is 227,377 SF for office developments. The average SF of industrial development within radius is 3,667 SF.

## Neighborhood Analysis

## Demographics

A demographic summary for the defined area is illustrated as follows:

Demographic Analysis								
	1-Mile Radius	3-Miles Radius	5-Miles Radius	28461	Southport City	Brunswick County	Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA	North Carolina
<b>Population</b>								
2010 Total Population	659	4,081	8,060	16,143	2,833	107,431	376,722	9,535,483
2021 Total Population	926	5,454	10,829	20,624	4,219	143,291	506,593	10,822,111
2026 Total Population	1,043	6,113	12,075	22,871	4,694	161,841	571,044	11,430,355
Projected Annual Growth %	2.4%	2.3%	2.2%	2.1%	2.2%	2.5%	2.4%	1.1%
<b>Households</b>								
2010 Total Households	300	1,849	3,699	7,181	1,294	46,297	158,522	3,745,155
2021 Total Households	425	2,503	5,012	9,255	1,949	62,278	213,470	4,251,028
2026 Total Households	480	2,818	5,608	10,306	2,180	70,518	241,159	4,493,166
Projected Annual Growth %	2.5%	2.4%	2.3%	2.2%	2.3%	2.5%	2.5%	1.1%
<b>Income</b>								
2021 Median Household Income	\$67,155	\$61,279	\$64,734	\$71,562	\$59,877	\$60,977	\$55,446	\$56,585
2021 Average Household Income	\$99,391	\$84,785	\$91,212	\$98,002	\$82,854	\$81,403	\$74,594	\$80,263
2021 Per Capita Income	\$44,083	\$38,793	\$42,308	\$43,997	\$37,647	\$35,389	\$31,458	\$31,659
<b>Housing</b>								
2021 Owner Occupied Housing Units	66.8%	59.8%	49.1%	57.7%	58.3%	50.6%	46.0%	57.1%
2021 Renter Occupied Housing Units	11.2%	14.3%	11.1%	8.8%	14.0%	9.5%	16.0%	29.3%
2021 Median Home Value	\$376,712	\$328,641	\$335,130	\$317,225	\$329,487	\$269,066	\$236,282	\$217,574
Median Year Structure Built	1992	1995	1998	2001	1997	1997	1995	1988
<b>Miscellaneous Data Items</b>								
2021 Bachelor's Degree	20.3%	20.1%	22.0%	23.6%	19.7%	20.0%	17.4%	20.7%
2021 Grad/Professional Degree	11.8%	11.9%	13.8%	14.7%	10.8%	11.6%	10.1%	12.1%
2021 College Graduate %	32.1%	32.0%	35.7%	38.2%	30.5%	31.5%	27.5%	32.8%
2021 Average Household Size	2.11	2.10	2.12	2.21	2.07	2.29	2.35	2.48
2021 Median Age	59.4	56.8	57.0	58.0	57.4	50.8	45.5	39.2

Source: ESRI; Compiled by NKF

- As shown above, the current population within a three-mile drive distance of the subject is 5,454, and the average household size is 2.10 persons. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Brunswick County overall, the population within a three-mile drive distance is projected to grow at a similar rate.
- Median household income is \$61,279, is higher than the household income for Brunswick County. Residents within a three-mile drive distance have a similar level of educational attainment than those of Brunswick County, while median owner-occupied home values are higher.
- Population growth in the surrounding area has been strong with income levels increasing. This has a positive effect on retail and services related real estate demand. This trend is projected to continue into the foreseeable future.





## Economic Analysis

## Recent Housing Transactions

The following snapshot provides the most recent housing transactions in the Bald Head Island and Southport area. The following transaction represent the most recent sales of 2021.

Subdivision Builder	Housing Type	Recorded Closings	Sale Price Avg	Sale Price Range	% Financed	Fin SF Avg	Fin SF Range	Bed Avg	Bath Avg	Lot SF Avg	Acres Avg
<b>BALD HEAD ISLAND</b>											
DR Horton Inc	Detached	1	\$245,000	\$245,000	95.0%	1,983	1,983	4.0	3.0	20,281	0.47
DR Horton Inc	Other/Unk	1	\$239,000	\$239,000	95.0%					20,069	0.46
Subdivision Totals		2	\$242,000	\$239,000-\$245,000	95.0%	1,983	1,983	4.0	3.0	20,175	0.46
<b>BALD HEAD ISLAND STAGE</b>											
522 Flipper LLC	Detached	1	\$591,500	\$591,500	46.5%	2,533	2,533	4.0	4.5	43,560	1.00
Homes by Parrish LLC	Other/Unk	1	\$852,500	\$852,500	80.0%					43,560	1.00
Revel BHI 1 Partners Ltd	Other/Unk	1	\$1,479,000	\$1,479,000						10,100	0.23
Subdivision Totals		3	\$974,333	\$591,500-\$1,479,000	63.2%	2,533	2,533	4.0	4.5	32,407	0.74
<b>SOUTHBEND</b>											
Village Homes Builders LLC	Detached	3	\$233,000	\$230,000-\$235,000	85.5%	1,402	1,384-1,432	3.0	2.0	7,115	0.16
<b>SOUTHERN HOMEBUILDERS INC</b>											
Southern Homebuilders Inc	Detached	1	\$264,500	\$264,500	90.0%	1,316	1,316	3.0	2.0		
<b>SOUTHPORT HGT</b>											
Herrick Homes Inc	Detached	1	\$394,000	\$394,000		1,914	1,914	3.0	2.5	12,197	0.28
<b>SOUTHVIEW PARK</b>											
H & H Homes Inc	Detached	7	\$215,714	\$200,000-\$223,000	95.2%	2,041	1,520-2,348	3.0	2.3	7,070	0.16
H & H Homes Inc	Other/Unk	6	\$211,750	\$199,500-\$221,000	95.3%					6,722	0.15
Subdivision Totals		13	\$213,885	\$199,500-\$223,000	95.3%	2,041	1,520-2,348	3.0	2.3	6,909	0.16



## Marina Market Analysis

The primary potential alternative use for the subject would be for expansion of the existing adjoining marina. This market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include:

- ❑ National Marine Manufacturers Association, “2019 Recreational Boating Statistical Abstract”, published in September 2020. This is the most current national marina data available.
- ❑ National Marine Manufacturers Association, “2016 Recreational Boating Participation Study”, published in August 2017. This is the most current data available.
- ❑ US Coast Guard
- ❑ Association of Marina Industries
- ❑ Marine Dock Age “2019 Industry Trends”, Published March 2020. This is the most current data available.
- ❑ Rental Surveys of Competitive Properties
- ❑ Dozier’s Waterway Guide
- ❑ Marinas.com
- ❑ ESRI Demographic Data
- ❑ Interviews with Local Market Participants
- ❑ Subject Property Data

## National Marine Market

### Market Summary

According to the 2019 edition of the National Marine Manufacturers Association, (NMMA), 2019 Recreational Boating Statistical Abstract, the NMMA Statistical Abstract and the Recreational Boating Economic Study, recreational boating continues to be an important factor to the U.S. economy.

The following is a snapshot of the position and trends in the boating industry as reported in the 2019 Recreational Boating Statistical Abstract.

- ❑ U.S. expenditures on new boats, engines, aftermarket accessories and related costs totaled \$43.1 billion in 2019, up 3.1% from 2018. New boat sales (powerboats, sailboats, and personal watercraft) slightly declined after a seventh consecutive increase year in 2018, the slight decrease represents a 0.89% total unit decrease from an eleven-year high of 281,800 in 2018, total units sold in 2019 totaled 279,300 units.
- ❑ In 2019, there were 12 million registered boats in the U.S., equal to one registered boat for every 10.3 households in the U.S.

- ❑ Florida led all states in boat registrations in 2019, followed by Minnesota, Michigan, California and Wisconsin, in that order.
- ❑ Sales of new outboard boats grew for the ninth consecutive year to a 13-year high of 280,300 units in 2019; corresponding dollar sales totaled \$2.9 billion. Outboard boats remained the most popular category of boats sold in 2019, accounting for 62% of new boat sales.
- ❑ Pontoon boats accounted for the largest share (33.9%) of new retail sales for outboard boats in 2019. Center console boats were the second largest sales category with a 17% market share, followed by Bass boats and “other” boats with 14.1% and 14.0% shares, respectively.
- ❑ The average retail price of an aluminum outboard boat rose 17.7% to \$26,562 in 2019.
- ❑ Unit sales of pre-owned craft were up in four categories in 2019: inboard ski/tow boats, inboard cruisers, personal watercraft (PWC) and jet boats; unit sales of outboard boats, sterndrive boats, and sailboats declined.
- ❑ Sales of pre-owned boats moderated in 2019, down 1.2% to 966,200 units.
- ❑ Recreational boat and marine engine imports rose to an all-time high of \$3.5 billion in 2019, up 5% from 2018. Boat imports were up 7.1% to \$2 billion in 2019. Engine imports also increased, up 2.1% to \$1.5 billion.
- ❑ Recreational boat exports were down 27.8% to \$237.6 million in 2019, likely due to the combined effect of counter tariffs resulting in higher costs for European importers, and the strong dollar in 2019 which strengthened against the Euro and made U.S. products more expensive to countries in the region.
- ❑ Outboard engine sales increased for the eighth consecutive year in 2019, up 0.6% to a 13-year high of 280,300 units; corresponding dollar sales totaled \$2.9 billion in 2019, up 8.5% from 2018. Consumer demand for higher-performance engines continued to trend upward in 2019 with double-digit gains in engines sales for each of the 200.0 and greater horsepower categories.

## Barriers to Entry

By far, the most difficult barrier to entry into the marina market is the lack of good waterfront development sites. We are aware of very few marinas and mixed-use waterfront projects that have been built on waterfront land that wasn't previously developed.

Over the past 2 to 3 years, wet slip occupancies have increased, approaching or exceeding their former market highs in 2005 and 2006. Many marinas are at or above 80%. The market fundamentals in the state currently support marina development in well-chosen locations as well as the renovation, redevelopment and expansion of existing marina developments along the coast.

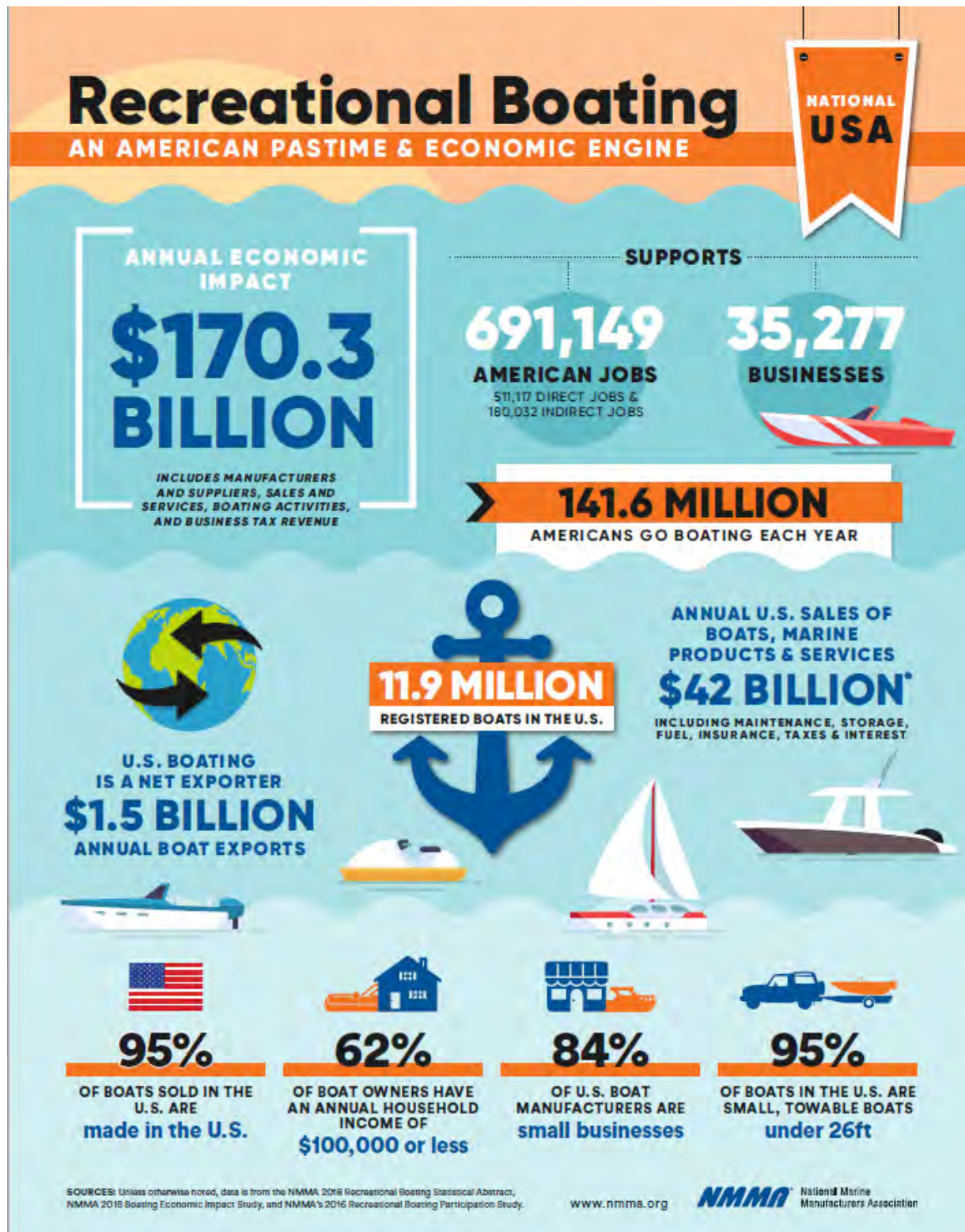
## Economic Analysis

U.S. boat registrations totaled 11.9 million in 2018, down 0.7% compared to 2016. The top five states for boat registrations in 2018 were unchanged from 2017, and included Florida, Minnesota, Michigan, California and Wisconsin, in that order. Two states within the top 20 states for boat registrations changed rank in 2018. Texas moved from seventh to sixth (switching with Ohio) and Illinois moved from sixteenth to fifteenth (switching with Alabama).

2018 Ranking	State	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	'18 vs. '17 % Change
1	Florida	988,652	991,680	974,553	949,030	914,535	889,895	870,031	870,749	873,507	889,350	905,298	918,255	925,141	0.7%
2	Minnesota	862,937	866,496	867,446	811,775	813,976	808,783	817,996	808,744	809,292	808,627	817,560	825,658	819,317	-0.8%
3	Michigan	828,529	830,743	816,752	811,670	812,066	803,391	804,088	795,875	789,458	787,637	794,137	798,544	795,374	-0.4%
4	California	893,828	964,881	858,853	906,988	810,008	855,243	776,584	820,490	728,679	772,542	697,412	745,641	670,102	-10.1%
5	Wisconsin	635,751	617,366	634,546	626,304	615,335	628,743	622,563	613,516	627,352	623,217	611,240	624,353	614,750	-1.5%
6	Ohio	412,256	415,228	416,586	424,877	430,710	432,696	441,732	449,541	459,778	474,185	505,082	541,898	573,050	5.7%
7	Texas	595,934	599,567	597,428	622,184	596,830	577,174	580,064	575,402	566,897	572,666	573,425	565,422	562,424	-0.5%
8	South Carolina	436,075	442,040	436,844	435,528	435,491	447,745	460,564	466,589	462,680	502,210	518,269	533,419	551,477	3.4%
9	New York	497,974	494,020	485,541	479,161	475,689	467,828	463,539	456,909	451,862	446,582	448,480	444,710	444,103	-0.1%
10	North Carolina	370,291	375,815	371,879	405,663	400,846	392,566	391,711	386,884	380,670	374,823	367,225	358,171	359,361	0.3%
11	Georgia	336,579	344,597	350,479	352,054	353,950	322,346	323,116	319,871	321,740	327,657	335,723	338,210	330,853	-2.2%
12	Pennsylvania	344,190	342,427	338,316	337,747	365,872	331,590	332,431	329,578	322,195	318,873	315,503	313,478	306,781	-2.1%
13	Louisiana	306,366	301,249	302,753	303,111	302,141	302,974	305,081	307,464	307,059	306,731	306,689	305,783	303,966	-0.6%
14	Missouri	324,826	321,782	322,253	314,131	297,194	302,271	300,714	297,562	294,009	293,660	293,185	290,376	289,854	-0.2%
15	Illinois	383,615	379,454	378,208	373,530	370,522	371,365	368,224	310,853	274,906	236,513	242,275	250,776	245,621	-2.1%
16	Alabama	271,658	274,176	272,558	270,726	271,377	265,526	268,374	265,626	262,926	261,183	265,973	266,157	244,619	-8.1%
17	Washington	270,427	270,789	264,393	269,845	237,921	234,543	230,684	229,403	226,662	228,528	236,035	239,316	244,618	2.2%
18	Tennessee	271,687	274,914	271,475	269,361	266,185	259,904	259,832	258,167	256,862	257,772	254,091	248,599	239,313	-3.7%
19	Iowa	234,335	213,757	231,333	247,190	209,660	228,743	235,095	202,886	221,939	236,466	205,145	213,392	231,346	8.4%
20	Virginia	248,091	251,440	249,312	249,235	245,940	242,473	239,878	237,551	236,521	234,052	233,236	224,031	225,732	0.8%
21	Indiana	188,498	241,474	271,532	268,424	281,908	217,297	214,487	214,889	212,466	209,867	209,622	219,870	211,287	-3.9%
22	Oklahoma	216,556	223,758	196,052	205,079	209,457	199,337	201,069	194,801	192,600	203,829	202,388	202,594	198,478	-2.0%
23	Arkansas	199,189	206,395	199,104	198,805	205,925	200,915	199,546	237,466	206,283	171,268	189,514	189,695	172,112	-9.3%
24	Maryland	204,277	202,892	199,087	196,805	193,259	188,623	185,626	181,544	178,573	178,798	176,207	172,304	170,365	-1.1%
25	Oregon	186,497	184,147	180,063	180,552	177,634	171,983	169,188	166,664	163,358	168,175	156,168	168,933	168,100	-0.5%
26	Kentucky	177,951	176,716	173,981	176,535	175,863	171,936	175,286	174,218	174,358	172,315	173,881	173,344	165,987	-4.2%
27	New Jersey	205,967	183,147	185,359	173,994	169,750	166,037	160,345	154,178	152,889	151,450	150,968	153,372	149,971	-2.2%
28	Massachusetts	148,640	145,496	145,113	142,625	141,959	139,991	139,123	137,668	135,750	134,678	140,008	134,538	132,440	-1.6%
29	Mississippi	179,433	180,356	191,312	194,016	156,216	156,743	133,556	130,959	133,406	134,991	132,441	131,873	127,029	-3.7%
30	Arizona	145,023	144,570	140,291	136,463	135,326	131,665	129,221	125,646	124,425	124,076	123,263	123,177	123,223	0.04%
31	Maine	113,276	112,818	109,657	109,169	111,873	106,679	108,502	107,211	106,328	107,475	111,116	109,774	111,681	1.7%
32	New Hampshire	101,297	100,261	96,205	95,402	94,773	91,950	92,976	92,046	92,258	92,979	94,806	94,810	95,444	0.7%
33	Connecticut	108,701	108,539	110,650	109,213	108,078	105,499	103,992	101,887	99,658	95,527	93,364	92,058	90,728	-1.4%
34	Nebraska	83,313	83,722	83,280	80,089	83,832	84,471	86,248	87,078	86,778	86,853	87,596	87,865	88,622	0.9%
35	Idaho	88,464	91,612	89,026	90,501	87,662	84,290	85,749	85,780	86,270	86,969	87,211	84,015	86,801	3.3%
36	Colorado	98,067	98,055	95,330	95,822	91,424	89,321	87,225	83,549	83,683	84,111	84,676	84,936	84,083	-1.0%
37	Kansas	95,677	93,900	91,067	90,522	89,315	88,041	85,840	83,422	82,016	80,979	81,243	83,775	82,700	-1.3%
38	Utah	76,481	76,921	73,009	72,419	70,321	68,427	70,144	66,012	66,804	66,497	65,873	66,136	64,208	-2.9%
39	Montana	81,935	79,651	84,988	83,394	52,105	42,985	54,642	63,438	47,427	60,087	68,229	51,373	63,063	22.8%
40	North Dakota	49,638	53,519	46,067	51,609	56,128	47,537	62,799	69,381	53,560	69,581	67,022	56,933	62,740	10.2%
41	South Dakota	53,430	53,570	56,604	60,094	56,624	56,615	58,449	57,209	57,209	58,972	59,485	59,525	58,896	-1.1%
42	Delaware	59,192	61,569	56,669	61,523	62,983	57,687	58,541	59,186	59,337	59,467	61,901	58,557	55,047	-6.0%
43	West Virginia	57,422	63,064	49,930	57,415	64,510	51,752	57,085	61,961	48,139	50,324	57,305	43,839	51,239	16.9%
44	Alaska	49,533	47,548	47,534	48,892	48,891	50,219	50,142	49,939	50,123	50,781	51,144	50,044	48,829	-2.4%
45	Nevada	59,957	59,895	57,519	56,053	53,464	50,864	50,499	46,327	44,196	41,794	42,426	43,129	40,930	-5.1%
46	Rhode Island	43,375	43,665	42,524	42,519	45,930	40,989	40,451	39,602	36,291	40,075	40,178	39,685	39,230	-1.1%
47	New Mexico	38,794	38,100	33,304	36,544	37,340	37,469	36,846	34,862	34,647	33,933	33,780	33,340	32,505	-2.5%
48	Vermont	32,090	31,482	30,429	30,480	30,315	28,807	28,987	30,008	27,861	28,179	29,353	28,852	28,690	-0.6%
49	Wyoming	26,296	26,956	27,243	27,955	28,249	28,164	28,620	28,081	27,117	27,711	27,288	26,963	26,656	-1.1%
50	Hawaii	15,109	15,094	15,404	15,709	14,835	13,375	14,098	14,258	12,033	10,807	11,238	11,658	12,371	6.1%
51	Dist. of Columbia	2,425	2,866	2,922	2,798	3,017	2,889	2,118	2,622	1,963	2,120	2,115	2,512	2,433	-3.1%
52	U.S. Territories	69,241	71,579	70,129	70,010	73,712	35,579	38,435	28,835	29,334	29,707	30,251	27,519	29,279	6.4%
Total U.S.		12,746,125	12,875,568	12,692,892	12,721,541	12,438,926	12,173,935	12,101,936	12,014,387	11,782,134	11,867,049	11,866,043	11,953,187	11,852,969	
Percent change		-1.5%	1.0%	-1.4%	0.2%	-2.2%	-2.1%	-0.6%	-0.7%	-1.9%	0.7%	-0.01%	0.7%	-0.8%	



The above data table shows the total number of boating registrations by state. Florida remains at the top of the chart, followed this year by Minnesota, Michigan, California, and Wisconsin to round out the top five.



## Demand Generators

We have already discussed several factors that qualify a vacant waterfront site as being suited to marina development. However, once a marina development is in place, the quality, condition and reliability of service are key elements to the long-term sustainability of the development. An ongoing maintenance program of capital improvements is vital to a professional marina management plan.

Full service marinas have a significant competitive advantage over limited service or no service marinas. Full service marinas create an “All Inclusive” boating experience that keep their wet slip tenants on-site, long after the vessel is back in its slip. The inclusion of an amenity package such as restaurants, a captain’s lounge and, (based on location), family specific recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage. Finally, the importance of a best-in class Wi-Fi system cannot be overstated. One national marina owner/developer was quoted as saying, “My Wi-Fi is as important as my docks”.

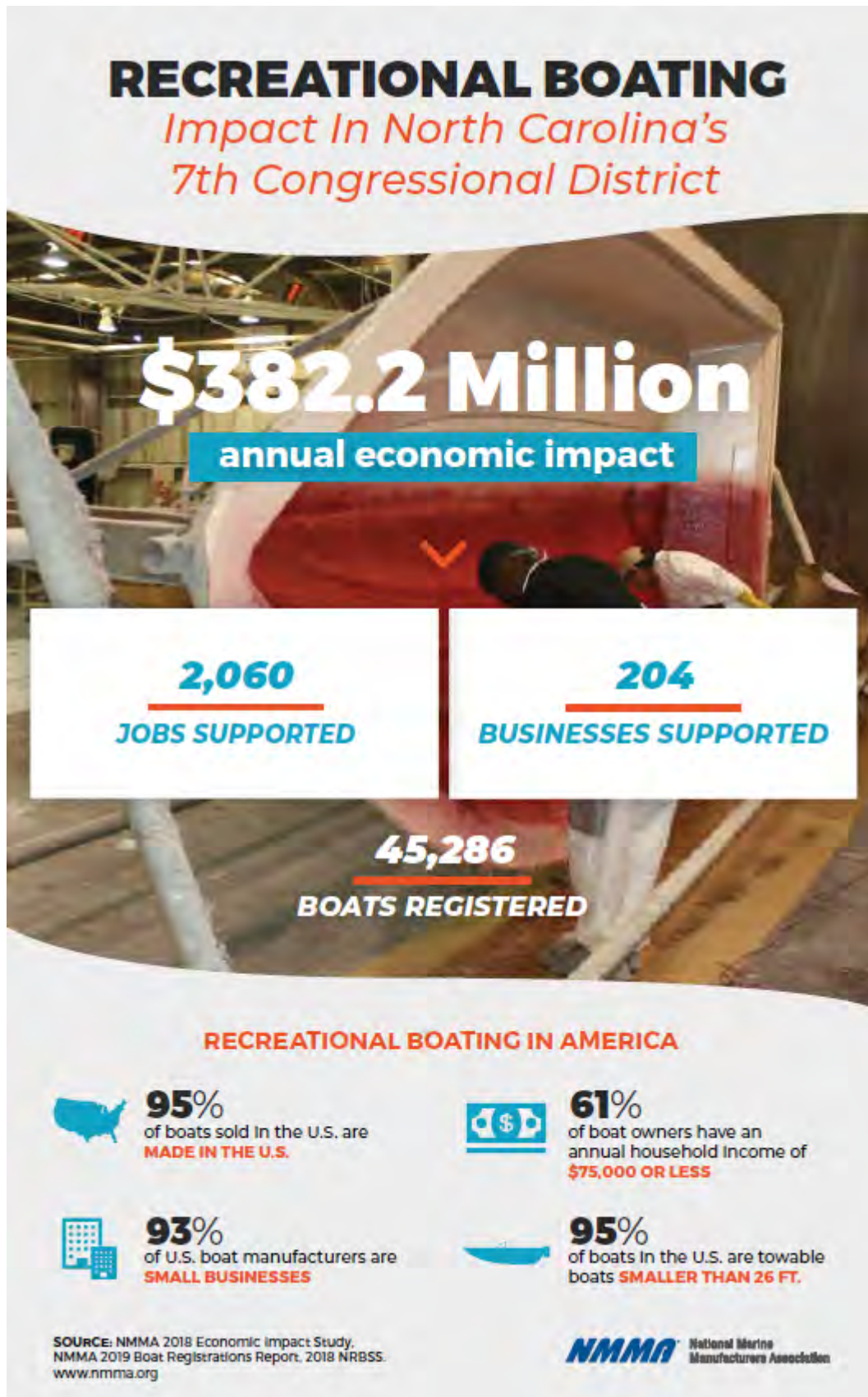
The supply and demand characteristics of the marina market have strengthened significantly since the last recession. Over the past several years, marina portfolio operators have been accumulating mixed-use waterfront properties for their corporate portfolios. Once acquired and renovated, these individual assets, which individually might be valued at cap rates ranging from 7.50% up to 8.50%, are expected to command a cap rate for the entire portfolio of 100 up to 200 basis points lower than they would individually. Much of this spread is driven by quality, condition and critical mass. Thus, there is great incentive in the marina market to acquire and renovate multiple marina properties, especially within a dynamic region such as the southeast where the market fundamentals are already strong.

## NATIONAL MARINE MARKET - CONCLUSION

The marine industry has a profound effect on the US economy with \$42 billion in total boating related sales in 2018. The popularity of boating has increased from 2006 to 2018. At the same time, the average annual hourly wage has increased modestly. All of the data sets indicate that the American family has recovered from the recession of 2007 and that many have re-entered boating after a three to five year hiatus. Based on the above data and analysis, it is our opinion that nationally the boating industry will strengthen steadily throughout the foreseeable future.







## VALUATION PARAMETERS

In appraisal practice, the two most used unit value indications that can be abstracted from a marina or mixed-use waterfront sale are the price per slip and the capitalization rate. The following is a discussion of the trends and central tendencies of these two components.

### Sale Price Per Slip

Many factors affect the price per slip including the number and size of ancillary profit centers that contribute to the sale price, the location of the property, its condition on the date of sale and how well the existing improvements match the current expectations of potential tenants within the local market.

In general, Top Tier marinas that sell in the \$30,000 to \$90,000 per slip range reflect multiple profit centers, newer construction, high occupancy levels and excellent proximity relative to landward and waterward destinations. These marinas are well located, relatively new, well occupied, well designed and well maintained. However, the majority of marinas in the US sell in the \$15,000 to \$30,000 range. They have some, but not all of the characteristics of the top-tier marinas as discussed above.

Trophy properties have good to excellent proximity to a major interstate highway, heavy traffic counts on an adjacent local roadway, direct exposure or signage on an adjacent heavily traveled waterway as well as good to excellent waterward proximity, access and exposure. Therefore, the primary characteristics of a trophy property are excellent proximity, access and exposure combined with large amounts of "Drive-By" traffic in terms of both vessels and vehicles. In order for an optimal marina property to exist, it must have the foregoing locational characteristics plus the positive synergy of well-designed and maintained building and site improvements.

Prior to 2007, marina buyers purchased active marinas for redevelopment, primarily for condominiums. In a redevelopment scenario, the motivation to purchase the property was the number of condominium units that could be developed on the land. Today, condominium redevelopment is much less frequent, as price points and construction costs have collided in many waterfront markets.

Most of the recent improved marina sales represent the acquisition of going concern operations which were purchased for their income potential either in an as-is scenario or as a value-added play.

### Typical Acquisition Parameters

We have held discussions with most of the active marina purchasers in the United States market today. Most corporate purchasers are acquiring marinas based on existing in-place income for stabilized marinas, or on a stabilized year NOI for value-added properties.



Typical holding periods range from 7 to 10 years or more. Typical buyers are offering to purchase stabilized saltwater properties with capitalization rates of 7.00% to 9.00%. The lower end of the range typically includes marinas with good to excellent project fundamentals. Most freshwater marinas would command cap rates in the 8.00% to 10.00% range. However, well positioned properties, "Best in Class" properties and properties with in- place Net Operating Incomes of \$1,000,000 or more will typically command a premium.

There are many portfolio collectors that own 2 to 10 marinas. These buyers are very active in marina acquisition. Many small acquisition groups have been formed over the last 8 to 10 years which are targeting marinas and marina portfolios. Individual buyers are targeting marina properties with purchase prices in the \$1,000,000+ range. Many times, these buyers are retiring from another profession and have little or no experience or training in marina management. These investors are much less sophisticated and usually hire marina management companies to handle the day to day operations. Many times, the location of a marina in proximity to family and the prospects of a monthly income are all that is required.

Regardless of whether the investor is corporate or private, the motivation to purchase is not the purchase price divided by the number of wet and dry slips. For both investor groups, the motivation is for a return on and then return of investment.

### Capitalization Rates

Two of the capitalization rates that can typically be extracted from an improved marina sale are:

- ❖ The actual cap rate based on the in-place NOI and
- ❖ The pro-forma cap rate based on stabilized, as-cured or pro-forma NOI.

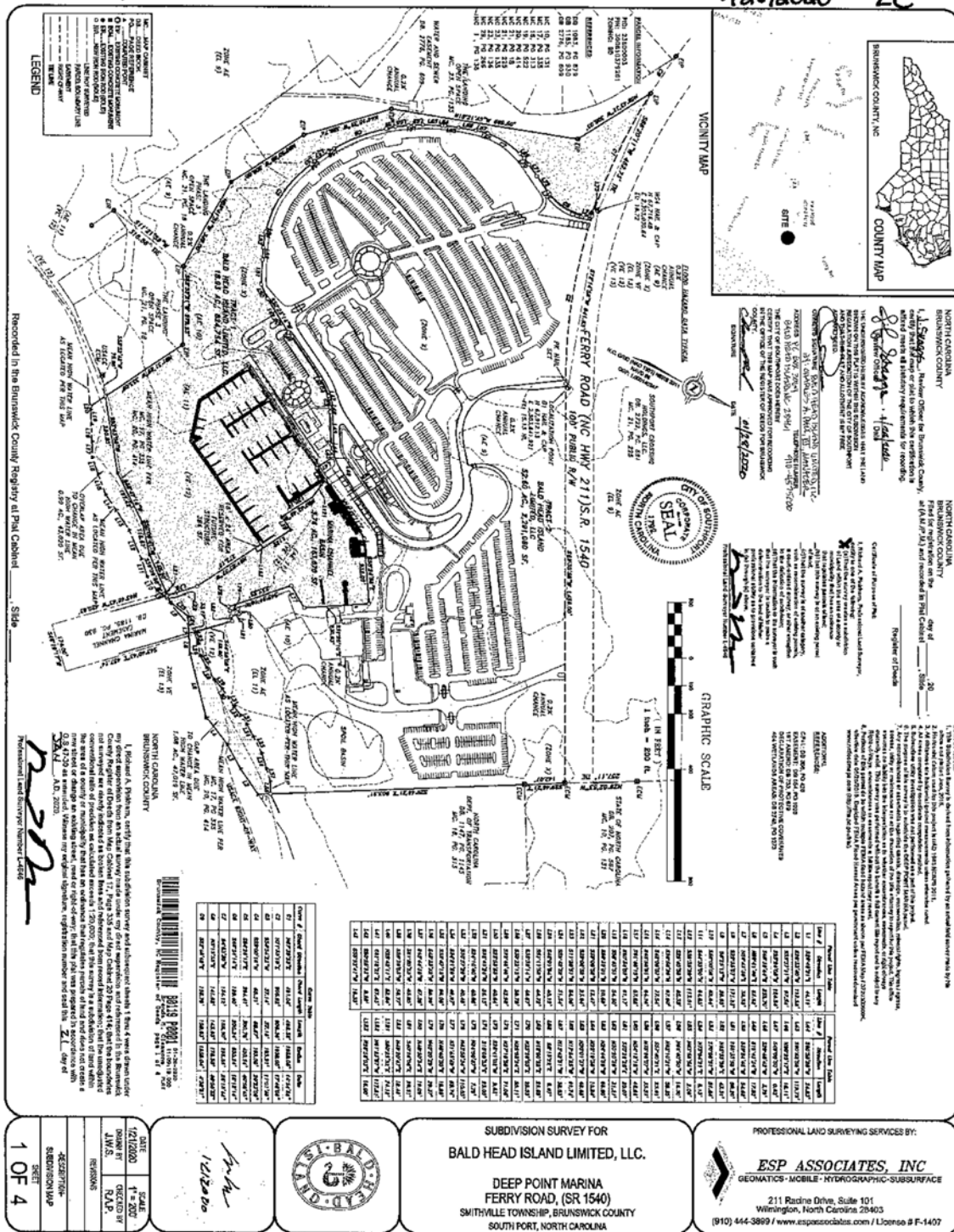
### Demand Generators

Demand for boat storage includes wet slips, dry rack storage, surface storage as well as on-trailer storage. The demand for these boat storage options within the market is a function of population, disposable income, marina location, proximity to popular fishing and family destinations, the pricing of wet versus dry storage, quality of the facility, fuel prices etcetera.

A very important element in the boat storage business is location, proximity to popular boating destinations, as well as the service and reliability associated with the facility. The newer the facility, the higher the demand, all other things being equal. Full service marinas have a significant competitive advantage over limited service or no service storage options as they create an "All Inclusive" boating experience. The inclusion of an amenity package such as restaurants, lounges and family recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage.

## Land and Site Analysis

Map Cabinet 119 Page 1



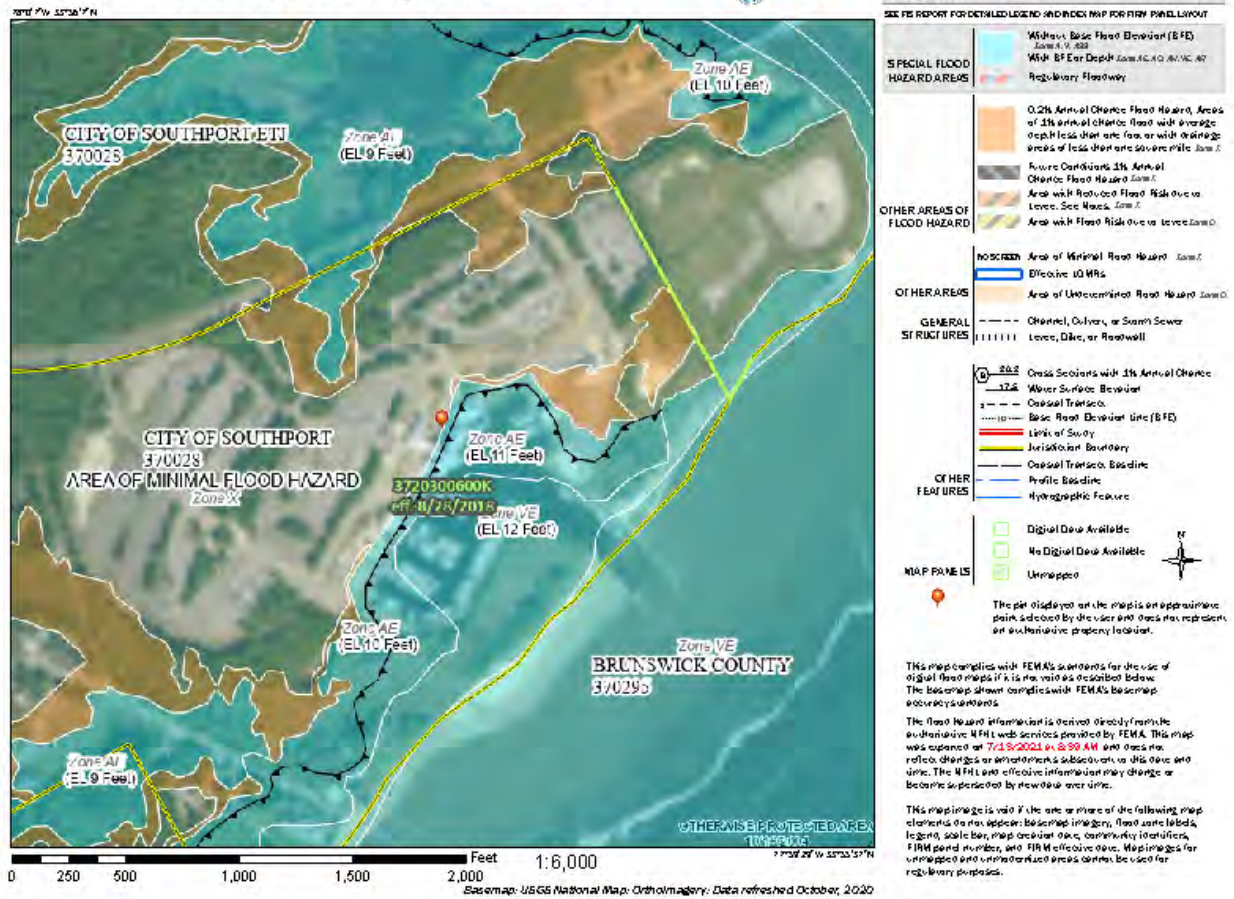
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## Survey

## Deep Point Ferry Terminal & Parking Facility



## National Flood Hazard Layer FIRMette



## Flood Map

## Land Parcels

Parcel Summary	Associated APN(s)	Classification	Land Area (SF)	Land Area (Acres)
1301 Ferry Rd - Parking	23800003 (por)	Primary Site 1	1,884,462	43.2613
1301 Ferry Rd - Terminal	23800003 (por)	Primary Site 2	502,682	11.5400
Total Gross Land Area			2,387,144	54.8013
Total Usable Land Area			2,387,144	54.8013
Total Surplus Land Area			0	0.0000
Total Excess Land Area			0	0.0000

Compiled by NKF



**Land Description**

Total Land Area	54.8013 Acres; 2,387,144 SF
Usable Land Area	54.8013 Acres; 2,387,144 SF
Excess Land Area	None
Surplus Land Area	None
Source of Land Area	Survey

**Site Characteristics**

Primary Street Frontage	Ferry Road SE
Traffic Control at Entry	Turn Lane
Traffic Flow	Moderate
Accessibility Rating	Average
Visibility Rating	Average
Shape	Irregular
Corner	No
Topography	Generally Level, At Road Grade
Easements / Encroachments	Various Access and Utility Easements
Environmental Hazards	None Noted

**Flood Zone Analysis**

Flood Area Panel Number	3720300600K
Date	8/28/2018
Zone	Zone AE
Description	Special Flood Hazard Area where base flood elevations are provided.
Insurance Required?	No

**Utilities**

Utility Services	Electricity, Sewer, Water
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*Compiled by NKF*

Based on use, we allocated 11.54 acres to the ferry and barge operations with the balance, 43.2613 acres, allocated to parking operations.

**Excess or Surplus Land**

Analysis of the site and current use indicates that there is an area of the site that is not in use and would be viewed as excess land. We included this land in the overall site value; however, there is potential for additional parking development on the site.

**Environmental Issues**

No environmental issues were observed or reported. NKF is not qualified to detect the existence of potentially hazardous issues such as soil contaminants, the presence of abandoned underground tanks, or other below-ground sources of potential site contamination. The existence of such substances may affect the value of the property. For this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

We have reviewed an environmental report, dated February 6, 2019, performed by S&ME, Inc. According to this report, no material evidence of site contamination was found except for the following outlined in the conclusion.

## 9.0 CONCLUSIONS

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM E 1527-13 of the property located at 1301 Ferry Road in Southport, Brunswick County, North Carolina, the subject property. Any exceptions to, or deletions from, this practice are described in **Sections 1.4** and **10** of this report.

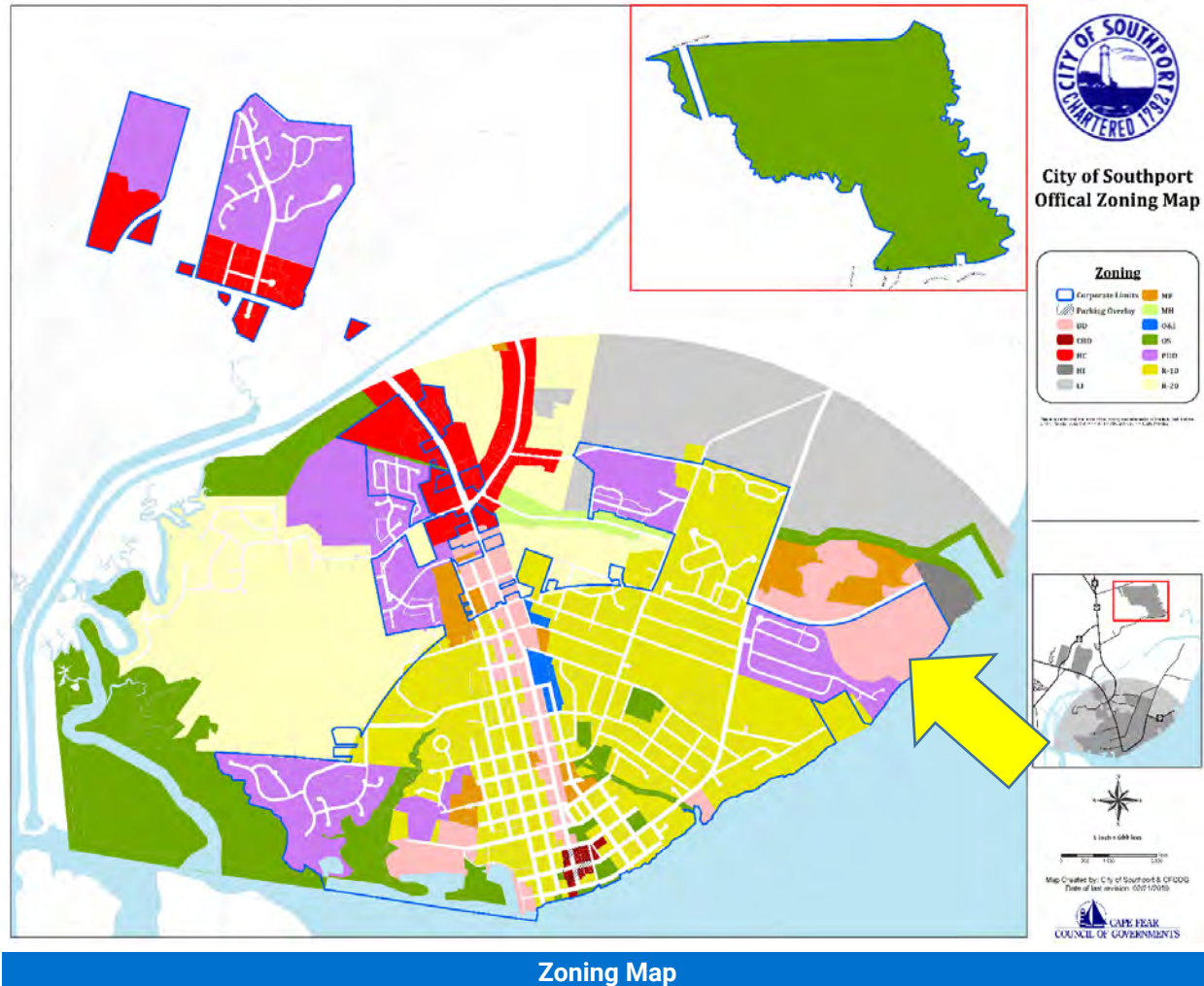
This assessment has revealed no evidence of *recognized environmental conditions* or controlled or historical recognized environmental conditions in connection with the subject property, except for the following:

- ♦ Two underground storage tanks and associated underground transfer lines installed in 2009 on the southwestern adjacent marina property, presents a material threat of a release of petroleum product to the soil and groundwater.

### Conclusion

The site is well located in terms of proximity to major roadway linkages. The site is adequate with respect to size, dimensions, and availability of utilities. The size of the site is typical for the area and use, and there are no known detrimental uses in the immediate vicinity.

# Zoning and Legal Restrictions



**Zoning Summary**

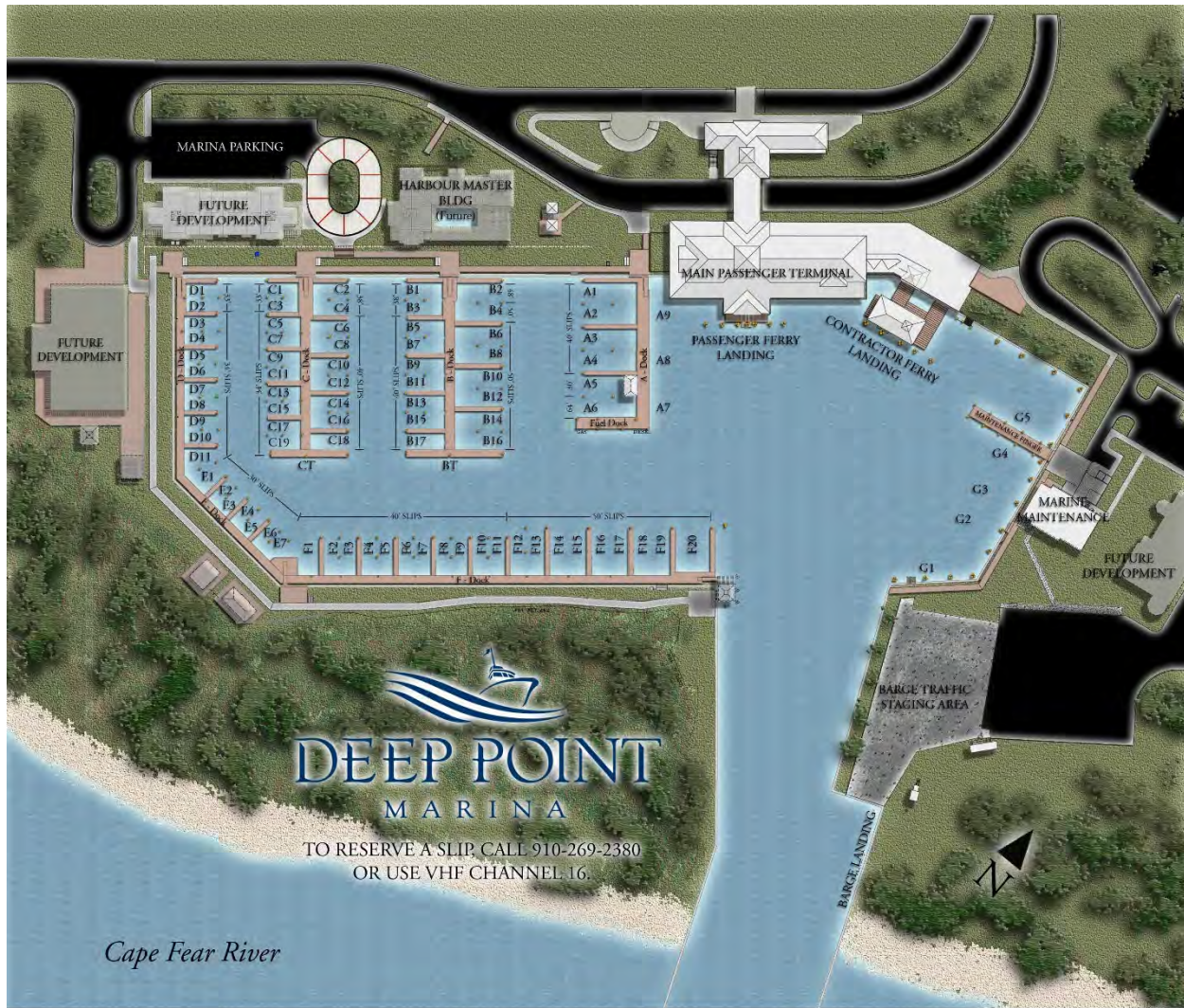
Category	Description
Zoning Jurisdiction	City of Southport
Zoning Designation	BD
Description	Business District: A commercial related district with lot and setback requirements suitable for placement abutting residential areas.
Legally Conforming?	Yes
Zoning Change Likely?	Unlikely
Permitted Uses	Various Commercial Uses
Minimum Lot Area	None Noted
Setback Requirements	
Front	None Noted
Side	None Noted
Rear	10 Feet
Building Height Restrictions	40 Feet
Parking Requirement	
Marina, Commercial	One (1) parking space for each wet slip
Commercial Parking Lots	One (1) space per employee; otherwise, none required.
Water Transportation Incl. Docks, Tugboats, Barges, And Excursions	No parking required
Other	None Noted

*Compiled by NKF***Conclusion**

The subject appears to be legally conforming based on analysis of zoning ordinances. We are not experts in the interpretation of zoning ordinances. A qualified land use/zoning expert should be engaged if there are any zoning concerns or if a determination of compliance with zoning is required.



# Improvements Analysis



This drawing is not to scale and is intended for illustrative purposes only. All areas shown, including boat slips, are subject to change without notice at the developer's discretion. Water line shown is approximate and subject to change due to natural forces.

## Site Plan

The subject is a ferry terminal and barge operation with supporting parking located within Deep Point Marina, located at 1301 Ferry Road, Southport, NC 28461. The subject was built in 2009. It includes seven buildings.

The improvements are more fully described in the following table.

## Improvements Analysis

Improvements Description								
Component Structures								
Improvements (Structures)	Ferry Terminal	Marine Maintenance	Shipping/Receiving	IT Data Center	Barge Equipment	Parking Attendant Buildings	Storage	
General Improvement Type	Specialty	Industrial	Industrial	Specialty	Specialty	Specialty	Specialty	
Use Description	Marina	Service Garage	Warehouse/Distribution	Other	Other	Other	Other	
No. Buildings	1	1	1	1	1	1	1	
GBA (SF)	41,157	2,911	5,323	356	100	176	302	
Rentable SF	41,157	2,911	5,323	356	100	176	302	
Construction Status	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	
Construction Class	D	S	S	D	D	D	D	
Quality	Average	Average	Average	Average	Average	Average	Average	
Current Condition	Average	Average	Average	Average	Average	Average	Average	
Age/Life Depreciation Analysis								
Year Built	2009	2009	2009	2009	2009	2009	2009	
Year Renovated	None	None	None	None	None	None	None	
Actual Age (Yrs.)	12	12	12	12	12	12	12	
Economic Life (Yrs.)	50	45	45	45	40	40	40	
Effective Age (Yrs.)	7	7	7	7	7	7	7	
Remaining Economic Life (Yrs.)	43	38	38	38	33	33	33	
Percent Depreciation	14.00%	15.56%	15.56%	15.56%	17.50%	17.50%	17.50%	
Floor Area Analysis								
Number of Stories	2	1	1	1	1	1	1	
Est. Ground Floor Area (GBA)	20,579	2,911	5,323	356	100	176	302	
Attributed Site Area (SF)	1,651,428	233,603	427,161	28,568	8,025	14,124	24,235	
Site Coverage	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%	
Floor Area Ratio (FAR)	0.025	0.012	0.012	0.012	0.012	0.012	0.012	
Unit Density (Units/Acre)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Land to Building Ratio	40.125	80.248	80.248	80.248	80.248	80.248	80.248	
Parking Type	Surface Lot	Surface Lot	Surface Lot	Surface Lot	Surface Lot	Surface Lot	Surface Lot	
Parking Spaces (including garages when applicable)								
Parking Ratio Per 1,000 SF NRA								
Construction Details								
	Marina	Service Garage	Warehouse/Distribution	Other	Other	Other	Other	
Foundation	Reinforced Concrete Slab & Pilings	Reinforced Concrete	Reinforced Concrete	Wood Subfloor & Pilings	Reinforced Concrete	Reinforced Concrete	Wood	
Basement	None	None	None	None	None	None	None	
Structural Frame	rdi-plank siding plus metal ancillary buildings	Steel	Steel	Wood	Wood	Wood	Wood	
Exterior Walls	Siding	Siding	Siding	Siding	Siding	Siding	Siding	
Windows	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	
Roof	Metal	Metal	Metal	Metal	Shingle	Metal	Metal	
Interior Finish								
	Marina	Service Garage	Warehouse/Distribution	Other	Other	Other	Other	
Floors	Tile & Carpet	Tile & Carpet	Tile & Carpet	Tile & Carpet	Tile & Carpet	Tile & Carpet	Tile & Carpet	
Walls	Textured and painted sheetrock	Textured and painted sheetrock	Textured and painted sheetrock	Textured and painted sheetrock	Textured and painted sheetrock	Textured and painted sheetrock	Textured and painted sheetrock	
Ceilings	Suspended Acoustic Tile	Suspended Acoustic Tile	Suspended Acoustic Tile	Suspended Acoustic Tile	Suspended Acoustic Tile	Suspended Acoustic Tile	Suspended Acoustic Tile	
Lighting	Fluorescent	Fluorescent	Fluorescent	Fluorescent	Fluorescent	Fluorescent	Fluorescent	
Engineering & Mechanical								
	Marina	Service Garage	Warehouse/Distribution	Other	Other	Other	Other	
HVAC	Package HVAC	Package HVAC	Package HVAC	Package HVAC	Package HVAC	Package HVAC	Package HVAC	
Electrical	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Plumbing	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Utility Meters	Individually metered	Individually metered	Individually metered	Individually metered	Individually metered	Individually metered	Individually metered	
Elevators	None	None	None	None	None	None	None	
Rest Rooms	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Fire Sprinklers	Yes	No	No	No	No	No	No	
Improvement Features and Amenities								
	Marina	Service Garage	Warehouse/Distribution	Other	Other	Other	Other	
Property Amenities	Café	None	None	None	None	None	None	
Site Features	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	Marina, Docks, Slips, Barge	
Compiled by NKF								



## Improvements Analysis

## Space Type/Classification

## Improvements Summary

Building Summary	Property Type	No.		
		Buildings	GBA (SF)	Rentable SF
Ferry Terminal	Specialty-Marina	1	41,157	41,157
Marine Maintenance	Industrial-Service Garage	1	2,911	2,911
Shipping/Receiving	Industrial-Warehouse/Distribution	1	5,323	5,323
IT Data Center	Specialty-Other	1	356	356
Barge Equipment	Specialty-Other	1	100	100
Parking Attendant Buildings	Specialty-Other	1	176	176
Storage	Specialty-Other	1	302	302
<b>Property Type Subtotals</b>				
Specialty-Marina		1	41,157	41,157
Industrial-Service Garage		1	2,911	2,911
Industrial-Warehouse/Distribution		1	5,323	5,323
Specialty-Other		4	934	934
<b>Improvements Total</b>		<b>7</b>	<b>50,325</b>	<b>50,325</b>

Compiled by NKF

## Functional Utility

Based on our inspection and consideration of its current use, there do not appear to be any significant items of functional obsolescence.

## Deferred Maintenance

We have reviewed an engineering report, dated March 5, 2019, performed by Moffatt & Nichol. According to this report, each structure was inspected above and below water for due diligence purposes. The summary and repair estimates can be found below.

TABLE 0-1: SUMMARY OF ALL STRUCTURES INSPECTED

Location	Facility	ASCE Condition Rating	Due Diligence Rating	Repair Priority Ranking	Recommended Repair Cost Estimate
Deep Point Ferry Marina	A-Gate Passenger Landing	Good	Good	Low	\$0
	B-Gate Contractor Landing	Satisfactory	Good	Medium	\$11,000
	Maintenance Fixed Pier	Good	Good	Low	\$1,000
	Maintenance Finger Dock	Satisfactory	Good	Low	\$10,000
	"G" Berthing Platform	Good	Good	Low	\$0
	"H" Berthing Platform	Good	Good	Low	\$0
	Bulkhead Wall	Satisfactory	Good	Medium	\$137,000
	DPM Barge Ramp	Satisfactory	Good	Medium	\$154,000
Bald Head Island	BHI Barge Ramp	Satisfactory	Good	Medium	\$130,000
	Contractor Landing	Good	Good	Low	\$10,000
	Passenger Landing	Fair	Good	Medium	\$900,000
Total:					\$1,353,000

The total estimated cost of recommended replacements and repairs over the next ten years, based on the defects observed during this investigation, is \$1,353,000. As part of the recommended routine inspections and maintenance for all of the structural components of the waterfront facilities, routine inspections should be conducted once every five years. The estimated cost to complete each routine inspection is \$65,000, or \$130,000 total over the next ten years. Anticipated additional structural component maintenance repair items discovered during those inspection items can typically be expected on the order of \$100,000 - \$150,000 over the next 10 years based on the conditions observed and typical life expectancy of timber and concrete marine structures. A breakdown of estimated repair/replacement costs is provided in Appendix B.

We have deducted the reported \$159,000 attributable to the Deep Point repair estimates (Deep Point Barge Ramp completed already) from the final value conclusion with a 10% allowance for profit, resulting in a rounded deferred maintenance deduction of \$175,000. The 10% profit allowance is lower than the overall project profit of 15% as the scope of the project is significantly smaller and coordination could be handled by onsite staff.

### Personal Property

No personal property items were observed that would have any material contribution to market value.

### Conclusion

- ❑ The improvements are of average quality construction and are in average condition.
- ❑ The improvements are considered to be functional for the existing use.
- ❑ Overall, the improvements are well suited for the existing use.
- ❑ Overall, the quality, condition, and functional utility of the improvements are rated as average for their age and location.

# Real Estate Taxes

The subject property is located in Southport, Brunswick County, and is subject to both Town and County millage rates. The subject is identified in the Brunswick County Tax Assessor's Office as tax parcel number 23800003.

Taxes and Assessments								
Tax Year 2021		Assessor's Market Value			Millage Rates		Taxes and Assessments	
Tax ID	Land	Improvements	Total	Assessment Ratio	Land & Improvements	Ad Valorem Taxes	Direct Assessments	Total
23800003 (por)	\$9,346,800	\$6,617,490	\$15,964,290	100.0%	8.20600	\$131,003	\$1,375	\$132,378
	\$9,346,800	\$6,617,490	\$15,964,290	100.0%	8.20600	\$131,003	\$1,375	\$132,378

Compiled by NKF

North Carolina requires that all real estate be assessed at its "true value" or at 100 percent of its fair market value (N.C.G.S. 105-283). State law requires that North Carolina counties revalue all properties a minimum of every eight years. The most recent revaluation in Brunswick County became effective on January 1, 2019 with the next revaluation scheduled for January 1, 2023. According to the assessor's office, the sale of a property typically does (not) trigger a reassessment. The basis for ad valorem taxation is the Fair Market Value (FMV). Property taxes are levied on Assessed Value, which is a specific percentage of FMV based on the property type. The formula for real property taxes is:

$$\text{Fair Market Value} \times \text{Assessment Rate} \times \text{District Millage Rate} = \text{Tax Burden}$$

## Tax Comparables

Assessment to Sales Price Ratio Analysis							
No.	1	2	3	4	5	6	NKF Estimate
Property Name	1333 Dickinson Dr, Leland, NC 28451	852 Sunset Blvd N, Sunset Beach, NC 28468	5160 Ocean Hwy W, Shallotte, NC 28470	75 Lanvale Rd, Winnabow, NC 28479	7295 Beach Dr SW, Ocean Isle Beach, NC 28469	4901 Bellamy Ave, Shallotte, NC 28470	Deep Point Ferry Terminal & Parking Facility
Improvements SF	40,000	11,538	14,950	48,170	8,000	58,075	50,325
Sale Date	8/24/2018	4/8/2019	12/28/2017	7/31/2019	7/6/2017	8/12/2019	
Sale Price	\$12,400,000	\$5,000,000	\$5,000,000	\$4,215,000	\$2,801,000	\$3,900,000	
Price/SF	\$310.00	\$433.35	\$334.45	\$87.50	\$350.13	\$67.15	
Total Assessed Value	\$8,190,880	\$3,061,370	\$2,111,990	\$1,683,700	\$2,196,150	\$2,004,090	
Assessed Value as % of Sale Price	66%	61%	42%	40%	78%	51%	65%

Compiled by NKF

As presented above, the assessed values as of the date of sale are compared to the sales price to demonstrate that while the assessor is charged with valuing the property at market value, mass appraisal techniques will tend to fall short of actual transaction prices. Beyond the inability of mass appraisal techniques to accurately value an individual parcel, assessors tend to be conservative on value indications to avoid the time and expense of a substantial number of tax appeals by dissatisfied property owners.



## Subject Tax Conclusion

Ad Valorem Tax Analysis		
	Subject History	Conclusion
	2021	
Total Assessed Value	\$15,964,290	\$15,964,290
Total Assessed Value/SF	\$317.22	\$317.22
Tax Rate	0.82060%	0.82060%
Direct Assessments	\$1,375	\$1,375
Actual / Pro Forma Taxes	\$132,378	\$132,378
Reported Tax Delinquencies	None	None
Tax Exemptions or Abatements	None	None

*Compiled by NKF*

The property appraiser is required by state law to appraise the property at 100% of market value, less closing costs and personal property. Our assignment was to determine market value of the subject property. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer. As a sale of the property does not trigger a reassessment, we are reporting the current tax liability; however, upon reassessment in 2023, the assessment would consider the sale of the property. The consequences of this reassessment have been considered in the appropriate valuation sections.

# Highest and Best Use

## As Vacant

The site is zoned BD which allows for various commercial uses. Based on available data and analysis, no other legal restrictions such as easements or deed covenants are present which would impair the utility of the site. Given that surrounding properties have similar zoning and the future land use plan is focused on similar uses as well, it is unlikely that there would be a change of zoning classification.

The subject site contains 2,387,144 square feet (54.801 acres), has favorable topography, adequate access, and all necessary utilities to support the range of legally permissible uses. No significant physical limitations were noted. The size of the site is typical for the categories of uses allowed under zoning. In total, the site is physically capable of supporting the legally permissible uses.

Of the legally permissible and physically possible uses, only commercial or mixed uses are considered to be reasonably probable. As presented in the Market Analysis section of this report, the subject submarket is supportive of these potential uses.

Given the underlying market conditions and activity, it appears that a commercial or mixed use development would have a sufficient degree of feasibility.

The financially feasible analysis has yielded the conclusion that development of a commercial or mixed use development is feasible and reasonably probable. The associated risk is typical and market conditions appear to be supportive. Therefore, the highest and best use of the subject as though vacant is the development of a commercial or mixed use development. As noted, market and economic conditions are supportive of the near term development of this use on the site. The most likely buyer would be an owner-user or developer. An investor is a potential buyer as land value appreciation would support speculation although near term development would also be likely.

## As Improved

The existing improvements are legally conforming to zoning. There are no known legal restrictions to the continued use of the improvements as they were designed. As previously discussed, the improvements are rated as average for their age and location. The improvements conform to the expectations of the market and conform in general terms to the highest and best use as though vacant conclusion above. The improvements were designed for this use. Based on our analysis and review, the improvements do not appear to suffer from significant functional obsolescence. Therefore, continuation of the existing use is reasonably probable and appropriate.

Highest and Best Use

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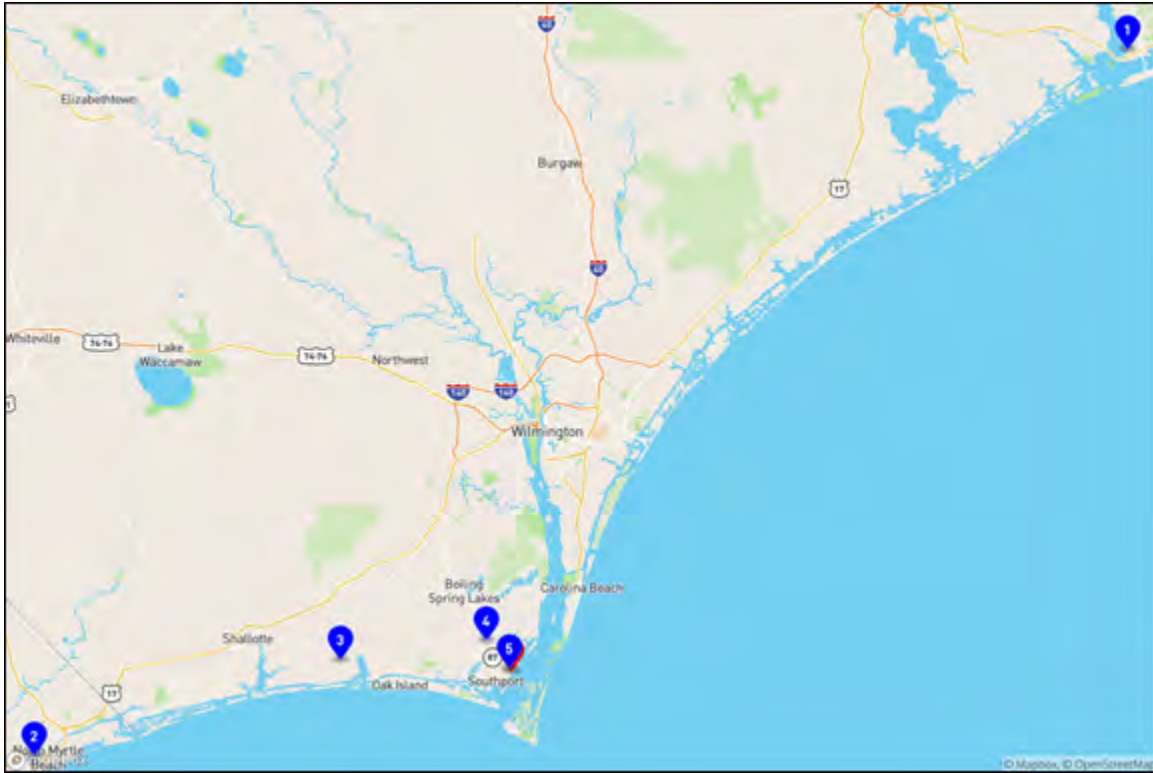
In this case, the subject is an income producing property and is capable of generating sufficient income to support the continuation and maintenance of the use. This is demonstrated in the income capitalization approach by the fact that a positive income stream can be generated. Since the concluded value as though improved exceeds the value of the underlying land, it follows that removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated.

The existing improvements are legally permissible, physically possible, and financially feasible. The concluded value as though improved exceeds the value of the underlying land and removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated based on current neighborhood trends. Given no alternatives, the highest and best use of the subject as improved is the existing use. Market and economic conditions are supportive of this continued use. The most likely buyer would be an owner-user or investor. This is based on the current ownership and likely potential future purchasers.



# Land Valuation – Parking Site

Land value can be developed from a number of different methodologies. In this case, we have employed sales comparison as sufficient comparable data exists from which to derive a reliable indication of value. Based on a review of market activity, the appropriate unit of comparison is price per usable land sf.



**Land Comparables Map**

## Comparable Land Sales Summary

	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Address	1301 Ferry Road	301 Masonic Avenue	Tom E Chestnut Road	2760 Stone Chimney Road	River Road	1299 Ferry Road Southeast
City, State	Southport, NC	Cedar Point, NC	North Myrtle Beach, SC	Supply, NC	Wilmington, NC	Southport, NC
Gross Land SF	1,884,462 SF	2,462,882 SF	1,031,936 SF	3,833,280 SF	1,785,960 SF	4,635,220 SF
Useable Acres	43.26 Acres	56.54 Acres	23.69 Acres	88.00 Acres	41.00 Acres	74.00 Acres
Useable Land SF	1,884,462 SF	2,462,882 SF	1,031,936 SF	3,833,280 SF	1,785,960 SF	3,223,440 SF
Shape/Topography	Irregular/Generally	Irregular/Level at Street	Irregular/Level at Street	Irregular/Level at Street	Irregular/Level at Street	Irregular/Level at Street
Utilities Available	Electricity, Sewer, BD	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water
Zoning	BD	Commercial	GC	CO-R-7500	HC	Mixed use
Transaction Type		Closed	Closed	Closed	Closed	Listing
Buyer		Cedar Point Town	Beverly Homes LLC	Stanbury Creek No Llc	Turtle Bay At Southport	TBD
Seller		Jones Masonic Campus	Chestnut & Sons Inc	Real Property Development, LLC	Dick J. Thompson	Southport Crossing Holdings LLC
Interest Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Date		Apr-19	Aug-20	Apr-21	Apr-21	Jul-21
Price		\$2,800,000	\$2,200,000	\$3,980,000	\$2,750,000	\$3,250,000
Adj. Sale Price		\$2,800,000	\$2,200,000	\$3,980,000	\$2,750,000	\$3,250,000
Price per Gross Land Acre		\$49,522	\$92,866	\$45,227	\$67,073	\$30,542
Price Per Gross Land SF		\$1.14	\$2.13	\$1.04	\$1.54	\$0.70
Price per Usable Land Acre		\$49,522	\$92,866	\$45,227	\$67,073	\$43,919
Price Per Usable Land SF		\$1.14	\$2.13	\$1.04	\$1.54	\$1.01

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## Analysis of Land Comparables

The following analyzes the most relevant comparable data against the subject property.

- ❑ We have included the sales that are most relevant with each sale being adjusted upward for market conditions at a rate of 3% annually based on overall market trends.
- ❑ Comparables 1 and 3 were adjusted upward for inferior location. Comparables 2 and 4 were adjusted downward for superior location.
- ❑ Comparable 2 was adjusted upward for its smaller size as smaller parcels tend to sell for higher unit values. Conversely, Comparables 3 and 5 were adjusted upward due to their larger sizes.
- ❑ Comparable 5 was adjusted upward for inferior topography as the comparable has substantial wetlands (est 30%) with additional development costs likely required.

Based on our comparative analysis, the following table summarizes the adjustments warranted to each land sale.

Comparable Land Sales Adjustment Grid						
	Subject	Sale 1	Sale 2	Sale 3	Sale 4	Sale 5
Address	1301 Ferry Road	301 Masonic Avenue	Tom E Chestnut Road	2760 Stone Chimney Road	River Road	1299 Ferry Road Southeast
City, State	Southport, NC	Cedar Point, NC	North Myrtle Beach, SC	Supply, NC	Wilmington, NC	Southport, NC
Gross Land SF	1,884,462 SF	2,462,882 SF	1,031,936 SF	3,833,280 SF	1,785,960 SF	4,635,220 SF
Usable Land Area (Acres)	43.26 Acres	56.54 Acres	23.69 Acres	88.00 Acres	41.00 Acres	74.00 Acres
Usable Land Area (SF)	1,884,462 SF	2,462,882 SF	1,031,936 SF	3,833,280 SF	1,785,960 SF	3,223,440 SF
Transaction Type	--	Closed	Closed	Closed	Closed	Listing
Transaction Date	--	Apr-19	Aug-20	Apr-21	Apr-21	Jul-21
Price Per Usable Land SF		\$1.14	\$2.13	\$1.04	\$1.54	\$1.01
Transaction Adjustments						
Property Rights		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	-10%
Market Conditions (Time)		7%	3%	1%	1%	0%
Subtotal (adjustments are multiplied)		7.0%	3.0%	1.0%	1.0%	-10.0%
Transaction Adjusted Price Per Usable Land SF		\$1.22	\$2.19	\$1.05	\$1.56	\$0.91
Physical Adjustments						
Location		10%	-15%	10%	-10%	0%
Corner		0%	0%	0%	0%	0%
Frontage		0%	0%	0%	0%	0%
Size		0%	0%	0%	0%	20%
Shape		0%	-20%	20%	0%	0%
Topography		0%	0%	0%	0%	20%
Utilities		0%	0%	0%	0%	0%
Zoning		0%	0%	0%	0%	0%
Subtotal (adjustments are summed)		10%	-35%	30%	-10%	40%
Gross Adjustment		17%	38%	31%	11%	50%
Overall Adjustment		17.7%	-33.05%	31.3%	-9.1%	26.0%
Indicated Price Per Usable Land SF		\$1.34	\$1.43	\$1.37	\$1.40	\$1.27

Compiled by NKF

## Land Value Conclusion

- ❑ Market participants have indicated land values have been on an upward trend due to increased demand for living in resort areas due to the ability to work from home.
- ❑ Prior to adjustments, the sales reflect a range of \$1.01 to \$2.13 per usable land sf.



## Land Valuation – Parking Site

- ❖ After adjustment, the range is narrowed to \$1.27 to \$1.43 per usable land sf, with an average of \$1.36 per usable land sf.
- ❖ Most weight was placed on Comparables Two, Four and Five which indicate an adjusted value range of \$1.27 to \$1.40 per square foot. The subject property was most similar to these comparables because of size and/or location.

**Land Value Conclusion**

Useable Land SF		1,884,462
<b>Comparable Sales Indications</b>	<b>Range</b>	<b>Average</b>
Unadjusted Price Per Usable Land SF	\$1.01 - \$2.13	\$1.37
Adjusted Price Per Usable Land SF	\$1.27 - \$1.43	\$1.36
Reconciled Value Per Usable Land SF		\$1.35
Total Indicated Value		\$2,544,023
	Rounded	\$2,540,000

*Compiled by NKF*

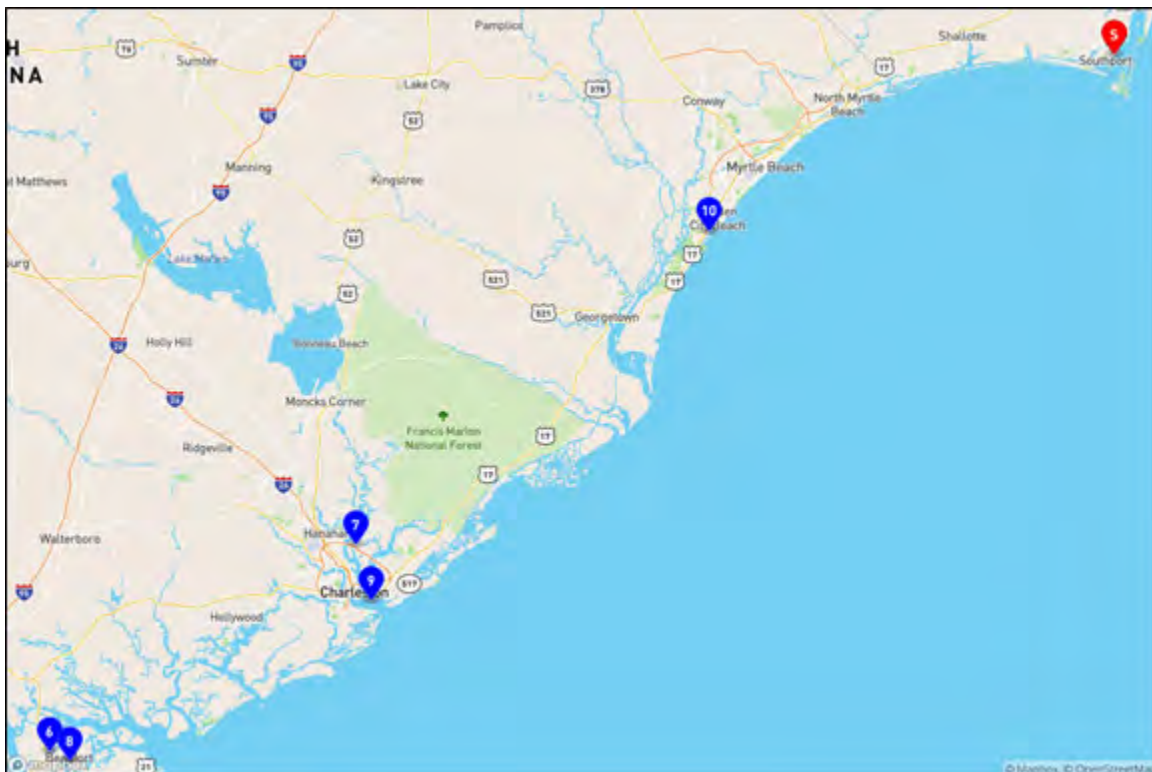
## Land Valuation – Ferry Terminal/Barge Site

The subject includes 43.2613 acres of land attributable to the ferry terminal and barge site which are valued using the different comparables due to this parcel's water frontage and smaller size. The following summarizes the land parcels as they will be valued in this appraisal.

Land Parcels				
Parcel Summary	Associated APN(s)	Classification	Land Area (SF)	Land Area (Acres)
1301 Ferry Rd - Parking	23800003 (por)	Primary Site 1	1,884,462	43.2613
1301 Ferry Rd - Terminal	23800003 (por)	Primary Site 2	502,682	11.5400
Total Gross Land Area			2,387,144	54.8013
Total Usable Land Area			2,387,144	54.8013
Total Surplus Land Area			0	0.0000
Total Excess Land Area			0	0.0000

Compiled by NKF

Based on a review of market activity, the appropriate unit of comparison for the subject excess land is price per usable land sf.



Land Comparables Map

## Land Valuation – Ferry Terminal/Barge Site

Comparable Land Sales Summary						
	Subject	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Address	1301 Ferry Road	2811 Boundary Street	Calais Point	9 White Hall Drive	104 Fairbanks Oak Alley	4139 US 17 Business
City, State	Southport, NC	Beaufort, SC	Charleston, SC	Beaufort, SC	Daniel Island, SC	Murrells Inlet, SC
Useable Land SF	502,682 SF	262,667 SF	161,172 SF	421,661 SF	884,704 SF	87,120 SF
Useable Acres	11.54 Acres	2.75 Acres	3.70 Acres	9.68 Acres	17.00 Acres	2.00 Acres
Useable Land SF	502,682 SF	119,790 SF	161,172 SF	421,661 SF	740,520 SF	87,120 SF
Shape/Topography	Irregular/Generally	Irregular/Generally level,	Irregular/Generally level,	Irregular/Generally level,	Irregular/Generally level,	Rectangular/Level at
Utilities Available	Electricity, Sewer,	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water
Zoning	BD	Commercial	Commercial	T3 - Edge	DI - Go	HB
Transaction Type		Closed	Closed	Closed	Closed	Closed
Buyer		CROSS Development	Joseph Moon	Whitehall Point Holdings	SM Charleston, LLC	Mojos Marina Holding Co
Seller		Parks Land Company	Kenneth Leland	First Chatham Bank	Daniel Island Riverside Developers	Marsh View Marina LLC
Interest Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Sale Date		Apr-18	Jun-18	Sep-18	Oct-18	May-20
Price		\$1,680,000	\$2,499,999	\$5,550,000	\$13,250,000	\$2,200,000
Adj. Sale Price		\$1,680,000	\$2,499,999	\$5,550,000	\$13,250,000	\$2,200,000
Price per Gross Land Acre		\$278,607	\$675,675	\$573,347	\$652,388	\$1,100,000
Price Per Gross Land SF		\$6.40	\$15.51	\$13.16	\$14.98	\$25.25
Price per Usable Land Acre		\$610,909	\$675,675	\$573,347	\$779,412	\$1,100,000
Price Per Usable Land SF		\$14.02	\$15.51	\$13.16	\$17.89	\$25.25

Compiled by NKF

## Analysis of Land Comparables

The following analyzes the most relevant comparable data against the subject property.

- ❌ We have included the sales that are most relevant with each sale being adjusted upward for market conditions at a rate of 3% annually based on overall market trends.
- ❌ Comparables 7, 9 and 10 were adjusted downward for superior location in more developed areas.
- ❌ Comparables 6, 7 and 10 were adjusted downward as smaller parcels tend to sell for higher unit values. Conversely, Comparable 9 was adjusted upward due to its larger size.



Based on our comparative analysis, the following table summarizes the adjustments warranted to each land sale.

Comparable Land Sales Adjustment Grid						
	Subject	Sale 6	Sale 7	Sale 8	Sale 9	Sale 10
Address	1301 Ferry Road	2811 Boundary Street	Calais Point	9 White Hall Drive	104 Fairbanks Oak Alley	4139 US 17 Business
City, State	Southport, NC	Beaufort, SC	Charleston, SC	Beaufort, SC	Daniel Island, SC	Murrells Inlet, SC
Gross Land SF	502,682 SF	262,667 SF	161,172 SF	421,661 SF	884,704 SF	87,120 SF
Usable Land Area (Acres)	11.54 Acres	2.75 Acres	3.70 Acres	9.68 Acres	17.00 Acres	2.00 Acres
Usable Land Area (SF)	502,682 SF	119,790 SF	161,172 SF	421,661 SF	740,520 SF	87,120 SF
Transaction Type	--	Closed	Closed	Closed	Closed	Closed
Transaction Date	--	Apr-18	Jun-18	Sep-18	Oct-18	May-20
Price Per Usable Land SF		\$14.02	\$15.51	\$13.16	\$17.89	\$25.25
Transaction Adjustments						
Property Rights		0%	0%	0%	0%	0%
Financing		0%	0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%	0%
Market Conditions (Time)		10%	9%	9%	9%	4%
Subtotal (adjustments are multiplied)		10.0%	9.0%	9.0%	9.0%	4.0%
Transaction Adjusted Price Per Usable Land SF		\$15.42	\$16.91	\$14.34	\$19.50	\$26.26
Physical Adjustments						
Location/Access		0%	-10%	0%	-20%	-20%
Corner		0%	0%	0%	0%	0%
Frontage		0%	0%	0%	0%	0%
Size		-10%	-10%	0%	5%	-15%
Shape		0%	0%	0%	0%	0%
Topography		0%	0%	0%	0%	0%
Utilities		0%	0%	0%	0%	0%
Zoning		0%	0%	0%	0%	0%
Subtotal (adjustments are summed)		-10%	-20%	0%	-15%	-35%
Gross Adjustment		20%	29%	9%	34%	39%
Overall Adjustment		-1.0%	-12.8%	9.0%	-7.35%	-32.4%
Indicated Price Per Usable Land SF		\$13.88	\$13.52	\$14.34	\$16.58	\$17.07

Compiled by NKF

## Excess Land Value Conclusion

- ❖ Market participants have indicated land values have been on an upward trend due to increased demand for living in resort areas due to the ability to work from home.
- ❖ Prior to adjustments, the sales reflect a range of \$13.16 to \$25.25 per usable land sf.
- ❖ After adjustment, the range is narrowed to \$13.52 to \$17.07 per usable land sf, with an average of \$15.08 per usable land sf.
- ❖ Most weight was placed on Comparables 8, 9 and 10 which indicate an adjusted value range of \$14.34 to \$17.07 per square foot. The subject property was most similar to these comparables because more recent transaction dates, while 8 and 9 are most similar in size.

## Land Value Conclusion

Useable Land SF		502,682
Comparable Sales Indications		Average
Unadjusted Price Per Usable Land SF	\$13.16 - \$25.25	\$17.17
Adjusted Price Per Usable Land SF	\$13.52 - \$17.07	\$15.08
Reconciled Value Per Usable Land SF		\$15.00
Total Indicated Value		\$7,540,236
	Rounded	\$7,540,000

Compiled by NKF





# Cost Approach

## Replacement Cost New

Building and Site Improvements - Cost Summary									
Improvements (Structures)	Site Improvements	Ferry Terminal	Marine Maintenance	Shipping/Receiving	IT Data Center	Barge Equipment	Parking Attendant Buildings	Storage	Subtotal
MVS Improvement Type	Specialty - Marina	Industrial - Service	Garage Warehouse/Distribution	Industrial - Specialty - Other	Specialty - Other	Specialty - Other	Office - Other Warehouse/Distribution	Industrial - Warehouse/Distribution	
Construction Class	D	S	S	D	D	D	D	D	
Quality	Average	Average	Average	Average	Average	Average	Average	Average	
MVS Section	14	14	14	14	14	14	66	14	
MVS Page	20	32	27	18	26	3	26		
Source Date	2/1/2020	2/1/2020	2/1/2020	2/1/2020	2/1/2020	12/1/2019	2/1/2020		
Base Cost PSF	\$113.00	\$50.00	\$42.25	\$111.00	\$41.25	\$35.50	\$41.25		
+ Sprinklers	3.71	0.00	0.00	3.72	0.00	0.00	0.00		
Adjusted Base Cost PSF	\$116.71	\$50.00	\$42.25	\$114.72	\$41.25	\$35.50	\$41.25		
<b>Height &amp; Size Refinements</b>									
# of Stories Multiplier	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Ceiling Height Multiplier	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Perimeter Multiplier	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Adjusted Base Cost	\$116.71	\$50.00	\$42.25	\$114.72	\$41.25	\$35.50	\$41.25		
<b>Final Calculations</b>									
Current Cost Multiplier	1.160	1.160	1.160	1.160	1.160	1.160	1.160	1.160	
Local Area Multiplier	0.920	0.920	0.920	0.920	0.920	0.920	0.920	0.920	
Other Multiplier (Site Congestion, etc.)	1.000	1.000	1.000	1.000	1.000	1.000	1.000	1.000	
Adjusted Base Cost	\$174.47	\$124.55	\$53.36	\$45.09	\$122.43	\$44.02	\$37.89	\$44.02	
x Structure Size (SF GBA)	50,325	41,157	2,911	5,323	356	100	176	302	50,325
Adjusted Cost	\$8,780,004	\$5,126,224	\$155,331	\$240,010	\$43,585	\$4,402	\$6,668	\$13,295	\$14,369,518
Site Improvements		\$0					\$0		\$0
+ Indirect Costs @ 20.00%	\$1,756,001	\$1,025,245	\$31,066	\$48,002	\$8,717	\$880	\$1,334	\$2,659	\$2,873,904
MVS Indicated Cost New Before Profit	\$10,536,005	\$6,151,469	\$186,397	\$288,012	\$52,302	\$5,283	\$8,001	\$15,954	\$17,243,422
Compiled by NKF									

The allowance for indirect costs reflects the additional cost necessary to complete the project beyond the hard construction costs. These soft costs include financing fees, interest, permits and carrying costs throughout the construction period. Our experience with numerous proposed projects indicates that this expense can range from 15% to 35% of hard costs with the subject falling toward the lower end of the range based on the build-to-suit single tenancy but slightly above the low end to reflect the additional coordination costs of waterfront construction.

Site Improvements - Replacement Cost New							
Item	Unit	Measure	Cost/Unit	Cost New	Current Mult.	Local Mult.	Adj. Cost New
Surface Parking	Spaces	1,955	\$1,950.00	\$3,812,250	1.16	0.92	\$4,068,433
Landscaping	SF	117,900	\$5.93	\$699,147	1.16	0.92	\$746,130
Concrete Sidewalks	SF	235,700	\$8.00	\$1,885,600	1.16	0.92	\$2,012,312
Concrete Curbs	LF	47,140	\$12.00	\$565,680	1.16	0.92	\$603,694
Asphalt Paving	SF	235,700	\$2.59	\$610,463	1.16	0.92	\$651,486
Miscellaneous (Barge Ramp) Lump Sum		1	\$154,000.00	\$154,000	1.16	0.92	\$164,349
Miscellaneous (Parking Equip) Lump Sum		1	\$500,000.00	\$500,000	1.16	0.92	\$533,600
Totals				\$8,227,140			\$8,780,004
Compiled by NKF							



## Cost Approach

## Entrepreneurial Profit

Entrepreneurial Profit									
Building and Site Improvements	Site Improvements	Ferry Terminal	Marine Maintenance	Shipping/Receiving	IT Data Center	Barge Equipment	Parking Attendant Buildings	Storage	Subtotal
Reconciled Cost New Before Profit	\$10,536,005	\$6,151,469	\$186,397	\$288,012	\$52,302	\$5,283	\$8,001	\$15,954	\$17,243,422
Entrepreneurial Profit @ 15.00%	\$1,580,401	\$922,720	\$27,960	\$43,202	\$7,845	\$792	\$1,200	\$2,393	\$2,586,513
Replacement Cost New (RCN)	\$12,116,405	\$7,074,189	\$214,357	\$331,214	\$60,147	\$6,075	\$9,202	\$18,347	\$19,829,935
\$ PSF	\$240.76	\$171.88	\$73.64	\$62.22	\$168.95	\$60.75	\$52.28	\$60.75	\$394.04

Compiled by NKF

## Depreciation

- ❑ Physical deterioration, both curable and incurable;
- ❑ Functional obsolescence, both curable and incurable; and
- ❑ External obsolescence.

## Physical Deterioration

- ❑ Curable: Deferred maintenance (immediate repairs / feasible to correct) is summarized as follows.

Deferred Maintenance			
Building Improvements	Cost Estimate	Site Improvements	Cost Estimate
A-Gate Passenger Landing	\$0	None	
B-Gate Passenger Landing	\$11,000		
Maintenance Fixed Pier	\$1,000		
Maintenance Finger Dock	\$10,000		
"G" Berthing Platform	\$0		
"H" Berthing Platform	\$0		
Bulkhead Wall	\$137,000		
Building Subtotal	\$159,000	Site Subtotal	\$0
Combined Total for Site and Building Improvements		\$159,000	
Entrepreneurial Profit @ 10.00%		\$15,900	
Total Deferred Maintenance (Rounded)		\$175,000	

Compiled by NKF

- ❑ Incurable: Estimated physical deterioration is based on the economic age/life method. Our estimate of incurable physical deterioration attributable to the building and site improvements is shown as follows.

Age/Life Depreciation Summary								
Building and Site Improvements	Site Improvements	Ferry Terminal	Marine Maintenance	Shipping/Receiving	IT Data Center	Barge Equipment	Attendant Buildings	Storage
Year Built	See Site	2009	2009	2009	2009	2009	2009	2009
Year Renovated	Improvements	None	None	None	None	None	None	None
Actual Age (Yrs.)	Depreciation	12	12	12	12	12	12	12
Economic Life (Yrs.)	Detail	50	45	45	45	40	40	40
Effective Age (Yrs.)		7					7	
Remaining Economic Life (Yrs.)		43	38	38	38	33	33	33
Percent Depreciation		49.62%	14.00%	15.56%	15.56%	17.50%	17.50%	17.50%

Compiled by NKF



## Cost Approach

## Site Improvements - Depreciation

Item	RCN	Life	Eff. Age	REL	Depr. %
Surface Parking	\$5,614,438	20	4	16.0 Yrs	20.0%
Landscaping	\$1,029,659	20	7	13.0 Yrs	35.0%
Concrete Sidewalks	\$3,610,088	20	7	13.0 Yrs	35.0%
Asphalt Paving	\$899,051	15	7	8.0 Yrs	46.7%
Miscellaneous (Barge Ramp)	\$1,325,462	20	7	13.0 Yrs	35.0%
Miscellaneous (Parking Equip)	\$736,368	15	1	14.0 Yrs	6.7%
<b>Totals</b>	<b>\$17,763,980</b>				<b>24.90%</b>

Compiled by NKF

## Functional Obsolescence

- ❑ Based on observation of the improvements, no forms of functional obsolescence were noted.

## External Obsolescence

- ❑ No external obsolescence was noted.

## Depreciated Replacement Cost

The calculation of depreciated replacement cost is shown as follows.

Depreciated Replacement Cost								
Building and Site Improvements	Site Improvements	Ferry Terminal Marine Maintenance	Shipping/Receiving T Data Center	Large Equipment	Attendant Buildings	Storage	Subtotal	
Replacement Cost New	\$17,763,980	\$11,438,354	\$297,956	\$540,917	\$60,147	\$6,075	\$9,202	\$30,134,976
Less: Age/Life Depreciation	\$4,423,459	\$1,601,370	\$46,349	\$84,143	\$9,356	\$1,063	\$1,610	\$6,170,560
Adjusted RCN	\$13,340,521	\$9,836,984	\$251,607	\$456,774	\$50,791	\$5,012	\$7,591	\$23,964,416
Less: Functional Obsolescence	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted RCN	\$13,340,521	\$9,836,984	\$251,607	\$456,774	\$50,791	\$5,012	\$7,591	\$23,964,416
Less: External Obsolescence	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Depreciated Replacement Cost	\$13,340,521	\$9,836,984	\$251,607	\$456,774	\$50,791	\$5,012	\$7,591	\$23,964,416
\$ PSF	\$265.09	\$239.01	\$86.43	\$85.81	\$142.67	\$50.12	\$43.13	\$476.19

Compiled by NKF

## Cost Approach Conclusion

## Cost Approach Conclusions

As Is	Value Indication
Depreciated Replacement Cost of Building and Site Improvements	\$23,964,416
Land Value	\$10,080,000
As Stabilized Value	\$34,044,416
<b>Rounded</b>	<b>\$34,000,000</b>
Deferred Maintenance	(\$175,000)
Near Term Capital Expenses	\$0
As Is Value	\$33,869,416
<b>Rounded</b>	<b>\$33,900,000</b>

Compiled by NKF



# Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple or long-term leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

In this analysis, we utilized only direct capitalization because investors and market participants typically rely more on this method. Further, we are projecting a NNN lease with the prospective tenant responsible for all operating expenses due to single tenant occupancy based on return on cost basis for calculating rent for the subject as a special purpose property.

The existing operation reflects an internal lease between related parties that is not arm's length and will no longer be in effect upon sale of the property. Based on our fee simple analysis of the subject, this lease is not considered in our analysis.

## Market Rent Analysis

The subject ferry terminal is a special purpose property that is typically owner-occupied, thus a dataset of comparable properties for estimating market rent is not available. Properties similar to the subject are typically built to the tenant's specifications and the rental rate is based on a return on cost to provide for both a return on and a return of capital as the improvements are a depreciating asset with limited alternative uses, the most likely of which, as a marina, would also be an owner-occupied structure with rent charged for the boat slips with the existing structure adapted to support this use, thus the structure would not be generating income.

In the cost approach, we estimated the replacement cost of the property and the cost is based on the depreciated replacement cost prior to any deductions for capital expenditures which will be a below the line deduction to the concluded market value.

To estimate the appropriate return on cost, we interviewed several industrial developers as industrial projects are most commonly developed as built-to-suit endeavors with specific return parameters required for a project to be considered viable for development. The developers focus on industrial properties either in the southeast or nationally, with the return parameters based on their hurdle rates for investment. The following chart summarizes the return indications from surveyed participants:

### Return on Cost Hurdle Rates

Investor Type	Yield Estimate	
International investment Fund	Leveraged return on & return of cost	12% - 14% IRR
National Developer (Atlanta-based)	Return on Cost	6%
Regional Developer (Florida-based)	Return on Cost	8%
Regional Developer (Florida-based)	Leveraged return on & return of cost	12% - 15% IRR

<i>Compiled by NKF</i>	Conclusion	7.50%
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The reported IRR figures are leveraged rates whereas the return on cost figures are based on a cash on cash return and are more applicable to the analysis. The subject should fall toward the upper middle portion of the return on cost figures as the property is a special purpose asset with few alternative users and assumes that the tenant will be maintaining the project in its current state of repair (after near-term capital items are addressed).

### Market Rent Conclusion

Based on the preceding analysis, the following is the concluded market lease terms for the subject:

#### Market Rent (Special Purpose) - Return on Cost

Total Depreciated Cost & Land (Excluding Profit and CapEx)	\$30,900,000
Developer Return Parameters	7.50%
Payment	\$2,317,500
Building Area (SF)	50,325
Annual Rent PSF	\$46.05

*Compiled by NKF*

### Gross Income Estimate

#### Potential Rental Income

Figures presented below reflect the 12-month period following the effective date of the appraisal.

#### Potential Rental Income

Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$46.05	\$2,317,500

*Compiled by Newmark*

#### Operating History

The subject has been owner-operated through a non-arm's length lease and reflects business operations rather than real property projections; thus, no relevant data was available for the individual operations at Deep Point Marina.

## Expense Recoveries

- ❖ The subject is assumed to be leased on an absolute net basis with all expenses accruing to the tenant.

## Vacancy & Collection Loss Allowance

- ❖ As the subject is assumed to be leased on an absolute net basis to a single tenant, no vacancy or collection losses are charged against the property as tenancy risk is considered in the selection of the overall capitalization rate.
- ❖ Based on available data and analysis, the concluded collection loss allowance is 0.00%.

## Combined Vacancy and Collection Loss Conclusion

Based on this analysis, the total stabilized vacancy and collection loss allowance for the subject is 0.00%.

## Effective Gross Income

Effective Gross Income		
Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$46.05	\$2,317,500
Compiled by Newmark		

## Operating Expense Analysis

- ❖ All expenses are assumed to be paid by the tenant.

## Net Operating Income

Net Operating Income			
Source	% of EGI	\$/SF	Total
Subject Historical and Projections			
Newmark Projection	#N/A	\$46.05	\$2,317,500
Compiled by Newmark			

## Direct Capitalization

The following subsections represent different techniques for deriving an overall capitalization rate. While comparable sales would be a primary method, a sales comparison approach was not completed, thus rates could not be extract from those transactions. Note that this section does not consider the specific proposed tenancy by the State of North Carolina with its investment grade credit rating.

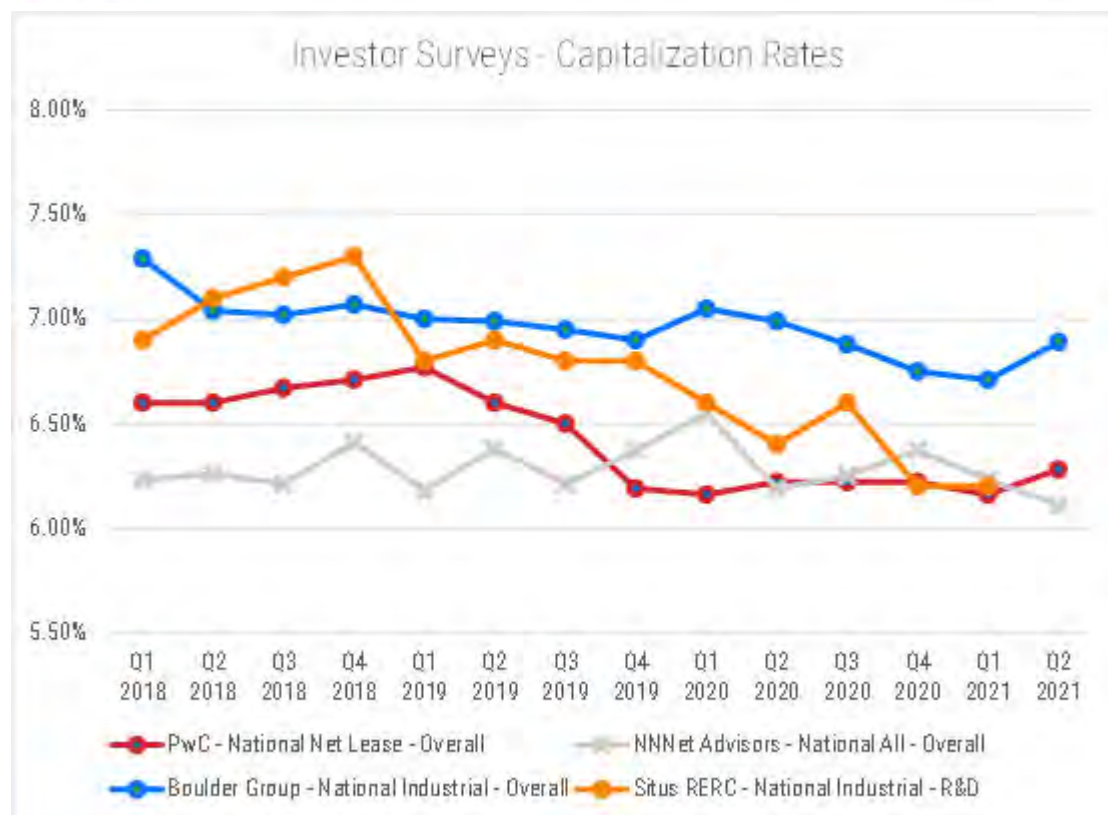


## Investor Surveys

## Investor Surveys - Capitalization Rates

Source	Period	Low	High	Average
PwC - National Net Lease - Overall	Q2 2021	5.00%	8.50%	6.28%
NNNet Advisors - National All - Overall	Q2 2021	N/A	N/A	6.11%
Boulder Group - National Industrial - Overall	Q2 2021	N/A	N/A	6.89%
Situs RERC - National Industrial - R&D	Q1 2021	5.00%	7.20%	6.20%

Compiled by NKF



- ❖ The most current national survey data indicates that going-in capitalization rates range from 5.0% to 8.5% with averages ranging from 6.11% to 6.89%.
- ❖ The rate appropriate to the subject is considered to be above to the average rate in the survey data because the subject is a special purpose property with a limited pool of potential tenants and purchasers.
- ❖ Accordingly, based on the survey data, a capitalization rate within a range of 7.0% to 8.0% could be expected for the subject.

## Band of Investment

Band of Investment					
Mortgage/Equity Assumptions					
Loan to Value Ratio	70%				
Interest Rate	3.75%				
Amortization (Years)	25				
Mortgage Constant	0.0617				
Equity Ratio	30%				
Equity Dividend Rate	10.00%				
Weighted Average Of Mortgage/Equity Requirements					
Mortgage Requirement	70%	x	6.17%	=	4.32%
Equity Requirement	30%	x	10.00%	=	3.00%
<b>Indicated Capitalization Rate (Rounded)</b>					<b>7.25%</b>

*Compiled by NKF*

- ✖ The equity dividend rate is based on prior testing and extraction as well as alternative investments.

## Capitalization Rate Conclusion

Positive Attributes	Negative Attributes
<ul style="list-style-type: none"> <li>✖ Good quality and appeal and providing primary access to a resort residential island.</li> <li>✖ Strong market acceptance of the subject with upward trending ferry passenger counts.</li> <li>✖ Barriers to entry reduce risk of competition from new construction</li> <li>✖ Substantial parking revenues</li> </ul>	<ul style="list-style-type: none"> <li>✖ Special purpose property</li> <li>✖ Ongoing pandemic risk.</li> </ul>

The Deep Point Ferry Terminal should have a lower overall rate as compared to the BHI facility as the Deep Point facility has extensive parking that generates revenues over and above that of the shared ferry operations between Deep Point and BHI.

Capitalization Rate Conclusion	
Source	Indication
Comparable Sales	N/A
Investor Surveys	7.0% - 8.0%
Band of Investment	7.25%
Concluded Going-In Capitalization Rate	7.25%

*Compiled by NKF*

## Income Capitalization Approach

## Adjustments to Value

Capitalization of the projected stabilized net operating income results in an As Stabilized value indication. To estimate the As Is value, adjustments to the indicated As Stabilized value are required for existing deferred maintenance (remaining cost to complete), and projected capital expenditures.

## Direct Capitalization Summary

Net operating income is divided by the capitalization rate to derive the stabilized value of the subject. The as is value indication is derived through the adjustments noted above. Valuation of the subject by direct capitalization is shown in the table immediately following.

Income Capitalization Approach			
Summary of Stabilized Net Operating Income			
Item Description	% of Income	\$ / SF	Total \$
<b>Specialty Income</b>		50,325 SF	
Rental Income		\$46.05	\$2,317,500
Potential Rental Income		\$46.05	\$2,317,500
Vacancy	0.00%	\$0.00	\$0
Collection Loss	0.00%	\$0.00	\$0
<b>Effective Gross Specialty Income</b>		<b>\$46.05</b>	<b>\$2,317,500</b>
<b>Operating Expenses</b>		50,325 SF	
Real Estate Taxes	Paid by Tenant	\$0.00	\$0
Insurance	Paid by Tenant	\$0.00	\$0
Utilities	Paid by Tenant	\$0.00	\$0
Repairs and Maintenance	Paid by Tenant	\$0.00	\$0
Payroll and Benefits	Paid by Tenant	\$0.00	\$0
General and Administrative	Paid by Tenant	\$0.00	\$0
Management	Paid by Tenant	\$0.00	\$0
Other Expenses	Paid by Tenant	\$0.00	\$0
<b>Total Operating Expenses</b>	<b>0.00%</b>	<b>\$0.00</b>	<b>\$0</b>
<b>Net Operating Income</b>		<b>\$46.05</b>	<b>\$2,317,500</b>
Direct Capitalization Method			
Value Indication		\$ / SF	Total \$
Stabilized Net Operating Income		\$46.05	\$2,317,500
Overall Capitalization Rate			7.25%
As Stabilized Value	Effective Date: 7/17/2021		\$31,965,517
<b>Rounded</b>		<b>\$635.87</b>	<b>\$32,000,000</b>
<b>Valuation Matrix</b>			
	OAR		Value
	6.75%		\$34,333,333
	7.00%		\$33,107,143
	<b>7.25%</b>		<b>\$31,965,517</b>
	7.50%		\$30,900,000
	7.75%		\$29,903,226
As Is			
As Stabilized Value as of Current Date	Effective Date: 7/17/2021		\$31,965,517
Stabilization Discount			\$0
Deferred Maintenance			(\$175,000)
Near Term Capital Expenses			\$0
As Is Value	Effective Date: 7/17/2021		\$31,790,517
<b>Rounded</b>		<b>\$631.89</b>	<b>\$31,800,000</b>

Compiled by NKF



# Reconciliation of Value

The values indicated by our analyses are as follows:

Market Value Indications	
Market Value Premise As of Date:	As Is July 17, 2021
Cost Approach:	\$33,900,000
Sales Comparison Approach:	Not Used
Income Capitalization Approach:	\$31,800,000
Market Value Conclusion	\$33,000,000

*Compiled by NKF*

## Cost Approach

The Cost Approach has best applicability for properties with new or nearly new improvements. It is a summation approach in that the underlying land value is added to the depreciated replacement cost for the indicated value. In this case, the underlying land value was well established through sales comparison and is considered reliable. The replacement cost was developed through both Marshall Valuation Service data and cost comparables. The weakness to the cost approach is the estimate of depreciation but the newer age of the improvements limits the impact. Still, the subject property is a special purpose property and the cost approach would be given the substantial credence by investors. Accordingly, the cost approach is given strong consideration in this appraisal.

## Sales Comparison Approach

The subject property is a special purpose property with no sufficiently comparable properties. As such, this approach was not used as a standalone indication of value; however, the sales comparison methodology was used in the valuation of the underlying site.

## Income Capitalization Approach

The subject property is a single tenant special purpose property. The rental rate and income projections are based on a build-to-suit analysis using the depreciated replacement cost to mirror the market and consider appropriate return parameters. As the single tenant lease would be executed on an absolute net basis, only the direct capitalization was developed. Capitalization rates were developed from various sources. In total, the income capitalization approach is considered to be applicable to the subject and supportive of the cost approach conclusion, thus given secondary weight for that reason.

## Reconciliation of Value

**Value Conclusions**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$33,000,000

*Compiled by NKF***Extraordinary Assumptions and Hypothetical Conditions**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

*Compiled by NKF***Exposure Time**

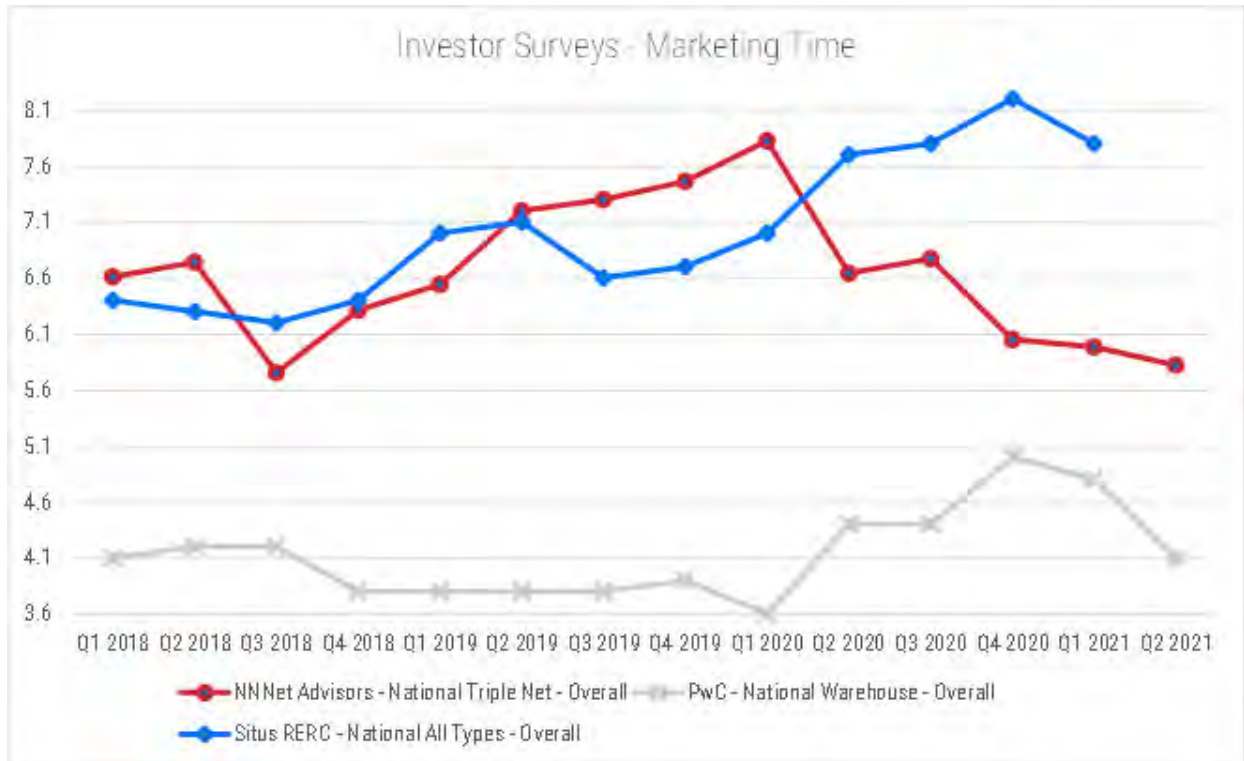
Exposure time is the estimated length of time the subject property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based on an analysis of past events assuming a competitive and open market.

The following is national investor survey data which is one source for the underlying data to this conclusion.

**Investor Surveys - Marketing Times**

Source	Period	Low	High	Average
NNNet Advisors - National Triple Net - Overall	Q2 2021	N/A	N/A	5.8
PwC - National Warehouse - Overall	Q2 2021	1.0	10.0	4.1
Situs RERC - National All Types - Overall	Q1 2021	N/A	N/A	7.8

*Compiled by NKF*



Recent sales transaction data for similar properties, supply and demand characteristics for the local specialty market, and the opinions of local market participants were reviewed and analyzed. Based on this data and analysis, it is our opinion that the probable exposure time for the subject at the concluded market value / values stated previously is 10 months.

## Marketing Time

Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. As no significant changes in market conditions are foreseen in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 10 months.



# Assumptions and Limiting Conditions

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
3. Unless otherwise stated in this report, this report did not take into consideration the existence of asbestos, PCB transformers or other toxic, hazardous, or contaminated substances or underground storage tanks, or the cost of encapsulation, removal or remediation thereof. Real estate appraisers are not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater or other potentially hazardous materials and substances may adversely affect the value of the Property. Unless otherwise stated in this report, the opinion of value is predicated on the assumption that there is no such material or substances at, on or in the Property.
4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a

substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.

5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and

underwriting guidelines in making any decision or investment or taking any action regarding the Property. Client agrees that Firm shall not be responsible in any way for any decision of Client or any Intended User related to the Property or for the advice or services provided by any other advisors or contractors. The use of this report and the appraisal contained herein by anyone other than an Intended User identified herein, or for a use other than the Intended Use identified herein, is strictly prohibited. No party other than an Intended User identified herein may rely on this report and the appraisal contained herein.

12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.

## Addendum A

## Glossary of Terms



The following definitions are derived from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (International Association of Assessing Officers [IAAO])
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.
- ◆ **Excess Land:** Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. See also **surplus land**.

- ◆ **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.
- ◆ **Exposure Time:** 1) The time a property remains on the market. 2) [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.
- ◆ **Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. See also **hypothetical condition**.
- ◆ **Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service Lease:** See **gross lease**.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **Going Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business.
- ◆ **Gross Building Area (GBA):** 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2) Gross leasable area plus all common areas. 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.



- ◆ **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. See also **extraordinary assumption**.
- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)
- ◆ **Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
- ◆ **Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone

associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.

- ◆ **Market Rent:** The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following. 1) The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. 2) Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.<sup>1</sup>
- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
- ◆ **Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also **gross lease;** **modified gross lease.**
- ◆ **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, triple net lease, or fully net lease.

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<sup>1</sup> The actual definition of value used for this appraisal is contained within the body of the report. The definition of market value given above is general in viewpoint and is only provided for amplification.

- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied. 2) The ratio of occupied space to total rentable space in a building.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.
- ◆ **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
- ◆ **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
- ◆ **Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also **excess land**.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.

- ♦ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- ♦ **Use Value:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. See also **value in use**.
- ♦ **Value In Use:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. See also **use value**.
- ♦ **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.

## Bald Head Island Ferry Terminal - Parcel A

2 Marina Wynd

Bald Head Island, Brunswick County, NC 28461

NKF Job No.: 21-0147725-2

### Appraisal Report Prepared For:

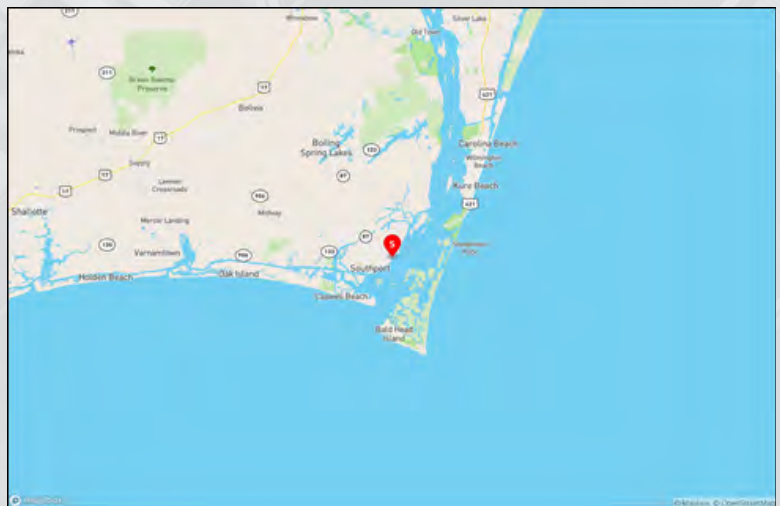
Susan Rabon

Chair

Bald Head Island Transportation Authority

1029 N. Howe Street, Authority Office

Southport, NC 28461



### Prepared By:

**Newmark Knight Frank**

Valuation & Advisory, LLC

1400 Centrepark Blvd, Suite 310

West Palm Beach, Florida 33401





July 25, 2021

Susan Rabon  
Chair  
Bald Head Island Transportation Authority  
1029 N. Howe Street, Authority Office  
Southport, NC 28461

RE: Appraisal of a single-tenant ferry terminal property known as the Bald Head Island Ferry Terminal (Parcel A) located at 2 Marina Wynd, Bald Head Island, Brunswick County, NC 28461, prepared by Newmark Knight Frank Valuation & Advisory, LLC (herein "Firm" or "NKF")

NKF Job No.: 21-0147725-2

Dear Ms. Rabon:

The "Subject Property" is an 8,816 square foot one-story terminal building that houses the Bald Head Island (BHI) – Southport Ferry and identified as 2 Marina Wynd - Parcel A located within the Bald Head Island Marina. The building is in average condition, is of average quality and tenant appeal, and was built in 1988. The site encompasses approximately 5.577 acres (242,934 square feet) of which approximately 2.77 acres is unimproved beachfront land. Currently, the improvements are 100% occupied and leased via an internal lease with an entity related to the existing ownership. This lease is disregarded to value the fee simple interest in the subject land and improvements. The valuation specifically excludes both the ferry system and any FF&E related to the ferry and baggage operations.

## Key Value Considerations

### Strengths

- ❖ Subject is the sole provider of ferry and barge service to the island for both passengers and goods.
- ❖ Strong housing demand and additional development parcels bode well for increased demand.
- ❖ The ferry system is the most common form of transportation to BHI with alternatives limited to private vessels. Air service is predominantly for medical emergencies.
- ❖ The growth of work-from-home initiatives have resulted in rapidly escalating property values in resort areas as homeowners can work from their vacation homes which also increases the need for goods and services on the island.

### Risk Factors

- ❖ As a barrier island in the Atlantic Ocean, the primary physical risk is from hurricanes.



July 25, 2021  
Susan Rabon

- ❑ Inflation is increasing the cost of goods and services with increased risk of interest rate hikes which will make housing more expensive and create greater risk of a bubble should a rapid correction occur.
- ❑ Ongoing pandemic risk reduced ferry capacity in 2020 due to social distancing and new variants of the virus create risk of additional shutdowns or economic distress.

### COVID-19 Pandemic

The COVID-19 Pandemic has had a significant impact on the economy and, by extension, real estate markets. Commercial real estate is transforming and adapting with some similarities and some differences to previous crises. As the Pandemic has progressed, there has been greater clarity about the effects through metric and transactional data as well as market participant information and expectations. Effects and projections related to COVID-19 will be addressed throughout the report.

Based on the analysis contained in the following report, the opinion of value for the subject is:

Value Conclusions			
Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$6,500,000
Compiled by NKF			

### Extraordinary Assumptions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

### Hypothetical Conditions

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

The appraisal was developed based on, and this report has been prepared in conformance with the Client's appraisal requirements, the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, Title XI of the Financial Institution Reform, Recovery and Enforcement Act (FIRREA) of 1989, and the Interagency Appraisal and Evaluation Guidelines (December 2, 2010).



## Certification

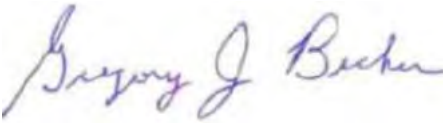
We certify that, to the best of our knowledge and belief:

1. The statements of fact contained in this report are true and correct.
2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
3. We have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.
4. We have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.
5. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
6. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
7. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
8. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice, as well as the requirements of the State of North Carolina.
9. The reported analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute.
10. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
11. As of the date of this report, Greg Becker, MAI, MRICS has completed the continuing education program for Designated Members of the Appraisal Institute.
12. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.
13. Significant real property appraisal assistance was provided by Daniel Stoops who has not signed this certification. The assistance of Daniel Stoops consisted of participating in research on the market, subject property, and transactions involving comparable properties and assisting in report writing, all under the supervision of the person(s) signing this report.
14. The Firm operates as an independent economic entity. Although employees of other service lines or affiliates of the Firm may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy were maintained at all times with regard to this assignment without conflict of interest.
15. Within this report, "Newmark Knight Frank", "NKF Valuation & Advisory", "NKF, Inc.", and similar forms of reference refer only to the appraiser(s) who have signed this certification and any persons noted above as having provided significant real property appraisal assistance to the persons signing this report.

## Certification

I/A

16. Greg Becker, MAI, MRICS has not performed any services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.



Greg Becker, MAI, MRICS  
Senior Managing Director  
Certified General Real Estate Appraiser  
North Carolina # A7729  
Telephone: (561) 212-5165  
Email: Greg.Becker@nmrk.com



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## Addenda

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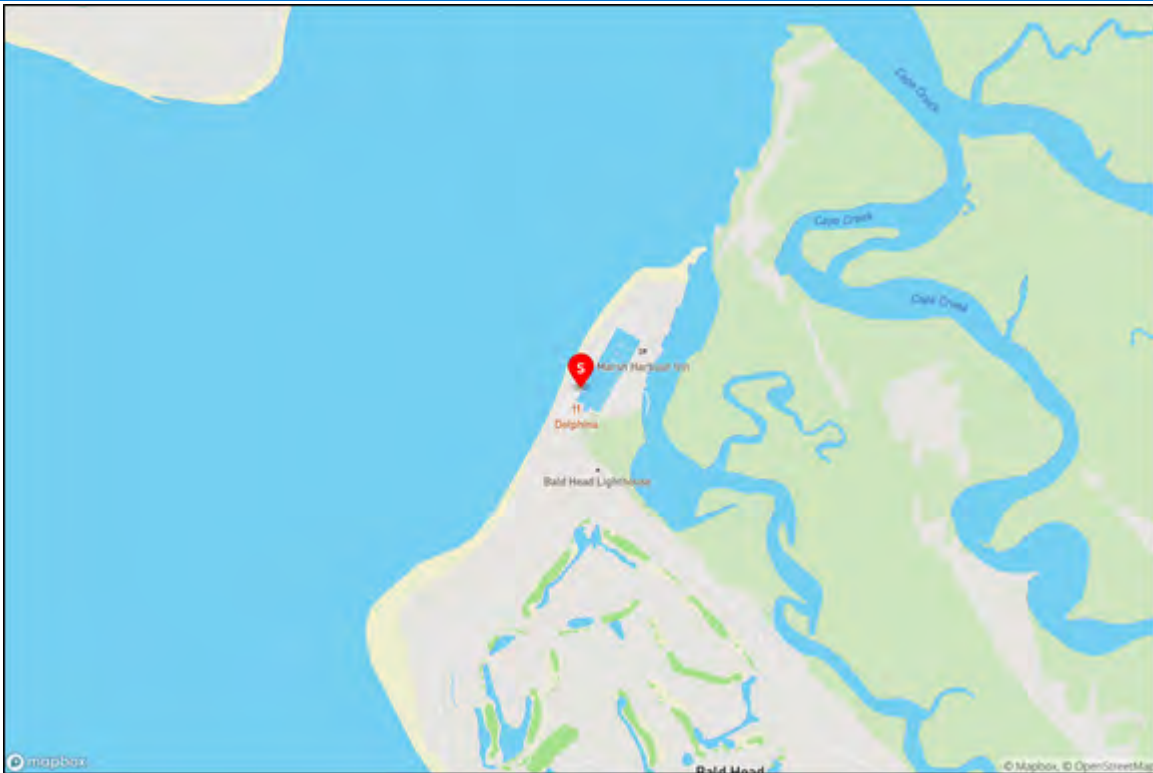
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Aerial Photo



Location Map



Subject Photographs

I/A



Subject View



Subject View



Subject View



Subject View



Road Access



Road Access

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Subject Photographs

I/A



Road Access



Road Access



Barge Operation



Docking Area



Passenger Loading/Drop Off



Passenger Loading/Drop Off

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Subject Photographs

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Luggage Drop



Luggage Drop



Barge Ramp



Barge Ramp



Barge Ramp



Marina View



Subject Photographs

I/A

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Apr 13 2023



Marina View



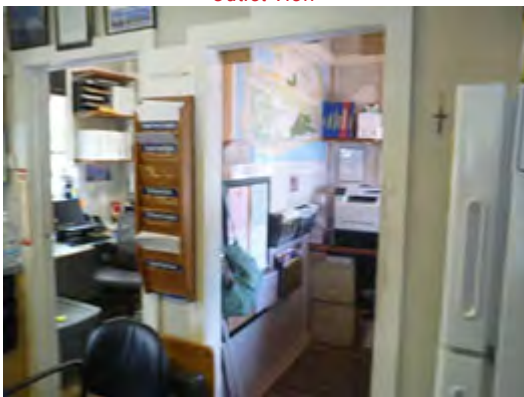
Outlet View



Outlet View



Interior View



Interior View



Undeveloped Land



# Executive Summary

## Bald Head Island Ferry Terminal - Parcel A

Property Type:	Specialty-Ferry System
Street Address:	2 Marina Wynd
City, State & Zip:	Bald Head Island, Brunswick County, NC 28461
Gross Building Area (SF):	8,816
Net Rentable Area (SF):	8,816
Year Built:	1988
Current Occupancy:	N/A
Land Area:	2.807 acres; 122,273 SF
Zoning:	PD-3C
Highest and Best Use - As Vacant:	A Commercial Use
Highest and Best Use - As Improved:	Commercial Use

## In-Contract Summary

Buying Entity:	Bald Head Island Transportation Authority
Selling Entity:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price (Overall Property - no allocation provided):	\$47,750,000
Contract Date:	Draft - June 2021

## Analysis Details

Valuation Date:	July 17, 2021
Market Value "As Is"	July 17, 2021
Inspection Date and Date of Photos:	July 17, 2021
Report Date:	July 25, 2021
Report Type:	Appraisal Report
Client:	Bald Head Island Transportation Authority
Intended Use:	Asset Valuation
Intended User:	Bald Head Island Transportation Authority
Appraisal Premise:	Market Value "As Is"
Intended Use and User:	The intended use and user of our report are specifically identified in our report as agreed upon in our contract for services and/or reliance language found in the report. No other use or user of the report is permitted by any other party for any other purpose. Dissemination of this report by any party to non-client, non-intended users does not extend reliance to any other party and Newmark Knight Frank will not be responsible for unauthorized use of the report, its conclusions or contents used partially or in its entirety.
Interest Appraised:	Fee Simple
Exposure Time (Marketing Period) Estimate:	10 Months (10 Months)

## Valuation Summary

Cost Approach	\$/SF	\$ Total
Replacement Cost New (Including Dev. Profit)		\$3,054,716
Depreciated Cost		\$1,200,000
Land Value		\$6,300,000
Stabilization Discount		\$0
Deferred Maintenance		(\$1,000,000)
Near Term Capital Expenses		\$0
Indicated Cost Approach Value	As Is	\$737.30
		\$6,500,000





Income Capitalization Approach - Direct Capitalization Method		\$/SF	\$ Total
Capitalization Rate Indicators and Conclusion		Indication	
Investor Surveys		7.0% - 8.0%	
Band of Investment		7.25%	
Concluded Going-In Capitalization Rate		7.50%	
Stabilized Income Estimate			
Potential Gross Income		\$63.80	\$562,500
Stabilized % Vacancy & Collection Loss		0.00%	\$0
Net Other Income		\$0.00	\$0
Effective Gross Income		\$63.80	\$562,500
Operating Expenses		\$0.00	\$0
Operating Expense Ratio			0.0%
Net Operating Income		\$63.80	\$562,500
Capitalization Rate			7.50%
Indicated Direct Capitalization Value	As Is	\$737.30	\$6,500,000
Indicated Income Capitalization Approach Value	As Is	\$737.30	\$6,500,000
Market Value Conclusion	As Is	\$737.30	\$6,500,000
Exposure / Marketing Time	Min	Max	Average
Concluded Exposure Time	10 Months or Less		
Concluded Marketing Time	10 Months or Less		

Compiled by NKF

### Extraordinary Assumptions and Hypothetical Conditions

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

Compiled by NKF



# Introduction

## Ownership History

The current owner is Bald Head Island Limited LLC.

### Ownership History

To the best of our knowledge, no sale or transfer of ownership has taken place within the three-year period prior to the effective date of the appraisal.

Listing Status:	Not Listed For Sale
In-Contract:	Draft - June 2021
Buyer:	Bald Head Island Transportation Authority
Seller:	Bald Head Island Transportation, Inc. & Bald Head Island Limited, LLC
Purchase Price:	\$47,750,000
Sales in the Previous Three Years:	None

*Compiled by NKF*

The above pricing reflects the overall purchase, inclusive of the Deep Point Marina Ferry Terminal, the subject, the barge and ferry operation as well as the supporting FF&E. No allocation of the purchase price was provided. To the best of our knowledge, no other sale or transfer of ownership has taken place within a three-year period prior to the effective date of the appraisal.

## Definition of Value

Market value is defined as:

"The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- ❖ Buyer and seller are typically motivated;
- ❖ Both parties are well informed or well advised, and acting in what they consider their own best interests;
- ❖ A reasonable time is allowed for exposure in the open market;
- ❖ Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- ❖ The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale."

*(Source: Code of Federal Regulations, Title 12, Chapter I, Part 34.42[g]; also Interagency Appraisal and Evaluation Guidelines, Federal Register, 75 FR 77449, December 10, 2010, page 77472)*





## Appraisal Report

This appraisal is presented in the form of an appraisal report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(a) of USPAP. This report incorporates sufficient information regarding the data, reasoning and analysis that were used to develop the opinion of value in accordance with the intended use and user.

## Purpose of the Appraisal

The primary purpose of the appraisal is to develop an opinion of the As Is value of the Fee Simple interest in the property.

### Purpose of the Appraisal

Appraisal Premise	Interest Appraised	Date of Value
Market Value "As Is"	Fee Simple	7/17/2021
<i>Compiled by NKF</i>		

## Scope of Work

### Extent to Which the Property is Identified

- ❑ Physical characteristics
- ❑ Legal characteristics
- ❑ Economic characteristics

### Extent to Which the Property is Inspected

NKF inspected the subject property on July 17, 2021 as per the defined scope of work. Greg Becker, MAI, MRICS made a personal inspection of the property that is the subject of this report.

### Type and Extent of the Data Researched

- ❑ Exposure and marketing time;
- ❑ Neighborhood and land use trends;
- ❑ Demographic trends;
- ❑ Market trends relative to the subject property type;
- ❑ Physical characteristics of the site and applicable improvements;
- ❑ Flood zone status;
- ❑ Zoning requirements and compliance;
- ❑ Real estate tax data;
- ❑ Relevant applicable comparable data; and
- ❑ Investment rates

### Type and Extent of Analysis Applied

We analyzed the property and market data gathered through the use of appropriate, relevant, and accepted market-derived methods and procedures. Further, we employed the appropriate and relevant approaches to value, and correlated and reconciled the results into an estimate of market value, as demonstrated within the appraisal report.

## Introduction

**Application of Approaches to Value**

Approach	Comments
Cost Approach	The Cost Approach is applicable and is utilized in this appraisal.
Sales Comparison Approach	The Sales Comparison Approach is not applicable and is not utilized in this appraisal.
Income Capitalization Approach	The Income Capitalization Approach is applicable and is utilized in this appraisal.

*Compiled by NKF*

The sales comparison approach was not used because there is inadequate market data to develop a value estimate for this approach. The exclusion of this approach is not considered to impact the reliability of the appraisal.

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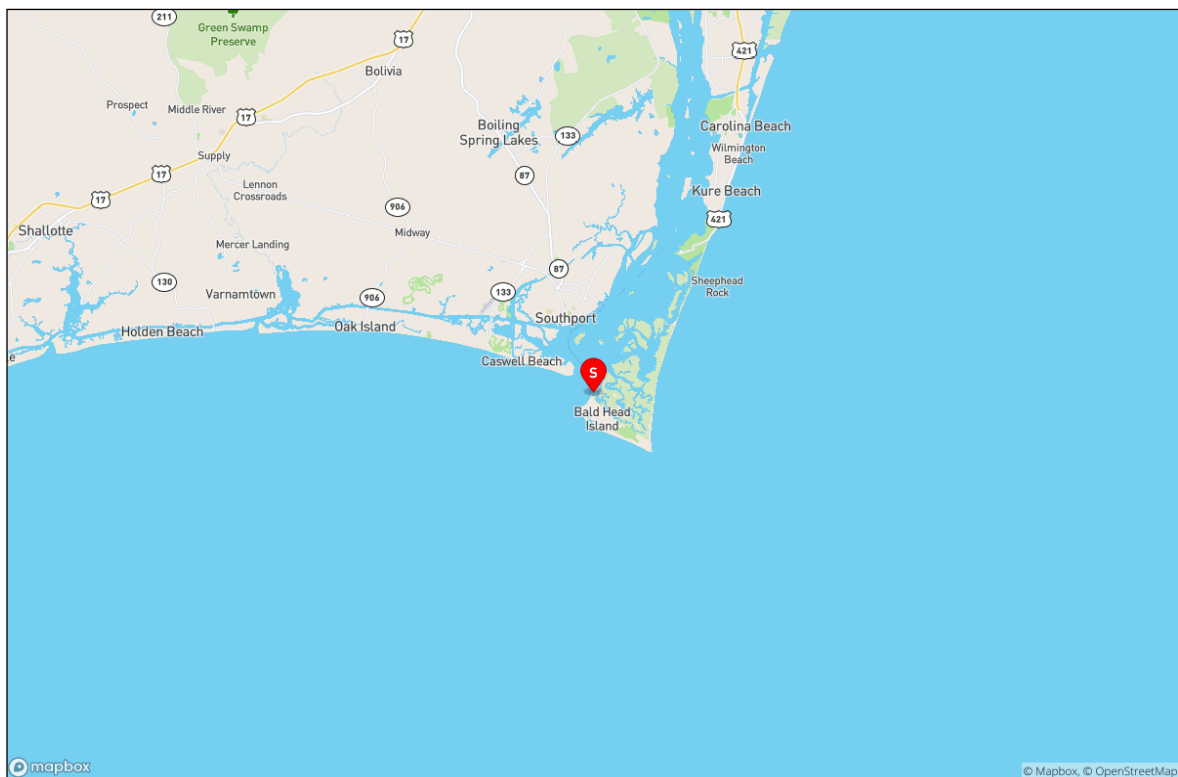
# Economic Analysis

## The Impact of COVID-19

It is well known that the past several months have been volatile. Real estate market volatility has resulted from the COVID-19 pandemic as well as other events such as oil price declines. Every day, there is greater clarity about the effects and expectations as evidenced by transaction activity, various data sources, and market participants. We have continuously reached out to brokers and other market participants to understand how the market is reacting.

Most of our major data sources, such as Moody's Economy.com, include both COVID-19 pandemic period data and projections inclusive of its effects. This data is included within this section as well as throughout this report and is a central foundation of our analysis. There are an increasing number of transactions occurring and these are providing indications of trends.

## Area Analysis



Area Map

The subject is located within Southport and Brunswick County, North Carolina. It is part of the Myrtle Beach-Conway-North Myrtle Beach metro area (Myrtle Beach Metropolitan Statistical Area). Southport-Brunswick County are currently petitioning to revert to its prior positioning in the Wilmington MSA; however, at the present time, it remains part of the Myrtle Beach MSA.

## Area Analysis

Moody's Analytics' Economy.com provides the following economic summary for the Myrtle Beach Metropolitan Statistical Area as of April, 2021.

Moody's Analytics Précis® Metro Indicators: Myrtle Beach Metropolitan Statistical Area												
2015	2016	2017	2018	2019	2020	INDICATORS	2021	2022	2023	2024	2025	2026
16.7	17.0	17.3	17.6	17.9	17.5	Gross metro product (C12\$ bil)	18.8	20.5	21.6	22.7	23.6	24.6
1.8	1.9	2.3	1.7	1.4	-2.3	% change	7.6	9.0	5.3	4.9	4.2	4.0
155.4	160.9	166.9	171.6	175.2	162.2	Total employment (ths)	172.1	180.8	185.4	188.8	191.7	194.6
2.6	3.5	3.7	2.8	2.1	-7.4	% change	6.1	5.0	2.6	1.8	1.5	1.5
7.2	6.0	5.2	4.6	4.0	8.8	Unemployment rate (%)	5.7	5.0	4.9	4.9	4.9	4.9
8.7	7.2	6.6	8.2	6.3	8.0	Personal income growth (%)	5.0	0.9	7.3	6.6	5.7	5.6
46.1	47.6	49.0	52.4	57.0	64.2	Median household income (\$ ths)	65.8	63.9	65.9	67.8	69.4	71.0
431.2	447.3	463.5	481.0	496.9	512.4	Population (ths)	522.5	535.5	548.6	561.7	574.9	588.0
3.6	3.7	3.6	3.8	3.3	3.1	% change	2.0	2.5	2.4	2.4	2.3	2.3
15.2	16.7	16.9	18.7	17.2	16.9	Net migration (ths)	11.5	14.6	14.7	14.9	15.1	15.2
5,763	6,209	7,468	6,741	6,989	8,411	Single-family permits (#)	10,318	11,788	11,320	11,393	11,790	11,655
391	316	1,119	705	851	851	Multifamily permits (#)	2,956	4,946	4,274	4,425	4,295	3,592
187	194	204	216	230	244	FHFA house price (1995Q1=100)	256	266	275	281	285	287

Source: Moody's Analytics Précis® US Metro

Moody's summarizes the area's economic performance in recent months as follows:

### Recent Performance

Myrtle Beach Metropolitan Statistical Area is mounting an exceptional comeback in light of its deep recession just a year ago. Despite falling much further than average in 2020, payroll growth has consistently outpaced the U.S. and the South over the past few months. This climaxed in April when payrolls surged more than 24% from a year earlier, more than twice the national and regional averages. Most of these gains were in leisure and hospitality as tourism season got fully underway and more of the country emerged from lockdown. The only limit on the pace of hiring over the next several months will be the metro-area workforce. Myrtle Beach is behind both the South and the U.S. when it comes to drawing workers back into the labor market.

### Market Comparison

The following table illustrates key economic indicators and a comparison of the Myrtle Beach Metropolitan Statistical Area to the regional grouping as a whole. As indicated, Myrtle Beach is projected to outperform the South Region Metros in six of eight performance categories shown over the next five years.

Comparison of Key Economic Indicators - Myrtle Beach Metropolitan Statistical Area Metro to South Region										
Indicator	Myrtle Beach Metropolitan Statistical Area			Annual Growth		South Region Metros			Annual Growth	
	2015	2020	2025	2015 - 2020	2020 - 2025	2015	2020	2025	2015 - 2020	2020 - 2025
Gross metro product (C12\$ bil)	17.0	18.8	24.6	2.1%	5.5%	5,420	5,744	6,953	1.2%	3.9%
Total employment (ths)	160.9	172.1	194.6	1.4%	2.5%	47,822	49,052	54,113	0.5%	2.0%
Unemployment rate (%)	6.0%	5.7%	4.9%			5.3%	7.1%	4.2%		
Personal income growth (%)	7.2%	5.0%	5.6%			4.2%	5.4%	4.9%		
Population (ths)	447.3	522.5	588.0	3.2%	2.4%	113,395	118,897	123,636	1.0%	0.8%
Single-family permits (#)	6,209	10,318	11,655	10.7%	2.5%	362,601	542,304	671,104	8.4%	4.4%
Multifamily permits (#)	316	2,956	3,592	56.4%	4.0%	182,944	186,669	179,649	0.4%	-0.8%
FHFA house price (1995Q1=100)	194	256	287	5.7%	2.3%	304	399	437	5.6%	1.8%
Myrtle Beach Metropolitan Statistical Area outperforming South Region Metros										
Myrtle Beach Metropolitan Statistical Area underperforming South Region Metros										

Source: Moody's Analytics Précis® US Metro; Compiled by NKF



## Employment Sectors and Trends

Employment data by occupation and business/industry sectors provides an indication of the amount of diversification and stability in the local economy. Job sector composition also gives an indication of the predominant drivers of current and future demand for supporting commercial real estate sectors. The following tables display employment data by occupation sector and by business/industry sector for the area and region.

Current Employment by Occupation Sector										
Occupation Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC		North Carolina	
							MSA			
<b>White Collar</b>	<b>4,705</b>	<b>59.8%</b>	<b>950</b>	<b>59.3%</b>	<b>29,258</b>	<b>55.6%</b>	<b>114,881</b>	<b>57.5%</b>	<b>3,084,783</b>	<b>62.1%</b>
Administrative Support	676	8.6%	108	6.7%	5,468	10.4%	20,313	10.2%	504,768	10.2%
Management/Business/Financial	1,281	16.3%	245	15.3%	7,466	14.2%	29,785	14.9%	884,363	17.8%
Professional	1,864	23.7%	377	23.5%	10,123	19.2%	36,953	18.5%	1,208,140	24.3%
Sales and Sales Related	884	11.2%	220	13.7%	6,201	11.8%	27,830	13.9%	487,512	9.8%
<b>Services</b>	<b>1,245</b>	<b>15.8%</b>	<b>198</b>	<b>12.4%</b>	<b>9,738</b>	<b>18.5%</b>	<b>41,577</b>	<b>20.8%</b>	<b>732,969</b>	<b>14.8%</b>
<b>Blue Collar</b>	<b>1,918</b>	<b>24.4%</b>	<b>454</b>	<b>28.3%</b>	<b>13,656</b>	<b>25.9%</b>	<b>43,259</b>	<b>21.7%</b>	<b>1,146,102</b>	<b>23.1%</b>
Construction/Extraction	763	9.7%	185	11.5%	4,960	9.4%	15,309	7.7%	267,702	5.4%
Farming/Fishing/Forestry	47	0.6%	0	0.0%	229	0.4%	851	0.4%	24,316	0.5%
Installation/Maintenance/Repair	280	3.6%	75	4.7%	2,144	4.1%	6,815	3.4%	166,202	3.3%
Production	305	3.9%	54	3.4%	2,530	4.8%	7,904	4.0%	305,389	6.2%
Transportation/Material Moving	523	6.6%	140	8.7%	3,793	7.2%	12,380	6.2%	382,493	7.7%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.0%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

Source: ESRI; Compiled by NKF

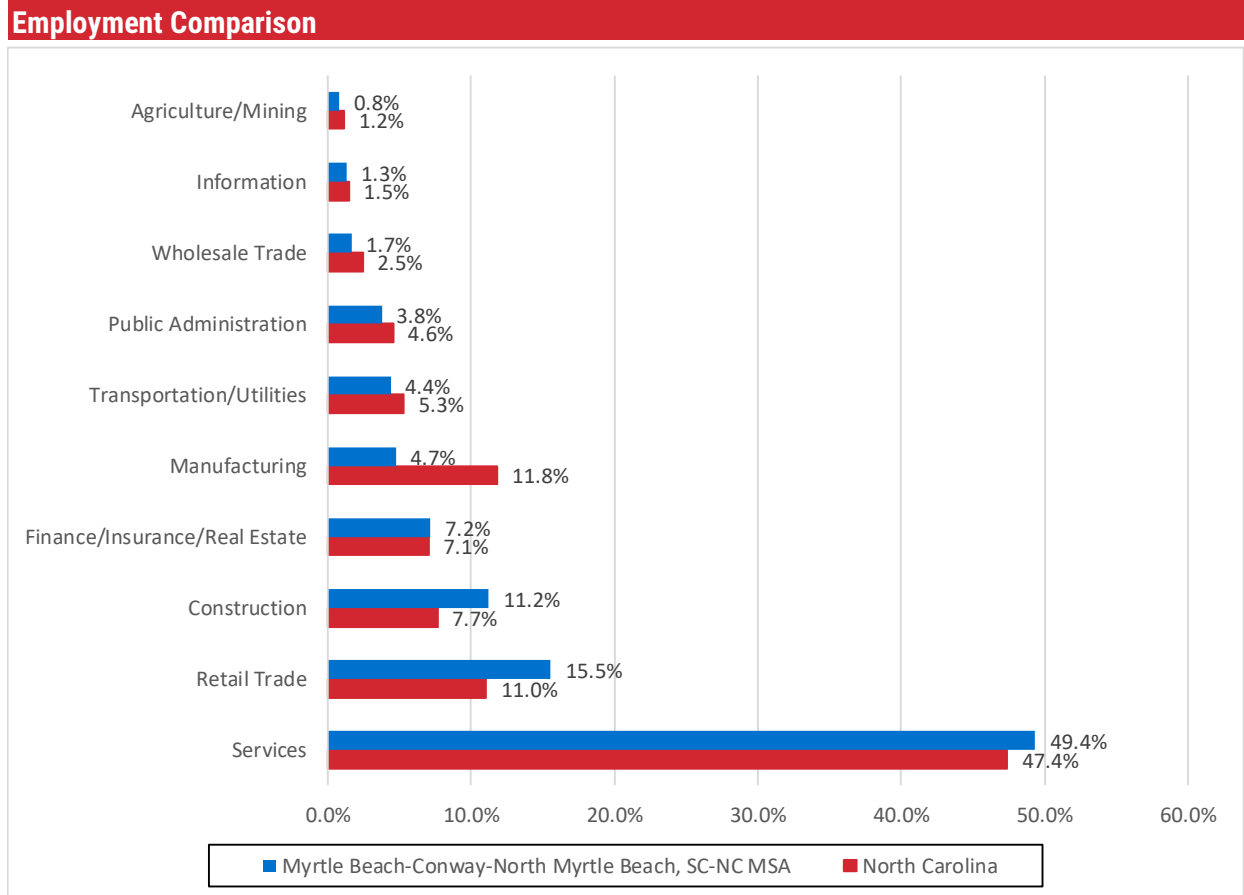
Current Employment by Industry Sector										
Industry Sector	28461		Southport City		Brunswick County		Myrtle Beach-Conway- North Myrtle Beach, SC-NC		North Carolina	
							MSA			
Agriculture/Mining	117	1.5%	8	0.5%	426	0.8%	1,636	0.8%	57,664	1.2%
Construction	1,048	13.3%	250	15.6%	6,999	13.3%	22,382	11.2%	380,270	7.7%
Manufacturing	346	4.4%	130	8.1%	3,309	6.3%	9,483	4.7%	586,018	11.8%
Wholesale Trade	47	0.6%	6	0.4%	609	1.2%	3,325	1.7%	121,721	2.5%
Retail Trade	895	11.4%	118	7.4%	7,510	14.3%	31,051	15.5%	548,365	11.0%
Transportation/Utilities	886	11.3%	215	13.4%	3,703	7.0%	8,751	4.4%	265,009	5.3%
Information	78	1.0%	18	1.1%	691	1.3%	2,644	1.3%	75,132	1.5%
Finance/Insurance/Real Estate	485	6.2%	119	7.4%	3,220	6.1%	14,345	7.2%	350,247	7.1%
Services	3,680	46.8%	728	45.4%	23,621	44.9%	98,565	49.4%	2,351,975	47.4%
Public Administration	286	3.6%	13	0.8%	2,564	4.9%	7,535	3.8%	227,453	4.6%
<b>Total Employees (16+ Occupation Base)</b>	<b>7,868</b>	<b>100.0%</b>	<b>1,602</b>	<b>100.2%</b>	<b>52,652</b>	<b>100.0%</b>	<b>199,717</b>	<b>100.0%</b>	<b>4,963,854</b>	<b>100.0%</b>

Source: ESRI; Compiled by NKF

Comparing the industry sectors for the local market area (Myrtle Beach-Conway-North Myrtle Beach, SC-NC MSA) to North Carolina indicates the local market area is somewhat more heavily weighted toward the Retail Trade, Construction, Services, and Finance/Insurance/Real Estate sectors.



By contrast, the industry employment totals for North Carolina indicate somewhat higher proportions within the Manufacturing, Transportation/Utilities, Public Administration, Wholesale Trade, Agriculture/Mining, and Information sectors. The following graphic further illustrates this comparison.



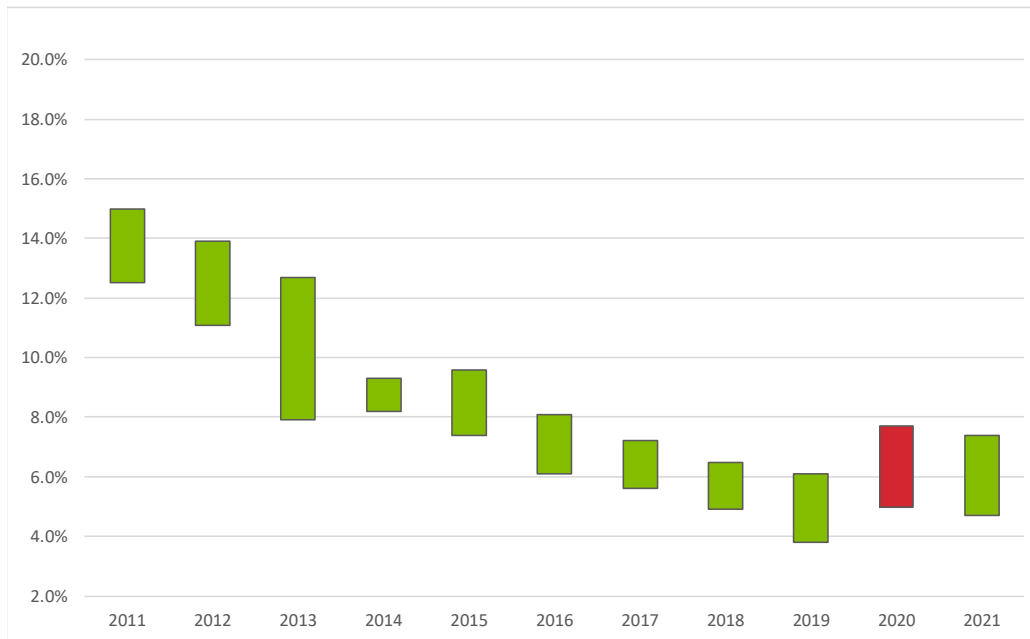
Source: ESRI; Compiled by NKF



## Unemployment

The following table displays the historical unemployment data for the area derived from the US Department of Commerce, Bureau of Labor Statistics. The most recent reported unemployment rate for the Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area is 4.7% (May 2021).

**Unemployment Rate: Myrtle Beach-Conway-North Myrtle Beach, SC-NC Metropolitan Statistical Area**



Bars represent beginning to end range of unemployment rates in each year

Red bars denote increasing unemployment from beginning to end of year

Green bars are declining unemployment from beginning to end of year

Compiled by NKF

## Major Employers

The following table lists a number of major employers with the Myrtle Beach Metropolitan Statistical Area as reported by Moody's. While not all-encompassing, this list provides further indication of the types of economic sectors that are drivers for the area.

Selected Major Employers: Myrtle Beach Metropolitan Statistical Area		
Rank	Employer	Employees
1	Wal-Mart Stores Inc.	2,623
2	Coastal Carolina University	1,582
3	Conway Medical Center	1,500
4	Grand Strand Regional Medical Center	1,400
5	Progress Energy Co.	>1,000
6	Food Lion	1,000
7	Myrtle Beach National	980
8	Blue Cross/Blue Shield	837
9	National Golf Management	800
10	HTC Communications	684
11	(McLeod Loris Seacoast) Loris Healthcare	680
12	Wyndham Vacation Ownership	650
13	Lowe's Building Supply	603
14	Kingston Plantation	550
15	Novant Medical/Brunswick College	500-999
16	Sands Oceanfront Resorts	500
17	Bi-Lo	468
18	Ocean Lakes Family Campground	450
19	Conbraco Industries Inc.	410
20	AVX Corp.	400

Source: Moody's Analytics Précis® US Metro

## Analysis

Further economic analysis from Moody's is detailed as follows:

### Tourism

Myrtle Beach's economic outlook is always dominated by tourism, but for the next year and a half this will especially be the case. Leisure/hospitality payrolls will outperform national and regional averages by orders of magnitude this summer as the metro area is perfectly positioned to benefit from the impending surge in consumer spending and pent-up demand among vacationers. Myrtle Beach has offerings for a wide range of visitors from across the socioeconomic spectrum, catering to lower-income vacationers as easily as high-income visitors. This, coupled with its ease of access to most of the East Coast, will help it recover and expand faster than many of its peers. These trends are already beginning to play out in the data. Air traffic at Myrtle Beach International Airport has already surpassed 2019, pre-pandemic levels. Occupancy rates and revenue per



available room are almost double 2019 levels. Leisure/hospitality employment has nearly doubled from a year ago, in turn, and will surpass pre-pandemic peaks by mid-2022, more than a full year before the rest of the South.

### Retirees

The end of the pandemic will also bring a reacceleration of retiree in-migration to Myrtle Beach. After a year and a half of tremendous uncertainty, pent-up retirements and relocations will boost population growth in retiree havens across the country, but Myrtle Beach will especially benefit. The metro area boasts one of the most affordable environments for retirees on the East Coast, and house prices are still very competitive despite the near-term pressures from the pandemic. The growing retiree population will support continued expansion in the healthcare sector, which so far this year is on pace to see the fastest rate of job growth in more than a decade.

### Housing

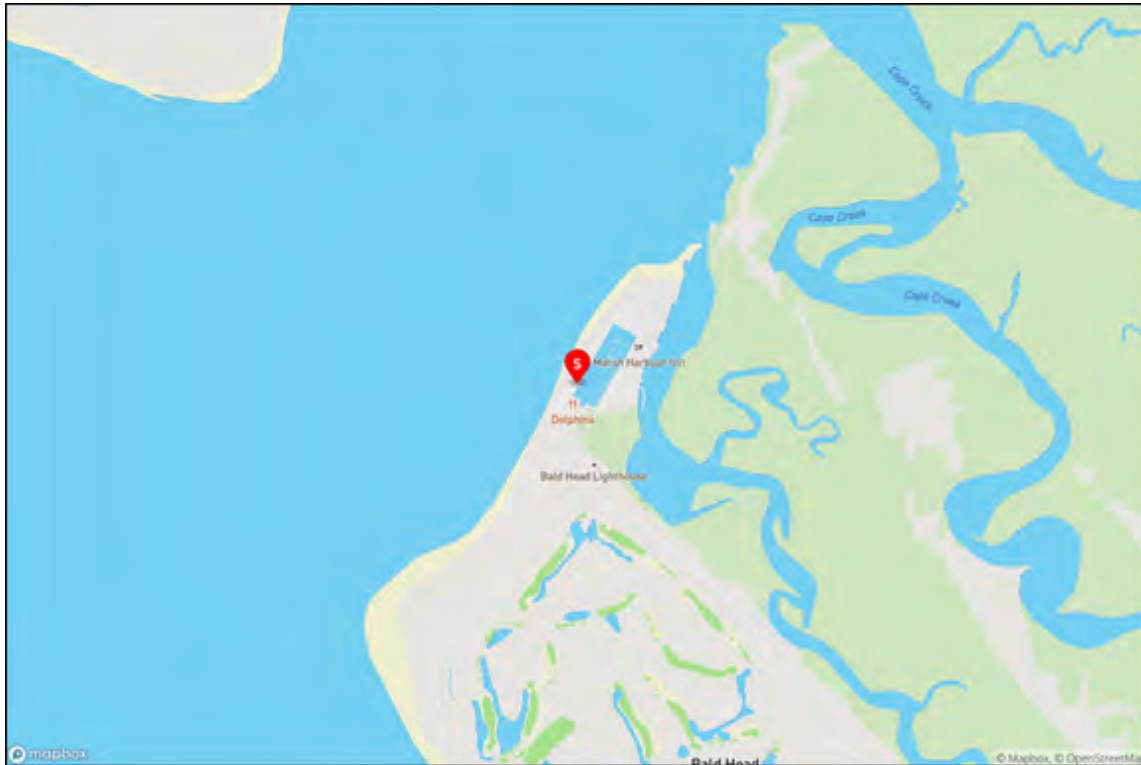
Faster population gains will turbocharge the metro area's already fast-paced housing market. Prices have been growing faster than in the U.S. and the South for the past three years, well before the demand surge during the pandemic. This has allowed Myrtle Beach to get off to a faster start regarding construction than other parts of the country. Permits have increased to a level not seen since before the Great Recession and building activity is steadily outpacing that in the rest of the already high-flying South. Strong demand and high affordability for a retiree destination will allow the metro area to continue to see stronger price growth throughout the forecast. This price appreciation will eventually eat into affordability, however, as prices rise faster than incomes.

### Conclusion

Positive Attributes	Negative Attributes
❑ Popular destination for tourists, retirees.	❑ Volatility from dependence on tourism and national discretionary consumer spending.
❑ Very strong population growth, including	
❑ favorable migration trends.	❑ Risk of property damage due to coastal location.
❑ Low cost of doing business.	

Myrtle Beach Metropolitan Statistical Area has a strong few years of growth ahead. Its relatively low costs and industry mix position it to benefit perfectly from the nascent surge in consumer demand. The only real limit on the pace of near-term hiring will be the pace of recovery in the labor force. However, rising average hourly earnings and the expiration of enhanced unemployment benefits are sure to alleviate much of those pressures by the end of the year.

## Neighborhood Analysis



### Boundaries

The subject is located on Bald Head Island within Brunswick County. The neighborhood is considered to be Bald Head Island.

### Surrounding Area of Influence Trends

#### Description

The subject's surrounding area is viewed as the commercial core within a resort residential area. The immediate area around the subject can be described as residential and commercial developments.

#### Fundamental Real Estate Cycle

The surrounding area is considered to be within the expansion stage of its real estate cycle.

#### Nuisances or Hazards

Our observation of the area revealed no evidence of significant nuisances or hazards.

## Access

### Primary Access

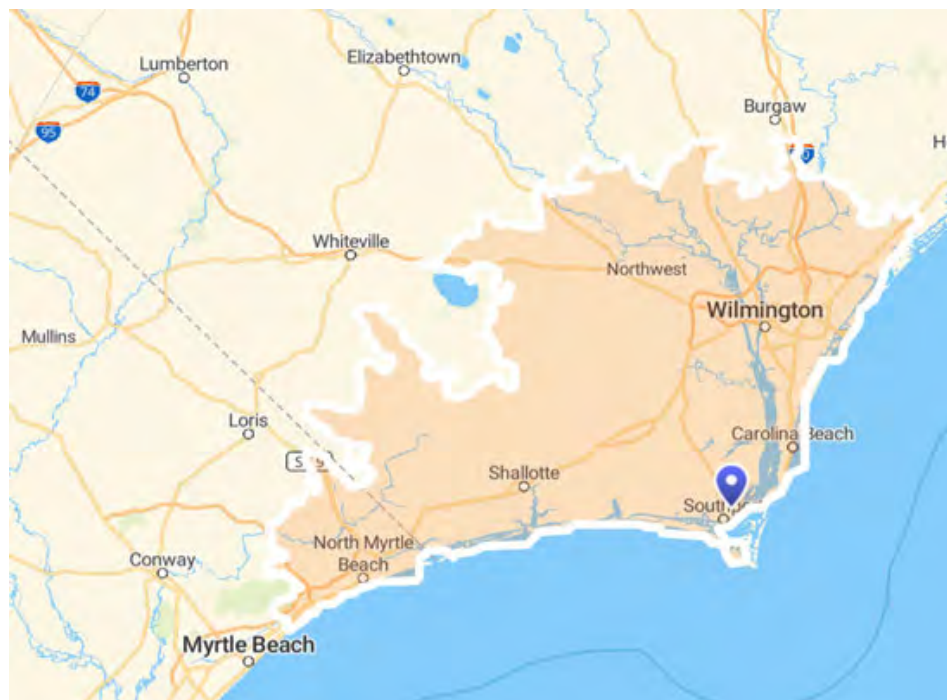
Primary access to the subject site is provided by the Bald Head Ferry System. This is the only public transportation to and from the island.

### Transportation

Brunswick Transit System, Inc. (BTS) is a non-profit community transportation system that coordinates general public and human services transportation for the residents of Brunswick County. BTS was incorporated in 1989 and operates under the NC Nonprofit Corporation Act and the USC 501(c)(3) Internal Revenue Code. The transit system operates a fleet of 17 vehicles, including ADA equipped vehicles to assist persons with special needs.

### Distance from Key Locations

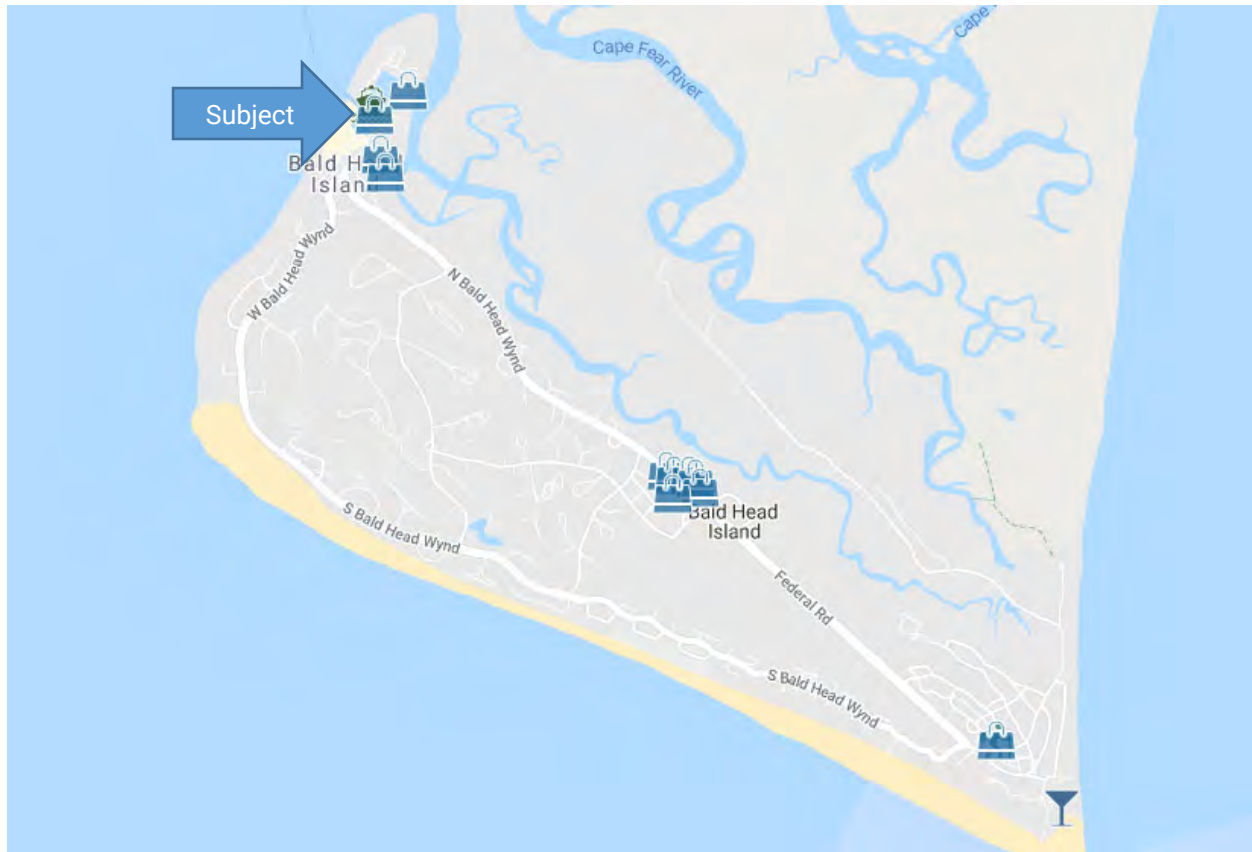
The commute to the Downtown Wilmington Information Center is about fifty minutes and the drive to Wilmington International Airport is about forty minutes. The following illustrates the 60-minute transport time from the subject via the Deep Point Ferry Terminal as Bald Head Island does not permit private vehicles.



Drive Time Map

## Land Use

Bald Head Island is predominantly residential with two main commercial nodes a central node with dining and shopping options and the western node which is the marina with supporting and ancillary development such as the ferry system, marina, recreational and dining options. The southern tip of the island is home to the Shoals Club and the Bald Head Island Conservancy.





## Demographics

A demographic summary for the defined area is illustrated as follows:

Demographic Analysis								
	1-Mile Radius	3-Miles Radius	5-Miles Radius	28461	Southport City	Brunswick County	Myrtle Beach-Conway - North Myrtle Beach, SC-NC MSA	North Carolina
<b>Population</b>								
2010 Total Population	91	199	4,733	16,143	2,833	107,431	376,722	9,535,483
2021 Total Population	116	246	5,922	20,624	4,219	143,291	506,593	10,822,111
2026 Total Population	130	272	6,552	22,871	4,694	161,841	571,044	11,430,355
Projected Annual Growth %	2.3%	2.0%	2.0%	2.1%	2.2%	2.5%	2.4%	1.1%
<b>Households</b>								
2010 Total Households	47	99	2,194	7,181	1,294	46,297	158,522	3,745,155
2021 Total Households	61	125	2,786	9,255	1,949	62,278	213,470	4,251,028
2026 Total Households	68	138	3,096	10,306	2,180	70,518	241,159	4,493,166
Projected Annual Growth %	2.2%	2.0%	2.1%	2.2%	2.3%	2.5%	2.5%	1.1%
<b>Income</b>								
2021 Median Household Income	\$123,192	\$123,960	\$72,881	\$71,562	\$59,877	\$60,977	\$55,446	\$56,585
2021 Average Household Income	\$177,604	\$175,373	\$100,278	\$98,002	\$82,854	\$81,403	\$74,594	\$80,263
2021 Per Capita Income	\$94,993	\$91,853	\$47,031	\$43,997	\$37,647	\$35,389	\$31,458	\$31,659
<b>Housing</b>								
2021 Owner Occupied Housing Units	7.5%	8.2%	40.2%	57.7%	58.3%	50.6%	46.0%	57.1%
2021 Renter Occupied Housing Units	0.3%	0.3%	8.7%	8.8%	14.0%	9.5%	16.0%	29.3%
2021 Median Home Value	\$773,438	\$715,909	\$364,423	\$317,225	\$329,487	\$269,066	\$236,282	\$217,574
Median Year Structure Built	1998	1998	1995	2001	1997	1997	1995	1988
<b>Miscellaneous Data Items</b>								
2021 Bachelor's Degree	38.4%	37.2%	23.3%	23.6%	19.7%	20.0%	17.4%	20.7%
2021 Grad/Professional Degree	49.1%	46.2%	16.9%	14.7%	10.8%	11.6%	10.1%	12.1%
2021 College Graduate %	87.5%	83.3%	40.2%	38.2%	30.5%	31.5%	27.5%	32.8%
2021 Average Household Size	1.90	1.96	2.06	2.21	2.07	2.29	2.35	2.48
2021 Median Age	67.9	67.7	59.7	58.0	57.4	50.8	45.5	39.2

Source: ESRI; Compiled by NKF

- ❖ As shown above, the current population within a three-mile drive distance of the subject is 246, and the average household size is 1.96. Population in the area has grown since the 2010 census, and this trend is projected to continue over the next five years. Compared to Brunswick County overall, the population within a three-mile drive distance is projected to grow at a similar rate.
- ❖ Median household income is \$123,960, is higher than the household income for Brunswick County. Residents within a three-mile drive distance have a higher level of educational attainment than those of Brunswick County, while median owner-occupied home values are also substantially higher.
- ❖ Population growth in the surrounding area has been strong with income levels increasing. This has a positive effect on retail and services related real estate demand. This trend is projected to continue into the foreseeable future.

## Recent Housing Transactions

The following snapshot provides the most recent housing transactions in the Bald Head Island and Southport area. The following transactions represent the most recent sales of 2021.

Subdivision Builder	Housing Type	Recorded Closings	Sale Price Avg	Sale Price Range	% Financed	Fin SF Avg	Fin SF Range	Bed Avg	Bath Avg	Lot SF Avg	Acres Avg
<b>BALD HEAD ISLAND</b>											
DR Horton Inc	Detached	1	\$245,000	\$245,000	95.0%	1,983	1,983	4.0	3.0	20,281	0.47
DR Horton Inc	Other/Unk	1	\$239,000	\$239,000	95.0%					20,069	0.46
<b>Subdivision Totals</b>		<b>2</b>	<b>\$242,000</b>	<b>\$239,000-\$245,000</b>	<b>95.0%</b>	<b>1,983</b>	<b>1,983</b>	<b>4.0</b>	<b>3.0</b>	<b>20,175</b>	<b>0.46</b>
<b>BALD HEAD ISLAND STAGE</b>											
522 Flipper LLC	Detached	1	\$591,500	\$591,500	46.5%	2,533	2,533	4.0	4.5	43,560	1.00
Homes by Parrish LLC	Other/Unk	1	\$852,500	\$852,500	80.0%					43,560	1.00
Revel BHI 1 Partners Ltd	Other/Unk	1	\$1,479,000	\$1,479,000						10,100	0.23
<b>Subdivision Totals</b>		<b>3</b>	<b>\$974,333</b>	<b>\$591,500-\$1,479,000</b>	<b>63.2%</b>	<b>2,533</b>	<b>2,533</b>	<b>4.0</b>	<b>4.5</b>	<b>32,407</b>	<b>0.74</b>
<b>SOUTHBEND</b>											
Village Homes Builders LLC	Detached	3	\$233,000	\$230,000-\$235,000	85.5%	1,402	1,384-1,432	3.0	2.0	7,115	0.16
<b>SOUTHERN HOMEBUILDERS INC</b>											
Southern Homebuilders Inc	Detached	1	\$264,500	\$264,500	90.0%	1,316	1,316	3.0	2.0		
<b>SOUTHPORT HGT</b>											
Herrick Homes Inc	Detached	1	\$394,000	\$394,000		1,914	1,914	3.0	2.5	12,197	0.28
<b>SOUTHVIEW PARK</b>											
H & H Homes Inc	Detached	7	\$215,714	\$200,000-\$223,000	95.2%	2,041	1,520-2,348	3.0	2.3	7,070	0.16
H & H Homes Inc	Other/Unk	6	\$211,750	\$199,500-\$221,000	95.3%					6,722	0.15
<b>Subdivision Totals</b>		<b>13</b>	<b>\$213,885</b>	<b>\$199,500-\$223,000</b>	<b>95.3%</b>	<b>2,041</b>	<b>1,520-2,348</b>	<b>3.0</b>	<b>2.3</b>	<b>6,909</b>	<b>0.16</b>



## Marina Market Analysis

The primary potential alternative use for the subject would be for expansion of the existing adjoining marinas. This market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility. Primary data sources utilized for this analysis include:

- ❑ National Marine Manufacturers Association, "2019 Recreational Boating Statistical Abstract", published in September 2020. This is the most current national marina data available.
- ❑ National Marine Manufacturers Association, "2016 Recreational Boating Participation Study", published in August 2017. This is the most current data available.
- ❑ US Coast Guard
- ❑ Association of Marina Industries
- ❑ Marine Dock Age "2019 Industry Trends", Published March 2020. This is the most current data available.
- ❑ Rental Surveys of Competitive Properties
- ❑ Dozier's Waterway Guide
- ❑ Marinas.com
- ❑ ESRI Demographic Data
- ❑ Interviews with Local Market Participants
- ❑ Subject Property Data

## National Marine Market

### Market Summary

According to the 2019 edition of the National Marine Manufacturers Association, (NMMA), 2019 Recreational Boating Statistical Abstract, the NMMA Statistical Abstract and the Recreational Boating Economic Study, recreational boating continues to be an important factor to the U.S. economy.

The following is a snapshot of the position and trends in the boating industry as reported in the 2019 Recreational Boating Statistical Abstract.

- ❑ U.S. expenditures on new boats, engines, aftermarket accessories and related costs totaled \$43.1 billion in 2019, up 3.1% from 2018. New boat sales (powerboats, sailboats, and personal watercraft) slightly declined after a seventh consecutive increase year in 2018, the slight decrease represents a 0.89% total unit decrease from an eleven-year high of 281,800 in 2018, total units sold in 2019 totaled 279,300 units.
- ❑ In 2019, there were 12 million registered boats in the U.S., equal to one registered boat for every 10.3 households in the U.S.



- ❑ Florida led all states in boat registrations in 2019, followed by Minnesota, Michigan, California and Wisconsin, in that order.
- ❑ Sales of new outboard boats grew for the ninth consecutive year to a 13-year high of 280,300 units in 2019; corresponding dollar sales totaled \$2.9 billion. Outboard boats remained the most popular category of boats sold in 2019, accounting for 62% of new boat sales.
- ❑ Pontoon boats accounted for the largest share (33.9%) of new retail sales for outboard boats in 2019. Center console boats were the second largest sales category with a 17% market share, followed by Bass boats and “other” boats with 14.1% and 14.0% shares, respectively.
- ❑ The average retail price of an aluminum outboard boat rose 17.7% to \$26,562 in 2019.
- ❑ Unit sales of pre-owned craft were up in four categories in 2019: inboard ski/tow boats, inboard cruisers, personal watercraft (PWC) and jet boats; unit sales of outboard boats, sterndrive boats, and sailboats declined.
- ❑ Sales of pre-owned boats moderated in 2019, down 1.2% to 966,200 units.
- ❑ Recreational boat and marine engine imports rose to an all-time high of \$3.5 billion in 2019, up 5% from 2018. Boat imports were up 7.1% to \$2 billion in 2019. Engine imports also increased, up 2.1% to \$1.5 billion.
- ❑ Recreational boat exports were down 27.8% to \$237.6 million in 2019, likely due to the combined effect of counter tariffs resulting in higher costs for European importers, and the strong dollar in 2019 which strengthened against the Euro and made U.S. products more expensive to countries in the region.
- ❑ Outboard engine sales increased for the eighth consecutive year in 2019, up 0.6% to a 13-year high of 280,300 units; corresponding dollar sales totaled \$2.9 billion in 2019, up 8.5% from 2018. Consumer demand for higher-performance engines continued to trend upward in 2019 with double-digit gains in engines sales for each of the 200.0 and greater horsepower categories.

### Barriers to Entry

By far, the most difficult barrier to entry into the marina market is the lack of good waterfront development sites. We are aware of very few marinas and mixed-use waterfront projects that have been built on waterfront land that wasn't previously developed.

Over the past 2 to 3 years, wet slip occupancies have increased, approaching or exceeding their former market highs in 2005 and 2006. Many marinas are at or above 80%. The market fundamentals in the state currently support marina development in well-chosen locations as well as the renovation, redevelopment and expansion of existing marina developments along the coast.





U.S. boat registrations totaled 12 million in 2019, up 0.84% compared to 2018. The top five states for boat registrations in 2019 were unchanged from 2018, and included Florida, Minnesota, Michigan, California and Wisconsin, in that order. Two states within the top 20 states for boat registrations changed rank in 2018. Texas moved from seventh to eight (switching with South Carolina) and Illinois moved from fifteenth to eighteenth (switching with Tennessee).

TABLE 4 U.S. state recreational boat registrations

2019 Ranking	State	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	'19 vs. '18 % Change
1	Florida	991,680	974,553	949,030	914,535	889,895	870,031	870,749	873,507	889,350	905,298	918,255	925,141	935,742	1.1%
2	Minnesota	866,496	867,446	811,775	813,976	808,783	817,996	808,744	809,292	808,627	817,560	825,658	819,317	813,955	-0.7%
3	Michigan	830,743	816,752	811,670	812,066	803,391	804,088	795,875	789,458	787,637	794,137	798,544	795,374	806,296	1.4%
4	California	964,881	858,853	906,988	810,008	855,243	776,584	820,490	728,679	772,542	697,412	745,641	670,102	711,173	6.1%
5	Wisconsin	617,366	634,546	626,304	615,335	628,743	622,563	613,516	627,352	623,217	611,240	624,353	614,750	607,211	-1.2%
6	Ohio	415,228	416,586	424,877	430,710	432,696	441,732	449,541	459,778	474,185	505,082	541,898	573,050	586,159	2.3%
7	South Carolina	442,040	436,844	435,528	435,491	447,745	460,564	466,589	462,680	502,210	518,269	533,419	551,477	567,443	2.9%
8	Texas	599,567	597,428	622,184	596,830	577,174	580,064	575,402	566,897	572,666	573,425	565,422	562,424	563,820	0.2%
9	New York	494,020	485,541	479,161	475,689	467,828	463,539	456,909	451,862	446,582	448,480	444,710	444,103	440,381	-0.8%
10	North Carolina	375,815	371,879	405,663	400,846	392,566	391,711	386,884	380,670	374,823	367,225	358,171	359,361	361,970	0.7%
11	Georgia	344,597	350,479	352,054	353,950	322,346	323,116	319,871	321,740	327,657	335,723	338,210	330,853	331,461	0.2%
12	Louisiana	301,249	302,753	303,111	302,141	302,974	305,081	307,484	307,059	306,731	306,689	305,783	303,966	316,439	4.1%
13	Pennsylvania	342,427	338,316	337,747	365,872	331,590	332,431	329,578	322,195	318,873	315,503	313,478	306,781	301,287	-1.8%
14	Missouri	321,782	322,253	314,131	297,194	302,271	300,714	297,562	294,009	293,660	293,185	290,376	289,854	289,416	-0.2%
15	Tennessee	274,914	271,475	269,361	266,185	259,904	259,532	258,167	256,862	257,172	254,091	248,599	239,313	245,991	2.8%
16	Alabama	274,176	272,558	270,726	271,377	265,526	266,374	265,626	262,926	261,183	265,973	266,357	244,619	245,619	0.4%
17	Washington	270,789	264,393	269,845	237,921	234,543	230,684	229,403	226,662	228,528	234,035	239,316	244,618	241,760	-1.2%
18	Illinois	379,454	378,208	373,530	370,522	371,365	368,224	310,853	274,906	236,513	242,275	250,776	245,621	233,788	-4.8%
19	Virginia	251,440	249,312	249,235	245,940	242,473	239,878	237,551	236,521	234,052	233,236	224,031	225,732	221,629	-1.8%
20	Indiana	241,474	271,532	268,424	281,908	217,297	214,487	214,889	212,466	209,867	209,622	219,870	211,287	208,599	-1.3%
21	Iowa	213,767	231,333	247,190	209,660	228,743	235,095	202,886	221,939	236,466	205,145	213,392	231,346	196,965	-14.9%
22	Oklahoma	223,758	196,052	205,079	209,457	199,337	201,069	194,801	192,600	203,829	202,388	202,594	196,478	194,966	-1.8%
23	Maryland	202,892	199,087	196,806	193,259	188,623	185,626	181,544	178,573	178,798	176,207	172,304	170,365	169,891	-0.3%
24	Kentucky	176,716	173,981	176,535	175,863	171,936	175,286	174,218	174,358	172,315	173,881	173,344	165,987	166,760	0.5%
25	Oregon	184,147	180,063	180,552	177,634	171,983	169,188	166,664	163,358	168,175	156,168	168,933	168,100	165,253	-1.7%
26	Arkansas	206,195	199,104	198,805	205,925	200,915	199,546	237,466	206,283	171,268	189,514	189,695	172,112	160,932	-6.5%
27	New Jersey	183,147	185,359	173,994	169,750	166,037	160,345	154,178	152,889	151,450	150,968	153,372	149,971	147,618	-1.6%
28	Massachusetts	145,496	145,113	142,625	141,959	139,991	139,123	137,668	135,750	134,678	140,008	134,538	132,440	132,106	-0.3%
29	Mississippi	180,356	191,312	194,016	156,216	156,743	133,556	130,959	133,406	134,991	132,441	131,873	127,029	125,252	-1.4%
30	Arizona	144,570	140,291	136,463	135,326	131,665	129,221	125,646	124,425	124,076	123,263	123,177	123,223	124,055	0.7%
31	Maine	112,818	109,657	109,169	111,873	106,579	108,502	107,211	106,328	107,475	111,116	109,774	111,681	112,396	0.6%
32	New Hampshire	100,261	96,205	95,402	94,773	91,950	92,976	92,046	92,258	92,979	94,806	94,810	95,444	96,006	0.6%
33	Connecticut	108,539	110,650	109,213	108,078	105,499	103,992	101,887	99,658	95,527	93,364	92,058	90,728	91,791	1.2%
34	Idaho	91,612	89,026	90,501	87,662	84,290	85,749	85,780	86,270	86,969	87,211	84,015	86,801	88,450	1.9%
35	Colorado	98,055	95,330	95,822	91,424	89,321	87,225	83,549	83,683	84,111	84,676	84,936	84,083	85,001	1.1%
36	Kansas	93,900	91,067	90,522	89,315	88,041	85,840	83,422	82,016	80,979	81,243	83,775	82,700	80,356	-2.8%
37	Nebraska	83,722	83,280	80,089	83,832	84,471	86,248	87,078	86,778	86,853	87,596	87,865	86,622	78,212	-11.7%
38	Montana	79,651	84,988	83,394	52,105	42,985	54,642	63,438	47,427	60,087	68,229	51,373	63,063	72,480	14.9%
39	North Dakota	53,519	46,067	51,609	56,128	47,537	62,799	69,381	53,560	69,581	67,022	56,933	62,740	66,961	6.7%
40	Utah	76,921	73,009	72,419	70,321	68,427	70,144	66,012	66,804	66,497	65,873	66,136	64,208	64,949	1.2%
41	South Dakota	53,570	56,604	60,094	56,624	56,615	58,449	57,209	57,209	58,972	59,485	59,525	58,896	57,825	-1.8%
42	West Virginia	63,064	49,930	57,415	64,510	51,752	57,085	61,961	48,139	50,324	57,305	43,839	51,239	56,297	9.9%
43	Delaware	61,569	56,669	61,523	62,983	57,687	58,541	59,186	59,337	59,467	61,901	58,557	55,047	52,740	-4.2%
44	Alaska	47,548	47,534	48,892	48,891	50,219	50,142	49,939	50,123	50,781	51,144	50,044	48,829	50,788	4.0%
45	Nevada	59,895	57,519	56,053	53,464	50,864	50,499	46,327	44,196	41,794	42,426	43,129	40,930	41,522	1.4%
46	Rhode Island	43,665	42,524	42,519	45,930	40,989	40,451	39,602	36,291	40,075	40,178	39,685	39,230	38,836	-1.0%
47	New Mexico	38,100	33,304	36,544	37,340	37,469	36,846	34,862	34,647	33,933	33,780	33,340	32,505	32,005	-1.5%
48	Vermont	31,482	30,429	30,480	30,315	28,807	28,987	30,008	27,861	28,179	29,353	28,852	28,690	28,333	-1.2%
49	Wyoming	26,956	27,243	27,955	28,249	28,164	28,620	28,081	27,117	27,711	27,288	26,963	26,656	25,659	-3.7%
50	Hawaii	15,094	15,404	15,709	14,835	13,375	14,098	14,258	12,033	10,807	11,238	11,658	12,371	12,100	-2.2%
51	Dist. of Columbia	2,866	2,922	2,798	3,017	2,889	2,118	2,622	1,963	2,120	2,115	2,512	2,433	2,048	-15.8%
52	U.S. Territories	71,579	70,129	70,010	73,712	35,579	38,435	28,835	29,334	29,707	30,251	27,519	29,279	29,813	1.8%
Total U.S.		12,875,568	12,692,892	12,721,541	12,438,926	12,173,935	12,101,936	12,014,387	11,782,134	11,867,049	11,866,043	11,953,187	11,852,969	11,878,542	0.2%
Percent change		1.0%	-1.4%	0.2%	-2.2%	-2.1%	-0.6%	-0.7%	-1.9%	0.7%	-0.01%	0.7%	-0.8%	0.2%	

The above data table shows the total number of boating registrations by state. Florida remains at the top of the chart, followed this year by Minnesota, Michigan, California, and Wisconsin to round out the top five.





## Demand Generators

Demand for boat storage includes use of wet slips, dry rack storage, surface storage as well as a very limited amount of on-trailer storage. The demand for these boat storage options within the market is a function of population, disposable income, marina location, proximity to popular fishing and family destinations, pricing, quality of the facility, fuel prices, etcetera.

We have already discussed several factors that identify a vacant waterfront site as being suited to marina development. However, once a marina development is in place, the quality, condition and reliability of service are key elements to the long-term sustainability of the development. An ongoing maintenance program of capital improvements is vital to a professional marina management plan.

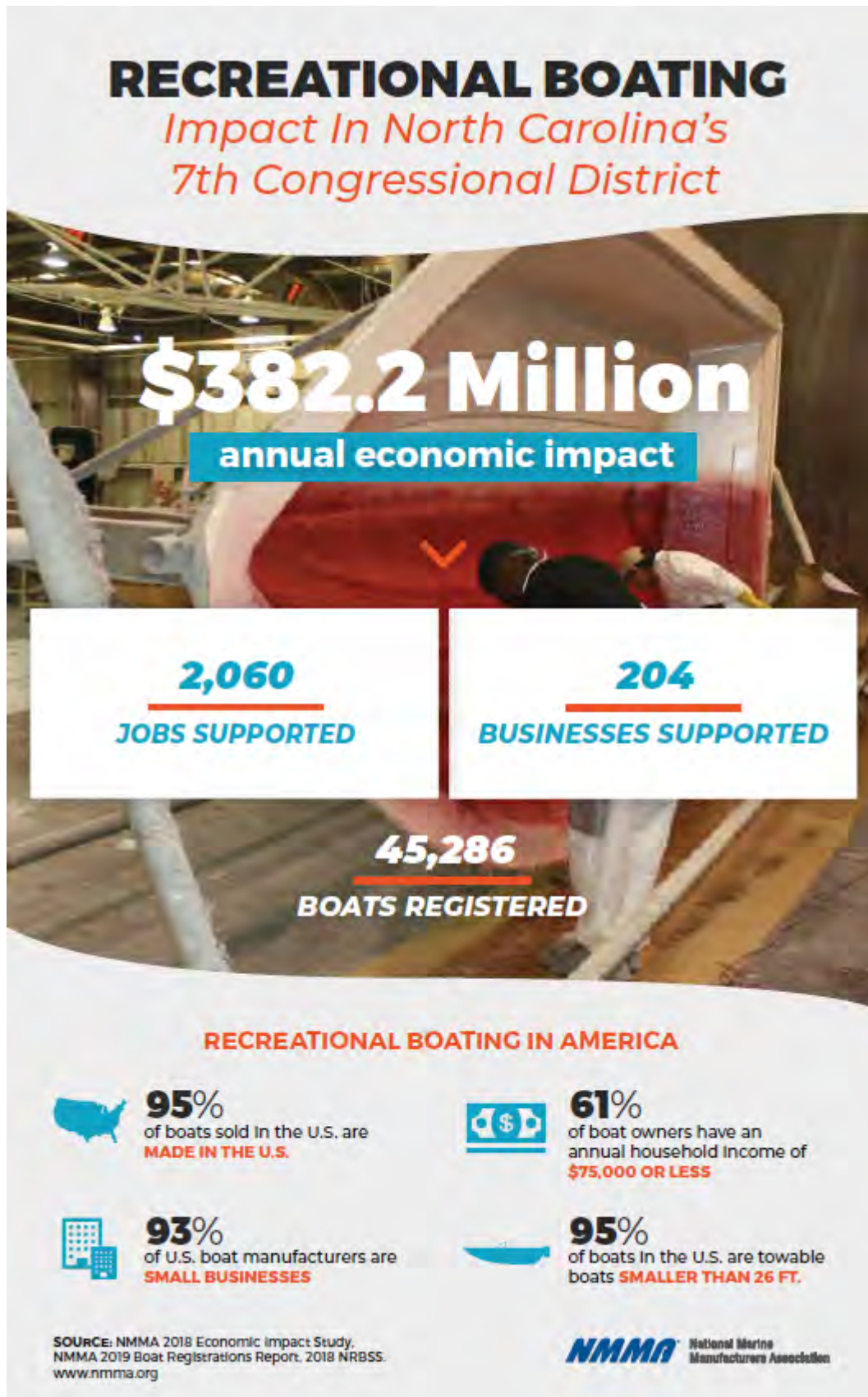
Full service marinas have a significant competitive advantage over limited service or no service marinas. Full service marinas create an “All Inclusive” boating experience that keep their wet slip tenants on-site, long after the vessel is back in its slip. The inclusion of an amenity package such as restaurants, a captain’s lounge and, (based on location), family specific recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage. Finally, the importance of a best-in class Wi-Fi system cannot be overstated. One national marina owner/developer was quoted as saying, “My Wi-Fi is as important as my docks”.

The supply and demand characteristics of the marina market in the southeast region have strengthened significantly since the last recession. Over the past several years, marina portfolio operators have been accumulating mixed-use waterfront properties for their corporate portfolios. Once acquired and renovated, these individual assets, which individually might be valued at cap rates ranging from 7.50% up to 8.50%, are expected to command a cap rate for the entire portfolio of 100 up to 200 basis points lower than they would individually. Much of this spread is driven by quality, condition and critical mass. Thus, there is great incentive in the marina market to acquire and renovate multiple marina properties, especially within a dynamic region such as the southeast where the market fundamentals are already strong.

## National Marine Market - Conclusion

The marine industry has a profound effect on the US economy with \$43.1 billion in total boating related sales in 2019. The popularity of boating has increased from 2006 to 2019. At the same time, the average annual hourly wage has increased modestly. All of the data sets indicate that the American family has recovered from the recession of 2007 and that many have re-entered boating after a three to five year hiatus. Based on the above data and analysis, it is our opinion that nationally the boating industry will strengthen steadily throughout the foreseeable future.







## VALUATION PARAMETERS

In appraisal practice, the two most used unit value indications that can be abstracted from a marina or mixed-use waterfront sale are the price per slip and the capitalization rate. The following is a discussion of the trends and central tendencies of these two components.

### Sale Price Per Slip

Many factors affect the price per slip including the number and size of ancillary profit centers that contribute to the sale price, the location of the property, its condition on the date of sale and how well the existing improvements match the current expectations of potential tenants within the local market.

In general, Top Tier marinas that sell in the \$30,000 to \$90,000 per slip range reflect multiple profit centers, newer construction, high occupancy levels and excellent proximity relative to landward and waterward destinations. These marinas are well located, relatively new, well occupied, well designed and well maintained. However, the majority of marinas in the US sell in the \$15,000 to \$30,000 range. They have some, but not all of the characteristics of the top-tier marinas as discussed above.

Trophy properties have good to excellent proximity to a major interstate highway, heavy traffic counts on an adjacent local roadway, direct exposure or signage on an adjacent heavily traveled waterway as well as good to excellent waterward proximity, access and exposure. Therefore, the primary characteristics of a trophy property are excellent proximity, access and exposure combined with large amounts of "Drive-By" traffic in terms of both vessels and vehicles. In order for an optimal marina property to exist, it must have the foregoing locational characteristics plus the positive synergy of well-designed and maintained building and site improvements.

Prior to 2007, marina buyers purchased active marinas for redevelopment, primarily for condominiums. In a redevelopment scenario, the motivation to purchase the property was the number of condominium units that could be developed on the land. Today, condominium redevelopment is much less frequent, as price points and construction costs have collided in many waterfront markets.

Most of the recent improved marina sales represent the acquisition of going concern operations which were purchased for their income potential either in an as-is scenario or as a value-added play.

### Typical Acquisition Parameters

We have held discussions with most of the active marina purchasers in the United States market today. Most corporate purchasers are acquiring marinas based on existing in-place income for stabilized marinas, or on a stabilized year NOI for value-added properties.



Typical holding periods range from 7 to 10 years or more. Typical buyers are offering to purchase stabilized saltwater properties with capitalization rates of 7.00% to 9.00%. The lower end of the range typically includes marinas with good to excellent project fundamentals. Most freshwater marinas would command cap rates in the 8.00% to 10.00% range. However, well positioned properties, "Best in Class" properties and properties with in- place Net Operating Incomes of \$1,000,000 or more will typically command a premium.

There are many portfolio collectors that own 2 to 10 marinas. These buyers are very active in marina acquisition. Many small acquisition groups have been formed over the last 8 to 10 years which are targeting marinas and marina portfolios. Individual buyers are targeting marina properties with purchase prices in the \$1,000,000+ range. Many times, these buyers are retiring from another profession and have little or no experience or training in marina management. These investors are much less sophisticated and usually hire marina management companies to handle the day to day operations. Many times, the location of a marina in proximity to family and the prospects of a monthly income are all that is required.

Regardless of whether the investor is corporate or private, the motivation to purchase is not the purchase price divided by the number of wet and dry slips. For both investor groups, the motivation is for a return on and then return of investment.

### Capitalization Rates

Two of the capitalization rates that can typically be extracted from an improved marina sale are:

- ❖ The actual cap rate based on the in-place NOI and
- ❖ The pro-forma cap rate based on stabilized, as-cured or pro-forma NOI.

### Demand Generators

Demand for boat storage includes wet slips, dry rack storage, surface storage as well as on-trailer storage. The demand for these boat storage options within the market is a function of population, disposable income, marina location, proximity to popular fishing and family destinations, the pricing of wet versus dry storage, quality of the facility, fuel prices etcetera.

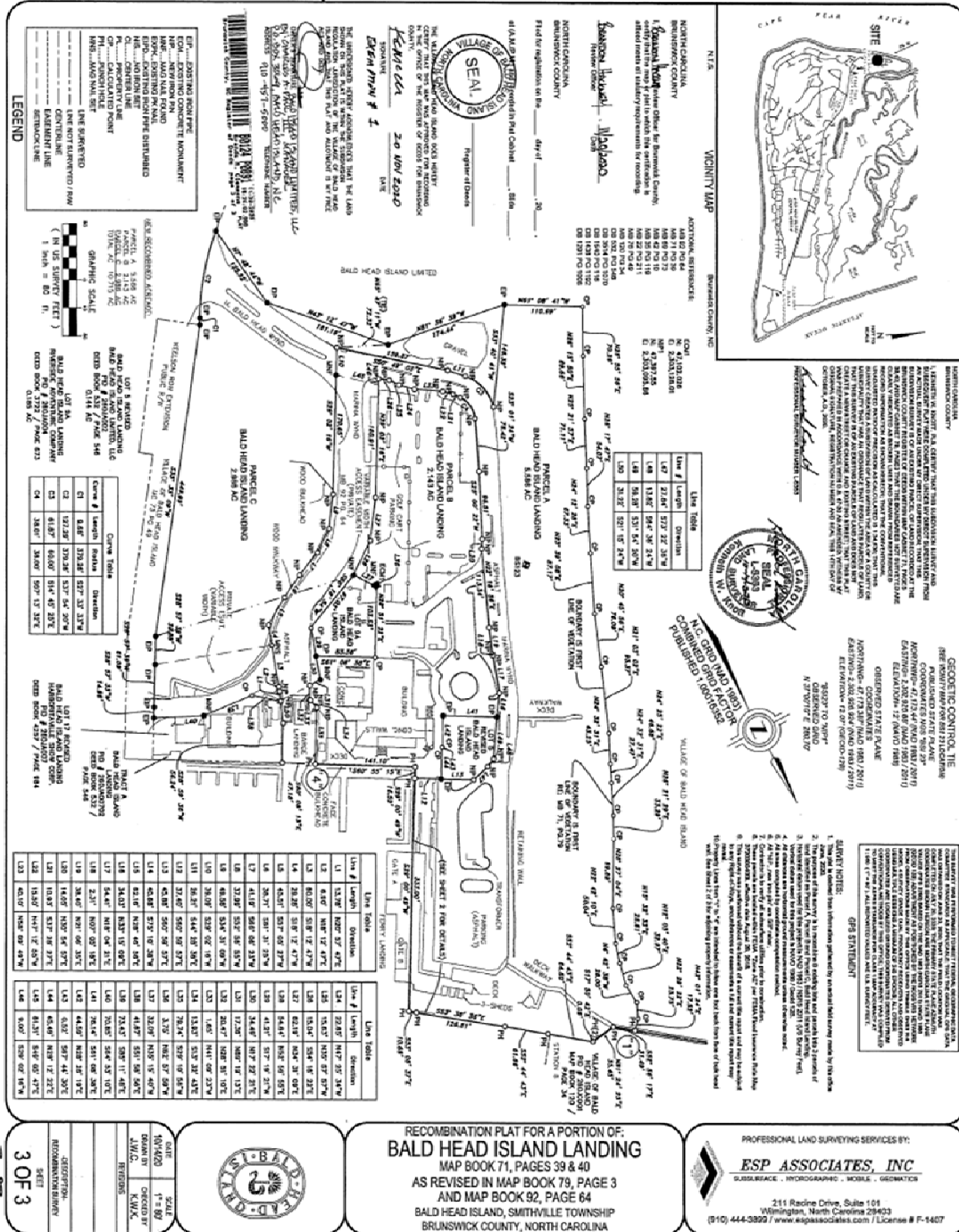
A very important element in the boat storage business is location, proximity to popular boating destinations, as well as the service and reliability associated with the facility. The newer the facility, the higher the demand, all other things being equal. Full service marinas have a significant competitive advantage over limited service or no service storage options as they create an "All Inclusive" boating experience. The inclusion of an amenity package such as restaurants, lounges and family recreational amenities such as an outdoor pool can give a marina property an additional competitive advantage.

## Land and Site Analysis

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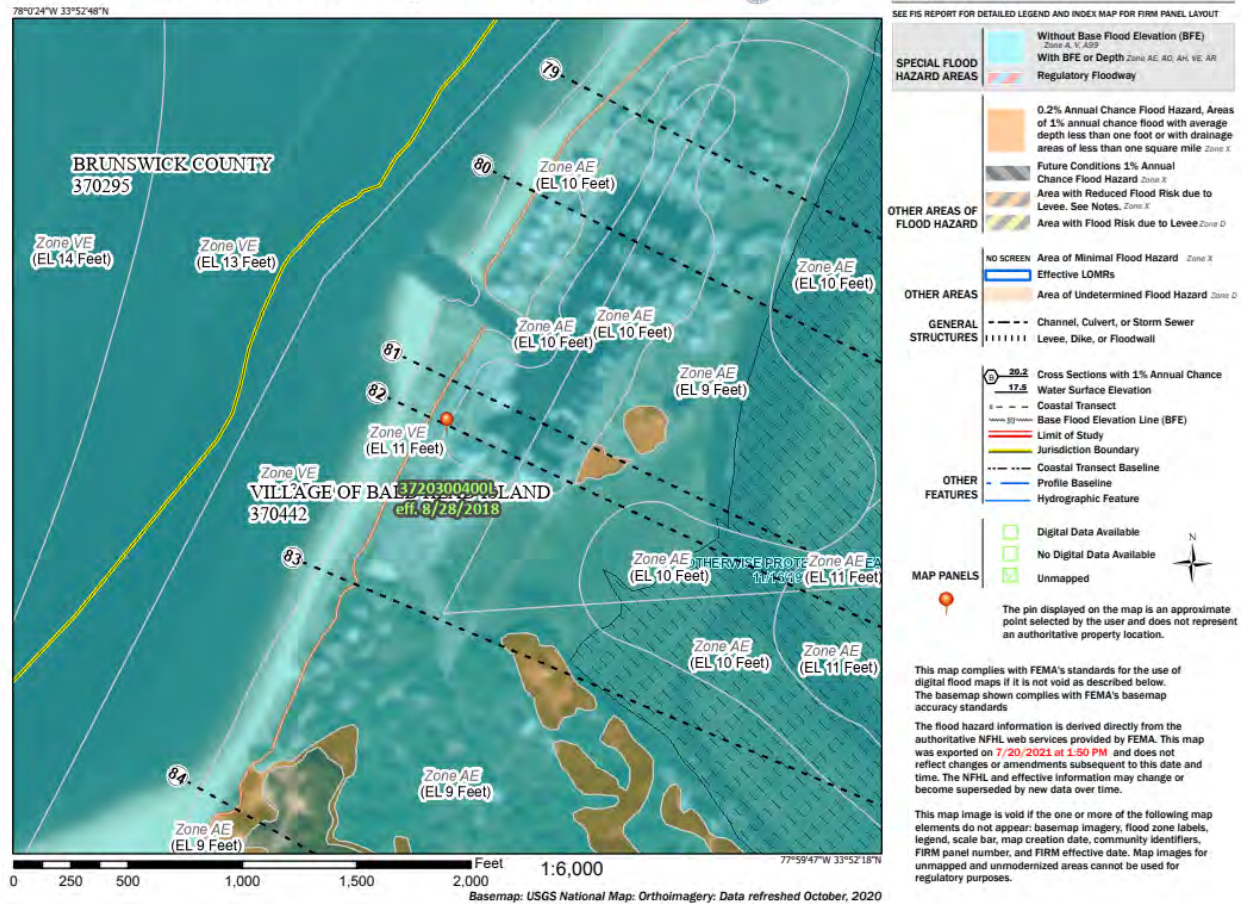
## Survey

## Bald Head Island Ferry Terminal - Parcel A

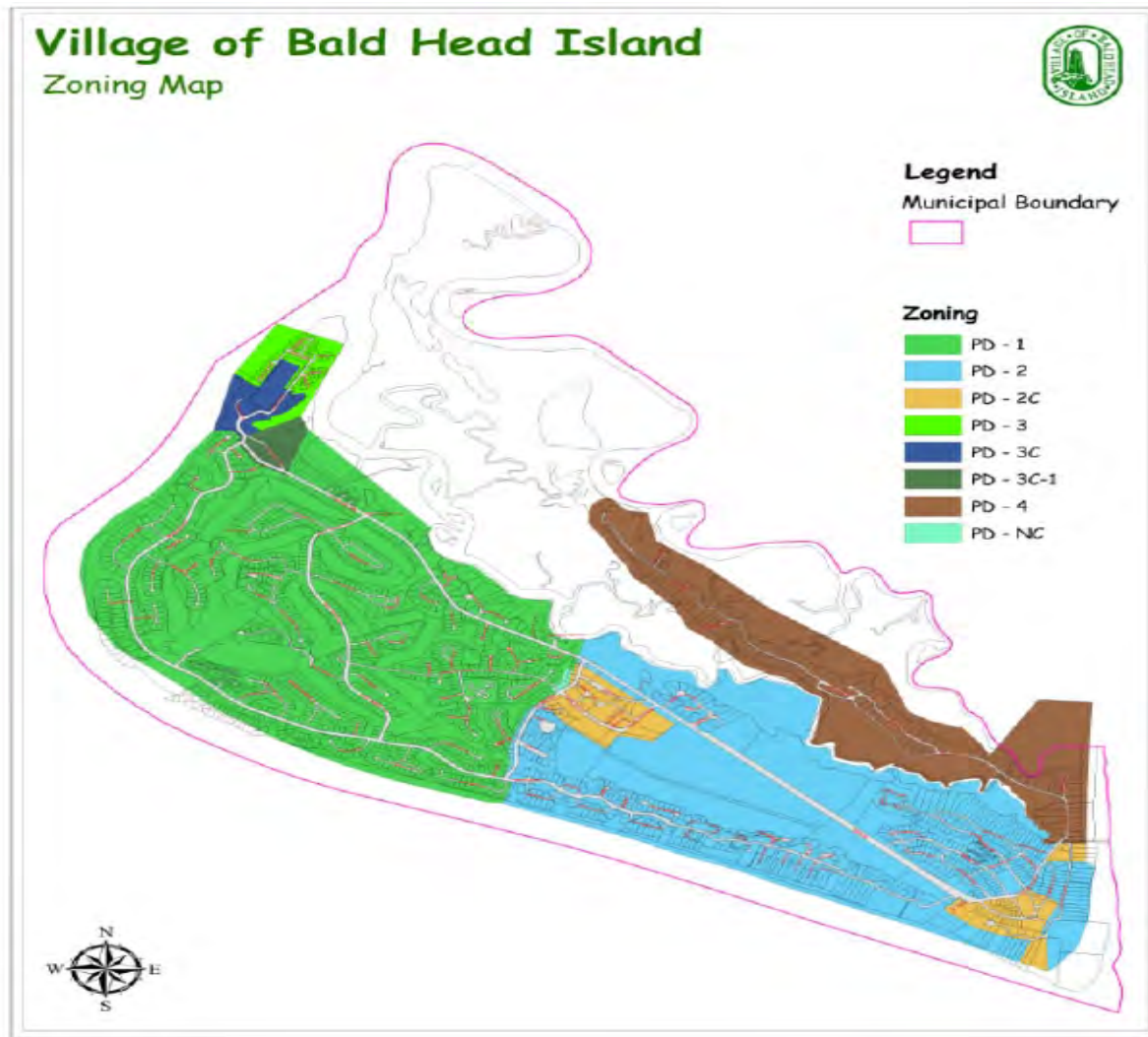




## National Flood Hazard Layer FIRMette



## Flood Map



Zoning Map

**Land Parcels**

Parcel Summary	Associated APN(s)	Classification	Land Area (SF)	Land Area (Acres)
Island Parcel A - Ferry	260JA008 (por)	Primary Site 1	122,273	2.8070
Island Parcel A - Beach Area	260JA008 (por)	Excess Site 1	120,661	2.7700
Total Gross Land Area			242,934	5.5770
Total Usable Land Area			122,273	2.8070
Total Surplus Land Area			0	0.0000
Total Excess Land Area			120,661	2.7700

*Compiled by NKF*

**Land Description**

Total Land Area	5.5770 Acres; 242,934 SF
Usable Land Area	2.8070 Acres; 122,273 SF
Excess Land Area	2.7700 Acres; 120,661 SF
Surplus Land Area	None
Source of Land Area	Survey

**Site Characteristics**

Primary Street Frontage	West Bald Head Wynd (659 FF)
Traffic Control at Entry	Stop Sign
Traffic Flow	Low
Accessibility Rating	Average
Visibility Rating	Average
Shape	Irregular
Topography	Level At Street Grade
Easements / Encroachments	Various Access and Utility Easements
Environmental Hazards	None Noted

**Flood Zone Analysis**

Flood Area Panel Number	3720300400L
Date	8/28/2018
Zone	Zone VE
Description	An area inundated by 1% annual chance flooding with velocity hazard (wave action); BFEs have been determined.
Insurance Required?	Yes

**Utilities**

Utility Services	Electricity, Sewer, Water
------------------	---------------------------

*Compiled by NKF***Excess or Surplus Land**

Analysis of the site and current use indicates that there is an area of the site that is not in use and would be viewed as excess land. We included this land in the overall site value; however, there is potential for additional development on the site.

**Environmental Issues**

No environmental issues were observed or reported. NKF is not qualified to detect the existence of potentially hazardous issues such as soil contaminants, the presence of abandoned underground tanks, or other below-ground sources of potential site contamination. The existence of such substances may affect the value of the property. For this assignment, we have specifically assumed that any hazardous materials that would cause a loss in value do not affect the subject.

We have reviewed an environmental report, dated February 6, 2019, performed by S&ME, Inc. According to this report, no material evidence of site contamination was found except for the following outlined in the conclusion.



## 9.0 CONCLUSIONS

We have performed a Phase I Environmental Site Assessment in conformance with the scope and limitations of ASTM E 1527-13 of the property located on Marina Wynd in Bald Head Island, Brunswick County, North Carolina and the subject property. Any exceptions to, or deletions from, this practice are described in Sections 1.5 and 10 of this report.

This assessment has revealed no evidence of *recognized environmental conditions* or controlled or historical recognized environmental conditions in connection with the subject property, except for the following:

- ♦ Two underground storage tanks and associated underground transfer lines installed in 2007 on the western adjacent Harbormaster property, presents a material threat of a release of petroleum product to the soil and groundwater.

## Zoning and Legal Restrictions

### Zoning Summary

Category	Description
Zoning Jurisdiction	City of Bald Head Island
Zoning Designation	PD-3C
Description	Planned Development 3 Commercial District
Legally Conforming?	Yes
Zoning Change Likely?	Unlikely
Permitted Uses	residential, commercial services, offices, marina and marina related, club facilities, transient inn and leisure activities and their attendant uses
Other	None Noted

*Compiled by NKF*

## Conclusion

The subject appears to be legally conforming based on analysis of zoning ordinances. We are not experts in the interpretation of zoning ordinances. A qualified land use/zoning expert should be engaged if there are any zoning concerns or if a determination of compliance with zoning is required.



# Improvements Analysis



## Site Plan

The subject is a specialty-ferry system development known as Bald Head Island Ferry Terminal - Parcel A, located at 2 Marina Wynd, Bald Head Island, NC 28461. The subject was built in 1988. It includes four specialty buildings.

The improvements are more fully described in the following table.

Improvements Description					
Component Structures					
Improvements (Structures)	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
General Improvement Type	Specialty	Specialty	Specialty	Specialty	
Use Description	Marina	Marina	Marina	Marina	
No. Buildings	1	1	1	1	4
GBA (SF)	5,621	2,345	450	400	8,816
Rentable SF	5,621	2,345	450	400	8,816
Construction Status	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	Existing, Stabilized Operations	
Construction Class	D	D	D	D	
Quality	Average	Average	Average	Average	
Current Condition	Average	Average	Average	Average	
Age/Life Depreciation Analysis					
Year Built	1988	1988	1988	1988	
Year Renovated	None	None	None	None	
Actual Age (Yrs.)	33	33	33	33	
Economic Life (Yrs.)	45	45	40	40	
Effective Age (Yrs.)	20	20	20	20	
Remaining Economic Life (Yrs.)	25	25	20	20	
Percent Depreciation	44.44%	44.44%	50.00%	50.00%	
Floor Area Analysis					
Number of Stories	1	1	1	1	1.00
Est. Ground Floor Area (GBA)	5,621	2,345	450	400	8,816
Attributed Site Area (SF)	77,960	32,524	6,241	5,548	122,273
Site Coverage	7.2%	7.2%	7.2%	7.2%	7.2%
Floor Area Ratio (FAR)	0.072	0.072	0.072	0.072	0.072
Land to Building Ratio	13.869	13.869	13.869	13.869	13.869
Construction Details					
	Marina	Marina	Marina	Marina	
Foundation	Reinforced Concrete Slab & Pilings	Reinforced Concrete	Reinforced Concrete	Wood Subfloor & Pilings	
Basement	None	None	None	None	
Structural Frame	Wood Frame	Steel	Steel	Wood	
Exterior Walls	Wood	Wood	Wood	Wood	
Windows	Tempered Glass	Tempered Glass	Tempered Glass	Tempered Glass	
Roof	Metal	Metal	Metal	Metal	
Interior Finish					
	Marina	Marina	Marina	Marina	
Floors	Tile & wood	Wood & concrete	Wood & concrete	Wood & concrete	
Walls	Textured and painted sheetrock	None, open structure	Wood	Wood	
Ceilings	Suspended Acoustic Tile	Open	Open	Open	
Lighting	Fluorescent/LED	Fluorescent/LED	Fluorescent/LED	Fluorescent/LED	
Engineering & Mechanical					
	Marina	Marina	Marina	Marina	
HVAC	Package HVAC	None	None	None	
Electrical	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Plumbing	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Rest Rooms	Assumed adequate	Assumed adequate	Assumed adequate	Assumed adequate	
Fire Sprinklers	Yes	No	No	No	

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## Space Type/Classification

Improvements Summary				
Building Summary	Property Type	No. Buildings	GBA (SF)	Rentable SF
Ferry Terminal	Specialty-Marina	1	5,621	5,621
Foot Baggage Area	Specialty-Marina	1	2,345	2,345
Storage Buildings	Specialty-Marina	1	450	450
Barge Equipment Building	Specialty-Marina	1	400	400
Property Type Subtotals				
Specialty-Marina		4	8,816	8,816
Improvements Total		4	8,816	8,816

Compiled by NKF

## Functional Utility

Based on our inspection and consideration of its current use, there do not appear to be any significant items of functional obsolescence.





## Deferred Maintenance

We have reviewed an engineering report, dated March 5, 2019, performed by Moffatt & Nichol. According to this report, each structure was inspected above and below water for due diligence purposes. The summary and repair estimates can be found below for Deep Point Ferry Marina & Bald Head Island.

Location	Facility	ASCE Condition Rating	Due Diligence Rating	Repair Priority Ranking	Recommended Repair Cost Estimate
Deep Point Ferry Marina	A-Gate Passenger Landing	Good	Good	Low	\$0
	B-Gate Contractor Landing	Satisfactory	Good	Medium	\$11,000
	Maintenance Fixed Pier	Good	Good	Low	\$1,000
	Maintenance Finger Dock	Satisfactory	Good	Low	\$10,000
	"G" Berthing Platform	Good	Good	Low	\$0
	"H" Berthing Platform	Good	Good	Low	\$0
	Bulkhead Wall	Satisfactory	Good	Medium	\$137,000
	DPM Barge Ramp	Satisfactory	Good	Medium	\$154,000
Bald Head Island	BHI Barge Ramp	Satisfactory	Good	Medium	\$130,000
	Contractor Landing	Good	Good	Low	\$10,000
	Passenger Landing	Fair	Good	Medium	\$900,000
Total:					\$1,353,000

The total estimated cost of recommended replacements and repairs over the next ten years, based on the defects observed during this investigation, is \$1,353,000. As part of the recommended routine inspections and maintenance for all of the structural components of the waterfront facilities, routine inspections should be conducted once every five years. The estimated cost to complete each routine inspection is \$65,000, or \$130,000 total over the next ten years. Anticipated additional structural component maintenance repair items discovered during those inspection items can typically be expected on the order of \$100,000 - \$150,000 over the next 10 years based on the conditions observed and typical life expectancy of timber and concrete marine structures. A breakdown of estimated repair/replacement costs is provided in Appendix B.

We have deducted the reported \$910,000 attributable to the BHI repair estimates (BHI Barge Ramp completed already) from the final value conclusion with a 10% allowance for profit, resulting in a rounded deferred maintenance deduction of \$1,000,000. The 10% profit allowance is lower than the overall project profit of 15% as the scope of the project is significantly smaller and the coordination could be handled by onsite staff.

## Personal Property

No personal property items were observed that would have any material contribution to market value as all personal property items are considered to be part of the ferry operation and not part of the real property.

## Conclusion

- ❑ The improvements are of average quality construction and are in average condition.
- ❑ The improvements are considered to be functional for the existing use.
- ❑ Overall, the improvements are well suited for the existing use.
- ❑ Overall, the quality, condition, and functional utility of the improvements are rated as average for their age and location.

# Real Estate Taxes

The subject property is located in Southport, Brunswick County, and is subject to both Town and County millage rates. The subject is identified in the Brunswick County Tax Assessor's Office as tax parcel number 23800003.

Taxes and Assessments								
Tax Year 2021	Assessor's Market Value			Millage Rates		Taxes and Assessments		
Tax ID	Land	Improvements	Total	Assessment Ratio	Land & Improvements	Ad Valorem Taxes	Direct Assessments	Total
260JA008 (por)	\$3,500,340	\$210,290	\$3,710,630	100.0%	12.62100	\$46,832	\$1,484	\$48,316
	\$3,500,340	\$210,290	\$3,710,630	100.0%	12.62100	\$46,832	\$1,484	\$48,316

Compiled by NKF

North Carolina requires that all real estate be assessed at its "true value" or at 100 percent of its fair market value (N.C.G.S. 105-283). State law requires that North Carolina counties revalue all properties a minimum of every eight years. The most recent revaluation in Brunswick County became effective on January 1, 2019 with the next revaluation scheduled for January 1, 2023. According to the assessor's office, the sale of a property typically does (not) trigger a reassessment. The basis for ad valorem taxation is the Fair Market Value (FMV). Property taxes are levied on Assessed Value, which is a specific percentage of FMV based on the property type. The formula for real property taxes is:

$$\text{Fair Market Value} \times \text{Assessment Rate} \times \text{District Millage Rate} = \text{Tax Burden}$$

## Tax Comparables

Assessment to Sales Price Ratio Analysis							
No.	1	2	3	4	5	6	NKF Estimate
Property Name	1333 Dickinson Dr, Leland, NC 28451	852 Sunset Blvd N, Sunset Beach, NC 28468	5160 Ocean Hwy W, Shallotte, NC 28470	75 Lanvale Rd, Winnabow, NC 28479	7295 Beach Dr SW, Ocean Isle Beach, NC 28469	4901 Bellamy Ave, Shallotte, NC 28470	Bald Head Island Ferry Terminal - Parcel A
Improvements SF	40,000	11,538	14,950	48,170	8,000	58,075	8,816
Sale Date	8/24/2018	4/8/2019	12/28/2017	7/31/2019	7/6/2017	8/12/2019	
Sale Price	\$12,400,000	\$5,000,000	\$5,000,000	\$4,215,000	\$2,801,000	\$3,900,000	
Price/SF	\$310.00	\$433.35	\$334.45	\$87.50	\$350.13	\$67.15	
Total Assessed Value	\$8,190,880	\$3,061,370	\$2,111,990	\$1,683,700	\$2,196,150	\$2,004,090	
Assessed Value as % of Sale Price	66%	61%	42%	40%	78%	51%	65%

Compiled by NKF

As presented above, the assessed values as of the date of sale are compared to the sales price to demonstrate that while the assessor is charged with valuing the property at market value, mass appraisal techniques will tend to fall short of actual transaction prices. Beyond the inability of mass appraisal techniques to accurately value an individual parcel, assessors tend to be conservative on value indications to avoid the time and expense of a substantial number of tax appeals by dissatisfied property owners.



## Subject Tax Conclusion

Ad Valorem Tax Analysis		
	Subject History	Conclusion
	2021	
Total Assessed Value	\$3,710,630	\$3,710,630
Total Assessed Value/SF	\$420.90	\$420.90
Tax Rate	1.26210%	1.26210%
Direct Assessments	\$1,484	\$1,484
Ad Valorem Taxes	\$46,832	\$46,832
Actual / Pro Forma Taxes	\$48,316	\$48,316
Reported Tax Delinquencies	None	None
Tax Exemptions or Abatements	None	None

*Compiled by NKF*

The property appraiser is required by state law to appraise the property at 100% of market value, less closing costs and personal property. Our assignment was to determine market value of the subject property. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer. As a sale of the property does not trigger a reassessment, we are reporting the current tax liability; however, upon reassessment in 2023, the assessment would consider the sale of the property. The consequences of this reassessment have been considered in the appropriate valuation sections.

# Highest and Best Use

## As Vacant

The site is zoned PD-3C which allows for residential, commercial services, offices, marina and marina related, club facilities, transient inn and leisure activities and their attendant uses. Based on available data and analysis, no other legal restrictions such as easements or deed covenants are present which would impair the utility of the site. Given that surrounding properties have similar zoning and the future land use plan is focused on similar uses as well, it is unlikely that there would be a change of zoning classification.

The subject site contains 242,934 square feet (5.577 acres), has favorable topography, adequate access, and all necessary utilities to support the range of legally permissible uses. The only noted physical limitation was the shape of the site to accommodate the barge access road. The size of the site is typical for the categories of uses allowed under zoning. In total, the site is physically capable of supporting the legally permissible uses.

Of the legally permissible and physically possible uses, only commercial or mixed uses are considered to be reasonably probable. As presented in the Market Analysis section of this report, the subject submarket is supportive of these potential uses.

Given the underlying market conditions and activity, it appears that a commercial or mixed use development would have a sufficient degree of feasibility.

The financially feasible analysis has yielded the conclusion that development of a commercial or mixed use development is feasible and reasonably probable. The associated risk is typical and market conditions appear to be supportive. Therefore, the highest and best use of the subject as though vacant is the development of a commercial or mixed use development. As noted, market and economic conditions are supportive of the near term development of this use on the site. The most likely buyer would be an owner-user or developer. An investor is a potential buyer as land value appreciation would support speculation although near term development would also be likely.

## As Improved

The existing improvements are legally conforming to zoning. There are no known legal restrictions to the continued use of the improvements as they were designed. As previously discussed, the improvements are rated as average for their age and location. The improvements conform to the expectations of the market and conform in general terms to the highest and best use as though vacant conclusion above. The improvements were designed for this use. Based on our analysis and review, the improvements do not appear to suffer from significant functional obsolescence. Therefore, continuation of the existing use is reasonably probable and appropriate.



In this case, the subject is an income producing property and is capable of generating sufficient income to support the continuation and maintenance of the use. This is demonstrated in the income capitalization approach by the fact that a positive income stream can be generated. Since the concluded value as though improved exceeds the value of the underlying land, it follows that removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated.

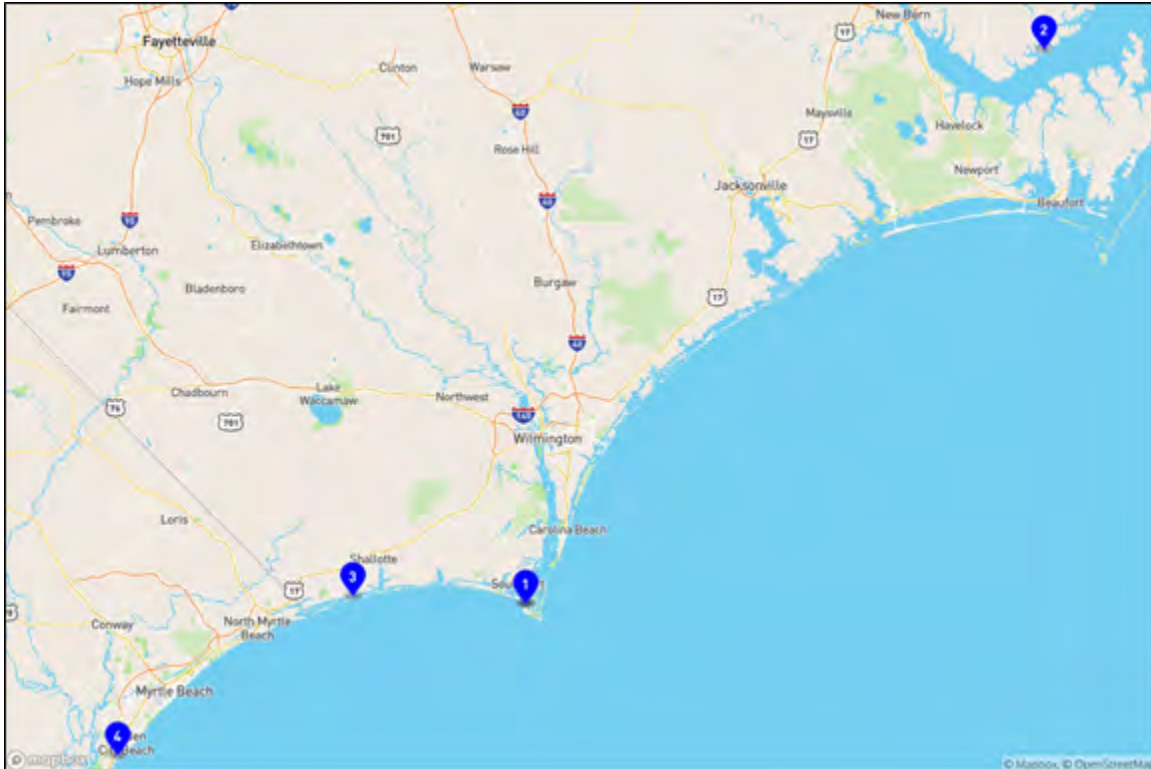
The existing improvements are legally permissible, physically possible, and financially feasible. The concluded value as though improved exceeds the value of the underlying land and removal of the improvements for redevelopment or substantial conversion to an alternative use is not indicated based on current neighborhood trends. Given no alternatives, the highest and best use of the subject as improved is the existing use. Market and economic conditions are supportive of this continued use. The most likely buyer would be an owner-user or investor. This is based on the current ownership and likely potential future purchasers.

### Excess Land

The subject has a 2.77-acre portion of the site that is currently undeveloped and located along the beach which would support some form of residential or recreational development such as single family homes or beachfront vacation cabins, subject to the zoning ordinances. These uses would be consistent with other residential uses in the area, while cabins would be consistent with transient in and leisure activities, while maintaining continuity of ownership with the overall parcel.

# Land Valuation

Land value can be developed from a number of different methodologies. In this case, we have employed sales comparison as sufficient comparable data exists from which to derive a reliable indication of value. Based on a review of market activity, the appropriate unit of comparison is price per usable land sf.



**Land Comparables Map**

## Comparable Land Sales Summary

	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Address	2 Marina Wynd	Bald Head Island	43 Causeway Drive	1218 Lupton Drive	Calais Point
City, State	Bald Head Island, NC	Bald Head Island, NC	Ocean Isle Beach, NC	Oriental, NC	Charleston, SC
Proposed Use	Commercial	General Commercial	General Commercial	Other	General Commercial
Gross Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Useable Acres	5.58 Acres	0.84 Acres	1.81 Acres	0.99 Acres	3.70 Acres
Useable Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Shape/Topography	Irregular/Level At	Irregular/Level at Street	Rectangular/Level at	Rectangular/Level at	Irregular/Generally level,
Utilities Available	Electricity, Sewer,	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water	Electricity, Sewer, Water
Zoning	PD-3C	Commercial	OI-C-2	Comm/Ind	Commercial
Transaction Type		Closed	Closed	Closed	Closed
Buyer		The Village of Bald Head Island	McMullen Ventures, LLC	AXL Properties	Joseph Moon
Seller		Bald Head Island Limited, LLC	OIB Holdings, LLC	Arnfast Alan K	Kenneth Leland
Interest Conveyed	Fee Simple	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Transaction Date		Dec-17	Feb-18	Apr-18	Jun-18
Price		\$825,000	\$2,000,000	\$2,500,000	\$2,499,999
Adj. Sale Price		\$825,000	\$2,000,000	\$2,500,000	\$2,499,999
Price per Gross Land Acre		\$982,154	\$1,104,967	\$2,525,276	\$675,675
Price Per Gross Land SF		\$22.55	\$25.37	\$57.97	\$15.51
Price per Usable Land Acre		\$982,154	\$1,104,967	\$2,525,276	\$675,675
Price Per Usable Land SF		\$22.55	\$25.37	\$57.97	\$15.51

Compiled by NKF





## Analysis of Land Comparables

The following analyzes the most relevant comparable data against the subject property.

- ❑ We have included the sales that are most relevant
- ❑ Comparable 1 is the most similar property with regard to location but required an upward location for its inferior frontage as compared to the subject's marina and open water frontage. A downward adjustment was required for the comparable's smaller size.
- ❑ Comparable 2 represents an operating boatyard and is adjusted downward for location, size and infrastructure as we are analyzing the subject's infrastructure separately within the cost approach.
- ❑ Comparables 3 and 4 only required downward adjustments for their smaller size.

Based on our comparative analysis, the following table summarizes the adjustments warranted to each land sale.

Comparable Land Sales Adjustment Grid					
	Subject	Sale 1	Sale 2	Sale 3	Sale 4
Address	2 Marina Wynd	Bald Head Island	43 Causeway Drive	1218 Lupton Drive	Calais Point
City, State	Bald Head Island, NC	Bald Head Island, NC	Ocean Isle Beach, NC	Oriental, NC	Charleston, SC
Gross Land SF	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Usable Land Area (Acres)	5.58 Acres	0.84 Acres	1.81 Acres	0.99 Acres	3.70 Acres
Usable Land Area (SF)	242,934 SF	36,590 SF	78,844 SF	43,124 SF	161,172 SF
Transaction Type	--	Closed	Closed	Closed	Closed
Transaction Date	--	Dec-17	Feb-18	Apr-18	Jun-18
Price Per Usable Land SF		\$22.55	\$25.37	\$57.97	\$15.51
Transaction Adjustments					
Property Rights		0%	0%	0%	0%
Financing		0%	0%	0%	0%
Conditions of Sale		0%	0%	0%	0%
Market Conditions (Time)		11%	11%	10%	9%
Subtotal (adjustments are multiplied)		11.0%	11.0%	10.0%	9.0%
Transaction Adjusted Price Per Usable Land SF		\$25.03	\$28.16	\$63.77	\$16.91
Physical Adjustments					
Location		0%	0%	-20%	0%
Corner		0%	0%	0%	0%
Frontage		20%	0%	0%	0%
Size		-20%	-10%	-20%	-10%
Shape		0%	0%	0%	0%
Topography		0%	0%	0%	0%
Utilities		0%	0%	0%	0%
Infrastructure		0%	0%	-20%	0%
Subtotal (adjustments are summed)		0%	-10%	-60%	-10%
Gross Adjustment		51%	21%	70%	19%
Overall Adjustment		11.0%	-0.1%	-56.0%	-1.9%
Indicated Price Per Usable Land SF		\$25.03	\$25.34	\$25.51	\$15.22

Compiled by NKF



## Land Value Conclusion

- ❑ Market participants have indicated land values have been on an upward trend due to increased demand for living in resort areas due to the ability to work from home.
- ❑ Prior to adjustments, the sales reflect a range of \$7.31 to \$57.97 per usable land sf.
- ❑ After adjustment, the range is narrowed to \$7.31 to \$26.26 per usable land sf, with an average of \$19.81 per usable land sf.
- ❑ Most weight was placed on Comparables One, Three and Four which indicate an adjusted value range of \$23.63 to \$25.34 per square foot. The subject property was most similar to these comparables because location and condition. Secondary consideration was given to Comparable Two due to the substantial downward adjustments required.

### Land Value Conclusion

Useable Land SF		242,934
Comparable Sales Indications	Range	Average
Unadjusted Price Per Usable Land SF	\$7.31 - \$57.97	\$23.13
Adjusted Price Per Usable Land SF	\$7.31 - \$26.26	\$19.81
Reconciled Value Per Usable Land SF		\$26.00
Total Indicated Value		\$6,316,284
	Rounded	\$6,300,000

*Compiled by NKF*



# Cost Approach

## Replacement Cost New

### Building and Site Improvements - Cost Summary

Improvements (Structures)	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
MVS Improvement Type		Specialty - Marina	Specialty - Marina	Specialty - Marina	Specialty - Marina	
Construction Class		D	D	D	D	
Quality		Average	Average	Average	Average	
MVS Section		14	14	14	14	
MVS Page		20	27	26	26	
Source Date		2/1/2020	2/1/2020	2/1/2020	2/1/2020	
Base Cost PSF		\$113.00	\$39.75	\$41.25	\$41.25	
+ Sprinklers		3.71	0.00	0.00	0.00	
Adjusted Base Cost PSF		\$116.71	\$39.75	\$41.25	\$41.25	
<b>Height &amp; Size Refinements</b>						
# of Stories Multiplier		1.000	1.000	1.000	1.000	
Ceiling Height Multiplier		1.000	1.000	1.000	1.000	
Perimeter Multiplier		1.000	1.000	1.000	1.000	
Adjusted Base Cost		\$116.71	\$39.75	\$41.25	\$41.25	
<b>Final Calculations</b>						
Current Cost Multiplier		1.160	1.160	1.160	1.160	
Local Area Multiplier		0.920	0.920	0.920	0.920	
Other Multiplier (Site Congestion, etc.)		1.200	1.200	1.200	1.200	
Adjusted Base Cost		\$137.15	\$50.91	\$52.83	\$52.83	
x Structure Size (SF GBA)		8,816	2,345	450	400	8,816
Adjusted Cost		\$1,209,153	\$119,373	\$23,772	\$21,131	\$2,213,563
Site Improvements		\$0				\$0
+ Indirect Costs @ 20.00%		\$241,831	\$23,875	\$4,754	\$4,226	\$442,713
MVS Indicated Cost New Before Profit		\$1,450,983	\$143,248	\$28,526	\$25,357	\$2,656,275

Compiled by NKF

The allowance for indirect costs reflects the additional cost necessary to complete the project beyond the hard construction costs. These soft costs include financing fees, interest, permits and carrying costs throughout the construction period. Our experience with numerous proposed projects indicates that this expense can range from 15% to 35% of hard costs with the subject falling toward the lower end of the range based on the build-to-suit single tenancy but slightly above the low end to reflect the additional coordination costs of waterfront construction.

### Site Improvements - Replacement Cost New

Item	Unit	Measure	Cost/Unit	Cost New	Current Mult.	Local Mult.	Adj. Cost New
Surface Parking	SF	62,357	\$2.59	\$161,505	1.16	0.92	\$172,358
Landscaping	SF	22,700	\$5.93	\$134,611	1.16	0.92	\$143,657
Concrete Sidewalks	SF	28,400	\$8.00	\$227,200	1.16	0.92	\$242,468
Seawall	LF	333	\$1,350	\$449,699	1.16	0.92	\$479,918
Miscellaneous (Barge Ramp)	Lump Sum	1	\$130,000	\$130,000	1.16	0.92	\$138,736
Miscellaneous (Wood Retaining Wall/Walks)	Lump Sum	1	\$30,000	\$30,000	1.16	0.92	\$32,016
Totals				\$1,133,014			\$1,209,153

Compiled by NKF

## Entrepreneurial Profit

### Entrepreneurial Profit

Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
Reconciled Cost New Before Profit		\$1,450,983	\$143,248	\$28,526	\$25,357	\$2,656,275
Entrepreneurial Profit @ 15.00%		\$217,647	\$21,487	\$4,279	\$3,804	\$398,441
Replacement Cost New (RCN)		\$1,668,631	\$164,735	\$32,805	\$29,160	\$3,054,716

Compiled by NKF



## Depreciation

- ❑ Physical deterioration, both curable and incurable;
- ❑ Functional obsolescence, both curable and incurable; and
- ❑ External obsolescence.

## Physical Deterioration

- ❑ Curable: Deferred maintenance (immediate repairs / feasible to correct) is summarized as follows.

Deferred Maintenance			
Building Improvements	Cost Estimate	Site Improvements	Cost Estimate
Passenger Landing	\$900,000	None	
Contractor Landing	\$10,000		
Building Subtotal	\$910,000	Site Subtotal	\$0
Combined Total for Site and Building Improvements			\$910,000
Entrepreneurial Profit @	10.00%		\$91,000
<b>Total Deferred Maintenance (Rounded)</b>			<b>\$1,000,000</b>

Compiled by NKF

- ❑ The 10% profit on deferred maintenance is lower than the overall profit as the coordination would likely be handled by onsite staff.
- ❑ Incurable: Estimated physical deterioration is based on the economic age/life method. Our estimate of incurable physical deterioration attributable to the building and site improvements is shown as follows.

Age/Life Depreciation Summary						
Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	
Year Built	See Site	1988	1988	1988	1988	
Year Renovated	Improvements	None	None	None	None	
Actual Age (Yrs.)	Depreciation	33	33	33	33	
Economic Life (Yrs.)	Detail	45	45	40	40	
Effective Age (Yrs.)		20	20	20	20	
Remaining Economic Life (Yrs.)		25	25	20	20	
Percent Depreciation	66.67%	44.44%	44.44%	50.00%	50.00%	

Compiled by NKF



**Site Improvements - Depreciation**

Item	RCN	Life	Eff. Age	REL	Depr. %
Surface Parking	\$237,854	15	10	5.0 Yrs	66.7%
Landscaping	\$198,246	15	10	5.0 Yrs	66.7%
Concrete Sidewalks	\$334,606	15	10	5.0 Yrs	66.7%
Seawall	\$662,287	15	10	5.0 Yrs	66.7%
Miscellaneous (Barge Ramp)	\$191,456	15	10	5.0 Yrs	66.7%
Miscellaneous (Wood Retaining Wall/Walks)	\$44,182	15	10	5.0 Yrs	66.7%
<b>Totals</b>	<b>\$1,668,631</b>				<b>66.67%</b>

*Compiled by NKF***Functional Obsolescence**

- ❌ Based on observation of the improvements, no forms of functional obsolescence were noted.

**External Obsolescence**

- ❌ No external obsolescence was noted.

**Depreciated Replacement Cost**

The calculation of depreciated replacement cost is shown as follows.

<b>Depreciated Replacement Cost</b>						
Building and Site Improvements	Site Improvements	Ferry Terminal	Foot Baggage Area	Storage Buildings	Barge Equipment Building	Subtotal
Replacement Cost New	\$1,668,631	\$1,159,385	\$164,735	\$32,805	\$29,160	\$3,054,716
Less: Age/Life Depreciation	\$1,112,420	\$515,282	\$73,216	\$16,403	\$14,580	\$1,731,901
Adjusted RCN	\$556,210	\$644,103	\$91,519	\$16,403	\$14,580	\$1,322,815
Less: Functional Obsolescence	\$0	\$0	\$0	\$0	\$0	\$0
Adjusted RCN	\$556,210	\$644,103	\$91,519	\$16,403	\$14,580	\$1,322,815
Less: External Obsolescence	\$51,641	\$59,801	\$8,497	\$1,523	\$1,354	\$122,815
Depreciated Replacement Cost	\$504,569	\$584,302	\$83,022	\$14,880	\$13,226	\$1,200,000
\$ PSF	\$57.23	\$103.95	\$35.40	\$33.07	\$33.07	\$136.12

*Compiled by NKF***Cost Approach Conclusion****Cost Approach Conclusions**

As Is	Value Indication
Depreciated Replacement Cost of Building and Site Improvements	\$1,200,000
Land Value	\$6,300,000
As Stabilized Value	\$7,500,000
<b>Rounded</b>	<b>\$7,500,000</b>
Deferred Maintenance	(\$1,000,000)
Near Term Capital Expenses	\$0
As Is Value	\$6,500,000
<b>Rounded</b>	<b>\$6,500,000</b>

*Compiled by NKF*

# Income Capitalization Approach

The income capitalization approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over a period of time. The two common valuation techniques associated with the income capitalization approach are direct capitalization and the discounted cash flow (DCF) analysis.

The direct capitalization method is normally more appropriate for properties with relatively stable operating histories and expectations. The DCF analysis is more appropriate for investment properties with multiple or long-term leases, particularly leases with cancellation clauses or renewal options, and especially in volatile markets.

In this analysis, we utilized only direct capitalization because the subject property is expected to have a stable income stream and this method tracks better with investor and market participant analyses for a property like the subject. Further, we are projecting a NNN lease with the prospective tenant responsible for all operating expenses due to single tenant occupancy based on return on cost basis for calculating rent for the subject as a special purpose property.

The existing operation reflects an internal lease between related parties that is not arm's length and will no longer be in effect upon sale of the property. Based on our fee simple analysis of the subject, this lease is not considered in our analysis.

## Market Rent Analysis

The subject ferry terminal is a special purpose property that is typically owner-occupied, thus a dataset of comparable properties for estimating market rent is not available. Properties similar to the subject are typically built to the tenant's specifications and the rental rate is based on a return on cost to provide for both a return on and a return of capital as the improvements are a depreciating asset with limited alternative uses, the most likely of which, as a marina, would also be an owner-occupied structure with rent charged for the boat slips with the existing structure adapted to support this use, thus the structure would not be generating income.

In the cost approach, we estimated the replacement cost of the property and the cost is based on the depreciated replacement cost prior to any deductions for capital expenditures which will be a below the line deduction to the concluded market value.

To estimate the appropriate return on cost, we interviewed several industrial developers as industrial projects are most commonly developed as built-to-suit endeavors with specific return parameters required for a project to be considered viable for development. The developers focus



on industrial properties either in the southeast or nationally, with the return parameters based on their hurdle rates for investment. The following chart summarizes the return indications from surveyed participants:

Return on Cost Hurdle Rates		
Investor Type	Yield Estimate	
International investment Fund	Leveraged return on & return of cost	12% - 14% IRR
National Developer (Atlanta-based)	Return on Cost	6%
Regional Developer (Florida-based)	Return on Cost	8%
Regional Developer (Florida-based)	Leveraged return on & return of cost	12% - 15% IRR
Compiled by NKF	Conclusion	7.50%

The reported IRR figures are leveraged rates whereas the return on cost figures are based on a cash on cash return and are more applicable to the analysis. The subject should fall toward the upper middle portion of the return on cost figures as the property is a special purpose asset with few alternative users and assumes that the tenant will be maintaining the project in its current state of repair (after near-term capital items are addressed).

## Market Rent Conclusion

Based on the preceding analysis, the following is the concluded market lease terms for the subject:

Market Rent (Special Purpose) - Return on Cost	
Total Depreciated Cost & Land (Excluding Profit and CapEx)	\$7,500,000
Developer Return Parameters	7.50%
Payment	\$562,500
Building Area (SF)	8,816
Annual Rent PSF	\$63.80

Compiled by NKF

## Gross Income Estimate

### Potential Rental Income

Figures presented below reflect the 12-month period following the effective date of the appraisal.

Potential Rental Income		
Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$63.80	\$562,500

Compiled by Newmark



## Operating History

The subject has been owner-operated through a non-arm's length lease and reflects business operations rather than real property projections; thus, no relevant data was available for the individual operations on BHI.

## Expense Recoveries

- ❑ The subject is assumed to be leased on an absolute net basis with all expenses accruing to the tenant.

## Vacancy & Collection Loss Allowance

- ❑ As the subject is assumed to be leased on an absolute net basis to a single tenant, no vacancy or collection losses are charged against the property as tenancy risk is considered in the selection of the overall capitalization rate.
- ❑ Based on available data and analysis, the concluded collection loss allowance is 0.00%.

## Combined Vacancy and Collection Loss Conclusion

Based on this analysis, the total stabilized vacancy and collection loss allowance for the subject is 0.00%.

## Effective Gross Income

Effective Gross Income		
Subject Historical and Projections	\$/SF	Total
Newmark Projection	\$63.80	\$562,500

*Compiled by Newmark*

## Operating Expense Analysis

- ❑ All expenses are assumed to be paid by the tenant.

## Net Operating Income

Net Operating Income			
Source	% of EGI	\$/SF	Total
Subject Historical and Projections			
Newmark Projection	#N/A	\$63.80	\$562,500

*Compiled by Newmark*



## Direct Capitalization

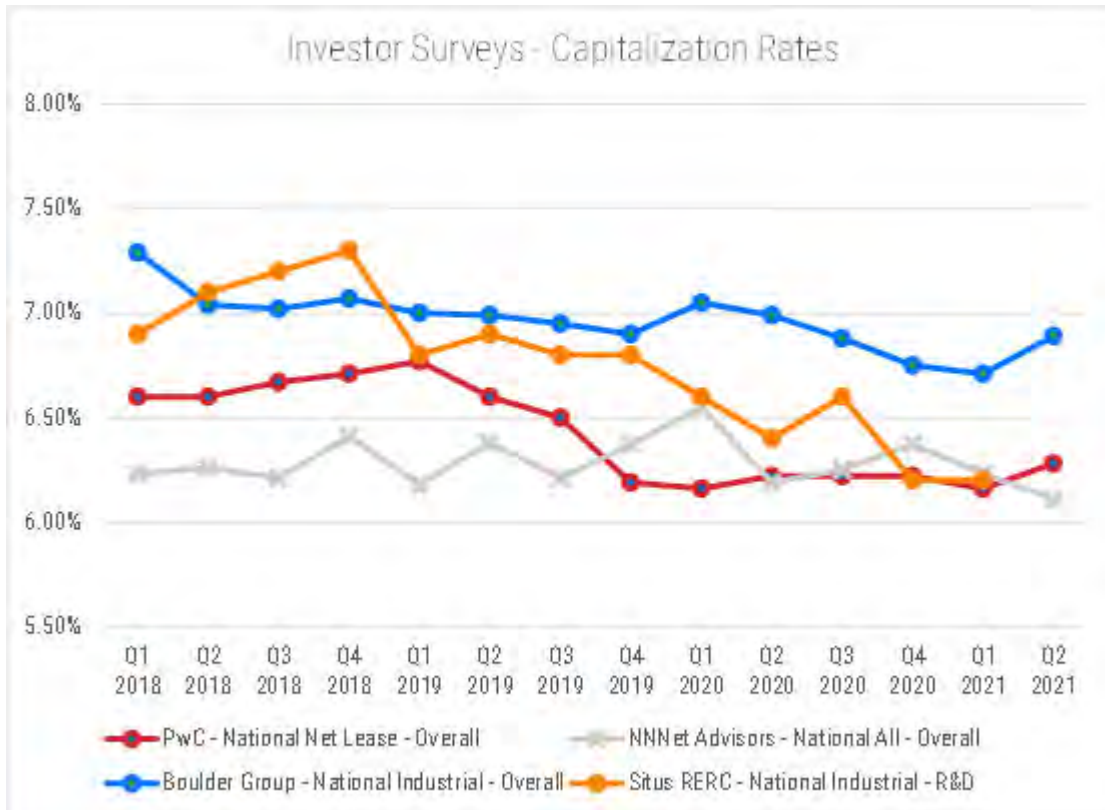
The following subsections represent different techniques for deriving an overall capitalization rate. While comparable sales would be a primary method, a sales comparison approach was not completed, thus rates could not be extract from those transactions. Note that this section does not consider the specific proposed tenancy by the State of North Carolina with its investment grade credit rating.

### Investor Surveys

#### Investor Surveys - Capitalization Rates

Source	Period	Low	High	Average
PwC - National Net Lease - Overall	Q2 2021	5.00%	8.50%	6.28%
NNNet Advisors - National All - Overall	Q2 2021	N/A	N/A	6.11%
Boulder Group - National Industrial - Overall	Q2 2021	N/A	N/A	6.89%
Situs RERC - National Industrial - R&D	Q1 2021	5.00%	7.20%	6.20%

Compiled by NKF



- ❑ The most current national survey data indicates that going-in capitalization rates range from 5.0% to 8.5% with averages ranging from 6.11% to 6.89%.
- ❑ The rate appropriate to the subject is considered to be above to the average rate in the survey data because the subject is a special purpose property with a limited pool of potential tenants and purchasers.

- ✘ Accordingly, based on the survey data, a capitalization rate within a range of 7.0% to 8.0% could be expected for the subject.

## Band of Investment

Band of Investment					
Mortgage/Equity Assumptions					
Loan to Value Ratio	70%				
Interest Rate	3.75%				
Amortization (Years)	25				
Mortgage Constant	0.0617				
Equity Ratio	30%				
Equity Dividend Rate	10.00%				
Weighted Average Of Mortgage/Equity Requirements					
Mortgage Requirement	70%	x	6.17%	=	4.32%
Equity Requirement	30%	x	10.00%	=	3.00%
Indicated Capitalization Rate (Rounded)					7.25%

Compiled by NKf

- ✘ The equity dividend rate is based on prior testing and extraction as well as alternative investments.

## Capitalization Rate Conclusion

Positive Attributes	Negative Attributes
✘ Good quality and appeal and providing primary access to a resort residential island.	✘ Special purpose property
✘ Strong market acceptance of the subject with upward trending ferry passenger counts.	✘ Ongoing pandemic risk.
✘ Barriers to entry reduce risk of competition from new construction	

Capitalization Rate Conclusion	
Source	Indication
Comparable Sales	N/A
Investor Surveys	7.0% - 8.0%
Band of Investment	7.25%
Concluded Going-In Capitalization Rate	7.50%

Compiled by NKf

## Adjustments to Value

Capitalization of the projected stabilized net operating income results in an As Stabilized value indication. To estimate the As Is value, adjustments to the indicated As Stabilized value are



## Income Capitalization Approach

required for existing deferred maintenance (remaining cost to complete), and projected capital expenditures.

### Direct Capitalization Summary

Net operating income is divided by the capitalization rate to derive the stabilized value of the subject. The as is value indication is derived through the adjustments noted above. Valuation of the subject by direct capitalization is shown in the table immediately following.

Income Capitalization Approach				
Summary of Stabilized Net Operating Income				
Item Description		% of Income	\$ / SF	Total \$
Specialty Income			8,816 SF	
Rental Income			\$63.80	\$562,500
Potential Rental Income			\$63.80	\$562,500
Vacancy		0.00%	\$0.00	\$0
Collection Loss		0.00%	\$0.00	\$0
Effective Gross Specialty Income			\$63.80	\$562,500
Operating Expenses			8,816 SF	
Real Estate Taxes	Paid by Tenant		\$0.00	\$0
Insurance	Paid by Tenant		\$0.00	\$0
Utilities	Paid by Tenant		\$0.00	\$0
Repairs and Maintenance	Paid by Tenant		\$0.00	\$0
Payroll and Benefits	Paid by Tenant		\$0.00	\$0
General and Administrative	Paid by Tenant		\$0.00	\$0
Management	Paid by Tenant	0.00%	\$0.00	\$0
Other Expenses	Paid by Tenant		\$0.00	\$0
Total Operating Expenses		0.00%	\$0.00	\$0
Net Operating Income			\$63.80	\$562,500
Direct Capitalization Method				
Value Indication			\$ / SF	Total \$
Stabilized Net Operating Income			\$63.80	\$562,500
Overall Capitalization Rate				7.50%
As Stabilized Value		Effective Date: 7/17/2021		\$7,500,000
Rounded			\$850.73	\$7,500,000
			Valuation Matrix	
			OAR	Value
			7.00%	\$8,035,714
			7.25%	\$7,758,621
			7.50%	\$7,500,000
			7.75%	\$7,258,065
			8.00%	\$7,031,250
As Is				
As Stabilized Value as of Current Date		Effective Date: 7/17/2021		\$7,500,000
Stabilization Discount				\$0
Deferred Maintenance				(\$1,000,000)
Near Term Capital Expenses				\$0
As Is Value		Effective Date: 7/17/2021		\$6,500,000
Rounded			\$737.30	\$6,500,000

Compiled by NKF



# Reconciliation of Value

The values indicated by our analyses are as follows:

Market Value Indications	
Market Value Premise As of Date:	As Is July 17, 2021
Cost Approach:	\$6,500,000
Sales Comparison Approach:	Not Used
Income Capitalization Approach:	\$6,500,000
Market Value Conclusion	\$6,500,000

*Compiled by NKf*

## Cost Approach

The Cost Approach has best applicability for properties with new or nearly new improvements. It is a summation approach in that the underlying land value is added to the depreciated replacement cost for the indicated value. In this case, the underlying land value was well established through sales comparison and is considered reliable. The replacement cost was developed through both Marshall Valuation Service data and cost comparables. The weakness to the cost approach is the estimate of depreciation but the newer age of the improvements limits the impact. Still, the subject property is an income producing property and the cost approach would be given the least credence by investors. Accordingly, the cost approach is given limited to no weight in this appraisal.

## Sales Comparison Approach

The subject property is a special purpose property with no sufficiently comparable properties. As such, this approach was not used as a standalone indication of value; however, the sales comparison methodology was used in the valuation of the underlying site.

## Income Capitalization Approach

The subject property is a single tenant special purpose property. The rental rate and income projections are based on a build-to-suit analysis using the depreciated replacement cost to mirror the market and consider appropriate return parameters. As the single tenant lease would be executed on an absolute net basis, only the direct capitalization was developed. Capitalization rates were developed from various sources. In total, the income capitalization approach is considered to be applicable to the subject and supportive of the cost approach conclusion, thus given secondary weight for that reason.





## Reconciliation of Value

**Value Conclusions**

Appraisal Premise	Interest Appraised	Date of Value	Value Conclusion
Market Value "As Is"	Fee Simple	7/17/2021	\$6,500,000

*Compiled by NKF***Extraordinary Assumptions and Hypothetical Conditions**

An extraordinary assumption is defined in USPAP as an assignment-specific assumption as of the effective date regarding uncertain information used in an analysis which, if found to be false, could alter the appraiser's opinions or conclusions. The value conclusions are subject to the following extraordinary assumptions that may affect the assignment results.

1. None

A hypothetical condition is defined in USPAP as a condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. The value conclusions are based on the following hypothetical conditions that may affect the assignment results.

1. None

*Compiled by NKF***Exposure Time**

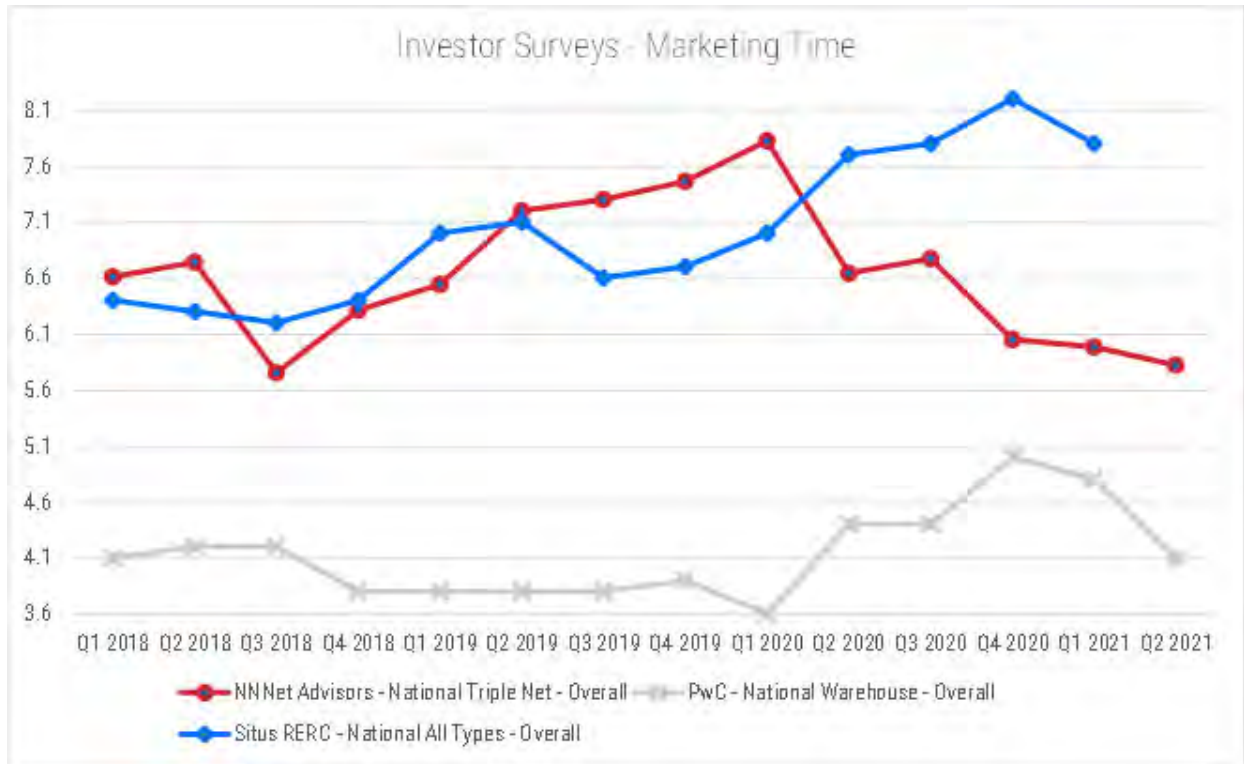
Exposure time is the estimated length of time the subject property would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal. It is a retrospective estimate based on an analysis of past events assuming a competitive and open market. There is a limited pool of potential investors and the subject would likely sell as a sale-leaseback to an operator or to an owner-user; however, the user would consider the rate restrictions imposed by the state for an essential transportation source. Using an assumed absolute net lease transaction as the basis of comparison, the marketing and exposure time for the subject would be at the upper end of the range given the extensive due diligence required.

The following is national investor survey data which is one source for the underlying data to this conclusion.

**Investor Surveys - Marketing Times**

Source	Period	Low	High	Average
NNNet Advisors - National Triple Net - Overall	Q2 2021	N/A	N/A	5.8
PwC - National Warehouse - Overall	Q2 2021	1.0	10.0	4.1
Situs RERC - National All Types - Overall	Q1 2021	N/A	N/A	7.8

*Compiled by NKF*



Recent sales transaction data for similar properties, supply and demand characteristics for the local specialty market, and the opinions of local market participants were reviewed and analyzed. Based on this data and analysis, it is our opinion that the probable exposure time for the subject at the concluded market value stated previously is 10 months.

## Marketing Time

Marketing time is an opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal. As no significant changes in market conditions are foreseen in the near term, it is our opinion that a reasonable marketing period for the subject is likely to be the same as the exposure time. Accordingly, we estimate the subject's marketing period at 10 months.

# Assumptions and Limiting Conditions

The Appraisal contained in this Report (herein "Report") is subject to the following assumptions and limiting conditions:

1. Unless otherwise stated in this report, title to the property which is the subject of this report (herein "Property") is assumed to be good and marketable and free and clear of all liens and encumbrances and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. No responsibility is assumed for the legal description, zoning, condition of title or any matters which are legal in nature or otherwise require expertise other than that of a professional real estate appraiser. This report shall not constitute a survey of the Property.
2. Unless otherwise stated in this report, it is assumed: that the improvements on the Property are structurally sound, seismically safe and code conforming; that all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; that the roof and exterior are in good condition and free from intrusion by the elements; that the Property and improvements conform to all applicable local, state, and federal laws, codes, ordinances and regulations including environmental laws and regulations. No responsibility is assumed for soil or subsoil conditions or engineering or structural matters. The Property is appraised assuming that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimates contained in this report is based, unless otherwise stated. The physical condition of the Property reflected in this report is solely based on a visual inspection as typically conducted by a professional appraiser not someone with engineering expertise. Responsible ownership and competent property management are assumed.
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4. All statements of fact contained in this report as a basis of the analyses, opinions, and conclusions herein are true and correct to the best of the appraiser's actual knowledge and belief. The appraiser is entitled to and relies upon the accuracy of information and material furnished by the owner of the Property or owner's representatives and on information and data provided by sources upon which members of the appraisal profession typically rely and that are deemed to be reliable by such members. Such information and data obtained from third party sources are assumed to be reliable and have not been independently verified. No warranty is made as to the accuracy of any of such information and data. Any material error in any of the said information or data could have a



substantial impact on the conclusions of this Report. The appraiser reserves the right to amend conclusions reported if made aware of any such error.

5. The opinion of value stated in this report is only as of the date of value stated in this report. An appraisal is inherently subjective and the conclusions stated apply only as of said date of value, and no representation is made as to the effect of subsequent events. This report speaks only as of the date hereof.
6. Any projected cash flows included in the analysis are forecasts of estimated future operating characteristics and are predicated on the information and assumptions contained within this report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of market expectations of future income and expenses. The achievement of any financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. There is no warranty or assurances that these forecasts will occur. Projections may be affected by circumstances beyond anyone's knowledge or control. Any income and expense estimates contained in this report are used only for the purpose of estimating value and do not constitute predictions of future operating results.
7. The analyses contained in this report may necessarily incorporate numerous estimates and assumptions regarding Property performance, general and local business and economic conditions, the absence of material changes in the competitive environment and other matters. Some estimates or assumptions, however, inevitably will not materialize, and unanticipated events and circumstances may occur; therefore, actual results achieved during the period covered by the analysis will vary from estimates, and the variations may be material.
8. All prospective value opinions presented in this report are estimates and forecasts which are prospective in nature and are subject to considerable risk and uncertainty. In addition to the contingencies noted in the preceding paragraphs, several events may occur that could substantially alter the outcome of the estimates such as, but not limited to changes in the economy, interest rates, capitalization rates, behavior of consumers, investors and lenders, fire and other physical destruction, changes in title or conveyances of easements and deed restrictions, etc. In making prospective estimates and forecasts, it is assumed that conditions reasonably foreseeable at the present time are consistent or similar with the future.
9. The allocations of value for land and improvements must not be used in conjunction with any other appraisal and are invalid if so used. This report shall be considered only in its entirety. No part of this report shall be utilized separately or out of context.
10. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or any reference to the Appraisal Institute) shall be disseminated through advertising media, public relations media, news media or any other means of communication (including without limitation prospectuses, private offering memoranda and other offering material provided to prospective investors) without the prior written consent of the Firm. Possession of this report, or a copy hereof, does not carry with it the right of publication.
11. Client and any other Intended User identified herein should consider this report and the opinion of value contained herein as only one factor together with its own independent considerations and

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12. Unless otherwise stated in the agreement to prepare this report, the appraiser shall not be required to participate in or prepare for or attend any judicial, arbitration, or administrative proceedings.
13. The Americans with Disabilities Act (ADA) became effective January 26, 1992. No survey or analysis of the Property has been made in connection with this report to determine whether the physical aspects of the improvements meet the ADA accessibility guidelines. No expertise in ADA issues is claimed, and the report renders no opinion regarding the Property's compliance with ADA regulations. Inasmuch as compliance matches each owner's financial ability with the cost to cure the non-conforming physical characteristics of a property, a specific study of both the owner's financial ability and the cost to cure any deficiencies would be needed for the Department of Justice to determine compliance.
14. Acceptance and/or use of this report constitutes full acceptance of these Assumptions and Limiting Conditions and any others contained in this report, including any Extraordinary Assumptions and Hypothetical Conditions, and is subject to the terms and conditions contained in the agreement to prepare this report and full acceptance of any limitation of liability or claims contained therein.

## Addendum A

## Glossary of Terms





The following definitions are derived from The Dictionary of Real Estate Appraisal, 6th ed. (Chicago: Appraisal Institute, 2015).

- ◆ **Absorption Period:** The actual or expected period required from the time a property, group of properties, or commodity is initially offered for lease, purchase, or use by its eventual users until all portions have been sold or stabilized occupancy has been achieved.
- ◆ **Absorption Rate:** 1) Broadly, the rate at which vacant space in a property or group of properties for sale or lease has been or is expected to be successfully sold or leased over a specified period of time. 2) In subdivision analysis, the rate of sales of lots or units in a subdivision.
- ◆ **Ad Valorem Tax:** A tax levied in proportion to the value of the thing(s) being taxed. Exclusive of exemptions, use-value assessment provisions, and the like, the property tax is an ad valorem tax. (International Association of Assessing Officers [IAAO])
- ◆ **Assessed Value:** The value of a property according to the tax rolls in ad valorem taxation; may be higher or lower than market value, or based on an assessment ratio that is a percentage of market value.
- ◆ **Cash Equivalency:** An analytical process in which the sale price of a transaction with nonmarket financing or financing with unusual conditions or incentives is converted into a price expressed in terms of cash or its equivalent.
- ◆ **Contract Rent:** The actual rental income specified in a lease.
- ◆ **Disposition Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a specified time, which is shorter than the typical exposure time for such a property in that market. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) An adequate marketing effort will be made during the exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.
- ◆ **Effective Rent:** Total base rent, or minimum rent stipulated in a lease, over the specified lease term minus rent concessions; the rent that is effectively paid by a tenant net of financial concessions provided by a landlord.
- ◆ **Excess Land:** Land that is not needed to serve or support the existing use. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land has the potential to be sold separately and is valued separately. See also **surplus land**.



- ◆ **Excess Rent:** The amount by which contract rent exceeds market rent at the time of the appraisal; created by a lease favorable to the landlord (lessor) and may reflect unusual management, unknowledgeable or unusually motivated parties, a lease execution in an earlier, stronger rental market, or an agreement of the parties.
- ◆ **Exposure Time:** 1) The time a property remains on the market. 2) [The] estimated length of time that the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal.
- ◆ **Extraordinary Assumption:** An assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. See also **hypothetical condition**.
- ◆ **Fee Simple Estate:** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.
- ◆ **Floor Area Ratio (FAR):** The relationship between the above-ground floor area of a building, as described by the zoning or building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area.
- ◆ **Frictional Vacancy:** The amount of vacant space needed in a market for its orderly operation. Frictional vacancy allows for move-ins and move-outs.
- ◆ **Full Service Lease:** See **gross lease**.
- ◆ **General Vacancy:** A method of calculating any remaining vacancy and collection loss considerations when using discounted cash flow (DCF) analysis, where turnover vacancy has been used as part of the income estimate. The combined effects of turnover vacancy and general vacancy relate to total vacancy and collection loss.
- ◆ **Going-Concern Premise:** One of the premises under which the total assets of a business can be valued; the assumption that a company is expected to continue operating well into the future (usually indefinitely).
- ◆ **Going Concern Value:** An outdated label for the market value of all the tangible and intangible assets of an established and operating business with an indefinite life, as if sold in aggregate; more accurately termed the market value of the going concern or market value of the total assets of the business.
- ◆ **Gross Building Area (GBA):** 1) Total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above grade area. This includes mezzanines and basements if and when typically included in the market area of the type of property involved. 2) Gross leasable area plus all common areas. 3) For residential space, the total area of all floor levels measured from the exterior of the walls and including the superstructure and substructure basement; typically does not include garage space.



- ◆ **Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay all of the property's operating and fixed expenses; also called full-service lease.
- ◆ **Hypothetical Condition:** 1) A condition that is presumed to be true when it is known to be false. (Appraisal Institute: The Standards of Valuation Practice [SVP]) 2) A condition, directly related to a specific assignment, which is contrary to what is known by the appraiser to exist on the effective date of the assignment results, but is used for the purpose of analysis. See also **extraordinary assumption**.
- ◆ **Intended Users:** 1) The party or parties the valuer intends will use the report. (SVP) 2) The client and any other party as identified, by name or type, as users of the appraisal or appraisal review report by the appraiser, based on communication with the client at the time of the assignment. (USPAP, 2020-2021 ed.)
- ◆ **Investment Value:** 1) The value of a property to a particular investor or class of investors based on the investor's specific requirements. Investment value may be different from market value because it depends on a set of investment criteria that are not necessarily typical of the market. 2) The value of an asset to the owner or a prospective owner for individual investment or operational objectives. (International Valuation Standards [IVS])
- ◆ **Land-to-Building Ratio:** The proportion of land area to gross building area; one of the factors determining comparability of properties.
- ◆ **Lease:** A contract in which the rights to use and occupy land, space, or structures are transferred by the owner to another for a specified period of time in return for a specified rent.
- ◆ **Leased Fee Interest:** The ownership interest held by the lessor, which includes the right to receive the contract rent specified in the lease plus the reversionary right when the lease expires.
- ◆ **Leasehold Interest:** The right held by the lessee to use and occupy real estate for a stated term and under the conditions specified in the lease.
- ◆ **Lessee:** One who has the right to occupancy and use of the property of another for a period of time according to a lease agreement.
- ◆ **Lessor:** One who conveys the rights of occupancy and use to others under a lease agreement.
- ◆ **Liquidation Value:** The most probable price that a specified interest in property should bring under the following conditions: 1) Consummation of a sale within a short time period. 2) The property is subjected to market conditions prevailing as of the date of valuation. 3) Both the buyer and seller are acting prudently and knowledgeably. 4) The seller is under extreme compulsion to sell. 5) The buyer is typically motivated. 6) Both parties are acting in what they consider to be their best interests. 7) A normal marketing effort is not possible due to the brief exposure time. 8) Payment will be made in cash in US dollars (or the local currency) or in terms of financial arrangements comparable thereto. 9) The price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone



associated with the sale. This definition can also be modified to provide for valuation with specified financing terms.

- ◆ **Market Rent:** The most probable rent that a property should bring in a competitive and open market reflecting the conditions and restrictions of a specified lease agreement, including the rental adjustment and revaluation, permitted uses, use restrictions, expense obligations, term, concessions, renewal and purchase options, and tenant improvements (TIs).
- ◆ **Market Value:** A type of value that is the major focus of most real property appraisal assignments. Both economic and legal definitions of market value have been developed and refined, such as the following. 1) The most widely accepted components of market value are incorporated in the following definition: The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress. 2) Market value is described, not defined, in the Uniform Standards of Professional Appraisal Practice (USPAP) as follows: A type of value, stated as an opinion, that presumes the transfer of a property (i.e., a right of ownership or a bundle of such rights), as of a certain date, under specific conditions set forth in the definition of the term identified by the appraiser as applicable in an appraisal.<sup>1</sup>
- ◆ **Market Value of the Going Concern:** The market value of an established and operating business including the real property, personal property, financial assets, and the intangible assets of the business.
- ◆ **Marketing Time:** An opinion of the amount of time it might take to sell a real or personal property interest at the concluded market value level during the period immediately after the effective date of an appraisal. Marketing time differs from exposure time, which is always presumed to precede the effective date of an appraisal.
- ◆ **Modified Gross Lease:** A lease in which the landlord receives stipulated rent and is obligated to pay some, but not all, of the property's operating and fixed expenses. Since assignment of expenses varies among modified gross leases, expense responsibility must always be specified. In some markets, a modified gross lease may be called a double net lease, net net lease, partial net lease, or semi-gross lease.
- ◆ **Net Lease:** A lease in which the landlord passes on all expenses to the tenant. See also **gross lease;** **modified gross lease.**
- ◆ **Net Net Net Lease:** An alternative term for a type of net lease. In some markets, a net net net lease is defined as a lease in which the tenant assumes all expenses (fixed and variable) of operating a property except that the landlord is responsible for structural maintenance, building reserves, and management; also called NNN lease, triple net lease, or fully net lease.

<sup>1</sup> The actual definition of value used for this appraisal is contained within the body of the report. The definition of market value given above is general in viewpoint and is only provided for amplification.



- ◆ **Occupancy Rate:** 1) The relationship or ratio between the potential income from the currently rented units in a property and the income that would be received if all the units were occupied. 2) The ratio of occupied space to total rentable space in a building.
- ◆ **Overage Rent:** The percentage rent paid over and above the guaranteed minimum rent or base rent; calculated as a percentage of sales in excess of a specified breakpoint sales volume.
- ◆ **Percentage Rent:** Rental income received in accordance with the terms of a percentage lease; typically derived from retail store and restaurant tenants and based on a certain percentage of their gross sales.
- ◆ **Prospective Opinion of Value:** A value opinion effective as of a specified future date. The term does not define a type of value. Instead, it identifies a value opinion as being effective at some specific future date. An opinion of value as of a prospective date is frequently sought in connection with projects that are proposed, under construction, or under conversion to a new use, or those that have not yet achieved sellout or a stabilized level of long-term occupancy.
- ◆ **Rentable Area:** For office or retail buildings, the tenant's pro rata portion of the entire office floor, excluding elements of the building that penetrate through the floor to the areas below. The rentable area of a floor is computed by measuring to the inside finished surface of the dominant portion of the permanent building walls, excluding any major vertical penetrations of the floor. Alternatively, the amount of space on which the rent is based; calculated according to local practice.
- ◆ **Retrospective Value Opinion:** A value opinion effective as of a specified historical date. The term retrospective does not define a type of value. Instead, it identifies a value opinion as being effective at some specific prior date. Value as of a historical date is frequently sought in connection with property tax appeals, damage models, lease renegotiation, deficiency judgments, estate tax, and condemnation. Inclusion of the type of value with this term is appropriate, e.g., "retrospective market value opinion."
- ◆ **Shell Rent:** The typical rent paid for retail, office, or industrial tenant space based on minimal "shell" interior finishes (called vanilla finish or white wall finish in some areas). Usually the landlord delivers the main building shell space or some minimum level of interior build-out, and the tenant completes the interior finish, which can include wall, ceiling, and floor finishes, mechanical systems, interior electricity, and plumbing. Typically these are long-term leases with tenants paying all or most property expenses.
- ◆ **Surplus Land:** Land that is not currently needed to support the existing use but cannot be separated from the property and sold off for another use. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel. See also **excess land**.
- ◆ **Turnover Vacancy:** A method of calculating vacancy allowance that is estimated or considered as part of the potential income estimate when using discounted cash flow (DCF) analysis. As units or suites turn over and are available for re-leasing, the periodic vacancy time frame (vacancy window) to release the space is considered.

- ◆ **Usable Area:** 1) For office buildings, the actual occupiable area of a floor or an office space; computed by measuring from the finished surface of the office side of corridor and other permanent walls, to the center of partitions that separate the office from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Sometimes called net building area or net floor area. See also floor area. 2) The area that is actually used by the tenants measured from the inside of the exterior walls to the inside of walls separating the space from hallways and common areas.
- ◆ **Use Value:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Use value may or may not be equal to market value but is different conceptually. See also **value in use**.
- ◆ **Value In Use:** The value of a property assuming a specific use, which may or may not be the property's highest and best use on the effective date of the appraisal. Value in use may or may not be equal to market value but is different conceptually. See also **use value**.
- ◆ **Value Indication:** A valuer's conclusion of value resulting from the application of an approach to value, e.g., the value indication by the sales comparison approach.





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A-41 SUB 22

## Due Diligence Assessment

Produced for Bald Head Island Transportation Authority

March 5, 2019

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## Document Verification

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This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.



## Executive Summary

Bald Head Island Transportation Authority (BHITA) is in the process of obtaining ownership of marine ferry terminal facilities at Deep Point Marina (DPM) and Bald Head Island (BHI) and contracted Moffatt & Nichol (M&N) to conduct a due diligence level inspection. From December 17-23, 2018, M&N's inspection team carried out the field work using the company's trailered boat and surface-supplied air diving spread in accordance with the Code of Federal Regulation (CFR) and Association of Diving Contractors International (ADCI) industry standards for commercial diving operations. Led by a Professional Engineer-Diver and accompanied by the Bald Head Island, LTD. Project Engineer Mr. Bill Mack, all team members were certified in underwater structural inspections per the National Highway Institute (NHI) training program.

Each structure was inspected above and below water (from deck level to mudline) in accordance with the American Society of Civil Engineers (ASCE) Manuals and Reports on Engineering Practice No. 130: "Waterfront Facilities Inspection and Assessment", which includes standardized condition ratings for structural elements. (Excerpts from this manual are included in Appendix C.) For the purposes of due diligence, these condition ratings are simplified as either Good or Poor.

This report includes a brief description of each structure, findings, and recommendations for short-term repair priority as well as within the 10-year planning horizon. The short-term priority (Low-Medium-High) is based on severity & urgency to repair particular defects, while the long-term recommendations address the overall lifecycle of each structure with respect to major capital investment. Table 0-1 shows a summary of Condition and Repair Priority for all structures inspected.

### High Repair Priority

No critical structural issues necessitating a high repair priority were found in any of the 11 facilities inspected.

### Medium Repair Priority

Three (3) waterfront ferry terminal facilities at DPM were determined to have a medium repair priority:

1. B-Gate Contractor Landing
2. Concrete Bulkhead Wall
3. Barge Ramp

Two (2) waterfront ferry terminal facilities at BHI were determined to have a medium repair priority:

1. Barge Ramp
2. Passenger Landing

The BHI Passenger Landing was found to be in fair overall condition and replacement is recommended within the 10-year planning horizon. Several piles were found to be severely deteriorated with 50% or more section loss. The structure has surpassed the typical expected design life of marine timber structures of 25 years and has undergone significant repairs in order to maintain capacity.

The steel barge ramps at DPM and BHI are in satisfactory condition however may require refurbishment/replacement within the 10-year planning horizon due to corrosion of framing elements. In order to minimize disruption to barge operations, replacement is preferable and fabricating at least one new ramp would allow the shortest time for removal and installation. It may be cost effective to refurbish one of the existing ramps after it has been replaced (instead of fabricating a second replacement) and then return it to service in place of the remaining original.

The DPM barge ramp concrete substructure and adjacent sheet pile bulkhead repair area are in satisfactory condition but may require retrofit/replacement within the 10-year planning horizon or beyond. A tension crack has developed in the ramp substructure and the adjacent section of bulkhead wall has previously displaced and been repaired. The crack damage appears to be caused by the berthing/mooring forces imposed by the tug-barge. This area should be monitored for signs of worsening and the forces evaluated in greater detail for

potential operational improvements in order to extend the service life of the ramp substructure and bulkhead wall.

Numerous sinkholes were evident behind the concrete sheet pile bulkhead wall along the DPM shoreline which have been filled with sand; these are typical of this type of construction and will likely continue to require ongoing maintenance. Repair with engineered fill including varying types/sizes of fill material (stone, etc.) or more substantial grout fill may stop the sinkholes from recurring in these areas.

### Low Repair Priority

The remaining six (6) waterfront ferry terminal facilities assessed are in good to satisfactory condition with minimal recommended repair costs. These facilities include, at DPM:

1. A-Gate Passenger Landing
2. Maintenance Fixed Pier
3. Maintenance Finger Dock
4. "G" Berthing Platform
5. "H" Berthing Platform

And at BHI:

1. Contractor Landing

The following is a summary of the structures, ratings, repair priority, and estimated repair costs:

**TABLE 0-1: SUMMARY OF ALL STRUCTURES INSPECTED**

Deep Point Ferry Marina	A-Gate Passenger Landing	Good	Good	Low	\$0
	B-Gate Contractor Landing	Satisfactory	Good	Medium	\$11,000
	Maintenance Fixed Pier	Good	Good	Low	\$1,000
	Maintenance Finger Dock	Satisfactory	Good	Low	\$10,000
	"G" Berthing Platform	Good	Good	Low	\$0
	"H" Berthing Platform	Good	Good	Low	\$0
	Bulkhead Wall	Satisfactory	Good	Medium	\$137,000
Bald Head Island	DPM Barge Ramp	Satisfactory	Good	Medium	\$154,000
	BHI Barge Ramp	Satisfactory	Good	Medium	\$130,000
	Contractor Landing	Good	Good	Low	\$10,000
	Passenger Landing	Fair	Good	Medium	\$900,000
Total:					\$1,353,000

The total estimated cost of recommended replacements and repairs over the next ten years, based on the defects observed during this investigation, is \$1,353,000. As part of the recommended routine inspections and maintenance for all of the structural components of the waterfront facilities, routine inspections should be conducted once every five years. The estimated cost to complete each routine inspection is \$65,000, or \$130,000 total over the next ten years. Anticipated additional structural component maintenance repair items discovered during those inspection items can typically be expected on the order of \$100,000 - \$150,000 over the next 10 years based on the conditions observed and typical life expectancy of timber and concrete marine structures. A breakdown of estimated repair/replacement costs is provided in Appendix B.

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# 1. Introduction

Bald Head Island Transportation Authority (BHITA) is performing due diligence on the Ferry Terminal and related waterfront structures at the Deep Point Marina (DPM) and Bald Head Island (BHI) sites in North Carolina. Moffatt & Nichol was contracted to carry out an above and below water inspection of these during the week of December 17-21, 2018. The purpose of the inspection was to assess the overall general condition of each structure, identify major deficiencies, and recommend needed repairs within a 10-year planning horizon.

The Moffatt & Nichol (M&N) inspection team conducted an above and below water assessment of each structure using surface-supplied air (SSA) diving equipment and the company's 32 ft. inspection boat *Pier Review III*. All members of the crew are commercially trained in this mode of diving and structural inspection including the Team Leader, who is also a licensed (Civil) Professional Engineer.

This report includes the findings of the inspection for each structure, including overall condition, significant defects, and repair priorities and recommendations. The short-term priority (Low-Medium-High) is based on severity & urgency to repair particular defects, while the long-term recommendations address the overall lifecycle of each structure with respect to major capital investment.

Budgetary cost estimates for recommended repairs and maintenance over the next 10 years are based on general quantities and repair/ replacement in-kind with similar materials, construction, and overall size of the structure.

## 1.1. Scope of Work

A total of 11 structures were inspected at the Deep Point Marina (DPM) and Bald Head Island (BHI) including sections of the bulkhead wall at DPM. The following Figure 1-1 provides an overview location map of the two ferry terminal facilities. See Table 1-1 and the additional figures that follow for a complete list and illustration of the facilities assessed.

The scope of work included above and below water inspection of support piles, below deck substructure framing and deck undersides (for pile supported docks & landings), and barge ramp concrete substructure and steel structural elements. The DPM concrete bulkhead wall delineated in Figure 2-10 was inspected above water during low tide along its entire length, and in selected areas underwater, focusing on the previously repaired area adjacent to the barge ramp.

FIGURE 1-1: LOCATION MAP

Source: Google Maps

TABLE 1-1: KEY STRUCTURES INCLUDED IN THE ASSESSMENT

1	A-Gate Passenger Landing
2	B-Gate Contractor Landing
3	Maintenance Fixed Pier
4	Maintenance Finger Dock
5	"G" Berthing Platform
6	"H" Berthing Platform
7	Bulkhead Wall (See Figure 2-10)
8	DPM Barge Ramp
9	BHI Barge Ramp
10	BHI Contractor Landing
11	BHI Passenger Landing

FIGURE 1-2: DEEP POINT MARINA



Facilities Inspected highlighted in yellow. Limits of Bulkhead Wall shown separately in

FIGURE 1-3: BALD HEAD ISLAND MARINA



Facilities Inspected highlighted in yellow.



## 1.2. Assessment Methodology

Based on the inspection findings and understanding of each structure's history, an overall condition rating was assigned based on the ASCE system and further simplified as described below. The short-term priority (Low-Medium-High) is based on severity & urgency to repair particular defects.

### 1.2.1. Condition Rating System

The ASCE Manuals and Reports on Engineering Practice No. 130: "Waterfront Facility Inspection and Assessment" (2014) provides standardized definitions for overall condition in tiers from 1 ("Good") to 6 ("Critical") based on the types and severity of defects. For the purposes of Due Diligence, these have been further reduced to two tiers: Good and Poor. This simplified rating system is used by Moffatt & Nichol for Due Diligence inspections to specifically address whether capital investment is required within the planning horizon in order to maintain current capacity. Descriptions of each rating category are provided in Table 1-2.

### 1.2.2. Repair Priority Rankings

The priority and cost of repairs relative to a future acquisition should be considered when determining the future costs and usable life associated with each facility. These are defined as High, Medium, and Low and relate to the ASCE Condition (1-6) as follows:

**(H) High Priority** – Ferry terminal structures in *poor*, *serious* or *critical* condition.

**(M) Medium Priority** – Ferry terminal structures in *fair* condition.

**(L) Low Priority** – Ferry terminal structures in *satisfactory* or *good* condition.

### 1.2.3. Opinion of Probable Construction Costs

Order-of-magnitude budgetary cost estimates are provided for repairs and replacements that are recommended to be completed within the next 10 years as a result of the conditions observed during this assessment. The order-of-magnitude costs typically include two options: major rehabilitation to extend the useful service life of the structure; and replacement with a modern version of the same structure. Construction costs are based on Moffatt & Nichol's knowledge of similar construction projects in the region, along with publicly available construction estimating tools, and expands on the data collected during the due diligence inspection.

In addition, costs for future recommended routine structural inspections at five-year intervals are provided, as well as a budgetary estimate of additional structural maintenance and repair items discovered during those future inspections over the next 10 years.

### 1.2.4. Timber Structures in the Marine Environment

Most of the structures at DPM and BHI are constructed of timber piles, framing, and deck. In warmer climates, treated timber structures in the marine environment typically have a design service life of 25 years, as the structural members and galvanized steel hardware deteriorates from exposure. At the end of the design service life, it is typical for the structures to require significant repair or complete replacement.

Even after structures are repaired, the existing components that are not repaired or replaced will continue to deteriorate and require additional future maintenance. Although repair options appear to be attractive (lower cost) than replacement in the near-term, they become less so when considered over the useful life of the structure and it is advantageous to replace timber structures when they approach the end of their design.





TABLE 1-2: DUE DILIGENCE ASSESSMENT RATINGS (BASED ON ASCE MOP 130)

Due Diligence Rating		ASCE 130 Condition Rating	Description
Good	Maintain capacity by routine maintenance.  No significant repairs required within the planning horizon.	6 - Good	No visible damage or only minor damage noted. Structural elements may show very minor deterioration, but no overstressing observed.  No repairs are required
		5 - Satisfactory	Limited minor to moderate defects or deterioration observed, but no overstressing observed.  No repairs are required
		4 - Fair	All primary structural elements are sound; but minor to moderate defects or deterioration observed. Localized areas of moderate to advanced deterioration may be present but do not significantly reduce the load bearing capacity of the structure.  Repairs are recommended, but the priority of the recommended repairs is low.
Poor	Repairs must be made within the planning horizon in order to maintain capacity	3 - Poor	Advanced deterioration or overstressing observed on widespread portions of the structure.  Repairs may need to be carried out with moderate urgency.
		2 - Serious	Advanced deterioration, overstressing or breakage may have significantly affected the load bearing capacity of primary structural components. Local failures are possible and loading restrictions may be necessary.  Repairs may need to be carried out on a high-priority basis with urgency
		1 - Critical	Very advanced deterioration, overstressing, or breakage has resulted in localized failures(s) of primary structural components.  More widespread failures are possible or likely to occur, and load restrictions should be implemented as necessary.  Repairs may need to be carried out on a very high priority basis with strong urgency.

## 2. Findings and Recommendations

This section includes the findings and recommendations for each structure assessed. The findings include Overall Condition (1-6), Repair Priority (Low-Medium-High), Summary of Significant Defects, and Recommendations for each structure inspected. A summary table is provided for each location, as well as a brief description and representative photos. Additional details such as updated pile layouts for selected structures are included in Appendix A and recommendations for repair or replacement in Section 3.

### 2.1. Deep Point Marina Ferry Terminal Facilities

The DPM Ferry Terminal facilities include the “A” and “B” Gate ferry terminals, multiple smaller landings and docks for berthing and servicing vessels, as well as the barge loading ramp adjacent to the entrance channel from the river. A concrete bulkhead runs along the shoreline and on the south side of the entrance channel, where it transitions into the entrance channel jetty (Section 2.1.7, Figure 2-10 includes a plan view of the DPM bulkhead limits.)

#### 2.1.1. A-Gate Passenger Landing

The A-Gate Passenger Landing is a reinforced concrete dock supported by prestressed concrete piles. A series of timber pile dolphins are arranged along the berthing face to provide vessel breasting and mooring. Overall, the structure was found to be in good condition with no visible sign of damage or repairs needed.

**TABLE 2-1: A-GATE PASSENGER LANDING SUMMARY**

Summary	
Construction	Concrete
Overall Condition	Good
Repair Priority	Low
Significant Defects	None
Recommendations	Routine Inspection & Maintenance
Recommended Repairs Estimate	\$0

**FIGURE 2-1: DPM A-GATE PASSENGER LANDING ELEVATION VIEW (LOOKING WEST)**



FIGURE 2-2: DPM A-GATE PASSENGER LANDING (LOOKING NORTH)



End view of concrete support piles, timber fender piles (right), and adjacent concrete bulkhead (left)

Seven of the 24 concrete support piles have been retrofitted with fiberglass and epoxy jackets, reportedly following original construction (pile driving). These were found to be good condition with no signs of deterioration or damage. A series of timber piles along the bulkhead wall were installed to support construction loads and are no longer serving any function. The mudline along the bulkhead wall has been fortified at the south end with cut off sections of concrete pile laid sideways and rip rap stone at the north end between Bent 1 and Bent 5. See the marine pile plan layout (FIG-A1) in Appendix A for more detail.

### 2.1.2. B-Gate Contractor Landing

The B-Gate Contractor Landing is constructed of timber piles and framing with aluminium gangways and a series of timber pile dolphins along the berthing face. The structure was found to be in satisfactory overall condition with minor decay found on the timber piles and framing—typical for timber structures of this age in the marine environment. There are split/ broken timber joists in two locations and steel tie straps between the under-deck joists and the timber stringers below are severely corroded throughout the structure and should be replaced.

TABLE 2-2: B-GATE CONTRACTOR LANDING SUMMARY

Summary	
Construction	Timber
Overall Condition	Satisfactory
Repair Priority	Medium
Significant Defects	Steel tie straps are corroded/ wasted. Joist boards split 2 places
Recommendations	Repair minor timber framing defects and corroded steel tie straps.
Recommended Repairs Estimate	\$11,000

FIGURE 2-3: DPM B-GATE CONTRACTOR LANDING ELEVATION VIEW (LOOKING WEST)



FIGURE 2-4: DPM B-GATE CONTRACTOR LANDING UNDER DECK FRAMING



Note the corroded tie straps at each joist and broken joist at one location

### 2.1.3. Maintenance Fixed Pier

The maintenance fixed pier is constructed of timber pile bents and timber deck rated for a nominal 250 psf. Timber pile dolphins on either side of the pier are used to berth and moor vessels. The structure is in good overall condition with minor defects including open bolt holes and a split cross-brace board in one location. These can be addressed with routine maintenance efforts in order to preserve the structural capacity of the dock.



TABLE 2-3: MAINTENANCE FIXED PIER SUMMARY

Summary	
Construction	Timber
Overall Condition	Good
Repair Priority	Low
Significant Defects	Open bolt holes in piles.
Recommendations	Repair minor defects including bolt holes in timber piles and split bracing.
Recommended Repairs Estimate	\$1,000

FIGURE 2-5: DPM MAINTENANCE FIXED PIER ELEVATION VIEW (LOOKING WEST)



FIGURE 2-6: DPM MAINTENANCE FIXED PIER TIMBER PILE BENTS



#### 2.1.4. Maintenance Finger Dock

The Maintenance Finger Dock is a floating dock captured by timber piles and accessed from the bulkhead wall by a gangway. The scope of inspection for this structure included only the gangway support piles, which were found to be in satisfactory condition with abrasion/loss of section and should be repaired or replaced within the 10-year planning horizon. The timber mooring/fender piles, floating dock guide piles, and floating dock were not included in the scope of this assessment.

**TABLE 2-4: MAINTENANCE FINGER DOCK SUMMARY**

Summary	
Construction	Floats with Timber Piles
Overall Condition (Gangway Support Piles)	Satisfactory
Repair Priority	Low
Significant Defects	Gangway support pile section loss
Recommendations	Repair/replace gangway support pile
Recommended Repairs Estimate	\$10,000

**FIGURE 2-7: DPM MAINTENANCE FINGER ELEVATION VIEW (LOOKING NORTHWEST)**





### 2.1.5. "G" Berthing Platform

"G" Berthing platform is constructed of a timber deck supported by the marina bulkhead cap on the landside and a timber piles in the water. An above and below water inspection found the structure to be in good overall condition with no visible signs of damage or repairs needed.

TABLE 2-5: "G" BERTHING PLATFORM SUMMARY

Summary	
Construction	Timber
Overall Condition	Good
Repair Priority	Low
Significant Defects	None
Recommendations	Routine Inspection & Maintenance
Recommended Repairs Estimate	\$0

FIGURE 2-8: DPM "G" BERTHING PLATFORM ELEVATION VIEW (LOOKING SOUTH)



### 2.1.6. "H" Berthing Platform

"H" Berthing platform is constructed of a timber deck supported by the marina bulkhead cap on the landside and a timber piles in the water. An above and below water inspection found the structure to be in good overall condition with minor abrasions (up to  $\frac{3}{4}$ " deep) on the piles above water.

TABLE 2-6: "H" BERTHING PLATFORM SUMMARY

Summary	
Construction	Timber
Overall Condition	Good
Repair Priority	Low
Significant Defects	Minor abrasions on piles
Recommendations	Routine Inspection & Maintenance
Recommended Repairs Estimate	\$0

FIGURE 2-9: DPM "H" BERTHING PLATFORM ELEVATION VIEW (LOOKING WEST)



### 2.1.7. DPM Bulkhead Wall

The shoreline at DPM is comprised of a concrete sheet pile bulkhead wall with a reinforced concrete cap. The limits of the bulkhead wall are shown in Figure 2-10. On the north and west perimeter of the marina, the bulkhead extends from the barge ramp around to just beyond the “A” Gate Ferry Terminal Building. The bulkhead wall along the south bank of the inlet channel is also included in this assessment. Segments to the south of the yellow highlighted walls in Figure 2-10 along the marina floating docks are not part of the scope for this assessment.

This section includes the typical conditions for the bulkhead overall (2.1.7.1) as well as for a section of the wall adjacent to the barge ramp which was previously repaired (2.1.7.2).

**TABLE 2-7: DPM BULKHEAD WALL SUMMARY**

Summary	
Construction	Concrete Sheet Pile
Overall Condition	Satisfactory
Repair Priority	Medium
Significant Defects	Sinkholes behind the wall Minor spalls & cracks
Recommendations	<ol style="list-style-type: none"> <li>1. Repair/ fill sinkholes as needed</li> <li>2. Monitor the repair section adjacent to the barge ramp &amp; plan a permanent repair during the next major CAPEX cycle.</li> </ol>
Recommended Repairs Estimate	\$137,000

**FIGURE 2-10: DEEP POINT MARINA PLAN VIEW**



Ferry Terminal bulkhead wall scope limits highlighted in yellow



FIGURE 2-11: VIEW OF DPM (LOOKING WEST)



View of DPM bulkhead wall at marina inlet (foreground left and right) and end of scope limits between Ferry Terminal Building and A Dock (yellow, background center-left)

#### 2.1.7.1. Bulkhead Wall Typical Conditions

The DPM bulkhead wall is constructed of concrete sheet pile panels which interlock with a tongue-and-groove type fit and a reinforced concrete cap along the top of the wall, typically level with the adjacent sand fill/lawn. Inspection of the above water portion of the wall was performed during low tide. With the exception of the section adjacent to the barge ramp (see next section). The bulkhead is in overall good condition with isolated/localized spalls and cracks.

FIGURE 2-12: TYPICAL BULKHEAD WALL ELEVATION AT LOW TIDE



Location adjacent to "H" Berth and Maintenance Docks, looking West



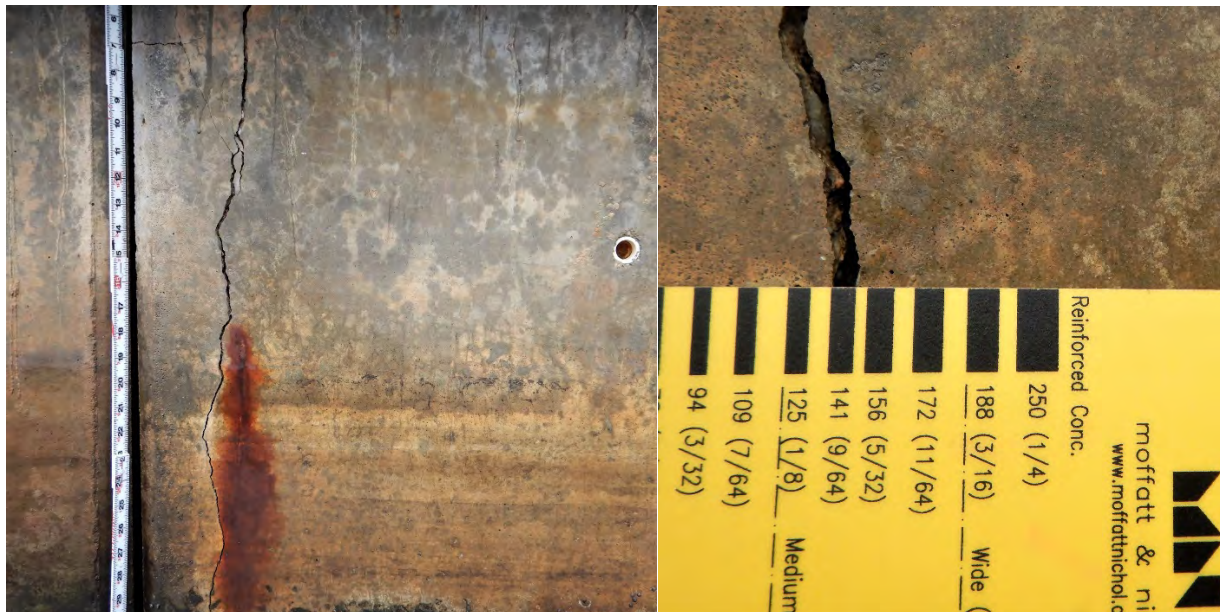
The spalls and cracking in the sheets are typically along the groove side of the tongue-and-groove interlock, exposing the tongue from the adjacent sheet but not creating open voids. Areas behind the wall have loss of fill or “sinkholes” which are typical for this type of construction. Locations with minor fill loss and sinkholes can be addressed by regular maintenance with replacement sand/stone fill material when needed.

FIGURE 2-13: TYPICAL CONCRETE SHEET PILE SPALL



Note tongue-and-groove fit between the sheets, visible inside the spall

FIGURE 2-14: CONCRETE SHEET PILE CRACKING



Overall and close up view shown of medium-width “worst case” cracking observed in the bulkhead wall at intermittent locations



FIGURE 2-15: TYPICAL SINKHOLES BEHIND WALL



Sinkholes in sand fill behind interlocking concrete sheet pile construction of this type is typically caused by migration of the sand backfill through the joint. This may be mitigated by varying the size and gradation of repair materials, i.e. backfilling with larger size gravel or stone. More robust repairs including the installation of filter fabric and/or the use of grout or flowable fill could be considered in the future if sinkholes become larger or more prevalent. Fill loss should be monitored during routine inspections to determine if more substantial repair methods are recommended.

#### 2.1.7.2. Bulkhead Repair Section

An area of the bulkhead wall along the inlet channel and adjacent to the barge ramp has previously been repaired after developing a “tension crack” and displacement of the concrete sheet pile, likely due to the forces imposed by the tug and barge.

FIGURE 2-16: BULKHEAD REPAIR SECTION ELEVATION VIEW (LOOKING NORTH)



Photo taken from inlet channel showing affected concrete panels, steel tie rod with square plate washer, and steel repair plate on the concrete cap



FIGURE 2-17: DISPLACED CONCRETE SHEET PILES AT BULKHEAD REPAIR SECTION



The bulkhead repair section was inspected above and below water and found to be in satisfactory condition. The sheets were found to be intact with no voids or signs of recent movement.

A permanent repair should be planned for the next major Capital Expenditure (CAPEX) cycle and should be designed to address the berthing/mooring forces imposed by the tug and barge at the adjacent DPM Barge Ramp.

### 2.1.8. DPM Barge Ramp

The DPM Barge Ramp is a moveable steel loading ramp supported by a monolithic reinforced concrete substructure. Timber pile dolphins on either side of the ramp provide protection against impact and bitts are located landside for moorings. The scope of this assessment included only the structural components of the ramp and not any hydraulic systems required for operation.

Above and below water inspection found the structure to be in satisfactory condition with a crack in the concrete substructure wall corresponding to the adjacent bulkhead repair area as well as minor to moderate corrosion affecting the ramp steel framing, cylinder bases, and other weldments.

TABLE 2-8: DPM BARGE RAMP SUMMARY

Summary	
Construction	Steel Ramp with Concrete Substructure
Overall Condition	Satisfactory
Repair Priority	Medium
Significant Defects	Moderate corrosion of steel elements Crack in concrete substructure
Recommendations	1. Monitor tension crack associated with bulkhead repair section. 2. Monitor steel corrosion and plan refurbishment during the next major CAPEX cycle.
Recommended Repairs Estimate	\$154,000

FIGURE 2-18: DPM BARGE RAMP ELEVATION VIEW (LOOKING SOUTHWEST)



FIGURE 2-19: DPM BARGE RAMP TENSION CRACK IN CONCRETE SUBSTRUCTURE





## 2.2. Bald Head Island Ferry Terminal

The Ferry Terminal structures located within BHI Marina include a barge ramp as well as timber Passenger and Contractor Ferry Landings.

### 2.2.1. BHI Barge Ramp

The BHI Barge Ramp is similar to its counterpart at DPM, with a moveable steel frame loading ramp and reinforced concrete substructure with concrete sheet pile side walls and bulkhead. These were found to be in satisfactory condition with moderate corrosion to steel elements and minor spall and cracking defects on the concrete sheet pile side and bulkhead walls.

TABLE 2-9: BHI BARGE RAMP SUMMARY

Summary	
Construction	Steel Ramp with Concrete Substructure
Overall Condition	Satisfactory
Repair Priority	Medium
Significant Defects	Moderate corrosion of steel elements
Recommendations	Monitor steel corrosion and plan refurbishment during the next major CAPEX cycle.
Recommended Repairs Estimate	\$130,000

FIGURE 2-20: BHI BARGE RAMP ELEVATION VIEW (LOOKING SOUTHEAST)



FIGURE 2-21: BHI BARGE RAMP STEEL FRAMING MODERATE CORROSION



### 2.2.2. BHI Contractor Landing

The BHI Contractor landing is a timber structure fully supported by timber piles; the deck cantilevers over the bulkhead wall along the shoreline but does not bear on it. A series of timber pile dolphins along the berthing face provides fendering and moorings for vessels. Above and below water inspection found the structure to be in good overall condition with minor defects on the timber piles, typical of timber structures in a marine environment. These include internal and external decay (10% section loss or less), open bolt holes, and other surface defects such as abrasions, checks, and shakes.

TABLE 2-10: BHI CONTRACTOR LANDING SUMMARY

Summary	
Construction	Timber
Overall Condition	Good
Repair Priority	Low
Significant Defects	Minor decay on 3 piles Open bolt holes and minor timber defects (abrasion/ check/ shake)
Recommendations	Routine Inspection & Maintenance Cover open bolt holes with epoxy
Recommended Repairs Estimate	\$10,000



FIGURE 2-22: BHI CONTRACTOR LANDING END VIEW (LOOKING SOUTH)



FIGURE 2-23: BHI CONTRACTOR LANDING UNDERDECK VIEW (LOOKING NORTH)



### 2.2.3. BHI Passenger Landing

The BHI Passenger Landing is a timber structure supported by various types of piles/columns and timber substructure elements, either from the original construction or installed during its repair history. The original round timber piles (installed by pile-driving them into the subsurface) have been augmented by additional timber piles driven where access was available or by square columns jetted into the subsurface. These have been connected directly to the original timber framing stringers or with additional structural members to create “crutch bents” in order to support the loads from the deck and structure above. There are a series of timber pile dolphins along the berth face for vessel breasting and mooring.

Connecting ramps span between the Passenger Landing and the bulkhead along shore, accommodating the change in elevation between the ground level and (lower) deck level. Two of the three ramps are pile supported next to the bulkhead end, however the third (cargo ramp) is supported by the horizontal timber wale of the bulkhead itself.

Above and below water inspection of the piles confirmed the current pile/column layout (see Appendix A) and assessed their condition underwater by visual/ tactile inspection and “sounding” the piles with a hammer and the above water framing and fasteners were visually inspected.

Several of the original piles have significant decay and section loss, up to 100% in certain locations, and have been identified in “severe” condition, although they may have been abandoned in place and augmented with repair piles/columns. The capacity of the repair piles/columns is difficult to verify, particularly those installed with jetting techniques.

The substructure timber framing was found to be in fair condition with exterior decay and moderate corrosion on fasteners; typical conditions for construction of this type in the marine environment. Extensive substructure timber framing (stringer) repairs have also been made, typically by adding a “sister” board and through-bolting to the original or other segments which are not continuous across multiple support piles.

A series of “crutch bents” are constructed of piles driven outside of the deck footprint (where access was available) with beams built-up from multiple boards fastened together in place. Several of these beams are visibly distorted (bowed) and may lose their strength over time due to deterioration (corrosion) of the fasteners.

**TABLE 2-11: BHI PASSENGER LANDING SUMMARY**

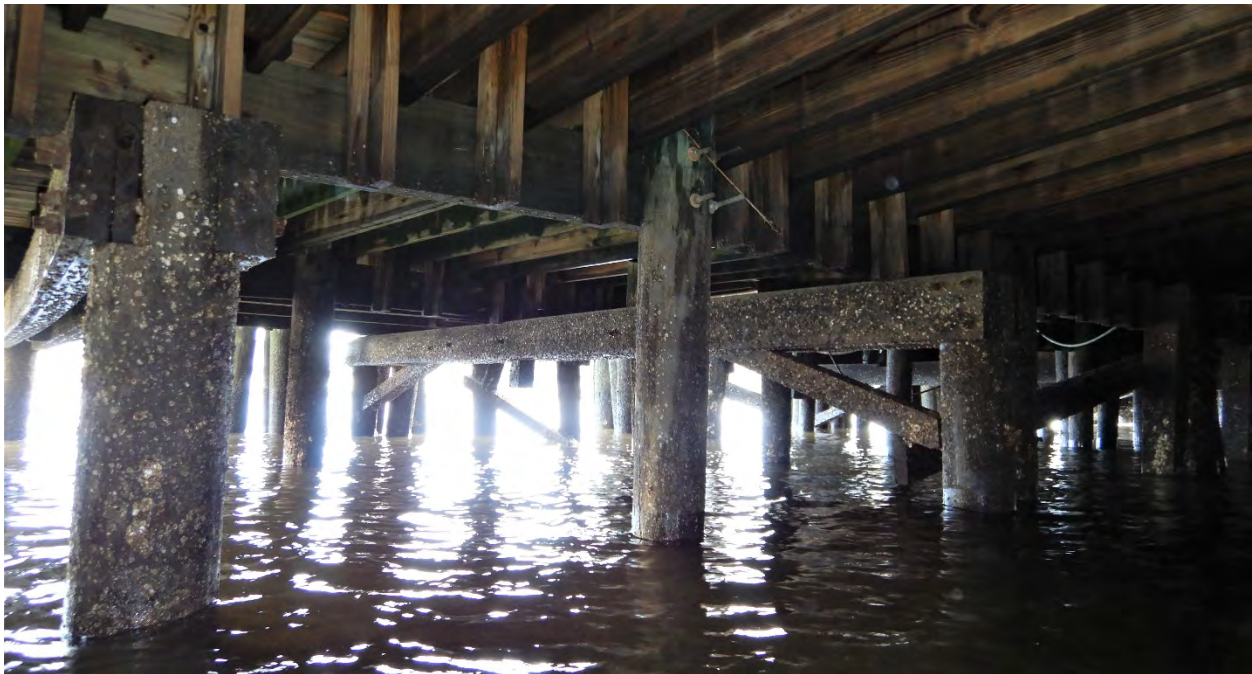
Summary	
Construction	Timber
Overall Condition	Fair
Repair Priority	Medium
Significant Defects	Multiple repairs & retrofits; load path may not be adequate for current conditions (multiple piles are no longer bearing; repair history is unknown) Cargo Ramp is bearing on bulkhead Crutch bents are bowed
Recommendations	1. Monitor piles and framing for deterioration 2. Plan replacement of the substructure
Recommended Repairs Estimate	\$900,000



FIGURE 2-24: BHI PASSENGER LANDING ELEVATION VIEW (LOOKING WEST)



FIGURE 2-25: BHI PASSENGER LANDING UNDERDECK VIEW (LOOKING EAST)



Two long-span crutch bents are visible at left and center of the photo. Bowing of timber crutch bent cap visible to the left (others similar).



FIGURE 2-26: UNDERDECK VIEW OF TIMBER STRINGER



Stringer has been repaired with thru-bolted "sistered" boards. Note the various repairs do not form a continuous member and are out of alignment.

FIGURE 2-27: UNDERDECK VIEW OF CARGO RAMP



Cargo ramp at Passenger Landing is supported by the marina bulkhead wall (foreground). For comparison, the adjacent Contractor Landing is fully supported with a row of timber piles (center background).

### 3. Conclusions and Recommendations

No critical structural issues were found in any of the 11 facilities inspected. The following conclusions and recommendations are listed in order of repair priority.

#### High Repair Priority

None

#### Medium Repair Priority

1. **Replacement of the BHI Passenger Landing is recommended within the 10-year planning horizon.** The structure has surpassed its original expected design life and has undergone significant repairs in order to maintain capacity.
2. **The steel barge ramps at DPM and BHI may require refurbishment/replacement within the 10-year planning horizon due to corrosion of framing elements.** In order to minimize disruption to barge operations, replacement is preferable and fabricating at least one new ramp would allow the shortest time for removal and installation. It may be cost effective to refurbish one of the existing ramps after it has been replaced (instead of fabricating a second replacement) and then return it to service in place of the remaining original. The cost estimates provided assume full replacement of both ramps within the next 10 years.
3. **The DPM barge ramp concrete substructure and adjacent sheet pile bulkhead repair area may require retrofit/replacement within the 10-year planning horizon or beyond.** The tension crack in the ramp substructure and the previously repaired bulkhead wall failure likely have the same cause: the berthing/mooring forces imposed by the barge. This area should be monitored for signs of worsening and the forces evaluated in greater detail for potential improvements in order to extend the service life of the substructure and bulkhead wall.
4. **The sinkholes behind the concrete sheet pile bulkhead wall along the DPM shoreline are typical of this type of construction and will likely continue to require ongoing maintenance.** Repair with engineered fill including varying types/sizes of fill material (stone, etc.) may stop the sinkholes from recurring in these areas. In regions with more substantial fill loss, or specific locations with habitual fill loss despite the placement of additional fill material, more extensive repairs should be considered. Compaction grouting, grout columns, or placement of flowable fill behind the bulkhead wall would provide increased soil stability with a denser material that would greatly reduce the potential for fill loss through the bulkhead joints.

#### Low Repair Priority

The remaining waterfront ferry terminal facilities assessed are in good to satisfactory condition with minimal recommended repair costs that can be completed during regular maintenance cycles.

The total estimated cost of the recommended replacements and repairs mentioned over the next ten years is \$1,353,000. Moving forward, routine inspections of the waterfront ferry terminal facilities should be conducted once every five years. The estimated cost to complete each routine inspection is \$65,000, or \$130,000 total over the next ten years. Anticipated additional structural component maintenance repair items discovered during those inspection items can typically be expected on the order of \$100,000 - \$150,000 over the next 10 years based on the conditions observed and typical life expectancy of timber and concrete marine structures.

Despite the nature of timber structures in the marine environment, certain measures can be taken in order to slow their deterioration. The simplest are done at the time of design & construction, using marine grade materials in sizes better proportioned (larger), fewer in number, and with details which do not create



opportunity for decay and deterioration—e.g. reduce the number of braces and bolted connections which penetrate through the piles, particularly at or below the waterline.

Slowing the deterioration of marine timber structures which have already constructed is focused on protecting piles and bracing in the waterline area and other sources of moisture, typically by wrapping or encapsulating with any of a variety of commercially available products. The various solutions all have benefits and drawbacks, and any investment should be carefully considered against the overall useful life of the structure. For the structures inspected during this scope of work, for example, few if any would be likely to realize useful benefit or extension of service life from these types of countermeasures. The piles and waterline bracing at the BHI Passenger Landing show signs of advanced deterioration that would neither be remedied nor significantly slowed by encapsulation or wrapping.



## Appendix A: Figures

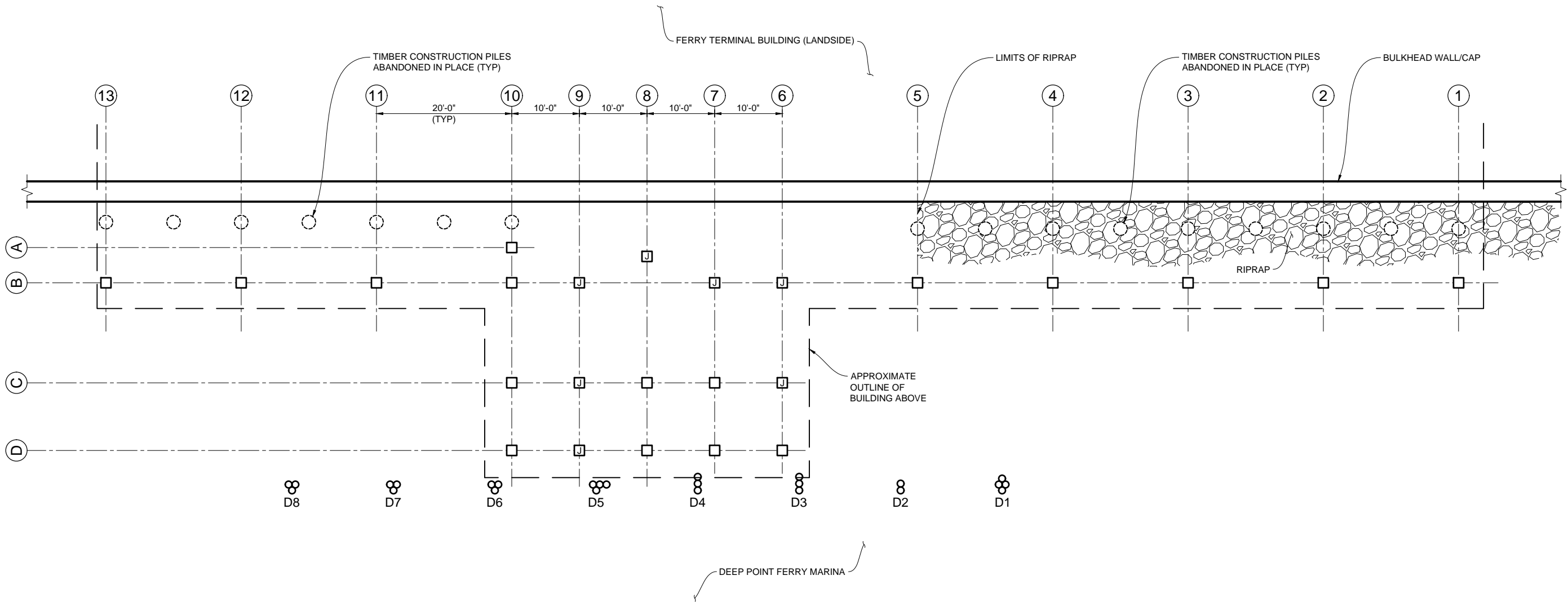


File: C:\TA\104130500\_CAD\Activel\_Report\1041300\_FIG-A1\_Plot.dwg, Plotted: 2/19/2019 10:10 AM by SMITH, ANTHONY R., Saved: 2/19/2019 10:10 AM by ARSMITH

I/A

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Apr 18 2023



- LEGEND**
- PRESTRESSED CONCRETE PILE
  - ▣ PRESTRESSED PILE WITH FIBERGLASS JACKET
  - ⊗ TIMBER PILE DOLPHIN

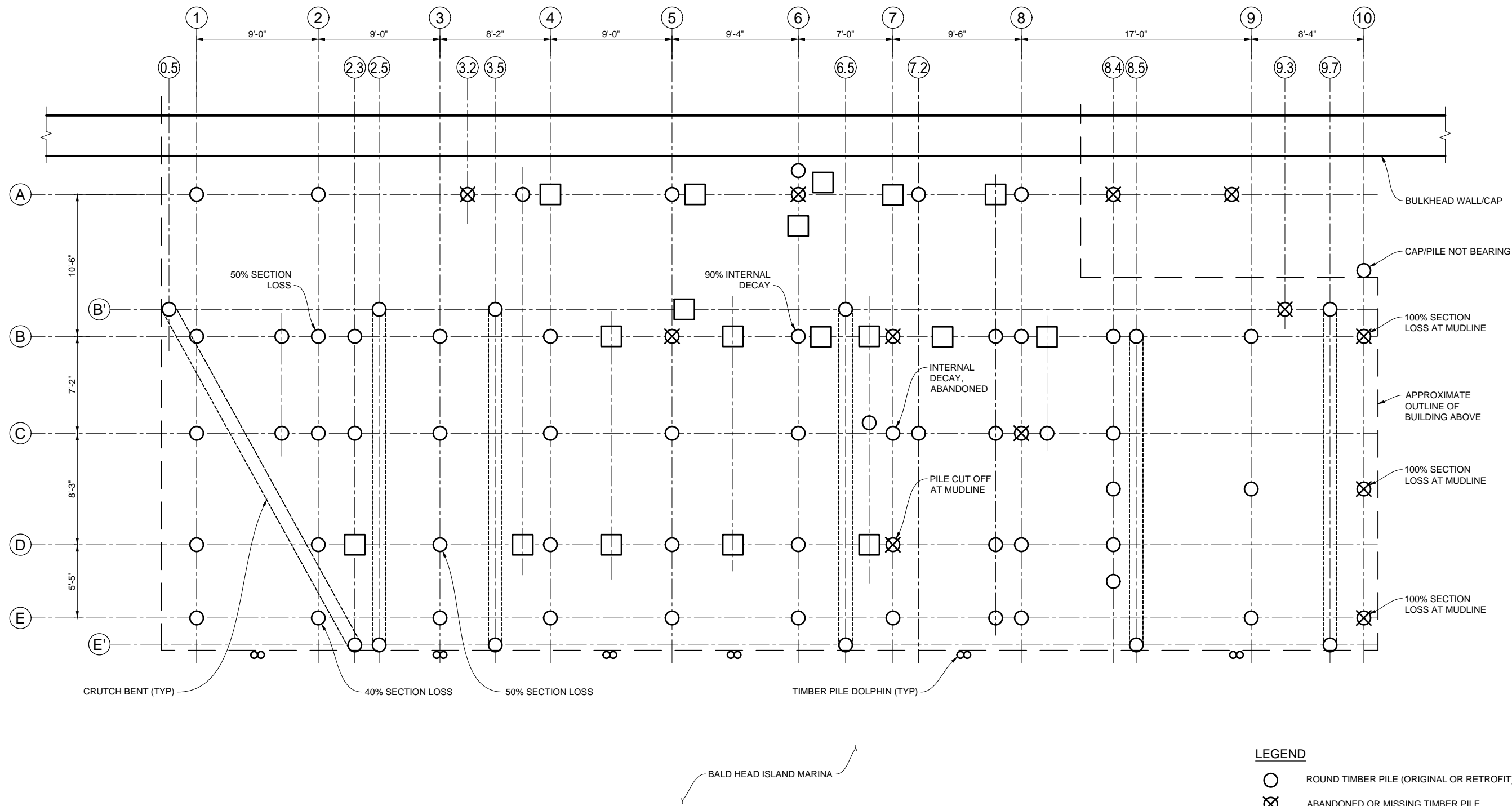
A-GATE PASSENGER TERMINAL PILE PLAN



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I/A

LHR / CAP REBUTTAL EXHIBIT 8  
A-41 SUB 22



- LEGEND
- ROUND TIMBER PILE (ORIGINAL OR RETROFIT)
  - ⊗ ABANDONED OR MISSING TIMBER PILE
  - SQUARE TIMBER COLUMN (RETROFIT)
  - ∞ TIMBER PILE DOLPHIN



PASSENGER LANDING PILE PLAN

## Appendix B: Recommended Repair/Replacement Cost Estimates



**BHITA**  
**Due Diligence Inspection**

**Deep Point Marina B-Gate**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
-------------	----------	-------	------------	----------	-------

#### Repair Cost Summary

<b>Timber Dock</b>					<b>\$ 11,000</b>
Steel Tie Straps	100	EA	\$ 50	\$ 5,000	
Joists	60	LF	\$ 60	\$ 3,600	
Mob/Contingency	30%			\$ 2,580	

<b>Total Repair Cost for Deep Point Marina B-Gate</b>	<b>\$ 11,000</b>				
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**BHITA**  
**Due Diligence Inspection**

**Deep Point Marina Maintenance Fixed Pier**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb -19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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#### Repair Cost Summary

<b>Fixed Pier</b>					<b>\$ 1,000</b>
Fill Bolt Holes	5	CF	\$ 50	\$ 250	
Split Bracing	10	LF	\$ 60	\$ 600	
Mob/Contingency	30%			\$ 255	

<b>Total Repair Cost for Maintenance Fixed Pier</b>					<b>\$ 1,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Deep Point Marina Maintenance Finger Dock**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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### Repair Cost Summary

<b>Finger Dock</b>					<b>\$ 10,000</b>
	Demolition/Pile Removal	1	EA	\$ 750	\$ 750
	New Support Pile	50	LF	\$ 50	\$ 2,500
	Mob/Contingency	200%			\$ 6,500

<b>Total Repair Cost for Maintenance Finger Dock</b>					<b>\$ 10,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Deep Point Marina Bulkhead**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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### Repair Cost Summary

<b>Bulkhead</b>					<b>\$ 137,000</b>
Sinkhole Fill	100	CF	\$ 50	\$ 5,000	
Concrete Spall Repair	15	CF	\$ 2,500	\$ 37,500	
Concrete Crack Repair	25	LF	\$ 1,250	\$ 31,250	
New Bulkhead Sections	400	SF	\$ 50	\$ 20,000	
New Bulkhead Anchorage	10	EA	\$ 1,200	\$ 12,000	
Mob/Contingency	30%			\$ 31,725	

<b>Total Repair Cost for DPM Bulkhead</b>					<b>\$ 137,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Deep Point Marina Ferry Ramp**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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#### Replacement Cost Summary

<b>DPM Ferry Ramp</b>					<b>\$ 130,000</b>
	Demolition / Removal	15	Tons	\$ 750	\$ 11,250
	Steel Ramp	15	Tons	\$ 6,000	\$ 90,000
	Mob/Contingency	30%			\$ 30,375

<b>Total Replacement Cost for DPM Ferry Ramp</b>					<b>\$ 130,000</b>
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#### Repair Cost Summary

<b>Ferry Ramp</b>					<b>\$ 24,000</b>
	Concrete Spall Repair	8	CF	\$ 2,500	\$ 18,750
	Mob/Contingency	30%			\$ 5,625

<b>Total Repair Cost for Ferry Ramp</b>					<b>\$ 24,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Bald Head Island Marina Ferry Ramp**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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#### Replacement Cost Summary

<b>BHI Ferry Ramp</b>						<b>\$ 130,000</b>
	Demolition / Removal	15	Tons	\$ 750	\$ 11,250	
	Steel Ramp	15	Tons	\$ 6,000	\$ 90,000	
	Mob/Contingency	30%			\$ 30,375	

<b>Total Replacement Cost for BHI Ferry Ramp</b>					<b>\$ 130,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Bald Head Island Contractor Landing**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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#### Repair Cost Summary

<b>Timber Dock</b>					<b>\$ 10,000</b>
	Fill Bolt Holes	10	CF	\$ 50	\$ 500
	Timber Repairs	30	LF	\$ 250	\$ 7,500
	Mob/Contingency	30%			\$ 2,400

<b>Total Repair Cost for BHI Contractor Landing</b>					<b>\$ 10,000</b>
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**BHITA**  
**Due Diligence Inspection**

**Bald Head Island Passenger Landing**  
**Opinion of Probable Cost**

**Date Prepared** 18-Feb-19  
**M&N Job Number** 10413

Description	Quantity	Units	Unit Price	Subtotal	Total
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**Replacement Cost Summary**

<b>Timber Dock</b>						<b>\$ 900,000</b>
	Demolition / Removal	3150	SF	\$ 20	\$ 63,000	
	Covered Timber Dock	3150	SF	\$ 200	\$ 630,000	
	Mob/Contingency	30%			\$ 207,900	

<b>Total Replacement Cost for BHI Passenger Landing</b>					<b>\$ 900,000</b>
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Apr 18 2023

LHR / CAP REBUTTAL EXHIBIT 8

A-41 SUB 22

## Appendix C: Damage and Condition Assessment Rating Descriptions



## LHR / CAP REBUTTAL EXHIBIT 8

Table C-1: Component Damage Rating Descriptions

A-41 SUB 22

COMPONENT RATING	DESCRIPTION
Not Inspected (NI)	Component was inaccessible or not included in the scope.
No Damage (ND)	Component had a sound material surface.
Minor (MN)	<p><i>Timber:</i> Checks, splits, and gouges less than 0.5 inches wide.</p> <p><i>Steel:</i> Less than 50% of perimeter or circumference affected by corrosion at any elevation or cross-section; loss of thickness up to 15% of nominal thickness at any location.</p> <p><i>Concrete:</i> Mechanical abrasion or impact dents; general cracks up to 1/16-inch wide; occasional corrosion stain or small pop-out corrosion spall.</p>
Moderate (MD)	<p><i>Timber:</i> Checks and splits greater than 0.5 inches wide; diameter loss up to 15%; cross-section area loss up to 25%; corroded hardware; marine borer infestation.</p> <p><i>Steel:</i> Greater than 50% of surface at any elevation/cross-section affected by corrosion; 15% to 30% loss of nominal thickness at any location.</p> <p><i>Concrete:</i> Structural cracks up to 1/16-inch wide; corrosion cracks up to 1/4-inch wide; chemical deterioration; random cracks up to 1/16-inch wide; soft concrete and rounding corners up to 1-inch deep; frequent corrosion stain or medium pop-out corrosion spall.</p>
Major (MJ)	<p><i>Timber:</i> Checks and splits through full depth of cross-section; diameter loss 15% to 30%; cross-section loss 25% to 50%; heavily corroded hardware; displacement, misalignments at connections.</p> <p><i>Steel:</i> Partial loss of flange edges or visible reduction of wall thickness; 30% to 50% loss of nominal thickness, any location.</p> <p><i>Concrete:</i> Structural cracks 1/16-inch to 1/4-inch wide; partial breakage (spalls); corrosion cracks greater than 1/4-inch wide; multiple cracking and disintegration of surface due to chemical deterioration.</p>
Severe (SV)	<p><i>Timber:</i> Diameter loss greater than 30%; cross-section area loss greater than 50%; loss of connections and/or fully non-bearing; partial or complete breakage.</p> <p><i>Steel:</i> Structural bends or buckling, breakage and displacement at supports, loose or lost connections; greater than 50% loss of nominal thickness, any location.</p> <p><i>Concrete:</i> Structural cracks greater than 1/4-inch wide; breakage; loss of bearing and displacement at connections; reinforcing steel w/cover loss and greater than 30% diameter loss for any main bar; exposed steel due to chemical deterioration; cross section loss greater than 30% of any component for any reason.</p>





Table C-2: Structure Condition Assessment Rating Descriptions

CAR Rating	Description
6 "Good"	No defects or only minor defects noted. Structural elements may show some very minor deterioration, but no significant reduction in structural capacity. No Repairs are required.
5 "Satisfactory"	Minor to moderate defects and deterioration observed, but no significant reduction in structural capacity. No repairs are required.
4 "Fair"	All primary structural elements are sound; but minor to moderate defects and deterioration observed. Localized areas of moderate to severe deterioration may be present but do not significantly reduce the structural capacity. Repairs are recommended, but the priority of the recommended repairs is low.
3 "Poor"	Major deterioration or overstressing observed on widespread portions of the structure. Some reduction in structural capacity. Repairs may need to be carried out with moderate urgency.
2 "Serious"	Severe deterioration, overstressing or breakage may have significantly affected the load bearing capacity of primary structural components. Local failures are possible. Repairs may need to be carried out on a high-priority basis with urgency.
1 "Critical"	Very severe deterioration, overstressing, or breakage has resulted in localized failure(s) of primary structural components. More widespread failures are possible or likely to occur. Repairs may need to be carried out on a very high priority basis with strong urgency.





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## **Bald Head Island Limited, LLC – Parking Department**

Financial Report  
December 31, 2016

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## Independent Auditor's Report

To the Board of Directors  
Bald Head Island Limited, LLC – Parking Department

RSM US LLP

### Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department (the Department) for the years ended December 31, 2016, 2015 and 2014, and the related notes (the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Basis for Qualified Opinion

We were unable to obtain sufficient appropriate audit evidence about the Department's stated parking revenue for the year ended December 31, 2014, because the Department disposed of its daily parking records in accordance with its 18 month retention policy. Consequently, we were unable to audit this balance.

### Qualified Opinion

In our opinion, except for the effects on the 2014 financial statement of the matter described in the Basis for Qualified Opinion paragraph, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2016, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

**RSM US LLP**

Wilmington, North Carolina  
December 22, 2017

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**Bald Head Island Limited, LLC – Parking Department****Statements of Revenues and Direct Expenses  
Year Ended December 31, 2016, 2015 and 2014**

	2016	2015	2014
Revenues:			
Parking revenues	\$ 2,216,746	\$ 2,173,904	\$ 2,080,744
Parking revenues – affiliates	113,368	125,759	133,933
<b>Total operating revenues</b>	<b>2,330,114</b>	<b>2,299,663</b>	<b>2,214,677</b>
Direct expenses:			
Salaries and wages	150,583	141,506	131,432
Rent	-	-	1,206
Fuel	802	698	854
Repairs and maintenance	11,731	26,498	34,745
Marina expenses	183,540	174,585	158,872
Employee benefits	23,259	20,507	15,669
Payroll taxes	14,877	15,641	15,782
Transportation	355	593	332
Operating supplies and expenses	16,782	11,399	10,185
Communications and utilities	12,442	15,831	21,646
Insurance	4,357	4,316	4,253
Taxes and licenses	30,968	32,386	16,810
Professional fees	250	-	-
Credit card	41,237	39,591	36,503
Depreciation	638,496	637,196	634,632
Other	6,923	1,258	9,501
<b>Total direct expenses</b>	<b>1,136,602</b>	<b>1,122,005</b>	<b>1,092,422</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 1,193,512</b>	<b>\$ 1,177,658</b>	<b>\$ 1,122,255</b>

See notes to financial statements.



**Bald Head Island Limited, LLC – Parking Department****Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates all parking facilities related to the operations of the Company. The Department conducts business in southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** Parking revenues are recognized when tickets are sold to customers and related expenses are recognized as incurred. Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Parking Department. Company overhead, including support services within Bald Head Island Limited, LLC are not allocated among Company departments and are excluded from Parking Department direct expenses. The Company does not charge the Department rent for the parking lot land such there is no land rental included in the Parking Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through December 22, 2017, which is the date the financial statements were available to be issued. Subsequent to year end, the Parking Department finalized a software conversion to ParkingSoft and completed an equipment upgrade. The new parking platform went in operation January 26, 2017 at a cost of \$207,280. Upon completion, the total conversion is expected to cost \$232,000.



## **Bald Head Island Limited, LLC – Parking Department**

Financial Report  
December 31, 2017

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RSM US LLP

### Independent Auditor's Report

To the Board of Directors  
Bald Head Island Limited, LLC – Parking Department

#### Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department (the Department) for the years ended December 31, 2017 and 2016, and the related notes (the financial statements).

#### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

**RSM US LLP**

Wilmington, North Carolina  
June 18, 2018

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**Bald Head Island Limited, LLC – Parking Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2017 and 2016**

	2017	2016
Revenues:		
Parking revenues	\$ 2,375,620	\$ 2,216,746
Parking revenues – affiliates	118,094	117,432
<b>Total operating revenues</b>	<b>2,493,714</b>	<b>2,334,178</b>
Direct expenses:		
Salaries and wages	160,404	150,583
Rent	1,689	-
Fuel	479	802
Repairs and maintenance	13,437	11,731
Marina expenses	192,985	183,540
Employee benefits	20,200	23,259
Payroll taxes	14,339	14,877
Transportation	326	355
Parking	5,951	4,064
Operating supplies and expenses	14,139	16,782
Communications and utilities	11,891	12,442
Insurance	4,563	4,357
Taxes and licenses	32,920	30,968
Professional fees	-	250
Credit card	44,242	41,237
Depreciation	677,387	638,496
Other	10,306	6,923
<b>Total direct expenses</b>	<b>1,205,258</b>	<b>1,140,666</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 1,288,456</b>	<b>\$ 1,193,512</b>

See notes to financial statements.



**Bald Head Island Limited, LLC – Parking Department****Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** Parking revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Parking Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Parking Department direct expenses. The Company does not charge the Department rent for the parking lot land such there is no land rental included in the Parking Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Reclassification:** Certain amounts presented in the statement of revenues and direct expenses for the year ended December 31, 2016 have been reclassified, as necessary, to be consistent with the 2017 presentation. The reclassification had no effect on net revenues in excess of direct expenses.

**Subsequent events:** Management has evaluated potential subsequent events through June 18, 2018, which is the date the financial statements were available to be issued.

# **Bald Head Island Limited, LLC – Parking Department**

Financial Report  
December 31, 2018

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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
Bald Head Island Limited, LLC – Parking Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
May 14, 2019

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**Bald Head Island Limited, LLC – Parking Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2018 and 2017**

	2018	2017
Revenues:		
Parking revenues	\$ 2,402,093	\$ 2,375,620
Parking revenues – affiliates	146,484	118,094
<b>Total operating revenues</b>	<b>2,548,577</b>	<b>2,493,714</b>
Direct expenses:		
Salaries and wages	169,496	160,404
Rent	2,533	1,689
Fuel	531	479
Repairs and maintenance	33,245	13,437
Marina expenses	187,217	192,985
Employee benefits	23,953	20,200
Payroll taxes	13,532	14,339
Transportation	376	326
Parking	5,547	5,951
Operating supplies and expenses	12,074	14,139
Communications and utilities	10,582	11,891
Insurance	9,037	4,563
Taxes and licenses	34,149	32,920
Credit card	49,970	44,242
Depreciation	677,794	677,387
Other	2,200	10,306
<b>Total direct expenses</b>	<b>1,232,236</b>	<b>1,205,258</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 1,316,341</b>	<b>\$ 1,288,456</b>

See notes to financial statements.



**Bald Head Island Limited, LLC – Parking Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in Southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** Parking revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department direct expenses. The Company does not charge the Department rent for the parking lot land; therefore, land rental is excluded from Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through May 14, 2019, which is the date the financial statements were available to be issued.



# **Bald Head Island Limited, LLC – Parking Department**

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December 31, 2019

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Bald Head Island Limited, LLC – Parking Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

**RSM US LLP**

Wilmington, North Carolina  
May 12, 2020

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**Bald Head Island Limited, LLC – Parking Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2019 and 2018**

	2019	2018
Revenues:		
Parking revenues	\$ 2,635,329	\$ 2,402,093
Parking revenues – affiliates	114,371	146,484
<b>Total operating revenues</b>	<b>2,749,700</b>	<b>2,548,577</b>
Direct expenses:		
Salaries and wages	205,259	169,496
Rent	4,738	2,533
Fuel	356	531
Repairs and maintenance	14,562	33,245
Marina expenses	183,315	187,217
Employee benefits	27,935	23,953
Payroll taxes	15,578	13,532
Transportation	803	376
Parking	6,765	5,547
Operating supplies and expenses	15,826	12,074
Communications and utilities	11,719	10,582
Insurance	6,891	9,037
Taxes and licenses	33,315	34,149
Credit card	55,660	49,970
Depreciation	680,538	677,794
Other	13,200	2,200
<b>Total direct expenses</b>	<b>1,276,460</b>	<b>1,232,236</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 1,473,240</b>	<b>\$ 1,316,341</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Parking Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in Southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** The Company's revenue is derived primarily from sales of tickets for use of the Company's parking lot locations. The Company recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time, when tickets are used by customers and related expenses are recognized as incurred.

The Company offers annual passes for use of the Company's parking lot locations. Annual passes are only valid for the calendar year in which they are purchased and are amortized into revenue ratably over the life of the pass.

Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department direct expenses. The Company does not charge the Department rent for the parking lot land; therefore, land rental is excluded from Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through May 12, 2020, which is the date the financial statements were available to be issued.



**Bald Head Island Limited, LLC – Parking Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Adopted accounting pronouncement:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Company adopted this ASU during the year ended December 31, 2019, and applied a modified retrospective approach. The adoption of this standard did not result in a change to beginning retained earnings.

**Note 2. Subsequent Events**

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020, NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020, the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. As visitation to Bald Head Island decreased, the parking operation saw some reduction in parking demand. Management is aware of changes in its business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes the disruption could be temporary; however, there is an uncertainty around when service may resume normal operations and the Company will continue to monitor and take guidance from the Governor's office and the City of Southport.



# **Bald Head Island Limited, LLC – Parking Department**

Financial Report  
December 31, 2020

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Bald Head Island Limited, LLC – Parking Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Parking Department for the years ended December 31, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
October 22, 2021

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**Bald Head Island Limited, LLC – Parking Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2020 and 2019**

	2020	2019
Revenues:		
Parking revenues	\$ 3,210,685	\$ 2,635,329
Parking revenues – affiliates	101,341	114,371
<b>Total operating revenues</b>	<b>3,312,026</b>	<b>2,749,700</b>
Direct expenses:		
Salaries and wages	267,569	205,259
Rent	6,546	4,738
Fuel	235	356
Repairs and maintenance	27,236	14,562
Marina expenses	182,013	183,315
Employee benefits	33,172	27,935
Payroll taxes	18,820	15,578
Transportation	161	803
Parking	2,746	6,765
Operating supplies and expenses	9,541	15,826
Communications and utilities	12,405	11,719
Insurance	10,696	6,891
Taxes and licenses	32,901	33,315
Credit card	66,649	55,660
Depreciation	680,467	680,538
Other	6,787	13,200
<b>Total direct expenses</b>	<b>1,357,944</b>	<b>1,276,460</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 1,954,082</b>	<b>\$ 1,473,240</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Parking Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in Southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** The Department's revenue is derived primarily from sales of tickets for use of the Department's parking lot locations. The Department recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time, when tickets are used by customers and related expenses are recognized as incurred.

The Company offers annual passes for use of the Company's parking lot locations. Annual passes are only valid for the calendar year in which they are purchased and are recognized into revenue ratably over the life of the pass.

Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department direct expenses. The Company does not charge the Department rent for the parking lot land; therefore, land rental is excluded from Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through October 22, 2021, which is the date the financial statements were available to be issued

**Bald Head Island Limited, LLC – Parking Department****Note to Financial Statements**

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**Note 2. COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020, North Carolina Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020, the Village of Bald Head Island (Island) declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. As visitation to Bald Head Island decreased, the parking operation saw a reduction in parking demand. Management is aware of changes in the business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes the disruption could be temporary as visitors tend to be staying longer on the Island; however, there is uncertainty around when service may resume normal operations. The Company will continue to follow guidance from the Governor's office and the City of Southport.



## **Bald Head Island Limited, LLC - Parking Department**

Financial Report  
December 31, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Bald Head Island Limited, LLC - Parking Department

### Opinion

We have audited the statements of revenues and direct expenses of Bald Head Island Limited, LLC - Parking Department (the Department) for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC - Parking Department for the years ended December 31, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Wilmington, North Carolina  
June 24, 2022

**Bald Head Island Limited, LLC - Parking Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2021 and 2020**

	2021	2020
Revenues:		
Parking revenues	\$ 3,887,105	\$ 3,210,685
Parking revenues - affiliates	89,342	101,341
<b>Total operating revenues</b>	<b>3,976,447</b>	<b>3,312,026</b>
Direct expenses:		
Salaries and wages	262,921	267,569
Rent	3,805	6,546
Fuel	300	235
Repairs and maintenance	25,465	27,236
Marina expenses	171,800	182,013
Employee benefits	28,012	33,172
Payroll taxes	18,394	18,820
Transportation	589	161
Parking	10,362	2,746
Operating supplies and expenses	33,529	9,541
Communications and utilities	14,891	12,405
Insurance	14,895	10,696
Taxes and licenses	26,786	32,901
Credit card	152,829	66,649
Depreciation	695,929	680,467
Other	29,986	6,787
<b>Total direct expenses</b>	<b>1,490,493</b>	<b>1,357,944</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 2,485,954</b>	<b>\$ 1,954,082</b>

See notes to financial statements.

**Bald Head Island Limited, LLC - Parking Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC - Parking Department (the Department) is a part of Bald Head Island Limited, LLC (the Company). The Department operates the Deep Point parking facilities for the Company. The Department conducts business in Southeastern North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 5 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue recognition:** The Department's revenue is derived primarily from sales of tickets for use of the Department's parking lot locations. The Department recognized revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time when tickets are used by customers and related expenses are recognized as incurred.

The Company offers annual passes for use of the Company's parking lot locations. Annual passes are only valid for the calendar year in which they are purchased and are recognized into revenue ratably over the life of the pass.

Parking revenues from affiliates consist of charges to other departments within and subsidiaries of the Company that utilize the parking facilities based on established monthly market rates and the number of employees parking.

**Direct expenses:** Direct expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department direct expenses. The Company does not charge the Department rent for the parking lot land; therefore, land rental is excluded from Department direct expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.



**Bald Head Island Limited, LLC - Parking Department**

**Note to Financial Statements**

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**Note 2. Asset Purchase Agreement**

On May 17, 2022, the Company, entered into an asset purchase agreement to sell substantially all of the assets of the Company, including the Department, to SharpVue Capital, LLC, subject to certain closing conditions. The agreement calls for a purchase price of \$67,200,000. The purchase price allocation was not available at the time of financial statement issuance.

# **Bald Head Island Limited, LLC – Barge Department**

Financial Report  
December 31, 2016

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RSM US LLP

**Independent Auditor's Report**

To the Board of Directors  
Bald Head Island Limited, LLC – Barge Department

**Report on the Financial Statement**

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department (the Department) for the years ended December 31, 2016, 2015 and 2014, and the related notes (the financial statements).

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2016, 2015 and 2014, in accordance with accounting principles generally accepted in the United States of America.

***RSM US LLP***

Wilmington, North Carolina  
December 22, 2017

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## Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses  
Years Ended December 31, 2016, 2015 and 2014

	2016	2015	2014
Revenues:			
Barge revenues	\$ 840,935	\$ 699,950	\$ 578,630
Barge revenues – affiliates	108,750	109,400	116,645
<b>Total operating revenues</b>	<b>949,685</b>	<b>809,350</b>	<b>695,275</b>
Direct expenses:			
Salaries and wages	123,551	116,323	109,299
Rent	400	23,150	71,200
Fuel	51,746	55,429	74,015
Repairs and maintenance	12,303	23,447	33,090
Marina expenses	1,493	1,382	1,187
Employee benefits	11,747	10,173	8,920
Payroll taxes	10,756	11,317	10,664
Transportation	516	189	149
Parking	1,575	1,750	1,531
Dredging	500	-	13,624
Operating supplies and expenses	4,832	6,767	6,062
Communications and utilities	2,610	1,701	2,247
Insurance	22,936	22,131	26,965
Taxes and licenses	13,282	5,111	7,283
Advertising	-	91	-
Professional fees	-	-	53
Credit card	9,774	8,155	6,921
Depreciation	44,419	69,979	67,719
Other	1,119	1,222	200
<b>Total direct expenses</b>	<b>313,559</b>	<b>358,317</b>	<b>441,129</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 636,126</b>	<b>\$ 451,033</b>	<b>\$ 254,146</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Barge Department****Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department is a non-regulated department that operates a tug boat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** Barge revenues are recognized when tickets are sold to customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Barge Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Barge Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through December 22, 2017, which is the date the financial statements were available to be issued. Prior to year end, the Bald Head Island Limited, LLC entered into a contract to build a new Coast Guard SubChapter M certification compliant tug. The new tug, Captain Cooper, was delivered subsequent to year end and put in operation August 12, 2017 at a cost of \$1,603,707.



# **Bald Head Island Limited, LLC – Barge Department**

Financial Report  
December 31, 2017

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RSM US LLP

## Independent Auditor's Report

To the Board of Directors  
Bald Head Island Limited, LLC – Barge Department

### Report on the Financial Statement

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department (the Department) for the years ended December 31, 2017 and 2016, and the related notes (the financial statements).

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2017 and 2016, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
June 18, 2018

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## Bald Head Island Limited, LLC – Barge Department

Statements of Revenues and Direct Expenses  
Years Ended December 31, 2017 and 2016

	2017	2016
Revenues:		
Barge revenues	\$ 989,775	\$ 840,935
Barge revenues – affiliates	142,925	108,750
<b>Total operating revenues</b>	<b>1,132,700</b>	<b>949,685</b>
Direct expenses:		
Salaries and wages	131,563	123,551
Rent	-	400
Fuel	57,772	51,746
Repairs and maintenance	54,433	12,303
Marina expenses	1,539	1,493
Employee benefits	15,939	11,747
Payroll taxes	10,542	10,756
Transportation	352	516
Parking	1,575	1,575
Dredging	-	500
Operating supplies and expenses	8,769	4,832
Communications and utilities	2,412	2,610
Insurance	34,523	22,936
Taxes and licenses	21,764	13,282
Credit card	11,689	9,774
Depreciation	107,721	44,419
Other	655	1,119
<b>Total direct expenses</b>	<b>461,248</b>	<b>313,559</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 671,452</b>	<b>\$ 636,126</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Barge Department****Notes to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tug boat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** Barge revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Barge Department. Company overhead, including support services within Bald Head Island Limited, LLC, are not allocated among Company departments and are excluded from Barge Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through June 18, 2018, which is the date the financial statements were available to be issued.

# **Bald Head Island Limited, LLC – Barge Department**

Financial Report  
December 31, 2018



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## Independent Auditor's Report

RSM US LLP

To the Board of Directors  
Bald Head Island Limited, LLC – Barge Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2018 and 2017, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2018 and 2017, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
May 14, 2019

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## Bald Head Island Limited, LLC – Barge Department

**Statements of Revenues and Direct Expenses**  
**Years Ended December 31, 2018 and 2017**

	2018	2017
Revenues:		
Barge revenues	\$ 1,034,380	\$ 989,775
Barge revenues – affiliates	119,525	142,925
<b>Total operating revenues</b>	<b>1,153,905</b>	<b>1,132,700</b>
Direct expenses:		
Salaries and wages	139,078	131,563
Rent	700	-
Fuel	67,717	57,772
Repairs and maintenance	56,440	54,433
Marina expenses	1,632	1,539
Employee benefits	15,069	15,939
Payroll taxes	10,055	10,542
Transportation	167	352
Parking	1,444	1,575
Professional fees	68	-
Operating supplies and expenses	6,542	8,769
Communications and utilities	7,833	2,412
Insurance	53,907	34,523
Taxes and licenses	24,122	21,764
Credit card	17,557	11,689
Depreciation	201,320	107,721
Other	(5,477)	655
<b>Total direct expenses</b>	<b>598,174</b>	<b>461,248</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 555,731</b>	<b>\$ 671,452</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Barge Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** Barge revenues are recognized when tickets are used by customers and related expenses are recognized as incurred. Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through May 14, 2019, which is the date the financial statements were available to be issued.

# **Bald Head Island Limited, LLC – Barge Department**

Financial Report  
December 31, 2019

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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Bald Head Island Limited, LLC – Barge Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2019 and 2018, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2019 and 2018, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
May 12, 2020

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**Bald Head Island Limited, LLC – Barge Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2019 and 2018**

	2019	2018
Revenues:		
Barge revenues	\$ 1,373,600	\$ 1,034,380
Barge revenues – affiliates	125,815	119,525
<b>Total operating revenues</b>	<b>1,499,415</b>	<b>1,153,905</b>
Direct expenses:		
Salaries and wages	177,757	139,078
Rent	-	700
Fuel	72,205	67,717
Repairs and maintenance	57,805	56,440
Marina expenses	1,158	1,632
Employee benefits	17,977	15,069
Payroll taxes	12,436	10,055
Transportation	88	167
Parking	1,444	1,444
Professional fees	250	68
Operating supplies and expenses	8,592	6,542
Communications and utilities	6,820	7,833
Insurance	44,972	53,907
Taxes and licenses	27,762	24,122
Credit card	27,660	17,557
Depreciation	227,110	201,320
Other	1,725	(5,477)
<b>Total direct expenses</b>	<b>685,761</b>	<b>598,174</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 813,654</b>	<b>\$ 555,731</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Barge Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** The Company's revenue is derived primarily from sales of tickets for barge services. The Company recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time, when tickets are used by customers and related expenses are recognized as incurred.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through May 12, 2020, which is the date the financial statements were available to be issued.

**Bald Head Island Limited, LLC – Barge Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies (Continued)**

**Adopted accounting pronouncement:** In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers*, requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The updated standard will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective and permits the use of either a full retrospective or retrospective with cumulative effect transition method. The Company adopted this ASU during the year ended December 31, 2019, and applied a modified retrospective approach. The adoption of this standard did not result in a change to beginning retained earnings.

**Note 2. Subsequent Events**

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020 NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020 the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. The barge operation is an essential business and has continued to provide service between Southport and Bald Head Island. While the barge has continued to operate its customer base, to include retail shops, grocery store, construction, membership clubs, etc. operations have been adversely affected. Management is aware of changes in its business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes there will be some disruption to the barge operation; however, there is an uncertainty around when dependent services may resume normal operations. The Company will continue to monitor and take guidance from the Governor's office, the Village of Bald Head Island, the City of Southport and the Coast Guard.

# **Bald Head Island Limited, LLC – Barge Department**

Financial Report  
December 31, 2020



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## Independent Auditor's Report

RSM US LLP

Board of Directors  
Bald Head Island Limited, LLC – Barge Department

### Report on the Financial Statements

We have audited the accompanying statements of revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2020 and 2019, and the related notes to the financial statements.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal controls relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC – Barge Department for the years ended December 31, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

*RSM US LLP*

Wilmington, North Carolina  
October 22, 2021

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**Bald Head Island Limited, LLC – Barge Department****Statements of Revenues and Direct Expenses  
Years Ended December 31, 2020 and 2019**

	2020	2019
Revenues:		
Barge revenues	\$ 1,175,450	\$ 1,373,600
Barge revenues – affiliates	147,565	125,815
<b>Total operating revenues</b>	<b>1,323,015</b>	<b>1,499,415</b>
Direct expenses:		
Salaries and wages	187,915	177,757
Fuel	48,355	72,205
Repairs and maintenance	48,557	57,805
Marina expenses	1,200	1,158
Employee benefits	21,045	17,977
Payroll taxes	12,101	12,436
Transportation	-	88
Parking	1,800	1,444
Professional fees	-	250
Operating supplies and expenses	3,232	8,592
Communications and utilities	7,261	6,820
Insurance	56,125	44,972
Taxes and licenses	27,138	27,762
Credit card	24,211	27,660
Depreciation	251,179	227,110
Other	1,407	1,725
<b>Total direct expenses</b>	<b>691,526</b>	<b>685,761</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 631,489</b>	<b>\$ 813,654</b>

See notes to financial statements.

**Bald Head Island Limited, LLC – Barge Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC – Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 3 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** The Department's revenue is derived primarily from sales of tickets for barge services. The Department recognized revenue in accordance with ASC Topic 606, *Revenue from Contracts with Customers*, which provides a five-step model for recognizing revenue from contracts with customers are follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time, when tickets are used by customers and related expenses are recognized as incurred.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Subsequent events:** Management has evaluated potential subsequent events through October 10, 2021, which is the date the financial statements were available to be issued.

**Bald Head Island Limited, LLC – Barge Department**

**Note to Financial Statements**

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**Note 2. COVID-19**

On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020, North Carolina Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020, the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island (Island) to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. The barge operation is an essential business and has continued to provide service between Southport, North Carolina and Bald Head Island. The barge has continued to serve its customer base, to include retail shops, grocery store, construction, membership clubs, etc., and operations have been minimally affected. Management has continued to operate in compliance with the Governor's Executive Orders, and are aware of the current business challenges as a result of COVID-19. The Company will continue to monitor and follow guidance from the Governor's office, the Village of Bald Head Island, the City of Southport and the U.S. Coast Guard.

# **Bald Head Island Limited, LLC - Barge Department**

Financial Report  
December 31, 2021

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RSM US LLP

## Independent Auditor's Report

Board of Directors  
Bald Head Island Limited, LLC - Barge Department

### Opinion

We have audited the statements of revenues and direct expenses of Bald Head Island Limited, LLC - Barge Department (the Department) for the years ended December 31, 2021 and 2020, and the related notes to the financial statements.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the revenues and direct expenses of Bald Head Island Limited, LLC - Barge Department for the years ended December 31, 2021 and 2020, in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Department and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*RSM US LLP*

Wilmington, North Carolina  
June 24, 2022

## Bald Head Island Limited, LLC - Barge Department

Statements of Revenues and Direct Expenses  
Years Ended December 31, 2021 and 2020

	2021	2020
Revenues:		
Barge revenues	\$ 1,381,425	\$ 1,175,450
Barge revenues - affiliates	153,770	147,565
<b>Total operating revenues</b>	<b>1,535,195</b>	<b>1,323,015</b>
Direct expenses:		
Salaries and wages	192,879	187,915
Fuel	74,345	48,355
Repairs and maintenance	24,667	48,557
Marina expenses	1,550	1,200
Employee benefits	12,366	21,045
Payroll taxes	11,198	12,101
Transportation	292	-
Parking	1,850	1,800
Operating supplies and expenses	11,443	3,232
Communications and utilities	8,202	7,261
Insurance	65,071	56,125
Taxes and licenses	20,522	27,138
Credit card	29,398	24,211
Depreciation	221,693	251,179
Other	39,437	1,407
<b>Total direct expenses</b>	<b>714,913</b>	<b>691,526</b>
<b>Net revenues in excess of direct expenses</b>	<b>\$ 820,282</b>	<b>\$ 631,489</b>

See notes to financial statements.

**Bald Head Island Limited, LLC - Barge Department****Note to Financial Statements**

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**Note 1. Summary of Significant Accounting Policies**

**Nature of business and ownership:** Bald Head Island Limited, LLC - Barge Department (the Department) is an operating department of Bald Head Island Limited, LLC (the Company). The department operates a tugboat and a barge for the commercial transportation of vehicles between Southport, North Carolina and Bald Head Island, North Carolina.

**Property and equipment:** Property and equipment is recorded at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful lives ranging from 2 to 15 years.

**Impairment:** At each balance sheet date, the Company reviews its long-lived assets, consisting primarily of equipment, for impairment. Accounting guidance requires recording a charge for impairment when the sum of the expected future gross cash flows is less than the carrying amount of the asset. Based on this definition of impairment and management's analysis of gross cash flows expected to be generated by the Company's transportation equipment assets, the Company has not recorded a charge for impairment in the value of the assets.

**Revenue and expense recognition:** The Department's revenue is derived primarily from sales of tickets for barge services. The Department recognized revenue in accordance with Accounting Standards Codification (ASC) Topic 606, Revenue from Contracts with Customers, which provides a five-step model for recognizing revenue from contracts with customers as follows:

- Identify the contract with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognize revenue when or as performance obligations are satisfied

Performance obligations are satisfied at a point in time, when tickets are used by customers and related expenses are recognized as incurred.

Barge revenues from affiliates consist of charges to other departments of the Company that utilize the barge operations.

Operating expenses include only those costs directly attributable to the Department. Company overhead, including support services within the Company, are not allocated among Company departments and are excluded from Department operating expenses.

**Use of estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. Subsequent Event**

On May 17, 2022, the Company, entered into an asset purchase agreement to sell substantially all of the assets of the Company, including the Department, to SharpVue Capital, LLC, subject to certain closing conditions. The agreement calls for a purchase price of \$67,200,000. The purchase price allocation was not available at the time of financial statement issuance.