

INFORMATION SHEET

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

PLACE: Brunswick County Courthouse, Bolivia, NC

DATE: Tuesday, November 1, 2022

TIME: 7:00 p.m. – 9:00 p.m.

DOCKET NOS.: A-41, Sub 22

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

DESCRIPTION: 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: 1

APPEARANCES

(See attached)

WITNESSES

(See attached)

EXHIBITS

(See attached)

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1 PLACE: Brunswick County Courthouse
2 Bolivia, North Carolina
3 DATE: Tuesday, November 1, 2022
4 TIME: 7:00 p.m. - 9:00 p.m.
5 DOCKET NO: A-41, Sub 22
6 BEFORE: Commissioner Kimberly W. Duffley, Presiding
7 Commissioner ToNola D. Brown-Bland
8 Commissioner Jeffrey A. Hughes
9 Commissioner Floyd B. McKissick, Jr.
10 Commissioner Karen M. Kemerait
11
12

13 IN THE MATTER OF:

14 Joint Application of

15 Bald Head Island Transportation, Inc.,
16 and Bald Head Island Ferry Transportation, LLC,
17 for Approval of Transfer of Common Carrier
18 Certificate to Bald Head Island Ferry
19 Transportation, LLC, and Permission to
20 Pledge Assets
21

22 Volume 1
23
24

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NORTH CAROLINA UTILITIES COMMISSION

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**NORTH CAROLINA UTILITIES COMMISSION
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DATE: 11-1-2022 DOCKET NO.: A-41, Sub 22

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APPLICANT: ☒ COMPLAINANT: ☐ INTERVENOR: ☐

PROTESTANT: ☐ RESPONDENT: ☐ DEFENDANT: ☐

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APPEARANCE ON BEHALF OF: _____

Village of Bald Head Island

APPLICANT: ___ COMPLAINANT: ___ INTERVENOR: ☒

PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

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APPLICANT: ___ COMPLAINANT: ___ INTERVENOR: ☒
PROTESTANT: ___ RESPONDENT: ___ DEFENDANT: ___

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APPLICANT: ☒ COMPLAINANT: ☐ INTERVENOR: ☐
PROTESTANT: ☐ RESPONDENT: ☐ DEFENDANT: ☐

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NORTH CAROLINA UTILITIES COMMISSION
PUBLIC STAFF - APPEARANCE SLIP

DATE: November 1, 2022

DOCKET #: A-41 Sub 22
BHIT Transfer Application

PUBLIC STAFF ATTORNEYS: Zeke Creech

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/s/ William Creech

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Nov 18 2022

NORTH CAROLINA UTILITIES COMMISSION HEARING
DOCKET A-41, SUB 22
PUBLIC COMMENTS
November 1, 2022

STATEMENT OF REX COWDRY

My wife, Donna Patterson, and I have been coming to Bald Head Island for over 35 years, built our home 25 years ago, and have lived here as our primary residence for 8 years. Donna and I are regular users of the ferry, the parking, and the barge. Perhaps most relevant to this hearing, I have been a member of the Board of the Bald Head Island Transportation Authority (“the Authority”) since it was formed and have developed a detailed understanding of the system operation, finances, and challenges. I’ll focus on three conclusions.

I. THE BALD HEAD ISLAND TRANSPORTATION AUTHORITY WOULD HAVE BEEN THE BEST OPERATOR OF THE SYSTEM.

I am testifying as an island resident, not as a representative of the Authority, but I need to describe my experience on the Authority to explain my position regarding the transfer of the certificate to SharpVue.

In 2017, the General Assembly passed SB391 authorizing the creation of regional public ferry transportation authorities to purchase and operate ferry transportation system like the one serving Bald Head Island. That legislation was supported by BHI Limited, which preferred that the integrated Bald Head Island system be operated by a public regional authority.

Shortly after the legislation became law, the Bald Head Island Transportation Authority was formed by resolutions of the Village of Bald Head Island, the City of Southport, and Brunswick County. The Board of the Authority has, by law, at least 4 members from the island, with other members appointed by local jurisdictions, the Governor, the House and Senate, and the Secretary of Transportation, assuring broad representation of the interests of all the users of the system, most of whom are not island residents.

During my service on the Board of the Authority, we conducted extensive due diligence, examining in detail the operations and financial statements of the ferry, barge, and parking operations and commissioning inspections and appraisals of the real property in Southport and the Village, the vessels used in the ferry and barge operations, and the other assets of BHI Transportation. We performed extensive feasibility and affordability studies of the system, including stress testing of the financial projections under a variety of economic scenarios, based on certain assumptions, such as “fares will increase no faster than inflation.” Finally, based on these data, we negotiated a purchase price of \$47,750,000 for the system, a figure lower than the total appraised value of the assets, as required by law.

Based on the feasibility and affordability studies, the Authority's bonds received an investment grade rating, rare for revenue bonds issued by a new public entity. In late 2020 the Authority asked the Local Government Commission (LGC) for approval to issue the bonds, with only the three members representing the Village Council opposing the action.

II. THE VILLAGE INTERVENED TO PREVENT THE SALE OF THE SYSTEM TO THE AUTHORITY

Shortly after the Authority filed with the LGC, some Village elected officials and property owners intervened with the LGC, invited the State Treasurer to the island, and promoted the view that the \$47,750,000 purchase price was too high and that the appraisals were flawed. In January 2021, the Treasurer and the Auditor expressed those concerns and requested a second independent appraisal of the real property by the Authority.

The second appraisal reached essentially the same conclusion about the market value of the real property, but the views of the Village, the Treasurer, and the Auditor did not change. The LGC has refused to schedule further consideration of the Authority's request to issue revenue bonds.

Meanwhile, the Village Council had determined that it wanted sole control of the transportation system and received voter approval for general obligation bonds to purchase the system for \$47,750,000, despite the Village's continuing assertions that the price was too high and despite Limited's refusal to negotiate with the Village.

Limited had been stating for many months that if the sale to the Authority failed, it would sell the system to private investors at a higher price than offered to the Authority. With the transfer to the Authority blocked by the Village and the LGC, Limited did exactly that: it turned to its next best option, negotiating a sale of the system to SharpVue for \$56,000,000.

III. SHARPVUE NOW REPRESENTS THE BEST ALTERNATIVE TO OPERATE THE SYSTEM

That history provides some background to explain my belief that, given the failure of the Authority to acquire the system, a sale to SharpVue is now the best available alternative. Because the suitability of the Village as an owner of the system is not the subject of this proceeding, I will not comment on that issue.

I have met with Lee Roberts on behalf of the Authority, have reviewed his comments at the public meeting on Bald Head Island, and have followed much of the regulatory proceeding seeking to bring the barge and parking operations under NCUC regulation. I am impressed both with Mr. Roberts, who seems a thoughtful and credible principal, committed to advancing the development of North Carolina and the health of the island economy, and with key features of SharpVue's plans, specifically:

- the nature of their investors, described as predominantly North Carolina residents with some investors being property owners on the island;
- their intention to keep the system operating as a system;

- their intention to hold the assets for years rather than flipping the assets to generate a rapid capital return;
- their commitment to a smooth transition, including retention of current management and hiring of current staff;
- their commitment to limit parking fee increases to no greater than the growth of the CPI for at least four years (ideally, SharpVue would make a similar commitment regarding barge fares); and
- their commitment to - and access to capital for - system improvements already identified by the Authority: a new vessel, better baggage handling, a reservation system, and expansion of parking capacity.

At this point, given that the Authority has been blocked from purchasing the system, SharpVue offers an excellent route forward. Approval of the transfer of the certificate would resolve an uncertain situation, provide stable ownership and management, allow for much needed improvements that have been delayed for nearly two years, and avoid a sale to a different private equity group with less understanding of the island, fewer constraints on pricing, and at best a short-term commitment to continuity of ownership and management.

I'd be pleased to respond to any questions from the Commissioners or from counsels for the parties.

Public hearing for Bald Head Island LTD intended sale of the BHI transportation system assets from the George Mitchell Estate.

My name is John L Fisher. I am a retired executive from the United Parcel Service Corporate office and the UPS Airline after serving 36 years with the two entities.

My home address is 506 S East Beach Dr on Bald Head Island where I have been a permanent resident for the past 17 years.

I earned my Bachelor's degree from UNC-Charlotte along with numerous additional courses in business, finance, management and leadership.

My past work experience included expanding UPS operations and Logistics worldwide, negotiating for UPS their Master contracts with the International Teamsters Union - covering over 350,000 employees as well as the IPA- Independent Pilot Association - with over 3300 professional airline pilots. I have also spent time working with Regulatory agencies and the Utility commission on changing rates and pricing along with scheduling and quality control to better serve the public's need.

My past included working with the design and expansion of numerous UPS operations facilities and cargo terminals over the years. I lead a team of writers, IT programmers, industrial engineers, operators and employees developing numerous supervisor/manager/and Division manager Leadership courses. My last 8 years at UPS included managing the UPS Airline Corporate Management Succession Plan.

Since retiring and moving to Bald Head Island I served as Mayor Pro Tem for four years, as president of the Bald Head Association, on the BHI Conservancy board, founded and ran the Bald Head Island Warrior family weekend for 12 years, served on the BHI Chapel board, have volunteered with the Public Safety Dept. over the past 15 years with numerous certifications (including Incident Command) and numerous other volunteer positions of leadership. I have served the past 6 years on the Cape Fear Region Council for the Boy Scouts of America and was honored by Governor Pat McCrory when presented the prestigious Order of The

Long Leaf Pine award a few years ago being recognized as an ambassador for the State of NC.

I was asked to consult with the design and layout of the Deep Point terminal specifically lending my knowledge and experience of conveyors and operational logistics for moving packages and bulk items through the system several years ago working for improved capacity.

So, to the matter at hand...

The BHIT system, under Mr. Paul's leadership, has run the ferry and tram service very well. The system has been:

- (a) Dependable, reliable
- (b) Responsive to emergency situations-24/7- 365 days a year
- (c) Accommodating to its customers- with scheduling, pricing, quality control

With the death of George Mitchell, we (the Public) understand the reality of settling an estate and selling off assets. Someone else is going to own and operate the BHI transportation system. With that in mind....

The Mitchell family worked diligently to determine a succession plan. Legislation was introduced that led to the formation of the Bald Head Island Transportation Authority (BHITA). I was appointed to the initial BHITA and worked diligently for three years to fill our charge of determining a fair market price for the assets and to purchase the BHI transportation operations at or below that price.

At the eleventh hour after three years of evaluating the transportation system in great depth, getting numerous appraisals, evaluations, reports and analyses on all of the assets, negotiating with Banks on bonds/loans etc. the Village of BHI intervened and the LGC was convinced to not hear the case to approve the sale to the BHITA.

Fast forward...

Mr. Paul was charged with finding another suitable buyer to settle Mr. Mitchell's estate. He knew the best "fit" was a buyer who would let the ferry be operated by the same management and employees that have operated the ferry the past 25 or so years, avoiding any drastic change and he certainly knew "we the public" liked the status quo management and employees who we have come to know over the years.

Searching and finding a next alternative to the BHITA was no simple task. Through a long process of elimination and many hours of seeking a suiter-SharpVue emerged as the best choice.

SharpVues Managing Partner is Lee Roberts, a long-time resident of North Carolina. I have met informally with Mr. Roberts, heard him speak about SharpVue's plans in person at the Bald Head Association and also read his testimony filed with the NCUC with reference to why SharpVue should own the BHI transportation assets.

Based in Raleigh, Mr. Roberts previously served as budget director for Governor McCrory. One of SharpVue's primary missions is economic growth in North Carolina. They recognize the Mitchell families' development, conservation and preservation efforts on Bald Head Island over the past 40 years and look forward to being the next stewards of that legacy while keeping in mind the principles of stewardship for the island and its stakeholders, consisting of home and property owners, employees, contractors, vacation renters, day trippers – all stakeholders in the ecology of the Island.

Based in Raleigh, SharpVue is an ad hoc club of North Carolina investors specifically suited for this real estate ownership. They understand the regulatory commission and are knowledgeable of Bald Head Island, its infrastructure and assets. They have pledged this is not just another transaction. SharpVue's intent is to acquire BHI's transportation assets on behalf of the investors as a stable, predictable long term asset investment. Their time horizon has been described as an investment for the long term which will include land, buildings and undeveloped commercial property but not residential lots.

Changes in pricing, scheduling, quality control are bound by the utilities commission and will continue there. Another investment group or buyer may not

be nearly as committed to a transparent approach. SharpVue knows how to own management teams who have operational experience. The management team that has been running the operations for a long time will still be in place. It is intended to be transparent to the end users. Parking and riding the ferry remain basically the same. Employees aren't going anywhere – they will continue to run these assets on behalf of SharpVue the same as they did for the Mitchells.

We “the Public” like the fact that SharpVue’s management is in North Carolina and knows the area and the Island. We have concerns that if the transfer of ownership isn’t approved for SharpVue, it will still be owned by Mr. Mitchell’s estate, who no longer wants to own it and intends to sell it. Concerns that other potential owners may be subject to political instability and changes over the years.

Lee Roberts has been communicative, open and transparent that:

- (a) SharpVue wants to own it
- (b) is willing to invest as needed to ensure its ongoing, continuous success,
- (c) will provide financial and continued operational stability for the operations.

In his direct testimony to the NCUC Mr. Roberts stated:

“Sharp Vue has reached agreement with the operations current management to continue in their current roles and duties...”.

“Further, Sharp Vue has committed to hire almost all of the current employees. In the process of negotiating the transaction and conducting our due diligence, we have been impressed with the knowledge and expertise this team brings with it and are confident that the transition will be seamless and operations will continue without noticeable impact as a result of the transaction”.

And finally, from Mr. Roberts stated:

“...we see BHIT as an unusual situation in which an extremely well-run company needs to be sold for external reasons (i.e., the death of Mr. Mitchell), and it is our intent to continue that track record of success. We intend to spend the first year after the purchase communicating with stakeholders and evaluating the current

operations in more detail and, of course, look for opportunities to improve service and make any needed investments over time”.

I believe that the transfer of the BHI transportation assets to SharpVue is very much in the public interest and hope the Commission sees fit to approve the transfer.

Thank you for your time and attention to this matter.

John L Fisher

Claude E. Pope, Jr.
21 Laughing Gull Trail
Bald Head Island, NC 28461

Public Comments to the NC Utility Commission regarding the transfer of the Certificate of Public Convenience and Necessity from Bald Head Island Limited to SharpVue Capital.

November 1, 2022

Members of the Commission,

My name is Claude Pope and I reside at 21 Laughing Gull Trail on Bald Head Island. I'm the owner and operator of the Maritime Market - the island's only full-service grocery store. We acquired the Maritime Market from Bald Head Island Limited in 2011, and we're now in our 12th year of operations under our ownership ~~which now includes other enterprises such as Bald Head Blues, Coastal Urge, Sweet Bay Café & Catering, Copper's Wood-Fired Kitchen, and Side Wok Asian Kitchen.~~

I'm also a member of the Bald Head Island Transportation Authority,

and presently serve on the Board of Directors of the Bald Head Island Club.

The Market and its collective enterprises are a major customer and user of the Transportation System, spending about \$350,000 per year for employee ferry tickets, employee and cart parking, along with barge and logistics services. The efficient operation of the island's transportation system is critical to the success of our organization - from the movement of inventory, equipment and vendor service personnel and most importantly – the critical staff and employees who ride the ferry every day to travel to and from work. ~~My role as the owner/operator of the Market, along with my additional roles as both a member of the BHI Transportation Authority and a board member of the BHI Club give me a unique perspective to the discussion of the sale of these critical transportation assets to SharpVue Capital.~~

In my humble opinion, and as an operator - the ultimate buyer of the island's Transportation assets should be an organization that can demonstrate their "chops" as operating company – running this critical infrastructure in a safe, efficient, dependable and most importantly – a customer-focused organization. I have no qualms or doubts as to the ability of SharpVue to operate in a safe manner, as there are many regulations in place at the state and federal level that mandate a safe operation. However, I have seen no evidence – yet - that SharpVue is a capable OPERATOR – and one that will be customer-focused. Indeed, SharpVue Capital is not an "operator" at all – they are quite simply an investment organization – one which gathers a pool of potential investors to acquire assets with the promise of a stable and fair rate of return on their investment. They may well grow to become an operator in the future, but at present, I see no visible operating talent with a relevant history of experience that can be deployed into a newly acquired transportation entity.

I've seen some comments made by SharpVue such as "we're going to try and hold the ticket price increase to the CPI, etc. That's all well and good, but if I were approached by SharpVue to become one of their investors, I would be asking these kinds of questions before I wrote a check –

A) What's your exit strategy? As an investor, when will I get my money out, and in the mean time, what rate of return are you promising me and how will you make that happen? – I'd really like to hear this pitch – because I want to hear how much of the pitch is focused on the customer.

B) From an operating standpoint, Why haven't the boats been running on time, and what's the cost/benefit of fixing that? Further, what is the impact of these persistent delays on the island's employees and contractors on their commuting time – much less on the homeowners or visitors?

- C) What's the actual operating age of all of the assets and what will it cost to repair/replace and on what frequency? As an investor, should I be counting on another "capital call"?
- D) What human resource talent are we inheriting or acquiring, and what is their track record on safety, efficiency and dependability? More importantly, what's their track record on Customer Service metrics? Are they bonused on these metrics?
- E) Have you done your due diligence and talked with your largest customers to see what's on their mind ? What are their challenges – and how you can work more closely together to ensure their happiness and satisfaction? Have you spoken with the Club, the Market or the Village about their organization's experiences or challenges with the system? They are – after all – your largest customers. Do you have an active customer-feedback loop such as a survey, comment box or other method of hearing from your customers, and if so, what are they saying?

F) What's the cost of an unhappy customer, and what's the benefit of a happy one? How does that impact the entire economics of the island?

The importance of the issues of dependability, efficiency and customer-friendliness cannot be overstated. In short, the Transportation System – its people, its assets, facilities, and operations – are the very first thing a new visitor experiences when they come to the island, and the last thing they experience before they leave the island. Those experiences will color all their remaining island experiences for better or worse – and will leave a lasting impression on the visitor – at the benefit or expense of every other entity on the island – including the Village, the Club, the Conservancy, the Market, every restaurant, retail shop or homeowner.

As the primary regulating body, I'm assuming that it's your job to vet potential buyers - looking for things like a track record, experience in

the relevant industry, etc. So, how would this body respond if SharpVue was asking you to approve the sale of Duke Energy to SharpVue? I assume that you'd be asking questions such as what's their experience delivering electricity? Running power plants, keeping the nuke plants safe, and keeping the lights on? As a regulated monopoly, what's their customer-service philosophy? If money were no object, would they be qualified to assume the certificate of public convenience and necessity to operate an electric utility? I would expect you to ask similar questions of their experiences in operating a public transportation entity.

The Transportation experience of every ferry rider has a profound effect on how our island is viewed, and it's critical that the system be owned and operated by an entity that fully embraces a customer-centric philosophy. I have no personal relationship with the SharpVue folks, and I'm sure they're all smart people – and hopefully they could become smart Operators as well. ~~At present, the only thing that~~

~~SharpVue knows about the Maritime Market is what the seller has told them.~~ If SharpVue can successfully demonstrate these operating philosophies, then I'm happy to work with them. After all, we'll be joined at the hip – at least for a while, until they too make a move to execute their own exit strategy.

Two other entities also have an interest in acquiring the transportation assets – the BHI Transportation Authority and the Village of Bald Head Island. While neither are “perfect” either one of these entities would be free to vigorously pursue a customer-centric philosophy and would have no investor pressures to “exit” their investment. Further – I'm confident that either of these two entities would – by the nature of their structure and governance – have a more profound stake in the outcome of a well-run customer-focused organization. This does not disqualify SharpVue as a buyer, but my concerns remain, and I would welcome further discussions between our organizations on how they

can best embrace an operating environment that recognizes the critical visibility and their role in the future of our little island paradise.