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PLACE: Dobbs Building, Raleigh, North Carolina
DATE: Tuesday, March 7, 2023
TIME: 2:01 p.m. - 4:59 p.m.
DOCKET NO.: A-41, Sub 22
BEFORE: Commissioner Kimberly W. Duffley, Presiding
Chair Charlotte A. Mitchell
Commissioner ToNola D. Brown-Bland
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: 2

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E X H I B I T S

IDENTIFIED/ADMITTED

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3 Village Paul Direct Cross Exhibit 1... 56/123

4 Village Paul Direct Cross Exhibit 2... 61/123

5 Confidential Village Paul Direct 63/123
 Cross Exhibit Number 3

6 Confidential Village Paul Direct 73/123
 7 Cross Exhibit Number 4

8 BHIT Amended Application to Transfer . -/119
 9 Common Carrier Certificate and
 Exhibit E and F (Confidential filed
 under seal)

10 Village Mayfield Direct Cross 138/176
 11 Exhibit 1

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P R O C E E D I N G S

COMMISSIONER DUFFLEY: Good afternoon.
Let's come to order and go on the record.

I am Commissioner Kimberly W. Duffley,
and with me this afternoon will be Chair
Charlotte A. Mitchell and Commissioners
ToNola D. Brown-Bland; Daniel G. Clodfelter;
Floyd B. McKissick, Jr.; Jeffrey A. Hughes; and
Karen M. Kemerait.

I now call for hearing Docket Number
A-41, Sub 22, in the matter of Joint Amended
Application of Bald Head Island Transportation,
Incorporated; Bald Head Island Limited, LLC; 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.

On July 14, 2022, Bald Head Island
Transportation, Incorporated, or BHIT; and Bald
Head Island Ferry Transportation, LLC, BHIFT; and
collectively BHIT, the applicants, a wholly owned
subsidiary of Pelican Legacy Holdings, LLC,
Pelican, managed by SharpVue Capital, LLC,
collectively with Pelican, SharpVue filed an

1 application pursuant to North Carolina General
2 Statute §62-111 for approval:

3 1. To transfer BHIT's common carrier
4 certificate to Bald Head Island Ferry
5 Transportation in order to operate the passenger
6 ferry transportation services to and from Bald Head
7 Island and the tram services on the island; and

8 2. For Bald Head Island Ferry
9 Transportation, or SharpVue, to pledge assets and
10 borrow or issue debt, pursuant to North Carolina
11 General Statute, Sections §62-160 and §62-161, as
12 may be necessary to finance the transaction.

13 Applicants also filed several exhibits
14 and the direct testimony of witnesses Charles, or
15 Chad, Paul, III; Shirley Mayfield; and Lee Roberts.

16 On August 24th, 2022, the Commission
17 issued an Order scheduling a hearing, establishing
18 procedural deadlines, and requiring public notice
19 for the scheduling Order.

20 In the scheduling Order, the Commission
21 provided discovery guidelines and set the matter
22 for public witness hearing on Tuesday,
23 November 1st, 2022, at the Brunswick County
24 Courthouse in Bolivia, North Carolina, and for

1 expert witness hearing to begin on Tuesday,
2 January 17, 2023, in the Commission hearing room in
3 Raleigh, North Carolina.

4 The Commission granted petitions to
5 intervene filed by Bald Head Island Association,
6 the Bald Head Island Club, and the Village of Bald
7 Head Island, which will also be referred to as BBHI
8 or the Village.

9 The participation of Public Staff is
10 recognized by statute. On November 23, 2022, the
11 Public Staff filed a motion to extend the time for
12 Public Staff and the other intervenors to file
13 direct testimony and the time for applicants to
14 file their rebuttal testimony.

15 On November 28, 2022, the Commission
16 issued an Order granting the motion.

17 On December 14, 2022, the Public Staff
18 filed the direct joint testimony and exhibits of
19 witnesses Sonja Johnson, Krishna Rajeev, and
20 John Hinton. The Bald Head Island Association
21 filed the direct testimony and exhibits of witness
22 Robert Drumheller, and the Village filed the direct
23 testimony of witness Scott Gardner.

24 On December 21, 2022, the Commission

1 issued an Order holding proceeding in advance,
2 which, among other things, stated that the expert
3 witness hearing was continued and would be
4 rescheduled by further order of the Commission.

5 On January 20, 2023, the Commission
6 issued an Order rescheduling hearing and
7 establishing additional procedures which, among
8 other things, set the expert witness hearing to
9 begin today.

10 On January 24, 2023, BHIT, BHIFT, and
11 Bald Head Limited, LLC, together with BHIT and
12 BHIFT, the amended applicants, filed the amended
13 application pursuant to the North Carolina General
14 Statute §62-111, the amended application.

15 In addition to seeking approval to
16 transfer Bald Head Island Transportation's common
17 carrier certificate to Bald Head Island Ferry
18 Transportation for operation of the passenger ferry
19 transportation services to and from Bald Head
20 Island and the tram services on the island, as
21 noted in the initial application, the amended
22 application seeks approval to transfer the parking
23 facilities and barge operations to the extent the
24 Commission has jurisdiction and authority to

1 regulate them as may be determined on appeal.

2 Amended applicants also filed the
3 amended testimony and exhibits of witnesses Chad
4 Paul, Shirley Mayfield, and Lee Roberts containing
5 confidential information.

6 On February 3, 2023, the Village filed a
7 motion to hold proceeding in advance and request
8 for expedited ruling on the motion.

9 On February 6, 2023, the Commission
10 issued an Order requiring responses to the motion
11 to hold proceeding in advance, and on February 8,
12 2023, BHIT and BHIL, SharpVue, and the Public Staff
13 each filed a response or a supplemental response to
14 the motion to hold proceeding in advance.

15 On February 9, 2023, the Village filed a
16 reply regarding the motion to hold proceeding in
17 advance.

18 And on February 13, 2023, the Commission
19 issued an order denying the motion to hold
20 proceeding in advance.

21 On February 20, 2023, the Public Staff
22 filed amended and supplemental joint testimony of
23 Sonja Johnson, Krishna Rajeev, and John Hinton
24 containing confidential information. On the same

1 day, the Village filed direct testimony of Jay Lee
2 Lloyd, Dr. Julius Wright, and Kevin O'Donnell, all
3 containing confidential information, and the
4 supplemental direct testimony of Scott Gardner.

5 On February 23, 2023, the Village filed
6 a notice of use of affidavit. On February 27th and
7 28th, 2023, amended applicants filed joint rebuttal
8 testimony and exhibits of Chad Paul and Lee Roberts
9 containing confidential information and rebuttal
10 testimony of Bion Stewart and rebuttal testimony
11 and exhibit of John Taylor.

12 On March 1, 2023, the Public Staff filed
13 for substitution of witness and adoption of
14 testimony, which was granted on March 3, 2023.

15 The Presiding Commissioner wishes to
16 make clear on the record and modify the March 3,
17 2023, Order to grant Michelle Boswell to be
18 substituted as a joint sponsor of the direct joint
19 testimony and exhibit and the amended and
20 supplemental joint testimony and exhibit previously
21 filed on behalf of joint witness Sonja Johnson.

22 On March 1, 2023, Bald Head Island filed
23 a motion to withdraw -- it's Bald Head Association
24 filed a motion withdraw testimony and exhibits of

1 Robert Drumheller, which was granted.

2 On March 2, 2023, the Village filed a
3 motion to substitute witness and adopt testimony,
4 which was granted.

5 On March 6, 2023 the Village filed
6 notice of amendment to testimony, which I think
7 that brings us to today.

8 In compliance with the State Ethics Act,
9 I remind all members of the panel of our duty to
10 avoid conflicts of interest and inquire at this
11 time as to whether any member has a known conflict
12 of interest with respect to the matter before us
13 this afternoon.

14 (No response.)

15 COMMISSIONER DUFFLEY: Okay. Please let
16 the record reflect that no conflicts were
17 identified.

18 I will now call for appearance of
19 counsel beginning with the applicants.

20 MR. STYERS: Thank you, Commissioners.

21 My name is Gray Styers, the law firm Fox
22 Rothschild, and I represent the applicants Bald
23 Head Island Limited, LLC, and Bald Head Island
24 Transportation, Inc.

1 MS. HEDRICK: Good afternoon. Elizabeth
2 Hedrick, also with Fox Rothschild, representing
3 Bald Head Island Limited and Bald Head Island
4 Transportation.

5 MR. FERRELL: David Ferrell with the law
6 firm of Nexsen Pruet, here representing Bald Head
7 Island Ferry Transportation, LLC; SharpVue Capital,
8 LLC; and their affiliate entities.

9 MR. HIGGINS: Good afternoon.
10 Dan Higgins appearing on behalf of the Bald Head
11 Island Club.

12 MR. TRATHEN: Good afternoon.
13 Marcus Trathen of the law firm of Brooks and Pierce
14 appearing on behalf of the Village of Bald Head
15 Island.

16 With me are my colleagues Craig Schauer
17 and Amanda Hawkins, and our co-counsel Jo Anne
18 Sanford is in the audience as well.

19 MR. CREECH: Good afternoon, Presiding
20 Chair Duffley and Commissioners. William Creech
21 with the Public Staff of behalf of the using and
22 consuming public, joined here by Gina Holt, my
23 colleague in the legal division. Thank you.

24 COMMISSIONER DUFFLEY: Well, good

1 afternoon to all of you.

2 So before we begin, I will make this
3 request of counsel. Chair Mitchell has been called
4 to the General Assembly today and will be arriving
5 late for the hearing, and Commissioner McKissick
6 will need to leave a bit early tomorrow.

7 Is there any objection to their reading
8 into the transcript and reviewing the video
9 conference recording for the portions missed?

10 If you have such objection, please let
11 me know now and I will hear you.

12 (No response.)

13 COMMISSIONER DUFFLEY: Okay. Please let
14 the record reflect there were no objections.

15 Do the parties have any preliminary
16 matters that we need to address?

17 MR. STYERS: Not that I'm aware of at
18 this time.

19 COMMISSIONER DUFFLEY: Okay. On the
20 record, could you just briefly state how we are
21 going to be dealing with the confidential
22 information today.

23 MR. STYERS: I'll do my best.

24 So a number of -- a good bit of

1 information has been labeled confidential. The
2 backward-looking historical financial data of Bald
3 Head Island Transportation and Bald Head Island
4 Limited will no longer be considered confidential.
5 And so it may -- there may be questions asked of it
6 and answers provided that will not need to be
7 protected by confidentiality in that regard.

8 The asset purchase agreement and
9 information of SharpVue Capital and its affiliates,
10 the witness investors' investment information,
11 financing -- and I don't want to speak for
12 Mr. Ferrell -- that will remain as labeled
13 confidential, attorneys' eyes only at this time.

14 We have confidentiality agreements
15 signed by our consultant, John Taylor, but there
16 are some folks in the room that we have not -- we
17 have not yet signed or are not able to sign the
18 confidentiality, attorney eyes only. And if there
19 are questions asked or answers that need to be
20 given, that would require the disclosure of that
21 information, and we would ask that the hearing room
22 be cleared of anyone who has not signed or cannot
23 sign those confidentiality agreements.

24 And I'd ask my co-counsel or opposing

1 counsel to correct or augment anything that I've
2 said which is inaccurate or incomplete.

3 COMMISSIONER DUFFLEY: And hearing
4 nothing further.

5 So there is a lot of information
6 identified in this case as confidential.
7 Therefore, we, the Commissioners, are going to be
8 dependent on you, the parties, to identify when or
9 if any witness or counsel or commissioner is
10 heading into confidential information so that we
11 may stop the hearing and move into confidential
12 session.

13 It would also be the Commission's
14 preference, when we have a witness coming onto the
15 stand, let's identify all -- get out all of the
16 nonconfidential information and then try to go into
17 confidential session at the end of the questioning.

18 So --

19 MR. TRATHEN: Madam Chair, if I can --

20 COMMISSIONER DUFFLEY: Yes.

21 MR. TRATHEN: -- speak to that just
22 briefly.

23 COMMISSIONER DUFFLEY: Sure.

24 MR. TRATHEN: And the Village, of

1 course, will respect that.

2 The most material issue is material
3 which has been designated as such by SharpVue. We
4 do -- setting aside the procedures, we do have
5 ongoing concerns about the impact of the
6 confidential designations.

7 By our account, 72 percent of the
8 documents we received from SharpVue had been
9 designated as AEO confidential, meaning that we are
10 not permitted to discuss those documents with our
11 client, nor are we permitted to share those with
12 anyone other than our consultants who have signed
13 the confidentiality agreements.

14 This has significantly impeded our
15 ability to communicate with our client, obviously,
16 and I also believe that it's impacted the public's
17 ability to be informed about this proceeding, and I
18 have concerns that it's going to impact the
19 public's ability to monitor this proceeding.

20 That said, I don't know what to do about
21 it.

22 Observing that it's an issue, the
23 confidentiality agreements do afford the parties
24 the opportunity and the ability to challenge

1 designations, and that's something that we are
2 considering, and it may be that we would make a
3 filing at some point, perhaps after the hearing,
4 with regards to that.

5 But it's sort of a novel situation for
6 me with respect to the extent of these
7 designations, and I did want to recognize the
8 challenges that that has imposed on us but also
9 with respect to the public.

10 COMMISSIONER DUFFLEY: Thank you for
11 that, Mr. Trathen.

12 So it's my understanding -- are there
13 any other matters before we move on?

14 It's my understanding that several
15 parties wish to make a brief opening statement.
16 I'll limit those to five minutes apiece.

17 You may begin.

18 MR. STYERS: Thank you, Commissioners.

19 On behalf of the applicant, I'd just
20 like to frame the evidence that we will be
21 presenting in our case in this docket hearing.

22 The issue before the Commission, as you
23 all know, is whether the transfer of the
24 certificate of common carrier authority to SharpVue

1 is justified by the public convenience and
2 necessity.

3 Although the Commission's articulated it
4 in different ways, the standard of whether or not
5 to approve a transfer typically involves a weighing
6 of benefits, costs, and risks.

7 In this case -- and there are many, many
8 factors in this case that make it unique. And I
9 didn't want respond to Mr. Trathen's comments, but
10 it is so unique in many different ways when you
11 have a significant asset with multiple competing
12 bidders that would like to purchase it.

13 But the overriding benefit in this case
14 is the transferring of ownership from, on one hand,
15 a dead man's estate that is liquidating and, in
16 fact, has already liquidated all of the operational
17 assets other than these transportation assets in
18 Brunswick County, North Carolina; an estate that
19 cannot and will not make major capital investments
20 in these operations and it does not want to own and
21 operate these assets any longer; and then transfer
22 to a North Carolina-based company that is engaged
23 and interested in wanting to own and operate these
24 utility assets, that is investing capital to

1 purchase them, that is purchasing the estate's
2 other assets on the island and on the mainland and
3 will have an interest in the area, that is
4 retaining current management and employees to
5 ensure a smooth transition and is committed to
6 owning and operating the utility in a way that
7 ensures its continued success.

8 To ensure that the customers -- and
9 those are the benefits, and we'll hear more about
10 those during the hearing.

11 But to ensure that the customers are
12 protected as much as possible from the potential
13 cost and risks of the transaction, SharpVue Capital
14 and its affiliates are willing to accept regulatory
15 conditions on the transfer, which include not
16 filing a rate case to increase rates until it
17 assesses the improvements that may be necessary for
18 the operations at least one full year after the
19 closing of the transaction. That's something the
20 current owner has not promised and has no reason to
21 promise.

22 A purchaser that would agree not to
23 raise parking or barge rates by more than the rate
24 of inflation for at least four years, regardless of

1 the outcome of the Sub 21 appeal, until the next
2 rate case.

3 Preserving the availability of existing
4 parking as current amounts. Limiting cash
5 distributions. Maintaining minimum levels of
6 capital -- common equity capital, and providing a
7 10-year plan of capital expenditures among -- those
8 are just a few among 28 regulatory conditions that
9 we have voluntarily agreed to and that were
10 attached to the rebuttal testimony.

11 None of those conditions -- if you look
12 at the choice between leaving these assets in the
13 hands of the estate versus transferring them to
14 SharpVue, none of those conditions would be binding
15 on the status quo ownership by the estate.

16 And the Commission should consider, we
17 believe, the risks that -- consider the risks
18 minimized by these conditions against the risk of
19 leaving the ownership in the Mitchell estate.

20 What happens when a vessel needs to be
21 replaced? What happens if a hurricane causes
22 significant uninsured damages to the assets
23 necessary for the operation? What happens if the
24 uncertainty of future ownership makes it impossible

1 to hire or retain qualified employees? The
2 uncertainty and those risks of not approving the
3 acquisition should also be considered.

4 But, ultimately, the key issue -- and
5 probably what you'll hear most of during the next
6 few days -- is the extent that SharpVue would be
7 allowed to earn a rate of return on its full
8 investment in its system.

9 First, let me clarify the rates base for
10 the ferry and tram assets, which have been operated
11 subject to this Commission's jurisdiction and
12 authority since 1995. They will be the same as
13 they have been on the books of BHIL. I mean,
14 that's not an issue on this rate base for the ferry
15 and tram.

16 Now, you will hear testimony from
17 witnesses provided by the -- sponsored by the
18 Village that setting the rate base at fair market
19 value, the purchase price of the parking and barge
20 assets, would constitute an acquisition premium,
21 which should be disallowed.

22 In contrast, you will also hear our
23 witnesses that will explain that because prior to
24 December 30, 2022, those assets were never part of

1 the rate base of a regulated utility, and thus
2 there have never been regulated rates for those
3 services that allowed for the recovery of
4 depreciation, property taxes, or a rate of return,
5 in the words of numerous Commission decisions, they
6 have never, quote, been dedicated to public service
7 as utility property, and they do not meet the
8 definition or the intent of the acquisition premium
9 that the Village would propose you should disallow.

10 In this very unique and, I would say,
11 perhaps unprecedented situation, but consistent
12 with longstanding principles of the Commission's
13 decisions of the past and basic economics, the rate
14 base should be the fair market value at the time
15 that the assets became part of the regulated
16 utility.

17 Of course, as a practical matter, no
18 purchaser is going to ever buy these assets if it
19 cannot earn a return on its investments.

20 Also as a practical matter, and perhaps
21 most tellingly, allowing the rate base for parking
22 and barge to be their allocated fair market value
23 will not materially change the current rates being
24 paid by customers that the Commission approved in

1 its December 30th Order.

2 As the evidence will show, a transfer of
3 the certificate to SharpVue is far more beneficial
4 to customers than the status quo of its ownership
5 in the hands of the estate. Risks and costs are
6 minimized by the regulatory conditions and the
7 authority that this Commission has, and the
8 methodology for setting rate base should allow
9 SharpVue to earn a reasonable return on the fair
10 market value of the newly regulated parking and
11 barge.

12 We thank you in advance for your
13 consideration of these issues.

14 COMMISSIONER DUFFLEY: Okay. Thank you.

15 Mr. Trathen?

16 MR. TRATHEN: Yes. Good afternoon.

17 This is not the usual certificate
18 transfer proceeding. For one, the purchaser is a
19 private equity firm, and it's -- they're not in the
20 utility business. They're in the moneymaking
21 business. And they see an opportunity here to make
22 piles of it on the backs of the captive public.

23 SharpVue is not like other private
24 equity buyers that you may be familiar with; that

1 is, firms with large, dedicated infrastructure.
2 Firms with a clear intent and track record of
3 holding utilities and operating utilities in the
4 long term. None of that exists here.

5 The only thing SharpVue is offering is a
6 new owner, one which is built around an incentive
7 structure that will reward maximizing return on
8 investments, not on providing public service. They
9 have no experience in operating regulated
10 utilities. They have no specific plans or
11 commitment to upgrade services should they acquire
12 the system.

13 The Village doesn't begrudge people
14 making money. Their concern is with a transaction
15 which on its face promises to be disruptive to the
16 utility operation.

17 The Village understands the Mitchells
18 want out, and that's fine. The Village stands
19 ready to help with that just like they helped with
20 the water and sewer transition a couple of decades
21 ago.

22 But it's not appropriate for Limited to
23 try and strong-arm a result that does not advance
24 the long-term best interest of this essential

1 lifeline monopoly service.

2 SharpVue's own testimony highlights the
3 peculiar situation that we're in. They say
4 they'll -- and this is in their testimony. They'll
5 suffer a forced loss of major proportions. The
6 financial liability transfer will be destroyed if
7 they can't put a premium -- the acquisition premium
8 into rates. In other words, their plan is
9 dependent upon raising rates or selling piece parts
10 to the highest bidder. I don't know how else to
11 read that.

12 They've built a house of cards. Their
13 business plan is reliant on extracting revenues
14 beyond what's permissible under standard ratemaking
15 principles as recognized by the Public Staff in
16 this testimony.

17 The Village fears that approving this
18 transaction will put us on the road to a situation
19 that SharpVue itself admits is not viable or which
20 will lead to the dismantlement of the consolidated
21 operations.

22 You'll hear from the Village's witness
23 Mr. Lloyd, who operates an investment banking firm
24 in Greensboro and who works on the inside of

1 private equity transactions. He will testify it's
2 highly unlikely that SharpVue can hold these assets
3 on a long-term basis, and he'll testify about the
4 strong economic incentives built into the deal for
5 SharpVue to take the short-term approach.

6 You'll hear from Julie Perry, who
7 discusses the Commission's historic treatment of
8 the acquisition premium in mergers and acquisitions
9 and her calculation of rate base for the
10 consolidated operations.

11 You'll hear from the Village's witness
12 Dr. Wright, who will speak from the point of view
13 of a regulatory expert to the traditional
14 three-part standard applied in this case. He'll
15 explain how this test has not been met and,
16 specifically, that there's no showing of the public
17 benefit.

18 Finally, you'll hear from counsel member
19 Scott Gardner. He'll testify from the perspective
20 of the public.

21 It's significant that there's no
22 evidence of widespread public buy-in to this
23 transaction. The lone voice supporting the deal,
24 Mr. Drumheller, has withdrawn his testimony.

1 Numerous citizens have stated their concerns,
2 including a survey of 1,500 property owners where
3 78 percent of the respondents either opposed or
4 didn't have enough information to support it.

5 Now, the Village was hopeful that the
6 Commission's order in the Sub 21 Docket would lead
7 to clarity for all the parties, perhaps provide a
8 baseline for a mutually acceptable outcome.

9 But Limited and SharpVue has chosen the
10 path of denial and litigation and has refused to
11 accept the Commission's Order, just like Limited
12 refused to accept the concerns expressed by the
13 Local Government Commission as regards to the prior
14 version of this transaction.

15 It may sound counterintuitive, but the
16 quickest path to a long-term solution that works
17 for all parties and promotes the public interest is
18 to deny this transaction. We're deeply
19 appreciative of the Commission's and the Staff's
20 time and efforts in this and the prior related
21 proceeding. Thank you.

22 COMMISSIONER DUFFLEY: Thank you.

23 Any other opening statements?

24 (No response.)

1 COMMISSIONER DUFFLEY: Hearing none.

2 The case is with you.

3 MR. STYERS: Thank you. We would call
4 our first witness, Mr. Charles Paul, III.

5 Whereupon,

6 CHARLES PAUL, III,

7 having first been duly sworn, was examined

8 and testified as follows:

9 DIRECT EXAMINATION BY MR. STYERS:

10 Q. Mr. Paul, would you please state your name,
11 address, and position of employment for the record.

12 A. Sure. Charles A. Paul, III. Chad. Business
13 address is 6 Marina Wynd on the island, and 1301 Ferry
14 Road, Southport, the Southport assets. My personal
15 residence is in Wilmington, North Carolina.

16 Q. Have you caused to be prefiled in this docket
17 direct testimony consisting of 14 pages in
18 question-and-answer format?

19 A. Yes.

20 Q. Was that testimony prepared by you or under
21 your direction?

22 A. Yes.

23 Q. Okay. If you were asked those same questions
24 today, now that you are under oath, would you provide

1 the same answers as in that prefiled testimony?

2 A. Yes.

3 Q. Okay. Do you have any corrections or
4 additions to your direct testimony?

5 A. Not at this time.

6 Q. Okay.

7 MR. STYERS: At this time, I would ask
8 that the direct testimony prefiled be moved into
9 evidence.

10 COMMISSIONER DUFFLEY: The direct
11 prefiled testimony of Charles Paul would be
12 received into evidence as if given orally from the
13 stand.

14 (Whereupon, the prefiled direct
15 testimony of Charles A. Paul, III was
16 copied into the record as if given
17 orally from the stand.)

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

2 A. My name is Charles A. "Chad" Paul, III. I am the President of Bald Head Island
3 Transportation, Inc. ("BHIT"). I also serve as Chief Executive Officer and a
4 Manager of Bald Head Island Limited LLC ("BHIL"), BHIT's parent company.
5 My business address is 6 Marina Wynd, Bald Head Island, North Carolina 28461-
6 5073.

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

8 A. I have a B.A. degree in economics from Holy Cross and a Master's degree from the
9 Harvard University Graduate School of Business Administration. Before joining
10 BHIL and BHIT, I worked for JP Morgan Chase, Salomon Brothers, and Arnolt
11 Partners. I am also a managing partner of Harbor Island Partners, LLC, a private
12 equity investment firm where I oversee a diverse mix of industry and product
13 services company holdings.

14 **Q. Can you describe what BHIL and BHIT do?**

15 A. BHIL was formed by George P. Mitchell to purchase Bald Head Island out of
16 receivership in 1983. Bald Head is the southernmost barrier island in North
17 Carolina. It sits at the mouth of the Cape Fear River and the Atlantic Ocean just
18 off the coast of Southport, North Carolina. It has 12,000 acres of beach, marsh, and
19 maritime forest.

20 Mr. Mitchell created BHIL in part to ensure that Bald Head was developed in a
21 responsible and sustainable manner to preserve the island's natural environment.
22 In furtherance of this mission, BHIL set aside 10,000 acres as a permanent nature
23 reserve which will remain undeveloped. To this day, Bald Head remains accessible

1 only by boat, and once on island, transportation is largely restricted to trams, golf
2 carts, bicycles, and pedestrian traffic. Gasoline-engine vehicles are allowed for the
3 tram, construction activities, deliveries of equipment and suppliers, and other
4 commercial services on the island (e.g. garbage pick-up, etc.). These vehicles
5 arrive on island via the barge owned by BHIL.

6 To ensure that residents, employees, and the public have reliable and safe access to
7 the island, BHIL formed BHIT to operate the passenger ferry and on-island tram
8 system in 1993 and obtained final authority for its operations from this Commission
9 in 1995. BHIT owns four passenger ferries that transport passengers between
10 Southport and Bald Head. BHIT also owns 23 tram units which transport ferry
11 passengers on the island. BHIL also owns the ferry terminals in Southport and on
12 the island and leases them to BHIT, at a rental rate approved in the 2010 Rate Case
13 order. The ownership structure of these entities is reflected, below, in Figure 1:

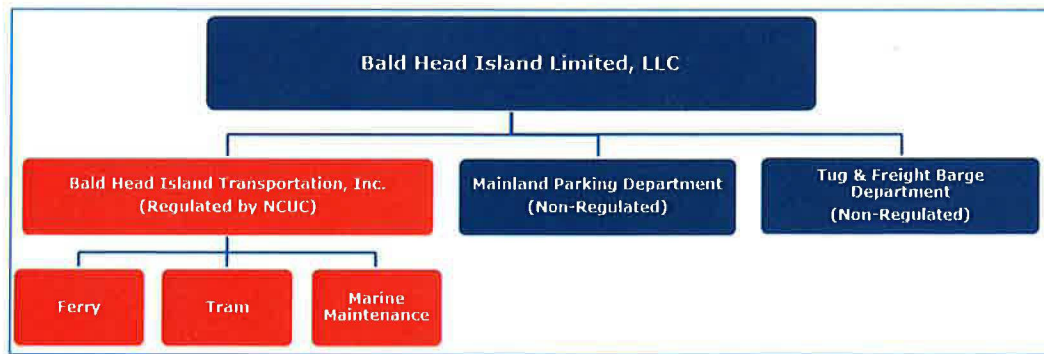


Figure 1

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16
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18 **Q. What caused you to file testimony in this proceeding?**

1 A. George Mitchell died in 2013. Since that time, BHIL and BHIT have continued to
2 operate under the umbrella of his Estate, but that Estate is moving toward settlement
3 and closure. The Mitchell family is not in a position to continue operations of BHIL
4 and BHIT in perpetuity, and the decision was made to divest the remaining assets.
5 To that end, BHIL and BHIT entered into an Asset Purchase Agreement (“APA”)
6 to sell most of their remaining operations and some real estate assets on or
7 associated with Bald Head Island to an affiliate of SharpVue Capital, LLC
8 (“SharpVue”), a North Carolina limited liability company, and its affiliates on May
9 17, 2022 (the “SharpVue Transaction”).

10 Among other things, SharpVue seeks to acquire the Certificate of Common Carrier
11 Authority issued by this Commission in 1995 pursuant to which BHIT has been
12 operating the passenger ferries and trams under the Commission’s jurisdiction. I
13 am now amending my testimony to include information about the parking facilities
14 and barge/tugboat assets pursuant to the Commission’s Order in Docket No. A-41,
15 Sub 21. Although that order may be appealed, SharpVue has requested that we
16 proceed with this amended application requesting transfer of the certificate,
17 recognizing that the ultimate scope of regulatory jurisdiction will apply to these
18 assets regardless of who owns them.

19 Our lawyers have advised us that this transfer of all four operations – ferry, tram,
20 parking, and barge -- requires the Commission’s approval. My amended testimony
21 supports the Joint Application of BHIT, BHIL, and BHI Ferry Transportation, LLC

1 (the “Application”) requesting the Commission’s approval of the SharpVue
2 Transaction.

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

4 A. First, I will introduce the other witnesses supporting the Application for approval
5 of the SharpVue Transaction. Then I will describe the operations of BHIT’s ferry,
6 tram, parking, and barge services. Finally, I will explain the need for the proposed
7 transaction and why it benefits the public.

8 **Q. Please briefly summarize the testimony of the other witnesses supporting the
9 Application.**

10 A. In addition to my testimony, BHIT and SharpVue are providing direct testimony
11 from two other witnesses:

- 12 • Ms. Shirley Mayfield, the Chief Financial Officer of BHIL, who will testify
13 about the financial implications of the operations and the transaction.
- 14 • Mr. Lee Roberts, the Managing Partner of Sharpvue, who will testify about
15 SharpVue’s financial and operational abilities and its plans for ensuring a
16 seamless transition and continuity of safe, reliable, and cost-effective services.

17 **Q. Can you describe the ferry and tram services that are operated pursuant to
18 the Common Carrier Authority granted to BHIT by the Commission?**

19 A. BHIT owns and operates four passenger ferries (the “Ferries”) that travel between
20 the Deep Point Terminal in Southport and the on-island terminal on Bald Head
21 Island. The schedules for the Ferries are approved by the Commission. The current
22 schedule was approved in Commission Docket No. A-41, Sub 18. While the ferry

1 service runs 365 days per year, BHIT rotates and utilizes the individual ferries to
2 provide safe and reliable service to our passengers as cost-effectively as practicable.

3 BHIL also has a department that provides BHIT with appropriate maintenance and
4 repairs to ensure longevity and reliability of the vessels.

5 Ferry ticket prices have only been raised once since 1995. BHIT sells ferry tickets
6 both at the Deep Point Marine Terminal and on the island. General passenger
7 tickets include luggage and tram service to and from the on-island terminal and the
8 passenger's ultimate destination on the island. To provide the on-island tram
9 service, BHIT owns 23 tram units that are comprised of a truck driven by a BHIT
10 employee and an attached passenger trailer. Passengers' belongings are transported
11 in the truck's bed. Each unit is subject to routine inspection and maintenance, and
12 each truck has a useful life of about 7 to 10 years while the passenger trailers have
13 a useful life of about 20-25 years.

14 Employee and contractor ferry tickets do not include tram service on the island.
15 The passengers utilizing those tickets either walk to their destinations (which are
16 often near the on-island terminal), are picked up at the terminal by their employer,
17 or travel by a BHIT-operated shuttle to the Contractor Services location.

18 In addition, BHIL operates the parking lots adjacent to the Deep Point Marina and
19 the barge and tugboat operations as described above.

20 **Q. Who typically uses the ferry and tram services?**

21 A. Bald Head Island is comprised of a mix of residential, commercial, and resort
22 facilities. The ferries serve residents; both overnight and day-trip visitors;

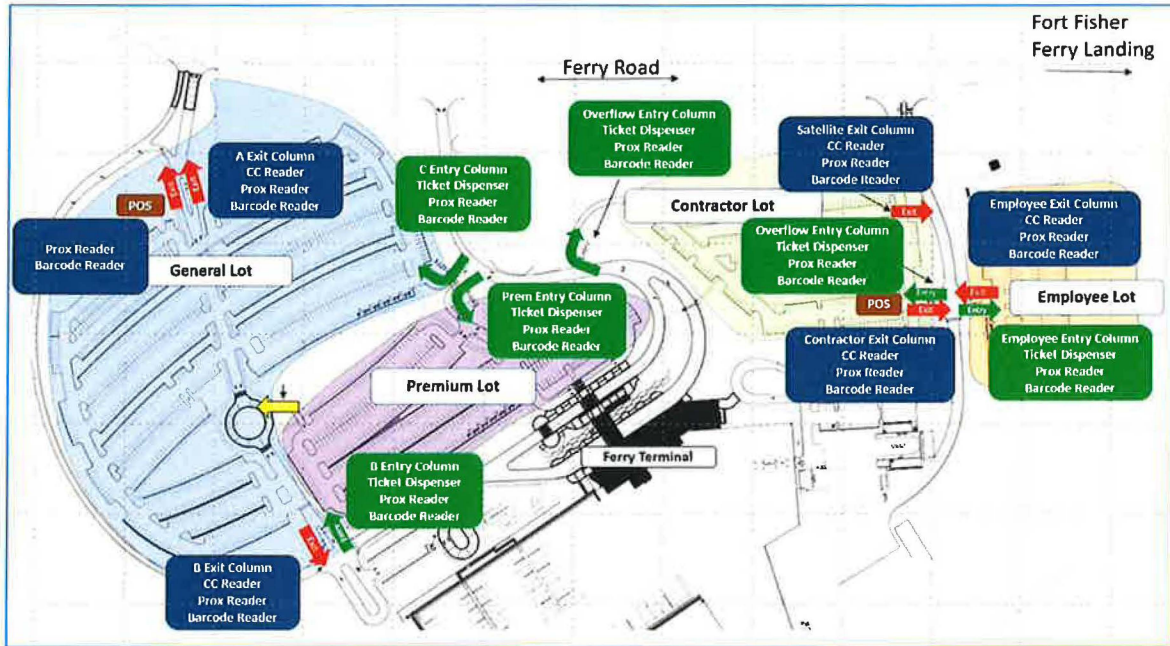
1 construction, maintenance, and custodial contractors; and employees of local
2 employers, including commercial businesses, the Bald Head Island Club, and the
3 Village of Bald Head, and BHIL itself. In 2022, BHIT transported over 380,000
4 passengers, and its ferries made over 8,000 round trips. About 40 percent of
5 passengers traveled on the general fare tickets which allows them to utilize on-
6 island tram service.

7 **Q. How many employees does BHIT employ?**

8 A. We have approximately 65 year-round staff but hire additional staff during peak,
9 summer season. For managerial purposes, staff are organized into three different
10 departments: (1) the ferry operations, (2) the island tram services, and (3) marine
11 maintenance.

12 **Q. What parking facilities does BHIL currently own and proposes to sell to**
13 **SharpVue?**

14 A. Since the 2009 opening of the Deep Point Terminal, BHIL has provided parking in
15 lots that are adjacent or near the terminal. Figure 2, below, provides a visual
16 snapshot of currently available parking near Deep Point and identifies its four key
17 levels: Premium, General, Contractor and Employee.



1
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Figure 2

3 There are currently 1,955 paved/striped parking spots and additional gravel spots
4 that bring that total to 2,302. The breakdown of those spots among the various
5 parking levels is shown in Figure 3.

DEEP POINT PARKING FACILITY (Parking Lot Space Allocation)	
Parking Lot	# Spaces
Premium Parking Lot	396
General Parking Lot Spaces	1,021
General Parking Lot Gravel Spaces	167
General/Contractor Parking Lot Gravel Spaces (June 2022)	180
Contractor Parking Lot (a)	366
Employee Parking Lot	172
Total	2,302

(a) Lot also used by employees in winter and as overflow lot during summer.

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Figure 3

1 **Q: What assets are used for the tugboat and freight barge operations of BHIL**
2 **that are proposed to be sold to SharpVue?**

3 **A:** They consist of the *Brandon Randall*, a 100 foot x 32 foot steel deck barge that can
4 carry up to 200 tons of cargo, in the form of vehicles and equipment, and the
5 *Captain Cooper*, a tug boat that pushes the barge, five days per week, on its four
6 nautical mile journey back and forth between the Deep Point Terminal in Southport
7 and the Bald Head Island Marina. The barge is a Roll-on/roll-off vessel that
8 transports vehicles of varying sizes, including trucks that supply food and other
9 products for stores on the island, large highway trucks, and construction vehicles.
10 Images that depict the tug and barge as they typically function (which appear on
11 www.bhibarge.com) are below in Figures 4 and 5:



12
13 **Figure 4**



Figure 5

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3 **Q. Have the parking and barge operations been operated separately from the**
4 **ferry and tram operations?**

5 A. Historically, yes. Because the Commission only recently concluded that the
6 parking and barge operations are operating pursuant BHIT's Certificate of
7 Common Carrier Authority, the financial books of BHIT, the BHIL Parking
8 Department, and the BHIL Tug & Freight Barge Department have been and are
9 kept, maintained, and audited separately. Additionally, each operation has its
10 own vertically integrated employee base to include employees, managers, and
11 senior managers. An exception to this structure is inter-company services
12 provided by BHIT's Marine Maintenance that also provide services to the barge
13 and tugboat operated by BHIL. For those services careful allocations of costs and
14 expenses among benefitted entities are honored and accounted for pursuant to
15 Commission practice and guidelines.

16 **Q. Can you describe how the SharpVue Transaction came about?**

1 A. Ever since the death of Mr. Mitchell, we have known the day was coming when
2 BHIL and BHIT would have to be wound down and have been planning for a
3 transfer of the ferry and tram operations for several years. In 2017, the North
4 Carolina General Assembly passed legislation authorizing the creation of regional
5 ferry transportation public authorities that could purchase private ferry operations.
6 (Prior to the passage of this legislation, I had met with then-Governor Pat McCrory
7 and his budget director Lee Roberts to discuss the need to transfer the BHIT
8 operations. The legislation was passed unanimously by both the House and the
9 Senate and signed into law by Governor Cooper.) After the passage of the
10 authorizing legislation, The City of Southport, Brunswick County, and the Village
11 of Bald Head Island, all passed resolutions to create the Bald Head Island
12 Transportation Authority (“Authority”), which was chartered as an agency of the
13 State in 2017.

14 BHIL and BHIT negotiated an agreement to sell the ferry system and associated
15 operations to the Authority, but the Authority was unable to get the necessary
16 approval for the financing of the purchase from the Local Government
17 Commission, due to the Village of Bald Head Island objections. At that point, we
18 had no choice but to begin actively pursuing other options to ensure that the services
19 would continue uninterrupted as BHIL and BHIT wind down, because the Mitchell
20 estate no longer has—as an estate that is winding down—an ability to own or
21 operate these assets.

1 In looking for a purchaser, it was important to us to find a buyer with the financial
2 wherewithal and managerial experience to continue these services without
3 interruption or delay, with an appreciation for and understanding of the Bald Head
4 Island and the State of North Carolina as a whole, and with a commitment to
5 maintain and continue the Mitchell's vision and mission for the island. It became
6 apparent to us that the best way to advance these goals was to find a buyer based in
7 North Carolina who would be interested in taking over all of BHIL's and BHIT's
8 operations, rather than breaking it up in pieces. We found that buyer in SharpVue.

9 **Q. What due diligence was done by BHIL and BHIT on SharpVue to determine**
10 **its competence, skill, and expertise to operate the Bald Head Island**
11 **transportation services?**

12 A. In full disclosure, I have known Mr. Roberts for many years. We both served on
13 the North Carolina State Banking Commission, and I have discussed with him his
14 service to the State as the budget director of the former Governor, and as a board
15 member of the Golden LEAF Foundation, the community college system, and the
16 university system. In addition, we undertook research of the breadth and depth of
17 SharpVue's holdings, their management team, and their long-term goals. SharpVue
18 and its related entities have significant real estate management and operations as
19 well as infrastructure projects. We also confirmed that SharpVue has the financial
20 resources to continue operations, address growth, prepare for contingencies, and
21 make capital investments as needs arise, ensuring the long-term viability of the
22 ferry and tram services.

1 **Q. Why do you believe SharpVue is a good fit as the purchaser of the**
2 **Tranportation Assets?**

3 A. SharpVue has the experience and means to assume the ownership of the regulated
4 operations. Its management team have deep North Carolina ties and a track record
5 of successful management and operations experience. We were convinced that
6 SharpVue is well suited to make a seamless transition, to continue the services that
7 BHIL and BHIT have provided without interruption or immediate change. They
8 are definitely “fit, willing, and able” to own and operate these operations.

9 **Q. Do you anticipate that the transaction will have any negative impact the**
10 **passengers?**

11 A. No. One of the most important things that convinced us that SharpVue was the
12 right partner is that they have already committed to keeping the management team
13 and employees in place. We anticipate that the day after the transaction closes, it
14 will be business as usual and our passengers will not notice any difference in
15 parking, ferry, tram, or barge services. Most importantly, SharpVue’s purchase
16 will allow these services to keep operating even as BHIT and BHIL wind down
17 their operations so that the public will continue to have safe and reliable
18 transportation to and from the island.

19 **Q. Will you have any continued involvement in these operations at Bald Head**
20 **Island following the SharpVue Transaction?**

1 A. Yes. I plan to continue working with SharpVue as CEO and manager for thirty-six
2 (36) months. I am honored to help continue the Mitchell legacy on Bald Head
3 Island, a commitment that SharpVue shares.

4 **Q. To the best of your knowledge, will SharpVue seek approval for new or**
5 **changed rates as a result of the SharpVue Transaction?**

6 A. No. SharpVue has said it will not request any rate changes because of the SharpVue
7 Transaction itself, and any rate changes that may be considered in the future will
8 be based on operational, financial, and/or regulatory factors unrelated to the
9 Transaction.

10 **Q. As a result of the SharpVue Transaction, do you anticipate there will be any**
11 **impact to the current employees of BHIT and BHIL?**

12 A. No. As I indicated earlier, SharpVue intends to hire almost all of the employees in
13 their current roles.

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

15 A. Yes, at this time.

1 Q. Mr. Paul, have you prepared a summary of your
2 prefiled direct testimony in this docket?

3 A. Yes.

4 Q. By agreement of the parties and direction of
5 the Commission, we will not ask you to read that
6 summary into the record.

7 A. Thank you.

8 MR. STYERS: But ask that the Commission
9 accept that summary of the testimony that has been
10 distributed into the record, which will be filed
11 with the clerk's office later today.

12 COMMISSIONER DUFFLEY: Okay. Without
13 objection, that motion is allowed.

14 (Whereupon, the prefiled summary of the
15 testimony of Charles A. Paul, III was
16 copied into the record as if given
17 orally from the stand.)

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Charles A. “Chad” Paul, III Testimony Summary

Docket No. A-41, Sub 22

My name is Charles A. “Chad” Paul, III. I am the President of Bald Head Island Transportation, Inc. (“BHIT”). I also serve as Chief Executive Officer and a Manager of Bald Head Island Limited LLC (“BHIL”), BHIT’s parent company.

BHIL was formed by George P. Mitchell to purchase Bald Head Island out of receivership in 1983. George Mitchell died in 2013. Since that time, BHIL and BHIT have continued to operate under the umbrella of his Estate, but that Estate is moving toward settlement and closure. The Mitchell family is not in a position to continue operations of BHIL and BHIT in perpetuity, and the decision has been made to divest the remaining assets. In fact, the estate has now sold all of Mr. Mitchell’s other operations in North Carolina; only those operations being bought by affiliates of SharpVue Capital, LLC (“SharpVue”) remain.

To that end, BHIL and BHIT entered into an Asset Purchase Agreement on May 17, 2022, to sell their remaining operations and some real estate assets on or associated with Bald Head Island to SharpVue. We decided to sell the operations to SharpVue after a long process of evaluating different options. In looking for a purchaser, it was important to find a buyer with the financial wherewithal and managerial experience to continue these services without interruption or delay, with an appreciation for and understanding of the Bald Head Island and the State of North Carolina as a whole, and with a commitment to maintain and continue the Mitchell’s vision and mission for the island. We felt that the best way to advance these goals was to find a buyer based in North Carolina who would be interested in taking over all of BHIL’s and BHIT’s operations, as well as the Mitchell’s other operational assets on the island, so that they themselves would have a vested, long-term interest in the success of the island. We found that buyer in SharpVue.

We researched the breadth and depth of SharpVue, their management team, and their long-term goals. As you will later hear from Mr. Roberts, its management team has deep North Carolina ties and a track record of successful management and operations experience. In addition, in our discussions, we confirmed that SharpVue has the financial resources to continue operations, address growth, prepare for contingencies, and make capital investments as needs arise, ensuring the long-term viability of the ferry and tram services. In contrast, the Mitchell estate will not be in a position to make long-term capital investments in these operations. Finding a buyer able and willing to continue Mr. Mitchell's legacy of stewardship of the island was extremely important to his estate.

One thing that convinced the Mitchell estate that SharpVue was the right partner is SharpVue's commitment to ensure a seamless transition, to continue the services that BHIL and BHIT have provided without interruption or immediate change. SharpVue intends to keep the current management team and employees in place. We anticipate that the day after the transaction closes, it will be business as usual and our passengers will not notice any difference in parking, ferry, tram, or barge services. SharpVue's purchase will allow these services to keep operating—even as BHIT and BHIL wind down their operations—so that the public will continue to have safe and reliable transportation to and from the island. I hope all will agree that having an engaged, interested owner is a significant benefit. And, finally, there will be no change in rates because of the acquisition. SharpVue is simply stepping into the shoes of BHIL.

My direct testimony is, in actuality, on behalf of the Mitchell estate, as the ultimate owner and seller of these assets, so that it can smoothly bring to an end its investments in Brunswick County in a way that ensures the continuity of high-quality service, that provides significant benefits to our customers, and that is therefore very much in the public interest.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony Summary of Charles A. “Chad” Paul, III has been served by electronic mail, hand delivery, or by depositing a copy of same in the United States Mail, postage prepaid, properly addressed to parties and counsel of record as shown on the Commission’s Service List in docket A-41, Sub 21, and has also been provided to Commission’s Counsel and to the appropriate members of the NC Public Staff.

This 7th day of March, 2023.

/s/ *M. Gray Styers, Jr.*

M. Gray Styers, Jr.
Counsel for
Bald Head Island Transportation, Inc.
and Bald Head Island Limited, LLC

1 MR. STYERS: The witness is available
2 for cross examination.

3 CROSS EXAMINATION BY MR. TRATHEN:

4 Q. Good afternoon, Mr. Paul. Marcus Trathen on
5 behalf of the Village at Bald Head Island.

6 A. Good to see you.

7 Q. Mr. Paul, if I could start with a bit of a
8 homework item.

9 Do you recall attending the public hearing in
10 Bolivia in this proceeding on November 1st?

11 A. Yes, I do.

12 Q. And do you recall a citizen by the name of
13 Brent Belch testifying? Brent Belch?

14 A. I don't recall that specific person, but I
15 was there and do recall the testimony of people that
16 spoke, yes.

17 Q. Okay. And do you recall -- this may jog your
18 memory. Mr. Belch had a number of concerns about the
19 transaction. One of his specific concerns was with
20 regards to the cost of dredging, whether the spoils
21 basin was at or near capacity and whether there was a
22 plan for addressing that.

23 Do you remember that?

24 A. Yes. Now I know -- I do recall that

1 gentlemen, yes.

2 Q. And do you recall, at the end of the hearing,
3 that the Presiding Commissioner asked -- asked BHIT to
4 follow up with Mr. Belch about that?

5 A. I don't recall that specifically, but we did
6 follow up in terms of we know what we can do at Deep
7 Point with the dredging. But I don't believe we did
8 any formal follow-up with you on that. But if we do
9 owe that, we will -- we will clearly provide that.

10 MR. STYERS: And we will file with the
11 Commission, if we haven't already, a more recent
12 dredging spoils allowance survey. I believe that's
13 been completed, and we will file that before the
14 end of this hearing so that it's part of the
15 record.

16 THE WITNESS: That would come back. I
17 would make the same commitment that we had with the
18 legislature and the Bald Island Transportation
19 Authority that whatever we needed to have for spoil
20 island capacity at Deep Point, we would provide.

21 And I -- don't quote me off the top of
22 my head, Mr. Trathen, but I believe it was to
23 provide 30,000 cubic yards of space in that spoil
24 island.

1 Q. Okay. So let me just refresh your
2 recollection. At the conclusion of the hearing,
3 Presiding Chair Duffley -- I'm reading from the
4 transcript, page 106 --

5 "I'd ask Bald Head Island Transportation to
6 contact Mr. Belch about the dredge spoil
7 issues.

8 "MR. STYERS: Absolutely.

9 "COMMISSIONER DUFFLEY: And update him.

10 "MR. STYERS: I'd be glad to.

11 "COMMISSIONER DUFFLEY: As soon as possible.

12 "MR. STYERS: Certainly."

13 A. We failed to do that.

14 Q. Okay. I thought I heard you say that you had
15 followed up with him, and now I'm corrected on that.

16 A. No. We failed to do that with him
17 specifically. I remember there was correspondence for
18 us to provide that to the Commission, but I -- if we
19 committed to contact that individual directly, we -- I
20 failed to do that.

21 I would suggest that any citizen or customer
22 that has reached out to me directly gets contacted
23 directly. So if we committed to do that at that
24 hearing and I committed to do that, we failed to do

1 that.

2 Q. Mr. Paul, you are a managing partner of
3 Harbor Island Partners; is that correct?

4 A. That's correct. That's been an entity that
5 I've owned and been involved with since 2000.

6 Q. And that's a private equity firm?

7 A. That is my private family-owned business,
8 correct. I'm 100 percent manager and partner in that,
9 yes.

10 Q. Okay. And that's a going concern?

11 A. Yes, it is.

12 Q. And you have background in investment
13 banking?

14 A. Yes, I do.

15 Q. And as I understand it, you were on the
16 Banking Commission, where you were appointed by
17 Governor McCrory?

18 A. Yes. I served one and a half terms, yes.

19 Q. And that's where you met Mr. Roberts?

20 A. No. That's not where I met Mr. Roberts.

21 Q. Okay. So you -- you said that in your direct
22 testimony.

23 A. I met Mr. Roberts through another
24 transaction, Piedmont Bank Holdings in VantageSouth.

1 He and I served together on the Banking Commission at
2 the same time, but I did not meet Mr. Roberts through
3 the Banking Commission. I met Mr. Roberts right around
4 2010 -- '08, in terms of our business relationship as
5 it relates to Piedmont Bank Holding Companies and
6 VantageSouth Bank.

7 Q. Okay. And is that the only prior business
8 relationship that you've had with Mr. Roberts?

9 A. Those would have been the two professional
10 relationships that I've had with Mr. Roberts, Piedmont
11 Bank Holding Companies-VantageSouth and the Banking
12 Commission, correct.

13 Q. Okay.

14 A. Notwithstanding that, when we were working
15 with the legislature on the legislation, I did visit
16 with Mr. Roberts and Governor McCrory at the time
17 regarding the legislation for the Authority, but I had
18 known Mr. Roberts prior to that meeting. But that
19 would be a third professional -- for the lack of a
20 better word.

21 Q. All right. You are CEO of Bald Head Island
22 Limited?

23 A. Yes. I'm CEO of Bald Head Island Limited and
24 manager of Bald Head Island Limited.

1 Q. And Limited is ultimately owned by the
2 Mitchell estate?

3 A. Correct.

4 Q. Are you authorized to speak for the
5 Mitchells?

6 A. I am authorized to speak for Bald Head Island
7 Limited as it relates to their ownership of Bald Head
8 Island Limited, yes. I cannot speak for the Mitchells
9 on any other matter.

10 Q. Okay. Are there any of the Mitchell family
11 members here today?

12 A. No.

13 MR. TRATHEN: If we could approach. I
14 have three exhibits that I'd like to hand out at
15 the same time.

16 COMMISSIONER DUFFLEY: You may.

17 MR. TRATHEN: Madam Chair, I would
18 prefer to just mark this as one exhibit rather than
19 three, if that suits your pleasure.

20 COMMISSIONER DUFFLEY: Yes. That's
21 fine.

22 MR. TRATHEN: Okay. Could we premark
23 this as Village Paul Cross Examination Exhibit 1?

24 COMMISSIONER DUFFLEY: It will be marked

1 as Village Paul Direct Cross Exhibit 1.

2 (Village Paul Direct Cross Exhibit 1,
3 was marked for identification.)

4 Q. All right. Mr. Paul, these are just three
5 short articles that discuss Mr. Mitchell's death. And
6 since we've been talking about him, I thought it would
7 be helpful to give a little bit of just a short
8 introduction of who we are talking about.

9 If you could turn your attention to the
10 document that's labeled "The Big Story." This has been
11 -- it looks like it's an AP article from July of 2013
12 which is republished by the Mitchell Foundation.

13 Do you see that?

14 A. Yes, sir.

15 Q. And this states that Mr. Mitchell's company
16 Mitchell Energy was credited with over 200 oil and 350
17 natural gas discoveries.

18 Do you see that?

19 A. Yes.

20 Q. Spent two decades developing hydraulic
21 fracturing, finding success in the Barnett Shale
22 formation in the 1990's.

23 Do you see that?

24 A. Yes.

1 Q. Is this consistent with your understanding of
2 Mr. Mitchell and his business activities?

3 A. Among other things, yes.

4 Q. And do you see on the second page that
5 Mr. Mitchell sold his company in 2002 for 3.1 billion?

6 A. He sold one of his companies, yes.

7 Q. Okay. And then down below, this article
8 states that he was on the Forbes list of wealthiest
9 Americans, ranked 239, with a net worth of 2 billion as
10 of 2013.

11 Is this consistent with your general
12 understanding?

13 A. Yes.

14 Q. Okay. The second article in this exhibit,
15 just draw your attention to -- it's a New York --
16 excuse me -- Wall Street Journal obituary and labelled
17 "Father of Fracking Dies at 94."

18 Do you see that?

19 A. Yes.

20 Q. And have you heard Mr. Mitchell referred to
21 as the father of fracking?

22 A. Yes, I have.

23 Q. Okay. And then the third is just simply a
24 Wikipedia entry that is essentially repeating some of

1 the same information. It also talks about his real
2 estate development activity with the Woodlands in his
3 hometown in Galveston.

4 Is that all consistent with your
5 understanding?

6 A. Yes. You focus on his fracking and his oil
7 and gas, but he is more -- just as well known in the
8 development industry for conservation and development,
9 as being be one of the preeminent leaders in
10 conservation and development, to include Bald Head
11 Island, an island that's 12,000 acres in which he
12 donated 10,000 of those 12,000 acres and turned it into
13 electric-only in the 1980's before green became green.

14 Q. Okay. So, Mr. Paul, with respect to Bald
15 Head Island Limited, my understand is that company is
16 owned by Mitchell Island Investments, Inc. Is that
17 correct?

18 A. That's correct.

19 Q. Okay. And Mitchell Island Investments, Inc.,
20 is, in fact, the entity which is owned by
21 Mr. Mitchell's estate, correct?

22 A. It is owned by an entity that's part of the
23 Mitchell estate, correct.

24 Q. Okay. So what's the name of that entity

1 that --

2 A. It's -- Ms. Mitchell may recall. You may
3 need to talk to her. But it's a management company.
4 It's a Mitchell management company that's tied to the
5 estate.

6 Q. Okay. So there's two layers of corporations
7 before you get to the estate?

8 A. Correct.

9 Q. Okay. And Limited, itself, is an independent
10 going concern, correct?

11 A. Correct.

12 Q. You're actively doing business?

13 A. Yes.

14 Q. The company is solvent?

15 A. Yes.

16 Q. It's profitable?

17 A. Yes.

18 MR. TRATHEN: If we could hand out
19 another exhibit, please?

20 COMMISSIONER DUFFLEY: Yes.

21 Q. Mr. Paul, this is marked confidential,
22 attorneys' eyes only, but I believe that this falls in
23 the category of historic financial information of
24 Limited.

1 I'll let your counsel assess.

2 MR. STYERS: As soon as I see it.

3 THE WITNESS: So, Mr. Trathen,
4 notwithstanding the heading and the reference, this
5 would have come directly from items relative to the
6 Authority with the legislature.

7 MR. STYERS: And therefore, I just want
8 to make sure I understand --

9 THE WITNESS: It's okay to not have
10 it --

11 MR. STYERS: Yeah. So this is not
12 confidential.

13 THE WITNESS: But for the headings and
14 the moniker on it, this would have come directly
15 from the Authority and its history. So this is out
16 there. The whole world has this.

17 MR. STYERS: Not confidential, correct.
18 You may ask questions.

19 COMMISSIONER DUFFLEY: So it's a
20 nonconfidential exhibit. Let's go ahead and mark
21 it.

22 MR. TRATHEN: Yes. I would like to mark
23 this as Village -- let's see if I can get this
24 right -- Paul Cross Examination Exhibit Number 2.

1 COMMISSIONER DUFFLEY: The exhibit
2 Consolidated Historical Income Statement shall be
3 marked as Village Paul Direct Cross Exhibit 2.

4 (Village Paul Direct Cross Exhibit 2,
5 was marked for identification.)

6 Q. So, Mr. Paul, this is -- this is a statement
7 of the historic financial results for the
8 transportation operations; am I correct?

9 A. It's the historical consolidation of the
10 ferry and tram, the parking, and the barge, yes.

11 Q. Okay. So this does not include the other
12 business activities of --

13 A. No. It does not.

14 Q. -- the Limited?

15 A. No.

16 Q. Okay.

17 A. And this would have been put together in
18 conjunction with the Authority's advisers, Davenport,
19 and would have been primarily UBS.

20 Q. Okay. And this -- in terms of the gross
21 profit numbers, these are true and accurate, as far as
22 you know?

23 A. Looking at this and not having to be able to
24 go back and look at the audits, I would say that this

1 would be consistent with that review.

2 Q. Okay.

3 A. But I can't speak to the fact of what
4 SharpVue may or may not have done with pulling these
5 numbers out and making changes.

6 I don't believe they would have done that,
7 but these look like it would be consistent. Because I
8 arrived in 2010, so I've been CEO and manager since
9 2010, October.

10 Q. And I hear you saying that the numbers -- I
11 mean, you're not going to speak to the exact dollar
12 number. But generally speaking --

13 A. This would be the trend.

14 Q. -- this is the trend. Okay.

15 With respect to the other business
16 activities, in the Sub 21 Docket, we sent you a
17 discovery request and we asked you about assets that
18 would be owned by Limited after the sale of the
19 transportation assets. And you identified a list of 20
20 different assets.

21 I've got an excerpt with your response here
22 and would like to hand that to you.

23 A. Sure.

24 MR. TRATHEN: If we could mark this as

1 Village Paul Direct Cross Exhibit Number 3?

2 COMMISSIONER DUFFLEY: So marked. And
3 at the bottom of this exhibit, it has --

4 MR. TRATHEN: Yes.

5 COMMISSIONER DUFFLEY: -- the words
6 "confidential."

7 (Confidential Village Paul Direct Cross
8 Exhibit Number 3, was marked for
9 identification.)

10 MR. TRATHEN: Yes. This was identified
11 as confidential. And not attorneys eyes only, but
12 regular confidential, if you will. I don't
13 necessarily need to get into the details. I could
14 just ask from the document itself if this remains
15 confidential.

16 THE WITNESS: I think where I am on
17 this, Mr. Styers, is I'll be happy to answer
18 questions in general. But if we want to go to
19 specifically, for example, Number 14 and we get
20 into what Number 14 really is, I think we need --
21 that needs to be confidential.

22 Q. Okay.

23 A. But if you want to talk in general about
24 where we are, like hey, how many lots -- residential

1 lots, things like that, that are left that we're
2 working on, I can do that. But if we're going to be
3 specific about an item here, we probably need to keep
4 that confidential.

5 Q. Okay. Let's work our way through it and
6 we'll --

7 A. Okay.

8 COMMISSIONER DUFFLEY: And please note
9 for the court reporter this is a confidential
10 exhibit. However, there can be nonconfidential
11 questioning.

12 Q. Okay. So, Mr. Paul, do you recognize this
13 list?

14 A. Yes, I do.

15 Q. Really, I'm just trying to get a sense of the
16 remaining assets after the sale. Does this remain an
17 accurate list? I think you provided this in July.
18 It's been several months.

19 A. This is consistent. We have been very busy
20 since then, so there are assets that we have
21 transferred and sold since then that are on this list.

22 Q. Okay. Could you just --

23 A. So, for example, we have sold probably six to
24 eight of the residential lots in Number 1. We probably

1 have sold three of the commercial lots and tracts that
2 are in Item Number 2.

3 We have sold one of the PUD commercial tracts
4 in Item Number 3. We have a transaction right now that
5 we're pending on another one of those PUD commercial
6 tracts. We are working through the non-buildable land
7 tracts, so that number is still correct at 54.

8 Number 6 is still alive and well. Number 7
9 is still alive and well. Number 8 is for sale. They
10 are not sold yet.

11 Number 9 is consistent, notwithstanding we
12 did some transactions in Number 1 that brought that
13 number down by four or five.

14 Number 10 is still consistent. Number 11 is
15 still consistent. Number 12, 13, 14, 15, 16, 17, 18,
16 19 and 20 are all consistent.

17 Q. Okay. Thank you, Mr. Paul.

18 Are there any other business activities of
19 Limited which are not reflected -- outside of the
20 transportation assets that aren't reflected on this
21 list?

22 A. Yes, absolutely. There's the Bald Head
23 Island Marina operations. The Bald Head Island slips
24 that we still own that Mr. Roberts and SharpVue are

1 buying. The mainland Deep Point Marina operations and
2 slips. The mainland shipping and receiving operation.

3 The on-island golf cart parking and leasing
4 operation. Four commercial properties that are not
5 part of the count here on the island. And the balance
6 of the development land on the mainland at Deep Point.

7 That's just off the top of my head,
8 Mr. Trathen.

9 Q. I understand. I understand.

10 A. When it's over, if it does happen, SharpVue
11 will have more invested in the island than -- adding
12 all of these up than the Mitchells will.

13 Q. Okay. The 76 million? Is that what you're
14 referring to?

15 A. The transaction with SharpVue is
16 67.2 million.

17 Q. 67 million. Okay.

18 In the Sub 21 case, there was testimony with
19 respect to development on Indigo Plantation. And
20 Limited is still engaged in that?

21 A. Yes, we are.

22 Q. Okay. Mr. Paul, we sent you a discovery
23 request. There's a reference to the continuation of
24 services, and we asked whether or not Limited was

1 threatening to discontinue the utilities services.

2 And you responded in your data response:

3 "No. BHIL has no plans to discontinue the
4 utility services. Has never threatened to do
5 so. BHIT has operated the regulated Utility
6 since 1993. Has an exemplary record with the
7 Commission dating back 30 years in its
8 operation as a regulated utility."

9 Is this still your position?

10 A. Yes, it is.

11 Q. Mr. Paul, there -- with respect to the sale
12 of these assets, there have been -- aside from
13 SharpVue, there's been two potential public buyers,
14 correct? The Transportation Authority and the Village
15 itself?

16 A. That's correct.

17 Q. And with respect to the Village, you've
18 initiated litigation against the Village essentially to
19 seek to -- you're seeking a ruling saying that
20 there's -- the ROFR is either invalid or extinguished?
21 Is that right?

22 A. That's correct. You were involved in all of
23 those discussions and meetings, Mr. Trathen.

24 Q. I sure was. And am I correct that there are

1 pools of federal money, especially, which are available
2 to public owners of transportation assets that are not
3 available to private owners?

4 A. Until very recently, that's the case. So,
5 for example, with the infrastructure bill that came to
6 the Federal Legislature, they modified those rules, and
7 we recently just received a \$185,000 grant for new
8 engines in the Ranger.

9 So, historically, ballpark, the way it worked
10 is the Federal Highway Trust Fund has money allocated.
11 The maritime aspect of the Federal Highway Trust Fund,
12 which is where we could apply, has had \$600 million or
13 so sitting in there for years.

14 But only public entities have access to it.
15 Not entities that are publicly regulated, but only
16 public entities. That created a difficulty for us to
17 seek things like a grant for new vessels, which the
18 state DOT was able to do with their recent transaction.

19 However, with the infrastructure bill that
20 was passed, those -- those recently were loosened, and
21 all the money ends up going from the federal government
22 -- even though you apply directly to the federal
23 government, it runs through the State of
24 North Carolina and you actually get the money from the

1 State.

2 So, historically, that's correct,
3 Mr. Trathen. But recently we just received, I think in
4 the last week or two, news that we did receive \$185,000
5 to repower Ranger.

6 Q. So, Mr. Paul, with respect to the SharpVue
7 acquisition, I believe you've stated that you're
8 looking for a buyer that will carry on the tradition of
9 the Limited; is that right?

10 A. The stewardship aspect of what Mr. Mitchell
11 created, yes. That was -- that's the goal.

12 MR. TRATHEN: I've got an exhibit I'd
13 like to hand out. If we could mark this as --

14 COMMISSIONER DUFFLEY: If we can deal
15 with the confidential AEO's application of this.

16 MR. TRATHEN: Thank you.

17 Yes. This, I believe, is des- -- would
18 fall within the -- what we discussed earlier as
19 confidential AEO. And as I understand the
20 parameters, this would elicit information which has
21 been designated as such, so.

22 COMMISSIONER DUFFLEY: Mr. Ferrell?

23 MR. FERRELL: Yes. This information is
24 part of information disclosed that were investor

1 alternatives. And so it is marked confidential
2 AEO, and we would like to maintain that
3 confidentiality.

4 MR. TRATHEN: So I think we would need
5 to go into confidential session for this line of
6 questions.

7 COMMISSIONER DUFFLEY: Okay. Thank you.
8 Do we want to hold this until the end?

9 MR. TRATHEN: No.

10 COMMISSIONER DUFFLEY: Okay.

11 MR. STYERS: Before we do that, I don't
12 believe there's been a foundation laid yet, to my
13 knowledge, that Mr. Paul prepared this document
14 and/or has any independent knowledge of its
15 information.

16 He may or may not have seen it. I don't
17 know if there's a foundation for him to answer
18 questions as it pertains to this document because
19 it's not his document. He didn't produce it. I
20 just -- I don't know at this point.

21 THE WITNESS: No. I didn't produce this
22 document.

23 I would also suggest that, for example,
24 Mr. Trathen, the title to Number 5, "What is

1 management's business plan," I would suggest that
2 that was not drafted by myself. That's not -- it's
3 not drafted my myself.

4 Q. Okay.

5 A. I can speak to some of it, but this was
6 not -- I didn't draft this document.

7 Q. Okay. Well, I have questions about it. I
8 think you can speak to it.

9 A. Okay. I can be happy to do that, but it's
10 not my document.

11 COMMISSIONER DUFFLEY: Okay. So --

12 MR. STYERS: At this point -- at this
13 point, I'll make -- venture an objection that
14 there's not been a foundation laid that this client
15 -- this witness is -- has the knowledge of this
16 document or can speak to it, since he didn't
17 prepare for it and, to my knowledge, don't even
18 know if he's ever seen it before.

19 COMMISSIONER DUFFLEY: Okay. I hear
20 your objection. I'm going to allow the questions
21 to be asked.

22 We're going to head into confidential
23 session. Please designate everyone, Mr. Ferrell,
24 that needs to leave the room.

1 And, Mr. McCoy, if you could move us
2 into confidential session.

3 MR. STYERS: So I believe that Mr. Woody
4 and Ms. Joyce Fulton have not signed a
5 confidentiality agreement and would need to leave
6 the room, that I'm aware of.

7 COMMISSIONER DUFFLEY: So the parties --
8 just to be clear for the record, there are people
9 within the room that are not attorneys.

10 Are you satisfied that they have signed
11 the appropriate documents to remain in the room.

12 MR. STYERS: We are.

13 MR. FERRELL: Yes. I believe they're
14 all consultants or attorneys, yes.

15 COMMISSIONER DUFFLEY: Okay. Thank you.
16 (Due to the proprietary nature of the
17 testimony found on pages 72 to 98, it
18 was filed under seal.)

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7 (Confidential testimony ended at
8 3:28 p.m.)

9 COMMISSIONER DUFFLEY: So it is now
10 about 3:30. We're going to take our afternoon
11 break, and we'll be in recess for 10 minutes. Be
12 back at 3:38.

13 (Recess was taken from 3:28 p.m. to
14 3:39 p.m.)

15 COMMISSIONER DUFFLEY: Okay. Let's come
16 back on the record.

17 Mr. Trathen, do you have further
18 questions?

19 MR. TRATHEN: No. I do not.

20 COMMISSIONER DUFFLEY: Okay.

21 Mr. Higgins.

22 MR. HIGGINS: Yes, ma'am. Thank you.

23 CROSS EXAMINATION BY MR. HIGGINS:

24 Q. Mr. Paul, a couple of questions following up

1 on your exchange with Mr. Trathen. I'd like you to --
2 I want to be sure I understand this.

3 Would you look at Cross Examination Number 3,
4 which is this asset list?

5 A. Yes, sir.

6 Q. Are you with me?

7 A. Yes.

8 Q. Are these assets that Limited is going to
9 retain, or are these assets that would be conveyed as
10 part of this transaction?

11 A. These assets are not being conveyed as part
12 of this transaction.

13 Q. So --

14 A. These are still within Limited.

15 Q. I see. And, likewise, I think you mentioned
16 like the Indigo Plantation Marina. There're other
17 assets that Limited owns as well?

18 A. Correct. Presently, we own.

19 Q. Okay.

20 A. Some of them are under contract, but yes.

21 Q. So the sale of the ferry and the
22 transportation operations and assets won't close out
23 the Mitchell estate's holdings in North Carolina, will
24 it?

1 A. It'll close out all the operating entities.

2 Q. Okay.

3 A. And there will be some remaining real estate
4 entities, but the majority is being sold to SharpVue.

5 Q. And the real estate development entity for
6 the Indigo Plantation Project, is that going to be --

7 A. That would be an outright sale to a third
8 party. That's under contract right now.

9 Q. Okay. I have some questions about your
10 amended direct testimony. Do you have a copy of that
11 in front of you now?

12 A. Yes, sir. Thanks to you.

13 Q. Okay. Page 6, line 5. You state there that
14 ferry ticket prices have only been raised once since --
15 I think it says 1995. I thought it was actually 1993.

16 A. I think you're probably right.

17 Q. Since 1993. Is that because the only time
18 BHIT ever requested -- filed a rate case or requested
19 an increase was in 2010, after the Deep Point ferry
20 terminal was put into service?

21 A. That's my -- that's my understanding, yes.
22 Deep Point went into service, I believe, in the summer
23 of '09. I think.

24 Q. Probably right. Would you agree that the

1 availability of the ferry service at reasonable rates
2 was an essential component of Limited's plan for
3 development of Bald Head Island and the sale of lots
4 and homes on the island?

5 A. I think that's consistent with Mr. Mitchell's
6 vision, yes.

7 Q. There's been some reference in the testimony
8 that's been filed regarding the inability to get -- the
9 ferry authority's inability to get LGC, Local
10 Government Commission, approval for the bonds that were
11 necessary for that purchase.

12 You refer to that on page 11. I'm looking at
13 line 15. Tell me when you're there.

14 A. I'm there. Yes, sir.

15 Q. Is the reason the ferry authority was unable
16 to get LGC approval is that the LGC posed questions
17 that either BHIT or the Authority couldn't answer to
18 its satisfaction?

19 MR. STYERS: Objection. The question
20 has asked the witness the motivation of the LGC.
21 He does not have knowledge of why the LGC -- he has
22 what the LGC -- he may or may not know what the LGC
23 said or didn't say but not what motivated or what
24 was in the minds of the LGC members.

1 MR. HIGGINS: Fine. I'll ask him what
2 you understood the reason was that the LGC didn't
3 approve -- didn't issue the requested approval.

4 THE WITNESS: They felt that the
5 purchase price was not thoroughly vetted by the
6 Authority.

7 Q. Did they think the purchase price was too
8 high?

9 A. I think there was one member of the LGC that
10 indicated that that was her opinion. However, I
11 believe it was that the Authority needed to
12 substantiate better the purchase price.

13 Q. Okay. You say in your testimony that
14 SharpVue has contracted with you to continue to
15 manage -- basically continue to manage everything that
16 you manage right now for the next three years. I'm on
17 page 12, if you look at that.

18 A. Right. Just in terms of contract. I don't
19 have a contract. I have a general understanding with
20 SharpVue and the Mitchells that I will stay for a
21 36-month period of time to manage the transition.

22 Q. Do you know why it is a 36-month period has
23 been specified?

24 A. No. That would have come out of -- that

1 would have come out of the Authority transaction. But
2 I would suggest that the items that you talked about on
3 the previous exhibit, the remaining items, it's going
4 to take probably 24 months to work through those
5 20 items.

6 Q. When you're -- you're talking about this list
7 of 20 items that --

8 A. Correct. This list. This list. There will
9 be -- there will be crossover obligations like I have
10 right now between transportation and the Limited items.

11 It's going to take that long, so I'm going to
12 be there. So that would kind of coincide with that
13 period of time because it'll take probably at least
14 24 months to just handle this list of 20 for the
15 Mitchells.

16 Q. Just to be clear, what you're saying is
17 you're going to be there for at least 24 months doing
18 the business of Limited --

19 A. Yes.

20 Q. -- with regard to these assets?

21 A. Doing the same business that I'm doing right
22 now. Correct.

23 Q. Page 14, line 6. Do you see your testimony
24 there beginning on line 6?

1 A. Yes.

2 Q. Is it still your understanding that SharpVue
3 will not request any rate change because of the
4 acquisition transaction and that any rate changes it
5 pursues in the future will be unrelated to financial
6 factors associated with the acquisition transaction?

7 A. No. My -- when I look at this here -- let's
8 see here. Yes.

9 MR. HIGGINS: Okay. Thank you, sir.

10 I don't have any other questions.

11 COMMISSIONER DUFFLEY: Public Staff?

12 CROSS EXAMINATION BY MR. CREECH:

13 Q. Mr. Higgins asked some of the questions that
14 are related to what I was going to ask and especially
15 clarifying on the at-will scenario. So I'll move on to
16 the next question I have, which relates to the residual
17 assets that the Mitchells will own, like declarant
18 rights or otherwise.

19 And can you let us know your understanding
20 and confirm that -- that their continued use of those
21 assets would not impact the ratepayers of the regulated
22 utilities?

23 A. That's correct.

24 Q. Okay. Thank you.

1 A. So, Mr. Creech, I want to be very clear, as
2 we've talked in the past. So, for example, stormwater
3 permits and CAMA permits, they are -- they cover more
4 than just the assets that we're talking about in this.
5 We will have to go to those respective state agency and
6 break them up and specifically apply those to the
7 pieces. That's what's going to take a period of time,
8 but that's the intent.

9 So it's not like parking will be left without
10 a stormwater permit for parking. We'll have to go to
11 the agency and take that stormwater and design it to
12 make that permit specific to parking and specific to
13 barge and specific to the ferry and the tram, whereas
14 right now it covers the entire campus, to include the
15 residential marina and the excess development land.

16 MR. CREECH: All right. All right.

17 Thank you.

18 COMMISSIONER DUFFLEY: Redirect?

19 REDIRECT EXAMINATION BY MR. STYERS:

20 Q. A few questions, Mr. Paul. Let me -- since
21 we've kind of been on it, let's go ahead and stay on
22 it.

23 The Exhibit 3, which is the list of
24 properties. The Mitchells estate's intent ultimately

1 is to liquidate and sell and be rid of all of these
2 properties over time. So although these are properties
3 that are not being purchased by SharpVue, the Mitchells
4 are still in the process of liquidating assets from
5 Bald Head. Is that correct?

6 A. Yes. And some of the assets that are listed
7 here have already been sold.

8 Q. And so this is an ongoing process of selling
9 all these assets?

10 A. It's full liquidation.

11 Q. Okay. There were a number of questions, you
12 know, pertaining to Cross Examination Exhibit 1 and
13 Mr. Mitchell, himself, individually. And -- actually,
14 the Wikipedia excerpt has on page 3 of 7 a discussion
15 of the Mitchells' philanthropy.

16 When assets are being liquidated, you know,
17 are the cash proceeds going into the Cynthia and George
18 Mitchell Foundation?

19 A. The majority of the proceeds are going to
20 that foundation, yes.

21 Q. Okay. To your knowledge, have the Mitchells'
22 oil and gas holdings now been sold and liquidated, to
23 your knowledge?

24 A. Yes, to my knowledge.

1 Q. Okay. Mr. Mitchell owned most of the
2 commercial district of Downtown Galveston at one time,
3 did he not, through various entities?

4 A. That's correct. He was the majority owner of
5 Downtown Galveston.

6 Q. Has he now liquidated and sold, to your
7 knowledge, all of those operational assets in Galveston
8 that were part of the commercial district there?

9 A. I believe so, but I can't say every single
10 one. I think at one time it was 21 buildings. I don't
11 know if all of them have been sold, but the intent is
12 to liquidate everything.

13 Q. Okay. So is it fair to say that the
14 operational assets that the Mitchells' companies owned
15 have now been liquidated and the funds transferred to
16 the Cynthia and George Mitchell Foundation in general?

17 A. Yes. Operating assets, the only ones that
18 remain are the ones on Bald Head.

19 Q. You were asked about the data request
20 response in which you said that the Mitchells have no
21 plan to discontinue service?

22 A. That's correct.

23 Q. Does the Mitchell estate have a plan for what
24 to do with these assets if the -- this sale does not

1 close to SharpVue?

2 A. Not that they've shared with me.

3 Q. Okay. Are they in a position to continue to
4 make capital investments for capital improvements to
5 the system over time?

6 A. Not to my knowledge in terms of a plan, no.

7 Q. What have they told you about being in the
8 position to make capital investments for the system?

9 A. That they're not in a position to make those
10 investments for like new ferries, to lay up a new
11 ferry.

12 Q. You had referenced the funds -- public funds
13 received for the engine for the Ranger ferry; is that
14 correct?

15 A. Correct. We received \$185,600, which I think
16 represented about 40 percent.

17 Q. Just for purposes of clarification, that
18 wasn't a DOT or infrastructure --

19 A. No.

20 Q. -- program.

21 A. Not DOT. It came out of -- it came out of
22 the EPA through the infrastructure bill, correct.

23 Q. Okay. It was a Diesel Emissions Reduction
24 Act, correct?

1 A. Right. The diesel engines that are going in
2 there -- the current rating is a 1. They'll go to a 3.
3 Less emissions.

4 Q. Okay. And I just want to make sure the
5 record is correct. This is administered through the
6 State of North Carolina, correct?

7 A. Correct.

8 Q. Okay. So one of the assets on this list was
9 the Bald Head Island Construction. Is that a company
10 that will eventually be sold and no longer owned by the
11 Mitchell estate? Is that the intent?

12 A. Yes.

13 Q. Okay. Also Bald Head Island Limited Real
14 Estate Sales? That company is also intended to be
15 sold?

16 A. The developer sales, yes.

17 Q. Okay.

18 A. Frankly, Mr. Styers, both of those will
19 probably be wound down. They probably won't be sold.

20 Q. Okay. Just wound down and --

21 A. Wound down in the course of working through
22 these other assets.

23 Q. So, long-term, there will come a point in
24 time where the Mitchells will have no more interest in

1 Bald Head Island; is that correct?

2 A. The Mitchell estate.

3 Q. The Mitchell estate. Excuse me.

4 A. There are -- there are some children that
5 have --

6 Q. Houses.

7 A. -- homes on the island, yes.

8 Q. But the Mitchell estate from a business
9 perspective will, long-term, no longer have any
10 operations, any assets as a business enterprise in and
11 around Brunswick County, North Carolina; is that
12 correct?

13 A. In all of North Carolina that I'm aware of.

14 Q. Okay. And I think you've probably answered
15 this sufficiently in response to Mr. Higgins'
16 questions, but you have represented to SharpVue your
17 intentions to stay on for 36 months?

18 A. Up to 36 months.

19 Q. Okay.

20 MR. STYERS: No further questions.

21 COMMISSIONER DUFFLEY: Okay. Commission
22 questions?

23 Commissioner McKissick.

24 EXAMINATION BY COMMISSIONER MCKISSICK:

1 Q. This is just for point of clarification, and
2 this is dealing with that document that's been referred
3 to as Exhibit 3, Village Cross Direct Exhibit 3.

4 And there's been considerable time going down
5 this list of assets that continue to be owned by the
6 Mitchell estate. I think you've identified some that
7 have been sold. Like I think under Number 2, you
8 indicated that three of those lots were sold?

9 A. Yes, sir.

10 Q. And under Number 3 --

11 A. One of those has been sold.

12 Q. One sold, one pending?

13 A. Yes.

14 Q. And under Number 1, three sold?

15 A. I think it's five --

16 Q. Five sold?

17 A. -- Mr. McKissick.

18 Q. Okay. Now, let me ask you this. Under
19 Number 10, why would they be selling that?

20 A. This -- this list is about what would be
21 remaining that's not being sold to SharpVue.

22 Q. Oh. Right. Right.

23 A. Right. So most of those purchase-money
24 mortgages have left -- less than five years left on

1 them. These are -- will be left over.

2 Q. Right.

3 A. Not sold. So --

4 Q. They would retain those. There's no
5 reason --

6 A. They would retain those. There's no --
7 there's no -- the context of this 20 is that
8 there's -- there's -- there are issues and
9 entanglements associated with these 20 that make it
10 difficult to go and sell it to a third party outright
11 without disentangling. And the purchase-money notes
12 primarily are with the club --

13 Q. Got it.

14 A. -- and they're entangled.

15 So I think there's no intent to sell those
16 notes. I think that the estate will just keep that
17 working through with the club.

18 Q. That's why I was wanting to clarify that.
19 Because when it was stated that at some point all of
20 this would be sold, it occurred to me that that's one
21 that likely would not be sold.

22 A. It'll burn out. It'll burn out. And like I
23 said to Mr. Styers, we'll probably end up just shutting
24 down in the construction business and shutting down the

1 developer sales business.

2 Q. Okay. So that's an asset that would remain.

3 There would be no purpose or intent?

4 A. Correct.

5 Q. And the rest of these, they would work

6 through whatever the entanglements are --

7 A. Correct.

8 Q. -- with the intent goal of selling them if

9 there's a willing buyer to purchase?

10 A. Or, for example --

11 Q. Yeah.

12 A. -- Number 5, finding the right home. Which

13 might be the conservancy. It might be the State

14 Property Office. It might be, you know, the land trust

15 on the non-buildable pieces.

16 Q. And I don't want to get into the details of

17 Number 14. That's clearly an entanglement situation.

18 A. That is a significant entanglement situation.

19 Q. And that's not really something that can be

20 sold?

21 A. It can be solved. It takes time.

22 Q. Really.

23 A. So, for example --

24 MR. STYERS: I think -- just want to

1 make sure I understand. Did you say "sold" or
2 "solved"?

3 THE WITNESS: Solved. I thought I heard
4 "solved." I'm sorry.

5 COMMISSIONER MCKISSICK: Yeah. I think
6 it can be solved.

7 THE WITNESS: Yes.

8 Q. But you wouldn't be selling it?

9 A. No. You can't really sell those.

10 Q. Exactly.

11 A. Right.

12 Q. You can't sell it.

13 A. Right.

14 Q. I just want to clarify.

15 A. Yes, sir.

16 Q. That's another aspect.

17 A. No. That would be --

18 Q. It can't be sold.

19 A. So somebody buying a piece of property would
20 need to have their share of that as a condition,
21 correct.

22 Q. I understand.

23 A. Right.

24 Q. That's why I just wanted to clarify. Certain

1 things here can't -- cannot be sold.

2 A. Can't be sold, correct. This list is what's
3 left over --

4 Q. Right.

5 A. -- after SharpVue does it, and we'll have --
6 some will be sold off, some will be wound down, and
7 some will be transferred.

8 Q. Exactly. And here it would just be
9 untangled?

10 A. Correct.

11 Q. So that the recipient would be able to
12 continue current operations?

13 A. Absolutely. In terms of the discussion
14 here --

15 Q. Yes.

16 A. -- that is the intent.

17 COMMISSIONER McKISSICK: Got it. I just
18 want to make sure for the record. Thank you.

19 COMMISSIONER DUFFLEY: Other questions?

20 (No response.)

21 EXAMINATION BY COMMISSIONER DUFFLEY:

22 Q. So I have just an couple.

23 On page 6 of your testimony, you're talking
24 about the assets. Lines 12 and 13, you talked about

1 each of the trucks and each of the passenger trailers.

2 And it's just a general question about what's
3 the status of each of those trucks and passenger
4 trailers. Are they near end of life?

5 A. So it's -- so, for example, I think, if I'm
6 not mistaken -- Ms. Mayfield can confirm exactly. But
7 I believe we have four new trucks coming on board right
8 now.

9 We pretty much bring on three to four new
10 trucks a year and cycle off three to four trucks a
11 year. And that process is about a 7- to 10-year period
12 of time.

13 Q. Okay. Thank you for that. And then --

14 A. But definitely ask her, Ms. Duffley. I think
15 it's four this year, but it might be three.

16 Q. Okay. Thank you.

17 And then these Bald Head Island-operated
18 shuttle for the contractor services. Those are
19 different vehicles --

20 A. No.

21 Q. -- than the 23 trams?

22 A. It used to be -- it used to be busses.

23 Q. Uh-huh.

24 A. But they were big and they were problematic,

1 so what we did is we bought trams for them --

2 Q. Okay.

3 A. -- and we flagged them. They have a red
4 canvas.

5 Q. But they're inclusive of these 23 --

6 A. Yes, they are. They're inclusive.

7 Q. Okay. Thank you.

8 And then on page 10, you talk about how
9 historically you've kept different financial books for
10 the different entities.

11 Do you plan on keeping the financial books
12 separate pending the appeal?

13 A. Yes.

14 Q. Okay. And then my last question is on
15 page 14. You and Ms. Mayfield have this 36 months.

16 Have you created a succession plan after the
17 36 months, or do you think you have enough time to do
18 that?

19 A. I think we have enough time to do that. We
20 haven't created a succession plan.

21 COMMISSIONER DUFFLEY: Okay. Thank you.

22 Those are all my questions.

23 Questions on Commission questions?

24 MR. TRATHEN: I do not.

1 MR. HIGGINS: I do not.

2 COMMISSIONER DUFFLEY: Okay. Thank you,
3 Mr. Paul. You can step down just temporarily.
4 You may call your next witness.

5 MS. HEDRICK: Thank you, Commissioner.
6 We would call Shirley Mayfield to the
7 stand.

8 Whereupon,

9 SHIRLEY MAYFIELD,
10 having first been duly sworn, was examined
11 and testified as follows:

12 COMMISSIONER DUFFLEY: Before we start,
13 were there motions that anyone wanted to make?

14 MR. STYERS: Yes. Let me go ahead.
15 Thank you, Commissioner. It's an excellent point.

16 First of all, to the extent it hasn't
17 been moved into evidence, I'd like first -- I have
18 three motions -- that the prefiled testimony of
19 Mr. Paul and the summary be moved and accepted into
20 the record as evidence at this time.

21 COMMISSIONER DUFFLEY: You have moved
22 that, and those have been accepted and received
23 into evidence.

24 MR. STYERS: I would like to also, while

1 I'm at this point in time, I'd like to go ahead and
2 move the amended application from -- what's the
3 date? I'll look at -- I want to confirm the date.

4 COMMISSIONER DUFFLEY: January 24, 2023?

5 MR. STYERS: That's correct. The
6 amended application filed on January 24th, I'd like
7 to go ahead and move that. That was verified by
8 Mr. Paul. I'd like to go ahead and move that into
9 the record at this time as well, as well as the
10 exhibits. Exhibits E and F remain confidential,
11 but I'd like to go ahead and get them into the
12 record as evidence at this time.

13 COMMISSIONER DUFFLEY: Okay. Without
14 objection, the amended application filed on
15 January 24, 2023, will be received into evidence as
16 well as Exhibit E and F, which will be designated
17 as confidential.

18 (BHIT Amended Application to Transfer
19 Common Carrier Certificate and Exhibit E
20 and F (Confidential filed under seal),
21 was admitted into evidence.)

22 MR. STYERS: Now, Exhibit E, which is
23 the APA, was voluminous. And if you went through
24 Exhibit E, you realized that even more voluminous

1 were all the disclosure schedules.

2 They were not attached. All the
3 schedules and all the exhibits were, but the
4 disclosure schedules, 4.1, et cetera, the
5 disclosures were not part of that.

6 We would ask that the Commission receive
7 that, the disclosure schedules, as a late-filed
8 exhibit to make sure the record is complete with
9 not only the schedules' exhibits, but also the
10 disclosures.

11 And we don't think that they're
12 necessarily, you know, pertinent to any issues on
13 the docket but, on the other hand, we want to make
14 sure the record is complete, which would include
15 the disclosures as a late-filed exhibit.

16 COMMISSIONER DUFFLEY: Mr. Creech?

17 MR. CREECH: Presiding Chair Duffley,
18 I've been alerted to this by Mr. Styers. And the
19 Public Staff would ask the ability to -- for the
20 parties to conduct any discovery, if needed, on
21 these as well as the ability to file supplemental
22 testimony if necessary.

23 I've only glanced at them momentarily.
24 I think we have a lot of this information already.

1 But I just haven't had the opportunity to look it
2 at it, so I just don't know.

3 COMMISSIONER DUFFLEY: Mr. Styers, your
4 response?

5 MR. STYERS: No objection.

6 COMMISSIONER DUFFLEY: Okay. Seeing no
7 objection, that the disclosure schedules that are
8 part of Exhibit E and related to Exhibit E shall be
9 filed as a late-filed exhibit within --

10 MR. STYERS: A week.

11 COMMISSIONER DUFFLEY: -- one week of
12 the end of the hearing.

13 MR. STYERS: Correct.

14 COMMISSIONER DUFFLEY: And the Public
15 Staff will have the opportunity to potentially file
16 discovery and supplemental testimony on those
17 exhibits.

18 MR. CREECH: Commissioner Duffley, would
19 it be possible for those to be filed sooner than
20 that? I mean, really, as soon as possible? And we
21 would want the ability for all of -- I mean, we're
22 not the only group that will be looking at these,
23 and so I don't know whether other folks would want
24 the ability.

1 MR. STYERS: We'll file those
2 disclosures tomorrow.

3 COMMISSIONER DUFFLEY: Okay. The
4 disclosure schedules will be filed tomorrow as a
5 late-filed exhibit.

6 MR. HIGGINS: And -- excuse me,
7 Commissioner Duffley, and to Mr. Creech's point,
8 would, at least theoretically, other party
9 intervenors be able to pose discovery as well with
10 regard to those?

11 COMMISSIONER DUFFLEY: Yes.

12 MR. STYERS: Sure. No objection.

13 And, finally, there is a new -- my
14 understanding is there is a new spoil survey
15 updating the exact capacity as of, I think, the
16 last survey in December, and we'll also file that
17 this week, the new spoils all-out survey. That was
18 not filed at the public hearing, but we want it to
19 be part of the record, and that will be filed this
20 week as well.

21 COMMISSIONER DUFFLEY: Without
22 objection, the spoils survey will be filed --

23 MR. STYERS: This week.

24 COMMISSIONER DUFFLEY: -- by Friday --

1 MR. STYERS: Yes.

2 COMMISSIONER DUFFLEY: -- of this

3 week --

4 MR. STYERS: Correct.

5 COMMISSIONER DUFFLEY: -- as part of the
6 record.

7 MR. TRATHEN: Madam Chair, I would like
8 to move into evidence the four cross examination
9 exhibits offered by the Village.

10 COMMISSIONER DUFFLEY: So without
11 objection, the Village Paul Direct Cross Exhibit 1,
12 Village Paul Cross Exhibit 2 will be introduced
13 into evidence.

14 Village Paul Direct -- without
15 objection, Village Paul Direct Cross Exhibit 3 and
16 Village Paul Direct Cross Exhibit 4 both have been
17 marked as confidential, and those will be so marked
18 in the record and will be received into evidence.

19 (Village Paul Direct Cross Exhibits 1
20 through 3 and Confidential Village Paul
21 Cross Exhibit 4 were admitted into
22 evidence.)

23 COMMISSIONER DUFFLEY: Okay. Now I
24 think we're ready to begin.

1 MS. HEDRICK: Thank you.

2 DIRECT EXAMINATION BY MS. HEDRICK:

3 Q. Ms. Mayfield, will you please state your
4 name, address, and position of employment for the
5 record.

6 A. Shirley Mayfield. My address is 6 Marina
7 Wynd, Bald Head Island. That's my registered business
8 address. My position is chief financial officer.

9 Q. And chief financial officer, just so the
10 record's clear, for whom?

11 A. I'm sorry. For Bald Head Island Limited,
12 LLC.

13 Q. Okay. Have you caused to be prefiled in this
14 Docket direct testimony consisting of five pages in
15 question-and-answer form?

16 A. Yes.

17 Q. And was that testimony prepared by you or
18 under your direction?

19 A. It was.

20 Q. If you were asked those same questions today,
21 now that you're here under oath, would you provide the
22 same answers as in your prefiled testimony?

23 A. Yes, I would.

24 Q. All right. Do you have any corrections or

1 additions to your testimony?

2 A. No, I do not.

3 MS. HEDRICK: At this time,
4 Commissioner, I would move into admission into
5 evidence the prefiled direct testimony consisting
6 of five pages in question-and-answer format.

7 COMMISSIONER DUFFLEY: The direct
8 prefiled testimony of Shirley Mayfield will be
9 received into evidence and treated as if given
10 orally from the stand.

11 (Whereupon, the prefiled direct
12 testimony of Shirley Mayfield was copied
13 into the record as if given orally from
14 the stand.)

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

2 A. My name is Shirley Mayfield. I am the Chief Financial Officer of Bald Head Island
3 Limited LLC (“BHIL”) as well as for Bald Head Island Transportation, Inc.
4 (“BHIT”). My business address is 6 Marina Wynd, Bald Head Island, North
5 Carolina 28461-5073.

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

7 A. I have a B.S. degree in accounting and Master of Business Administration degree
8 from the University of North Carolina at Wilmington. I am a Certified Public
9 Accountant and have been licensed in the State of North Carolina since 1988. I
10 have worked for BHIL for 21 years. Prior to that, I worked as the Controller for
11 The Bonita Bay Group, a prominent developer in Southwest Florida, for three years
12 and for Landfall Associates in Wilmington, North Carolina, for nine years before
13 that.

14 **Q. In your work for BHIL, do you also have any involvement with Bald Head
15 Island Transportation, Inc.?**

16 A. Yes. BHIT is a wholly-owned subsidiary of BHIL. As Chief Financial Officer for
17 BHIL, I also have oversight over and responsibility for the finances of BHIT.
18 Additionally, I serve as Secretary and Treasurer for both BHIL and BHIT.

19 **Q. Have you testified before the North Carolina Utilities Commission before?**

20 A. Yes, I testified in the general rate case for BHIT, Docket No. A-41, Sub 7, in 2010,
21 and in the complaint case brought by the Village, Docket No. A-41, Sub 21, in
22 2022.

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

2 A. The purpose of my testimony is to describe the financial condition of BHIT and
3 BHIL, how the sale of BHIT's and BHIL's assets (the "SharpVue Transaction") to
4 an affiliate of SharpVue Capital, LLC, ("SharpVue") will affect the financial
5 feasibility of operations, and why the SharpVue Transaction is necessary for the
6 stability and continued viability of BHIT's ferry and tram services.

7 **Q. Please describe the SharpVue Transaction.**

8 A. BHIL has been gradually selling their assets since George Mitchell died in 2013.
9 In order to facilitate settlement and closure of Mr. Mitchell's Estate, they have now
10 agreed to sell nearly all of their remaining operating assets to SharpVue for \$67.2
11 million. These assets include significant real property holdings, vehicles, vessels,
12 contracts, and a variety of other personal and intangible property.

13 **Q. Are you aware that the Commission's recent decision concluded that the**
14 **parking facilities and barge/tugboat operations are regulated by the**
15 **Commission?**

16 A. Yes . Until recently, I had understood that only the ferry and tram services were
17 regulated by the Commission and had maintained all accounting records and the
18 allocation of costs accordingly. However, I have read the Commission's recent
19 order stating that the parking and barge operations are also subject to the same
20 Certificate of Common Carrier Authority pursuant to which BHIT has been
21 operating the ferry and tram services.

22 **Q. Does the SharpVue Transaction affect those transportation operations?**

1 A. Yes. Subject to Commission approval, SharpVue is acquiring the operating rights
2 under the Certificate of Common Carrier Authority, the ferries, the trams, the leases
3 for the passenger terminals in Southport and on the island, the parking lots adjacent
4 to Deep Point Marina, and the barge and tugboat. However, while the ownership
5 of these operations will change, no significant changes to the day-to-day operations
6 affecting passengers' experiences are expected.

7 **Q. Will SharpVue acquire all of the assets necessary to continue operations?**

8 A. Yes.

9 **Q. What due diligence did BHIL and BHIT do on SharpVue to determine**
10 **whether it was capable of operating the services utilizing the ferries, trams,**
11 **parking facilities and barge/tugboat assets?**

12 As explained in more detail in the Direct Testimony of Mr. Chad Paul, we
13 conducted due diligence on SharpVue and its management team to ensure that they
14 had the financial ability to maintain operations following completion of the
15 transaction.

16 **Q. Have the services utilizing those assets been financially stable?**

17 A. Yes.

18 **Q. Do you believe that the SharpVue Transaction is necessary for continued**
19 **financial stability?**

20 A. Yes. BHIT and BHIL must be wound down to facilitate the settlement and closure
21 of Mr. Mitchell's Estate. In order to ensure that the services utilizing the assets to
22 be transferred continue to operate and that residents, employees, and the public at

1 large continue to have safe, reliable, and readily available access to the island, it is
2 essential that the operations be sold to a fit, willing, and able buyer with the
3 financial resources to continue operations. SharpVue is a good fit as purchaser of
4 the operations.

5 **Q. Based on your familiarity with the terms of the SharpVue Transaction and the**
6 **financial feasibility of the operations utilizing the assets to be transferred, do**
7 **you believe a rate increase will be necessary as a result of the sale?**

8 A. No, not as the result of the sale, but as the Commission stated in its December 30
9 Order in Docket A-41, Sub 21, there will be many issues yet to be determined if the
10 Commission were to set rates for the barge/tugboat operations and the parking. The
11 consequences of how those issues might be resolved are completely unknown at
12 this time. That will be true, however, regardless of whether SharpVue, or another
13 private owner purchases the assets.

14 **Q. Will you have any continuing role in the finances for the operations after the**
15 **Transaction is closed?**

16 A. Yes. I plan to continue working with SharpVue as Chief Financial Officer and
17 manager for at least thirty-six (36) months.

18 **Q. From BHIT's perspective, what benefits will there be to the public if the**
19 **SharpVue Transaction is approved?**

20 First and foremost, the Transaction will ensure that the ferry, tram, parking, and
21 barge services continue uninterrupted in the same cost-effective, safe, and reliable
22 manner which the public has come to expect.

1 **Q. From a financial perspective, will the customers who rely on the services**
2 **provided by the transferred assets be harmed in any way as a result of the**
3 **SharpVue transaction?**

4 A. No; not as a result of the SharpVue transaction. Services will continue at the current
5 rates until the next rate case, and SharpVue's financial resources will enable it to
6 continue operations, address growth, prepare for contingencies, and make capital
7 investments as needs arise, ensuring the long-term viability of the ferry and tram
8 services.

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

10 A. Yes, at this time.

1 Q. Ms. Mayfield, have you prepared a summary
2 that's been filed in this Docket?

3 A. Yes.

4 MS. HEDRICK: All right. Commissioner,
5 we passed out a copy of that to everyone, and we
6 would ask that her summary be filed in the record
7 in this docket, and we can make that filing this
8 evening.

9 COMMISSIONER DUFFLEY: Okay. The
10 summary will be received into the evidence.

11 (Whereupon, the prefiled summary of
12 testimony of Shirley Mayfield was copied
13 into the record as if given orally from
14 the stand.)
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Shirley A. Mayfield Testimony Summary

Docket No. A-41, Sub 22

My name is Shirley A. Mayfield. I am the Chief Financial Officer of Bald Head Island Limited LLC (“BHIL”) and Bald Head Island Transportation, Inc. (“BHIT”). In that role, I have oversight and responsibility for the finances of BHIT and serve as its Secretary/Treasurer.

I am familiar both with the financial condition of BHIT and BHIL and how the sale of their assets (the “SharpVue Transaction”) to affiliates of SharpVue Capital, LLC (“SharpVue”) will affect the financial feasibility of operations.

Subject to Commission approval, SharpVue is acquiring the operating rights under the Certificate of Common Carrier Authority, the ferries, the trams, the leases for the passenger terminals in Southport and on the island, the parking lots adjacent to Deep Point Marina, and the barge and tugboat. However, the SharpVue Transaction should not significantly change the day-to-day operations affecting passenger and customer experiences.

Prior to reaching agreement on the SharpVue Transaction, BHIL and BHIT conducted due diligence on SharpVue and its management team to ensure they have the financial ability to maintain operations. It is essential that the operations be sold to a fit, willing, and able buyer with the financial resources to continue operations. As CFO of BHIL for over 21 years, and based upon my knowledge of the financial performance of the assets being sold, I believe that SharpVue has the financial resources to continue operations, address growth, prepare for contingencies, and make capital investments as needed. I believe that this transaction provides significant benefits to the residents, employees, and the public at large because it will ensure continued cost-effective, safe, reliable, and readily available access to the island.

From a financial perspective, the acquisition by SharpVue of these asset will not have an adverse impact on the rates and services in any way. Services will continue at the current rates after closing, and a rate increase will not be necessary as a result of the sale. Although there are unresolved issues arising from the Commission's Order in Docket A-41, Sub 21, that could impact rates in the future, this is true whether SharpVue purchases the assets or they remain owned by BHIL. Rates will not go up *because* of the merger.

The very real, and substantial, benefit of this acquisition to the ratepayers is that there will be an interested, engaged owner who is well capitalized and committed to make the investments that may be needed in the future. That benefit should not be understated.

CERTIFICATE OF SERVICE

I certify that a copy of the foregoing Testimony Summary of Shirley A. Mayfield has been served by electronic mail, hand delivery, or by depositing a copy of same in the United States Mail, postage prepaid, properly addressed to parties and counsel of record as shown on the Commission's Service List in docket A-41, Sub 22, and has also been provided to Commission's Counsel and to the appropriate members of the NC Public Staff.

This 7th day of March, 2022.

/s/ *M. Gray Styers, Jr.*

M. Gray Styers, Jr.
Counsel for
Bald Head Island Transportation, Inc.
and Bald Head Island Limited, LLC

1 MS. HEDRICK: And the witness is
2 available for cross examination.

3 CROSS EXAMINATION BY MR. TRATHEN:

4 Q. Good afternoon, Ms. Mayfield. Marcus Trathen
5 for the Village of Bald Head Island.

6 So my understanding is that you have a
7 handshake agreement to stay with SharpVue for three
8 years if the transaction is consummated. Is that
9 right?

10 A. I have indicated I would stay, yes.

11 Q. Okay. And -- but this isn't -- there's no
12 written agreement?

13 A. No, sir.

14 Q. And so I'm going to ask you some of the same
15 questions that I asked Mr. Paul, so this won't be a
16 surprise.

17 Will you receive a bonus or any incentive
18 compensation from Limited if this transaction is
19 consummated?

20 A. That would be a decision Limited would still
21 need to make.

22 Q. Okay. All right. And with respect to
23 SharpVue, the same question. Do you anticipate
24 receiving any sort of bonus from SharpVue with respect

1 to the closing of this transaction?

2 A. In all honesty, it would be way premature for
3 me to say yes or no. I have had no discussions
4 whosoever.

5 Q. Okay. And there have been various investor
6 presentations, and you may have heard some questioning
7 in -- with respect to Mr. Paul, that discuss
8 management's intention to invest in the transaction
9 alongside co-investors.

10 So my question to you is: Have you
11 communicated an intention to invest in the transaction?

12 A. No, sir.

13 Q. With respect to your employment -- I think I
14 know the answer to this. But have you discussed your
15 participation in SharpVue and your employment and
16 participation and receipt of performance fees or
17 carried interest or sponsor equity, anything like that?

18 A. No, sir. I have not.

19 Q. Okay. And have you seen draft operating
20 agreements for SVC Pelican Partners with a placeholder
21 for -- with your name on it for capital contribution
22 and carried interest percentages?

23 A. No.

24 Q. Okay. So the management case -- you were

1 here for the cross examination of Mr. Paul?

2 A. I was.

3 Q. And that was a confidential discussion. I
4 just want to ask a quick question. I don't think it'll
5 elicit confidential information, but have your antenna
6 up.

7 Are you familiar with the management case
8 that we were discussing with Mr. Paul?

9 A. Not to the detail that Mr. Paul knows.

10 Q. Okay.

11 A. I don't have the definite amount like he
12 does.

13 Q. Okay. Were you part of the management that
14 proposed this business case?

15 A. Yes. Well, you're talking specifically about
16 the business case in SharpVue's document?

17 Q. Yes.

18 A. No, sir.

19 Q. Okay.

20 MR. TRATHEN: If we could hand out an
21 exhibit, please.

22 I note, Mr. Styers, that this is labeled
23 confidential. It's a Limited production, and so I
24 think it falls within historic information.

1 COMMISSIONER DUFFLEY: Mr. Trathen, do
2 you want to identify the document?

3 MR. TRATHEN: Yes. I'd like to identify
4 this as Village Mayfield Cross Examination Exhibit
5 Number 1.

6 COMMISSIONER DUFFLEY: And the
7 confidential designation?

8 MR. STYERS: This is not. We will waive
9 that confidential designation for these questions.

10 COMMISSIONER DUFFLEY: Okay. The
11 document at the top that states "Village of Bald
12 Head Island Data Request Number 1 Request Number
13 12D" shall be identified as Village Mayfield Direct
14 Cross Exhibit 1.

15 (Village Mayfield Direct Cross Exhibit
16 1, was marked for identification.)

17 Q. Ms. Mayfield, I represent to you that this is
18 a data request response that we received from Limited
19 and Transportation in Sub 21 case.

20 I'm guessing that you may have prepared this.
21 Do you recognize this?

22 A. Yes, sir. I do.

23 Q. Okay. And just this question asked for the
24 cost basis in the land at the -- that's used for the

1 Deep Point parking lot, am I correct that the figure
2 that's stated here with respect to that cost basis is
3 \$325,126?

4 A. Related to the parking lot, yes, sir.

5 Q. Exclusively related to the parking lot?

6 A. Uh-huh. Yes, sir.

7 Q. Okay. That's all I've got for that document.

8 I would like to ask you some questions
9 relating to Exhibit A1 to the transfer application.
10 And I have copies here. It does not look like you've
11 got a copy of it.

12 MR. TRATHEN: Madam Chair, should I just
13 go ahead and hand it out and treat it as a new
14 exhibit or --

15 COMMISSIONER DUFFLEY: Why don't you
16 hand it to the witness so that she has it. But
17 we'll not introduce it as a separate exhibit.

18 MR. TRATHEN: That's fine.

19 Q. All right. Ms. Mayfield, do you recognize
20 this document, Exhibit A1, to be the transfer
21 application?

22 A. I do.

23 Q. Okay. And this is the Bald Head Island
24 Transportation financial report from December 31, 2021.

1 I just have some -- a few kind of specific questions
2 relating to this.

3 If you would go to page 4, please. And I
4 direct your attention to the management fees line
5 showing for 2021 the amount of \$146,976.

6 Do you see that?

7 A. Yes, sir. I do.

8 Q. Can you tell me what that is -- what that
9 figure represents?

10 A. I can. Not all of the overhead costs related
11 to the support of the landlord campus --

12 COMMISSIONER DUFFLEY: Ms. Mayfield --

13 THE WITNESS: Oh, I'm sorry.

14 COMMISSIONER DUFFLEY: -- can you speak
15 into the microphone.

16 THE WITNESS: Yes. I'm sorry.

17 COMMISSIONER DUFFLEY: Thank you.

18 THE WITNESS: Sorry. Sorry.

19 Not all of the landlord costs related to
20 the entire campus are direct-billed to the various
21 users of the campus. The same thing occurs with
22 employee time. So there are employees who are not
23 directly related but yet provide support for the
24 campus. And that would be human resources, IT,

1 perhaps in-house legal. It could be construction.
2 It could be any number of various positions in
3 accounting.

4 So what we do during the budget, we
5 determine the management fee budget. We take in
6 all of those costs. I do a time request every two
7 years to have those -- the times looked at by the
8 individuals involved. And then on a percentage
9 basis, there's a salary and a benefits cost that
10 gets transferred over as a management fee, but it
11 goes through two more iterations.

12 There is next compared-to-market. So
13 once I know what internally it costs us to support
14 an area, it is compared to what market might cost
15 to offer that same support.

16 And then, particularly with
17 transportation, there are credits given against
18 that number because of marine maintenance. There's
19 support with some of the facilities in the area.

20 But that's what that number is.

21 Q. Okay.

22 A. It's outlying support.

23 Q. All right. Thank you.

24 So I'm trying to figure out what the

1 relationship between this entry, if any -- and it may
2 be that there isn't any relationship. -- the
3 relationship between this and the affiliate agreement,
4 which was filed with the Commission and is labeled a
5 Transportation Management Agreement, which was
6 originally valued at \$68,000ish.

7 Can you speak to the difference between this
8 number and the management agreement, which is an
9 affiliate agreement?

10 A. I'm not sure I know which agreement you're
11 talking about, Mr. Trathen.

12 Q. Okay.

13 A. I'm sorry.

14 Q. Okay. Are you -- you're familiar generally
15 with the affiliate agreements? There's a lease
16 agreement for the lease property?

17 A. Are we talking about the Deep Point
18 allocation agreement?

19 Q. That is one of them.

20 A. Okay.

21 Q. That is one of them. There's several leases
22 which were filed as between Transportation and the
23 Limited in Docket 841, Sub 7, back in 2011. That's --
24 they were amended in 2011.

1 A. Oh, in 2011. That may be -- and I'd have to
2 look back at those agreements to be sure. But in 2011,
3 Transportation did not own the vessels. And the
4 vessels were leased to Transportation, and there was
5 also an operator that was leased.

6 Q. I think this is different. The management
7 agreement covers business -- general business
8 management, budgeting, handling employment,
9 contracting, supplies and maintenance, permits,
10 handling money, preparing financial statements --

11 A. Okay. That's --

12 Q. -- obtaining insurance.

13 A. I'm sorry. That would be the same as this --
14 this would be the same as this management agreement.

15 Q. Okay.

16 A. Yeah.

17 Q. All right. So we're talking about the same
18 thing?

19 A. Yeah.

20 Q. This figure is the management agreement?

21 A. Uh-huh.

22 Q. Okay. And so I'm just puzzled as to the
23 amounts that differ between what was filed and what's
24 on here. Do you have any --

1 A. The management agreement is renewed each year
2 annually depending on what type of services are
3 currently being provided, what the costs are. So it's
4 updated on an annual basis.

5 Q. Okay. And what is your understanding with
6 respect to who will be performing these services if
7 this transaction is approved?

8 A. A number of these transaction services will
9 actually go with the transaction, for example,
10 accounting staff, HR staff. They'll be actually
11 supported within the transaction. And certainly my --
12 my assistance will be part of the service side.

13 Q. And is it your understanding that the
14 existing management agreement will be assumed in
15 connection with this transaction?

16 A. There will probably be some type of
17 transition agreement with Limited during the two- or
18 three-year period, yes. But the intent is that once
19 the transaction occurs, once we work through the
20 transition, then the transaction operations will be
21 able to sustain themselves completely.

22 Q. And I'm -- you're using the term "transaction
23 operations." Help me. What do you mean by that?

24 A. I'm talking about -- it would not just be

1 Transportation, although that's what we're addressing
2 specifically here. In the transaction agreement, it
3 would also provide transition assistance to parking,
4 barge, to the marinas. There would be an overall
5 transition opportunity.

6 Q. Okay. Okay. So what I'm trying to better
7 understand is, will the existing financial arrangement
8 with respect to management services, all those category
9 of items which are specified in the agreement, will
10 those continue to remain as they are after the
11 transaction? I think maybe the answer is yes, but you
12 tell me.

13 A. I would say that they were definitely going
14 to resemble the transaction. I don't think it's been
15 defined in detail yet.

16 So there will be -- some of the same
17 assistance that's involved here will be in that
18 upcoming transaction.

19 But, for example, the -- perhaps the human
20 resource work or the accounting work may go direct with
21 the transaction. It would no longer be included in
22 this transaction, in this allocation agreement -- or
23 management agreement.

24 Q. Okay. So if you would turn to page 6,

1 please. And the item -- I don't think it's highlighted
2 in your copy -- "Advances from related party." Are
3 those -- do you see that?

4 A. Yes, I do.

5 Q. Is this the advances from Limited?

6 A. Yes.

7 Q. Okay. So these are the monies coming in
8 essentially to balance the books?

9 A. Uh-huh.

10 Q. If you would turn to page 9, please. So this
11 \$19 million of intracompany debt, what is that for?

12 A. That is the funding that Limited has provided
13 to Transportation over the years to support the
14 operation.

15 Q. Okay. And that is being written off? If
16 this transaction closes, that debit is being written
17 off?

18 A. Yes.

19 Q. With respect to a couple of paragraphs there,
20 this -- we're looking in the auditor's notes here -- it
21 says that the company is depending upon its parent to
22 fund future operations.

23 It says:

24 "Management anticipates the parent will

1 continue to fund future operations sufficient
2 to meet obligations."

3 Is that your understanding? Is that
4 statement accurate?

5 A. It does.

6 Q. So with respect to the last rate case, the
7 2010 rate case, there was an amount which was deemed to
8 be imputed from parking in that case.

9 You're familiar with that?

10 A. Uh-huh.

11 Q. I believe it's \$523,000?

12 A. Thereabouts. Yes, sir.

13 Q. Is that figure reflected in these financial
14 statements?

15 A. No, sir.

16 Q. Okay. And why is that?

17 A. On -- the parking imputation on the rate case
18 was included solely to settle the rate case at a \$23
19 ticket. It is not a computation that we carry forward
20 every month.

21 Q. Okay. Is -- is the Transportation operation,
22 is it -- I assume you have a budget?

23 A. Yes, sir.

24 Q. Okay. And is there a line item for capital

1 improvements in that budget?

2 A. In the capital budget. Yes, sir.

3 MR. TRATHEN: Okay. That's all I have.

4 COMMISSIONER DUFFLEY: Mr. Higgins?

5 CROSS EXAMINATION BY MR. HIGGINS:

6 Q. Hi, Ms. Mayfield. Dan Higgins for the BHI
7 Club. Good afternoon.

8 How long have you been the CFO for BHI
9 Limited?

10 A. Twenty-one years.

11 Q. Okay. First, since we're on it, let me ask
12 you some questions about the things Mr. Trathen just
13 asked you about.

14 Look at page 6 of the financial statement.
15 I'm sorry. Page 4.

16 A. Okay.

17 Q. And so your -- if I correctly understood your
18 response to Mr. Trathen, the imputation that was
19 provided from the 2010 rate case is not reflected in
20 this calculation, correct?

21 A. That is correct.

22 Q. So if the imputed amount was shown, there
23 would have been, theoretically, a small profit,
24 correct?

1 A. Yes, sir.

2 Q. Also, on -- further up on that page 4, there
3 is, I believe, a second entry in the column is rent of
4 \$1.25 million. That's the payment for rent for the use
5 of what?

6 A. That includes the Deep Point Marina landing,
7 the Bald Head Island Marina landing, some portion of
8 all the roads coming in and out, the infrastructure on
9 the roads, the maintenance building, the maintenance
10 pier, the contractor landing.

11 Basically, what that lease covers is the
12 portion of the entire campus that was determined to be
13 used by Transportation.

14 Q. Does it cover everything but the parking
15 lots?

16 A. Does it cover everything? No, sir. It does
17 not cover shipping and receiving. It does not cover
18 common areas. It does not cover portions within the
19 Deep Point terminal.

20 Q. In the building itself?

21 A. Uh-huh.

22 Q. Some of those were devoted real estate sales
23 or other focuses?

24 A. At that time, they were. But some of them

1 were also considered common area that could be used by
2 anyone, other than Transportation.

3 Q. And the shipping and receiving, is that over
4 where the -- connecting with the barge operation?

5 A. Yes, sir.

6 Q. Okay. You testified in the Sub 21 docket
7 last fall, didn't you?

8 A. Yes, sir. I did.

9 Q. The ferry operation was characterized in that
10 docket as operating at a loss.

11 A. Uh-huh.

12 Q. Do you recall that testimony?

13 A. I do.

14 Q. And is -- I'm looking now at your testimony,
15 your original testimony, page 3.

16 Do you have your testimony?

17 A. No, sir. I don't.

18 Q. Okay. Perhaps your counsel can provide it.
19 For how many years has the ferry, to your
20 knowledge, operated at a loss?

21 A. To my knowledge, I know that it's operated at
22 a loss for the last 21 years.

23 Q. And how many of those years since the 2010
24 rate case would it have not operated at a loss if the

1 imputed dollars from the parking operation had been
2 included in the financial statement?

3 A. I actually can't answer that for you because
4 in the most recent financials, those losses have been
5 substantially higher in past years.

6 Q. Okay.

7 A. As activity for the ferry increased, those
8 losses would've gone down. But it -- that's probably
9 not -- never mind. I'm not going to go into that.

10 Q. You state on page 3 -- I'm looking at page 3,
11 line 7 -- that the ferry and the tram services have
12 been financially stable, and your answer is yes.

13 And yet, you've testified that -- you just
14 told me that they operated at a loss for the last
15 21 years.

16 A. I must not have the same -- we're talking
17 about page 3, line 7.

18 Q. Page 3 of your direct testimony. Not your
19 amended direct.

20 A. Amended. Oh. I have amended direct.

21 MR. STYERS: Oh, okay. I gave her the
22 amended direct. I'm sorry.

23 I'm sorry. I don't have that with me,
24 Mr. Higgins.

1 MR. HIGGINS: May I approach? May I
2 approach and show the --

3 COMMISSIONER DUFFLEY: Yes.

4 Q. Ms. Mayfield, if you'll accept, subject to
5 check, that that's page 3 from your amended [sic]
6 direct testimony.

7 Now that I don't have it, would you read the
8 question and answer --

9 MR. STYERS: So just to make sure the
10 record is clear, so you were asking her amended
11 direct or the original direct?

12 MR. HIGGINS: It's the original direct.

13 MR. STYERS: Thank you.

14 MR. HIGGINS: If I said "amended," I've
15 fallen victim to what's on here.

16 Q. Would you read that question for me, please?

17 A. Yes, sir.

18 "Have the ferry and tram services been
19 financially stable?"

20 Q. And your answer?

21 A. It was yes.

22 Q. Okay. And that's your answer even though
23 it's operated at a loss, you consider, for the last 21
24 years?

1 A. I -- yes, sir.

2 Q. And has the ferry -- was the ferry service
3 effectively a loss leader or subsidized by Limited in
4 order to facilitate its development of the island?

5 A. No, sir. I don't believe that. And we
6 attempted in the rate case to correct that subsidy, but
7 we were not successful doing so in that 2010 rate case
8 or 2009 rate case.

9 Q. So because you were not successful, Limited
10 has continued to subsidize the ferry operation; is that
11 correct?

12 A. (No audible response.)

13 Q. And the ferry operation is --

14 COMMISSIONER DUFFLEY: Ms. Mayfield and
15 Mr. Higgins, if you-all could both--

16 THE WITNESS: Look your way?

17 COMMISSIONER DUFFLEY: Yeah.

18 THE WITNESS: Or at least talk into --

19 COMMISSIONER DUFFLEY: Or get up closer
20 to the microphones, please.

21 THE WITNESS: I'm sorry.

22 MR. HIGGINS: Did you -- did the last
23 exchange come through?

24 COURT REPORTER: I don't believe there

1 was a verbal response to that question.

2 THE WITNESS: Oh, I'm sorry.

3 Would you repeat the question, please?

4 MR. HIGGINS: I'll move on.

5 Actually, I don't have any further
6 questions for you, Ms. Mayfield. Thank you.

7 COMMISSIONER DUFFLEY: Public Staff?

8 MR. CREECH: Yes. Thank you.

9 CROSS EXAMINATION BY MR. CREECH:

10 Q. Hey, Ms. Mayfield. I just want to confirm
11 several quick things, if I could.

12 We've been told in discovery and I think you
13 indicated just now that the 19 million so-called loan
14 will be written off at closing. I just want to
15 reconfirm: No ifs, ands, or buts, that will be -- that
16 will not be --

17 A. That is correct.

18 Q. Okay.

19 A. No ifs, ands, or buts.

20 Q. Second, imputation of parking revenue. If
21 the appeal by the applicants results in the parking not
22 being regulated for some reason, it is your -- is it
23 your understanding that the new owners intend to
24 continue that imputation?

1 A. It's my understanding the new owners have
2 agreed to continue the imputation to the extent that it
3 was imputed earlier.

4 Q. Okay. And your testimony indicates that
5 you-all did due diligence on SharpVue and their
6 management team to ensure financial liability and
7 stability. Is that still the case?

8 A. Yes, sir.

9 Q. Did you -- and your -- and your findings on
10 that are still the case, that they are financially
11 stable?

12 A. Yes, sir.

13 Q. Okay. And just final question relates to the
14 so-called transition agreement or other agreements,
15 maybe a shared service agreement, et cetera.

16 Is it your -- what is your understanding
17 about any impact that those agreements would have on
18 ratepayers?

19 A. The transition agreement would be related
20 solely to the transition of Limited to Transportation.
21 It would not be -- been passed on to the ratepayer at
22 that point.

23 MR. CREECH: All right. Thank you.

24 COMMISSIONER DUFFLEY: Redirect?

1 MS. HEDRICK: Yes. Thank you.

2 REDIRECT EXAMINATION BY MS. HEDRICK:

3 Q. Ms. Mayfield, just a few questions.

4 Do you have Village Mayfield Direct Cross
5 Exhibit 1 in front of you?

6 A. Village Mayfield Direct Cross Exhibit 1.

7 Q. That's --

8 A. Oh. Yes, I do. Yes.

9 Q. Okay.

10 A. Okay.

11 Q. Mr. Trathen asked you a number of questions
12 about this document, specifically focused on the land
13 basis parking lots of \$325,000 or so, right?

14 A. Uh-huh. Yes.

15 Q. Can you tell us what time period the
16 information on this sheet covers?

17 A. I can. This is -- this was developed from
18 the initial purchase price from April of 1996, and most
19 of the transactions fall through '96.

20 And then there was some development work done
21 in '09. There was a minor amount of Deep Point
22 subdivision work done in '18. And then the survey
23 where we divided the campus for this transaction and to
24 prepare, actually, for the Authority in '20.

1 Q. So when you talk about the land basis parking
2 lots, where was the terminal at the point that this --

3 A. In '96, the terminal did not exist.

4 Q. Okay. Where -- was the property zoned for
5 commercial operations in 1996?

6 A. I would assume so, but I don't know that. I
7 wasn't here in '96, and I'm not sure.

8 Q. Fair enough. To your knowledge, were there
9 any environmental permits in 1996?

10 A. Not to my knowledge.

11 Q. All right. And to your knowledge, was there
12 any improvements on the land in 1996?

13 A. I don't believe in 1996 there were.

14 Q. So it was just the raw land that was
15 purchased; is that right?

16 A. Uh-huh.

17 Q. Okay.

18 A. I'm sorry. Yes.

19 Q. Let's see. Mr. Trathen asked you number of
20 questions about management functions.

21 Do you remember that?

22 A. I do.

23 Q. Has it been determined yet which management
24 or accounting functions will eventually be performed by

1 SharpVue after closing?

2 A. Currently, I can tell you what accounting
3 functions are performed now, and they will be absorbed
4 into SharpVue. But there is fixed asset work that we
5 do. There's general ledger work. Financial
6 statements. There's, in some cases, billing. Cash
7 receipts. Cash disbursements. Accounts payable.

8 Q. Okay. But that will be done by SharpVue
9 going forward?

10 A. Uh-huh.

11 Q. All right.

12 A. Subsequent to the transition agreement. It
13 won't be the very next day.

14 Q. Okay. Mr. Higgins asked you some questions
15 about the rent that Transportation has recorded on its
16 books.

17 So that covers the rent of properties that
18 were determined to be used by transportation in the
19 last rate case; is that right?

20 A. Correct.

21 Q. And that's -- so that was approved by the
22 Commission at that time.

23 A. Uh-huh.

24 Q. Correct?

1 A. That's true, yes.

2 Q. All right. And then you were asked some
3 questions about the capital budget. Is that a one-year
4 and a two-year budget?

5 A. It's a one-year budget.

6 Q. Okay. So that's not a long-term budget?

7 A. Not -- well, we also have -- we actually have
8 three capital budgets. We have R&M capital, we have
9 FFE capital, and we have what we call "development
10 capital." And the R&M capital typically can be a
11 two-year process.

12 Q. Okay.

13 A. And it's determined which one is most urgent
14 for this year and what items are we putting on the
15 radar for next year.

16 MS. HEDRICK: Nothing further at this
17 time.

18 COMMISSIONER DUFFLEY: Commissioner
19 questions?

20 Chair Mitchell?

21 EXAMINATION BY CHAIR MITCHELL:

22 Q. Good afternoon, Ms. Mayfield.

23 A. Good afternoon.

24 Q. Just to -- just one question for

1 clarification.

2 You indicated the new owner -- in response to
3 Mr. Creech, the new owner intends to continue the
4 imputation of parking revenues to the extent that it
5 was imputed -- that those revenues had been imputed
6 earlier. Just explain what you meant by that response.

7 A. It's my understanding -- and I hope I don't
8 have this wrong. Mr. Paul can probably clarify this.

9 It was my understanding that Mr. Roberts has
10 agreed -- and I don't know the time period -- that he
11 would allow the imputation of parking to remain.

12 Q. Okay. And so what did you mean that to the
13 extent they were imputed earlier?

14 A. In the initial -- or not the initial. In our
15 2009 rate case, to settle the rate case, when we -- we
16 had originally asked for a \$28 ticket. We were
17 approved to get a \$23 ticket. We then had to make
18 adjustments to have the income statement turn out to be
19 the 8.33 percent return.

20 When we did that, we first took dollars out
21 of expenses, and then dollars were imputed from parking
22 revenue. And in the very end, there was an amount of,
23 I think, \$147 that was added as intervenor's settlement
24 to settle the rate case.

1 Q. Okay. All right. So -- but your
2 understanding is that parking revenues annually have
3 been imputed to --

4 A. Not on an annual basis. If we were looking
5 at another rate case, they would be considered in that
6 initially.

7 But I'm not sure. I should ask for
8 clarification on that. I don't know.

9 Q. Okay. Well, I'll ask Mr. Paul --

10 A. Okay.

11 Q. -- that question when he's back up on
12 rebuttal.

13 CHAIR MITCHELL: Okay. Thank you,
14 Ms. Mayfield.

15 COMMISSIONER DUFFLEY: Commissioner
16 Clodfelter?

17 EXAMINATION BY COMMISSIONER CLODFELTER:

18 Q. Ms. Mayfield, one very, very quick thing for
19 you.

20 Mr. Trathen was asking you questions about
21 the exhibit A1 to the application. Do you still have
22 that there in front of you?

23 A. Yes, I do.

24 Q. Yeah. And he was asking you -- on page 4, he

1 was asking you about the operating expense item titled
2 "Management Fees"?

3 A. Yes, sir.

4 Q. Well, something else caught my eye on that
5 page.

6 A. Okay.

7 Q. Since he was asking you about it, I was
8 looking at the page, and I'm just curious. It just
9 really -- to satisfy my curiosity.

10 Up under the "Revenue" item, there is a line
11 titled "Transportation Revenue-Affiliates." What does
12 that item represent?

13 A. The auditors choose to put the intercompany
14 transactions between Limited and Transportation in that
15 line item.

16 Q. What would those be? Would those be, like,
17 the maintenance expense on the barge?

18 A. No. Predominantly, those are ferry tickets
19 for employees or for the employees of Limited. Because
20 they're related parties, they're reported that way.

21 Q. Would that -- thank you. I understand what
22 you just said.

23 Would that item also include, for example,
24 charges for maintenance work performed by

1 Transportation on the barge?

2 A. No, sir. There's a --

3 Q. Or not?

4 A. No. No, sir. There's a credit taken against
5 the management fee calculation for the work done on the
6 barge and tug.

7 COMMISSIONER CLODFELTER: Thank you very
8 much. It helps me --

9 THE WITNESS: Okay.

10 COMMISSIONER CLODFELTER: -- understand
11 the document better. I appreciate it.

12 THE WITNESS: Okay.

13 EXAMINATION BY COMMISSIONER DUFFLEY:

14 Q. So following up on Chair Mitchell's question
15 about the imputation of the \$523,000, is that -- let's
16 assume it is an annual contribution. Is that in the
17 Transportation revenues in that 6.7 million?

18 A. No. These -- the books that are completed
19 here are GAAP audits, Generally Accepted Accounting
20 Principles, and those imputations are not here.

21 Q. Okay. And you're familiar with
22 Docket A-41, Sub 7A?

23 A. Yes.

24 Q. And you probably make those fillings for the

1 company?

2 A. I do.

3 Q. And so in February of each year, you make a
4 filing and it shows the full year prior?

5 A. In the annual report?

6 Q. In the annual report. Correct?

7 A. I review that, yes.

8 Q. Okay. And so would you agree subject to
9 check that in 20-- for year 2022, the ferry's net
10 loss was 1.3 million--

11 A. Yes.

12 Q. -- approximately? And in 2021, the net loss
13 was 400,000 --

14 A. Right.

15 Q. -- approximately?

16 And then in 2020, the net loss was around
17 985,000?

18 A. I'm not sure about 2020, but I believe so.

19 Q. Subject to check?

20 A. Yes.

21 Q. And in 2018, the net loss was \$942,000?

22 A. Yes, ma'am.

23 Q. And then we'll do two more. 2017, 368,000
24 net loss --

1 A. Subject to check.

2 Q. -- approximately?

3 And then 2016, approximately \$500,000 net
4 loss?

5 A. Correct.

6 COMMISSIONER DUFFLEY: Okay. Those are
7 my only questions.

8 THE WITNESS: Okay. Thank you.

9 COMMISSIONER DUFFLEY: Questions on
10 Commissioner questions?

11 Yes. Commissioner McKissick?

12 EXAMINATION BY COMMISSIONER MCKISSICK:

13 Q. Let me ask you this. There was an exhibit
14 that was introduced earlier when Mr. Paul was up for
15 cross examination. It's called "Village Direct Paul
16 Cross Exhibit Number 2." I'm just curious as to
17 whether you're familiar with that particular document.

18 A. I am not sure I remember which document that
19 was, Mr. McKissick.

20 COMMISSIONER DUFFLEY: Ms. Mayfield,
21 we'll get someone -- your attorney to hand it to
22 you.

23 THE WITNESS: Okay. Thank you.

24 Q. Are you familiar with the figures reflected

1 in this document?

2 A. Yes, sir.

3 Q. You are. Okay. Now -- and, of course, it's
4 showing -- okay. From what I understand, this is about
5 income and expenses for the ferry and the barge. Would
6 that be correct?

7 A. Just one second.

8 Q. But not including the parking?

9 A. Right. No. Well, it does say parking.

10 Q. It does include the parking.

11 A. I think so.

12 Q. I think earlier they indicated it would also.
13 It does have income for parking.

14 Now, let me ask you this. Do these figures
15 all appear to be pretty accurate, to your recollection?

16 A. Yes, sir.

17 Q. And when it comes to, I guess, the bottom
18 line in terms of net income in 2020, it looks like it's
19 \$1,036,453; is that correct?

20 A. I believe.

21 Q. That's the column all the way to the far
22 right.

23 A. Right. But these were the P&Ls that were
24 used in the forecasting, I believe, for 2020 and

1 budgeted 2021.

2 Oh. I'm sorry. I misspoke. Because these
3 are all three. These are transportation, parking, and
4 barge. Yes, these are correct.

5 Q. Transportation, parking and barge?

6 A. Yes, sir.

7 Q. So this would be an accurate reflection for
8 2020 where you end up with -- it looks as if total
9 revenue that year was \$10,403,294, and total expenses
10 were \$7,091,900 and then there were other expenses of
11 \$2,098,369.

12 A. Correct.

13 Q. Is that correct?

14 A. Yes, sir.

15 Q. Now, it does indicate under "Notes" -- if you
16 go to Notes, do you see Note E?

17 It says:

18 "Hurricane Florence, September 2018, had a
19 significant impact on tug and freight and
20 barge operations."

21 It looks like that's from fourth quarter of
22 2018 to second quarter of 2019.

23 A. Correct.

24 Q. Would you happen to know how much difference

1 that might have made?

2 A. Not off the top of my head, Mr. McKissick.

3 Q. Okay.

4 A. But I do know there was -- we did have
5 substantial impact from the hurricane because we had to
6 significantly -- well, for a 30-day period, we reduced
7 service to the island altogether.

8 Q. Altogether. So it would have been a
9 substantial impact?

10 A. Yes, sir. And may I clarify one thing real
11 quick here?

12 Q. Sure.

13 A. This is not one of Bald Head Island's
14 documents. This is a SharpVue document.

15 Q. Right.

16 A. So this is not something I prepared, just so
17 that I'm clear on that.

18 Q. Sure.

19 A. Okay.

20 Q. I appreciate that clarification.

21 Now, let me also ask you about one other item
22 here. Under "Notes," you see Item G? It says Bald
23 Head Island Transportation was the beneficiary of a
24 \$496,300 PPP loan from the SVA they received on

1 May 4, 2020, that was completely forgiven on
2 December 9, 2020.

3 Now, is that reflected in the totals under
4 "Other Revenue" which is shown for 2020 where it has
5 the 510,000?

6 A. Yes, sir.

7 Q. And is that why that number is higher for
8 that year?

9 A. It is.

10 Q. Now, are you aware of any other loans that
11 have been forgiven during the timeframe shown on this
12 document?

13 A. No, sir.

14 Q. Not aware of any. But I think you indicated
15 in responding to the Public Staff's attorney that it's
16 likely to be 19 million in loans forgiven as a part of
17 this transaction.

18 A. Correct.

19 Q. Is that correct?

20 A. Yes, sir.

21 Q. But those would be the only other debt that
22 you're familiar with that would likely be cancelled or
23 forgiven?

24 A. Correct. That's the sole debt on the balance

1 sheet.

2 COMMISSIONER McKISSICK: Thank you. I
3 don't have any further questions.

4 EXAMINATION BY COMMISSIONER DUFFLEY:

5 Q. Ms. Mayfield, I just have a couple of more
6 going back to those quarterly financial reports. And
7 you might not be the right person, and you just let me
8 know if you are not.

9 But, you know, we've heard testimony about
10 the on-time departure percentage rates. And if you
11 look at those year-end reports, it looks like, and
12 subject to check, that in 2016 the on-time percentage
13 was 89 percent; in 2017 it was 85 percent; 2018,
14 87 percent; 2019, 86 percent; 2020 84 percent. And in
15 2021 it drops to 66 percent, and then in 2022 it's at
16 68 percent.

17 And so my question to you -- first of all,
18 does that sound accurate to you?

19 A. It does.

20 Q. And so just in your opinion, why did it --
21 why has it taken a deep dive in 2021 and 2022?

22 A. And let me say that I am not the best person
23 to answer this question.

24 Q. Okay. Who do I need to ask?

1 A. Mr. Bion Stewart --

2 Q. Okay.

3 A. -- or Mr. Paul. Either one.

4 Q. Okay.

5 MR. STYERS: And Mr. Stewart will be
6 testifying later in this hearing.

7 Q. Okay. I will save that for Mr. Stewart
8 unless you want to offer up your opinion.

9 A. I'm happy to give you my opinion, but
10 Mr. Stewart is going to be the best person to have the
11 actual technical response to that.

12 Q. Okay.

13 A. Part of -- I think it's -- there are several
14 impactful situations with that. One is the amount of
15 baggage and the baggage that we started carrying and
16 handling. And as the ridership increased, so did
17 baggage.

18 The other problem -- and we went to the Corps
19 of Engineers to ask that they station their dredge work
20 elsewhere because it's a no-wake zone as they set up in
21 the river, which significantly slows down our
22 transport.

23 The Corps indicated they were not able to do
24 that. So part of it is the traffic as well and the

1 requirements on the ferries for no wake.

2 COMMISSIONER DUFFLEY: Thank you for
3 that answer, Ms. Mayfield.

4 Questions on Commission questions?

5 MR. TRATHEN: Yes.

6 EXAMINATION BY MR. TRATHEN:

7 Q. Ms. Mayfield, Commissioner McKissick asked
8 you a few questions with regards to the consolidated
9 historical income statement. Do you still have that?

10 A. Yes, sir. I do.

11 Q. Two quick questions flowing from that.

12 Right above Net Income, there's a figure for
13 Other Expense. Do you happen to know what that is?

14 A. That would be any of the operating expenses.
15 Not specifically salaries and wages. It would be
16 supplies, fuel, office expense, training and education,
17 uniforms. There's a substantial list of expenses in
18 that line.

19 Q. Okay. And with respect to Footnote C -- and
20 I understand that this is a SharpVue document.

21 The note C states that the facilities lease
22 expense of \$1.25 million and all the underlying real
23 estate with a lease is being purchased, so that expense
24 will be extinguished at closing.

1 Do you read that to say that the plan as of
2 this statement was that there would not be a lease
3 because -- with respect to the real estate because all
4 the ownership would be consolidated in SharpVue?

5 MS. HEDRICK: I'm just going to object
6 to asking the witness to speculate as to what the
7 author of that comment meant.

8 COMMISSIONER DUFFLEY: Mr. Trathen?

9 MR. TRATHEN: I'm asking her what her
10 understanding of this note is in the financial
11 statement.

12 COMMISSIONER DUFFLEY: Just answer as
13 best you can. If you cannot speculate, you cannot
14 speculate. But answer to what you know.

15 THE WITNESS: I believe this footnote is
16 related, indeed, to the lease that currently exists
17 between Limited and Transportation.

18 Q. Okay.

19 A. Does that --

20 Q. That's fine. That's fine.

21 MR. TRATHEN: That's all I have. Thank
22 you.

23 COMMISSIONER DUFFLEY: Mr. Higgins?

24 EXAMINATION BY MR. HIGGINS:

1 Q. Ms. Mayfield, with regard to Commissioner
2 Duffley's questions where she read you some of the
3 results of annual reports indicating operating losses
4 over a period of years, do you recall that?

5 A. Yes, sir.

6 Q. And do those reports -- I don't have them
7 with me. Do those reports reflect the imputation of
8 the \$523,000 imputation from parking revenues?

9 A. No, sir. No, sir.

10 Q. So where in the financials is the \$523,000
11 imputation reflected?

12 A. On the monthly financials and on the annual
13 financials, the parking imputation is not reflected.

14 Q. Is it reflected anywhere?

15 A. No, sir. Other than in the rate case
16 settlement because it was an amount chosen for the
17 settlement.

18 I bet you can't hear me, can you? I'm sorry.

19 Other than in the rate case settlement
20 because it is an amount that was part of just the
21 settlement.

22 Q. Does that mean that the \$523,000 imputation
23 has not been imputed each and every year since the rate
24 case?

1 A. Into the final financials, that audit has not
2 been.

3 Q. Has it been imputed anywhere?

4 A. No, sir.

5 MR. HIGGINS: Thank you.

6 EXAMINATION BY MR. CREECH:

7 Q. Ms. Mayfield, I just have one follow-up
8 question.

9 You were asked about Hurricane Florence and
10 the impact on the net income, I believe. And I just
11 wanted -- and the SVA -- the PPP loan.

12 Was there also business interruption
13 insurance proceeds that were received, I think around
14 500,000? Does that sound familiar?

15 A. There were -- there was business interruption
16 insurance that was received. Off the top of my head, I
17 don't remember right now what it is. I didn't think it
18 was as high as 500.

19 MR. CREECH: Okay. Okay. Thank you.

20 COMMISSIONER DUFFLEY: Redirect?

21 MS. HEDRICK: Nothing further.

22 COMMISSIONER DUFFLEY: Okay. Motions?

23 MR. TRATHEN: Yes. I would ask that the
24 Village Cross Examination Exhibit 1 be entered into

1 evidence.

2 COMMISSIONER DUFFLEY: Without
3 objection, your motion is approved.

4 (Village Mayfield Direct Cross Exhibit
5 1, was admitted into evidence.)

6 COMMISSIONER DUFFLEY: Ms. Mayfield,
7 you're excused. Thank you.

8 THE WITNESS: Shall I just leave these
9 right here?

10 COMMISSIONER DUFFLEY: You can leave
11 those there.

12 THE WITNESS: Thank you.

13 MR. HIGGINS: Ms. Mayfield, can I get my
14 pages of testimony back, please? Thank you.

15 MR. STYERS: So Mr. -- as by agreement
16 with the parties, Mr. Roberts is actually teaching
17 at the Duke University Sanford School of Public
18 Policy and has a weekly obligation to teach as an
19 adjunct professor at the Sanford School.

20 So he was not available. He would
21 normally be our next witness. He would be
22 available to be called tomorrow, and that is
23 what -- and so if the Commission wanted to continue
24 with the hearing, what we'd agreed to is that they

1 would continue now with the next witness of the
2 Village.

3 COMMISSIONER DUFFLEY: Okay. Let's go
4 off the record for five minutes.

5 (Recess was taken from 4:58 p.m. to
6 4:59 p.m.)

7 COMMISSIONER DUFFLEY: Let's go back on
8 the record.

9 In discussion with my colleagues, let's
10 keep the case intact. So we're going to recess for
11 the day, and we'll come back on the record tomorrow
12 at 9:30 a.m. and we'll have Mr. Roberts at 9:30
13 tomorrow morning.

14 (Hearing recessed at 4:59 p.m. and set
15 to reconvene at 9:30 a.m. on Wednesday,
16 March 8, 2023.)
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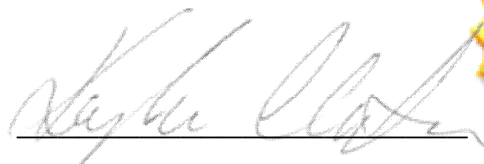
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CERTIFICATE OF REPORTER

STATE OF NORTH CAROLINA)
COUNTY OF WAKE)

I, Kaylene Clayton, the officer before whom the foregoing hearing was conducted, do hereby certify that any witnesses whose testimony may appear in the foregoing hearing were duly sworn; that the foregoing proceedings were taken by me to the best of my ability and thereafter reduced to typewritten format under my direction; that I am neither counsel for, related to, nor employed by any of the parties to the action in which this hearing was taken, and further that I am not a relative or employee of any attorney or counsel employed by the parties thereto, nor financially or otherwise interested in the outcome of the action.

This the 19th day of March, 2023.



Kaylene Clayton
Notary Public #202228500270