

DOCKET NO. A-41, SUB 22

REGULATORY CONDITIONS

These Regulatory Conditions set forth requirements imposed upon Pelican Legacy Holdings, LLC (Holdings), Bald Head Island Ferry Transportation, LLC (and BHIFT), a wholly owned subsidiary of Pelican Legacy Holdings, LLC (Holdings), SharpVue Capital, LLC (SharpVue), and other entities that invest in Holdings that are owned or controlled by SharpVue or its principals, Lee Roberts and Douglas Vaughn, which are currently SVC Pelican Partners, LLC (Partners), SharpVue Real Estate Partners II, LP, Pelican Co-Invest, LLC, and SharpVue Real Estate Partners II AI, LP (as well as any successor entities)(“SharpVue Affiliates”), as a condition of approval of the application by BHIL, BHIT, and BHIFT pursuant to N.C. Gen. Stat. § 62-111 and Commission Rule R2-8.1 for authority (1) to transfer BHIT’s Common Carrier Certificate to BHIFT to operate the passenger ferry transportation services to and from Bald Head Island, the tram services on the island, and, the parking, barge, and tug operations (collectively, the Transportation Assets) (the (Transfer), and for BHIFT or SharpVue to pledge assets and borrow or issue debt pursuant to N.C.G.S. §§ 62-160 and 62-161 secured by the Transportation Assets as may be necessary to finance the Transfer (the Pledging of Assets, and collectively with the Transfer, the Proposed Transaction).

These Regulatory Conditions, which become effective only upon closing of the Transfer, shall apply jointly and severally to Holdings, BHIFT, SharpVue, and SharpVue Affiliates, and shall be interpreted in the manner that ensures BHIFT’s customers (a) are protected from any known adverse effects from the Transfer, (b) are protected as much as possible from potential costs and risks resulting from the Transfer, (c) receive sufficient known and expected benefits to offset any potential costs and risks resulting from the Transfer. These Regulatory Conditions do not

apply, however, to how the SharpVue Affiliates operate or manage cash for other investments separate from and unrelated to their investment in Holdings and that have no effect on the rates and services provided by BHIFT.

For purposes of these Regulatory Conditions, the North Carolina Utilities Commission is referred to as “the Commission,” and the Public Staff – North Carolina Utilities Commission is referred to as “the Public Staff.” For purposes of these Regulatory Conditions, the term “affiliated” or “Affiliate” (other than previously defined SharpVue Affiliate) shall mean Holdings, BHIFT, and any business entity of which 10% or more is owned or controlled, directly or indirectly, by Holdings and BHIFT, including but not limited to Pelican Real Property, LLC, Pelican Logistics, LLC, and Pelican IP, LLC.

Each entity bound by these Regulatory Conditions must acknowledge and consent to these Regulatory Conditions and is further required not to cause any subsidiary entities to violate such Regulatory Conditions, nor to prevent any bound entity from taking action to comply with the Regulatory Conditions, as long as the Regulatory Conditions remain in effect. The consent and acknowledgment as set forth above does not constitute a general consent to expansion of the Commission’s jurisdiction over such entity(entities) beyond that established by Chapter 62 of the North Carolina General Statutes. Further, as long as SharpVue and its affiliates own or operate ferry, tram, parking, barge, and tug operations, SharpVue and the SharpVue Affiliates agree to submit to the Commission’s regulation and oversight of those operations as set forth in the Regulatory Conditions herein and the Commission’s December 30, 2022 Order in Docket No. A-41, Sub 21, unless and until and to whatever extent such Order may be overturned, reversed, or replaced and is thus no longer valid and enforceable.

The Commission retains the right to impose future limitations on BHIFT that the public interest requires.

1 **Transfer-related Direct Costs and Expenses.** Direct costs and expenses associated with the Transfer will be excluded from the regulated expenses of BHIFT for Commission financial reporting and ratemaking purposes. Direct Transfer expenses are change-in-control payments made to terminated executives, Transfer-related bonuses, severance payments, regulatory process costs, and transaction fees (such as, but not limited to, acquisition, architectural, broker, environmental, financing, investment banker, and legal fees for due diligence, transaction structuring, financial market analysis, and fairness opinions based on formal agreements with investment bankers). BHIFT will file a summary report of its final accounting for direct Transfer and Transfer-related -expenses within 120 days after the close of the Transfer, and supplemental reports within 60 days after each quarter until such expenses cease.

2 **Non-Consummation of Transfer.** If the Transfer is not consummated, neither the cost nor the receipt of any termination payment shall be allocated to BHIL or BHIT or included in regulated expenses of BHIL or BHIT for Commission financial reporting and ratemaking purposes. BHIL's and BHIT's customers shall not otherwise bear any direct expenses or costs associated with a non-consummated Transfer.

3 **Acquisition Adjustments.** SharpVue, SharpVue Affiliates, Holdings, and BHIFT shall neither pursue nor recover an acquisition adjustment on assets used and useful in provided ferry or tram services in any future rate case.

4 **Parking Availability.** SharpVue, SharpVue Affiliates, Holdings or their affiliates will provide no less spaces for parking than the aggregate of: (i) the current number of paved, lined spaces at the Deep Point lots (1,955) and (ii) the number of overflow cars that it can currently accommodate on the unpaved, gravel lots at Deep Point (347). Holdings and its affiliates also commit that it will meet the parking space commitments of this paragraph in one, or a combination of, the following ways: (i) at the Deep Point parking lots currently used by BHIL; (ii) through the acquisition and development of other conveniently located parking lots with regular shuttle service to convey passengers and their baggage to and from the Deep Point terminal; or (iii) through the construction of parking decks or garages in lieu of surface lots. This obligation would continue until such time as the Commission were to allow a waiver or modification of this condition upon a showing of a demonstrable decline in demand for parking at Deep Point or the availability of equivalent parking by a third-party provider.

5. **Parking and Barge/Tugboat Rates:** For a period of four years following the closing of the sale and barge/tugboat assets and the parking facilities at the Deep Point Terminal, or the next rate case filed by BHIFT, whichever is earlier, Holdings or its affiliates will not increase the aggregate rates for parking ticket classes or levels or barge/tugboat services more than the compound average growth rate from

January 1, 2023 of the Consumer Price Index for All Urban Consumers (CPI-U) as calculated by the U.S. Bureau of Labor Statistics.

6. **Hold Harmless Commitment.** The Transfer shall be effectuated in a manner designed to prevent harm to BHIFT's ratepayers. Notwithstanding this, SharpVue, SharpVue Affiliates, Holdings, and BHIFT (as well as any successor entities directly or indirectly owning or controlling BHIFT assets, operations, or its employees) shall take all such actions as may be reasonably necessary and appropriate to hold BHIFT's customers harmless from the effects of the Transfer.
7. **Distributions to SharpVue, SharpVue Affiliates, and Holdings.** BHIFT shall not pay to SharpVue, SharpVue Affiliates, Holdings, or their members or managers any distribution that would result in a cash balance of less than \$500,000 for ferry, tram, parking and barge operations.
8. **Common Equity Capital.** Until a final order is issued in BHIFT's next (first) general rate case, BHIFT shall maintain common equity capital at levels equal to or greater than 40% of total adjusted booked capital (including common equity, preferred stock, long-term debt, and long-term capital leases) (On Day 1, booked capital is invested common equity). No equity distributions, whether by dividend or other form, such as the management fees of SharpVue, may be made that would result in invested equity capital of BHIFT falling below this minimum 40% level without prior approval of the Commission. Notwithstanding the foregoing, BHIFT may petition the Commission for an exception to this Regulatory Condition.

9. **Notice of BHIFT-related Investments.** Whenever SharpVue, SharpVue Affiliates, or Holdings makes any new or increased direct or indirect investment in a business entity other than Holdings and/or BHIFT where: (a) such investment appears or will appear on the books of BHIFT, or will otherwise have a direct effect on the books, costs, rates, revenues, charges, obligations, services, capitalization, or indebtedness of BHIFT, and (b) the amount of such investment is equal to 10% or more of BHIFT's book capitalization, then BHIFT shall file or cause to be filed, as soon as practicable following Board or other approval of the subject transaction and any public announcement thereof (if any), a confidential notice of the investment with the Commission. The notice shall include a full description of the investment and an explanation of how will appear on the books of BHIFT, or will otherwise have an effect on the books, costs, rates, revenues, charges, obligations, services, capitalization, or indebtedness of BHIFT.
10. **Notice of Default or Bankruptcy.** If SharpVue or SharpVue Affiliates experiences a material default on a Holdings or BHIFT-related obligation or files for bankruptcy, Holdings and BHIFT shall notify the Commission of the event in advance, if possible, or, if not, as soon as possible but not later than ten days after such event.
11. **Non-attribution or Forgiveness of Intercompany "Loan."** To the extent that closing of the Transfer memorializes any intercompany "loan" between BHIL and BHIT (see \$19,808,223 of Related Party Loan(s) as reported in BHIT's Financial Report of December 31, 2021), SharpVue, SharpVue Affiliates, Holdings, and

BHIFT must disclaim any such “loan” and any such “loan” or indebtedness shall not be binding upon Holdings and BHIFT and shall not be presented for Commission consideration whatsoever, whether for rate base purposes or otherwise. This requirement applies to all existing or subsequent indebtedness of BHIL or BHIT through closing, but not to cumulative negative retained earnings as shown on BHIT’s balance sheet prior to closing.

12. Post-Closing Financial Information. Holdings and BHIFT shall file confidentially pre-and post-Transfer closing balance sheets and the associated closing journal entries, including relevant descriptions and disclosures for the transactions recorded as soon as practicable but not later than the end of the second full quarter following the close of the Transfer, and shall provide confidentially to the Public Staff closing documents for the consummation of the Proposed Transaction, including closing statements for Holdings and BHIFT.

13. Meetings with Public Staff. Holdings and BHIFTA management shall meet periodically with the Public Staff, whenever requested, to discuss Holdings’ financial condition, BHIFT’s financial condition and results, service quality metrics and maintenance initiatives and results, and the ferry, barge, tug, and tram transportation services, parking services, and any changes and potential improvements, and new tariffs.

14. Access to Books and Records. In accordance with and to the extent provided by North Carolina law, the Commission and the Public Staff shall continue to have access to the books and records of Holdings and BHIFT.

15. **Management.** SharpVue, Holdings, and BHIFT have indicated that they intend to maintain current management comprised of existing key BHIL and BHIT employees Chad Paul, Shirley Mayfield, and Captain Bion Stewart. Holdings and BHIFT shall notify the Commission at least 14 days prior to any termination of agreements (except for termination for cause) with or resignation by these key personnel or as soon as practicable following their knowledge of any such termination or resignation .
16. **Regulatory Reporting Requirements.** BHIFT shall comply with all regulatory reporting requirements, including Annual Report, Quarterly Report, and Quarterly Financial Report of monthly information.
17. **Regulatory Staffing.** Holdings and BHIFT shall maintain sufficient, adequately trained personnel to ensure that regulatory reporting requirements are complied with in a timely and accurate manner. BHIFT shall notify the Public Staff when there is any change in regulatory or compliance personnel at the management level.
18. **Overall Service Quality and On-Time Performance.** Upon consummation of the Transfer, SharpVue, Holdings, and BHIFT shall continue to provide safe and reliable parking, ferry, barge, tug, and tram services consistent with current practices. Holdings and BHIFT shall have a goal of on-time ferry departures of 90%, excluding delays caused by force majeure events beyond their control, including, but not limited to, adverse weather conditions, river and port traffic, requested emergency response and evacuation services, and dredging by third-parties that affect transit to and from Bald Head Island. BHIFT shall evaluate

service delivery and related components to maintain and improve overall ridership experience and report findings of its evaluation to the Public Staff at meetings pursuant to Regulatory Condition #14 and at public meetings conducted pursuant to Regulatory Condition #22.

19. **Affiliated Agreements.** Holdings and BHIFT shall file with the Commission agreements pursuant to N.C.G.S. § 62-153. All such agreements that involve payment of fees or other compensation by Holdings or BHIFT shall require acceptance and authorization by the Commission and shall be subject to any other Commission action required or authorized by North Carolina law and the Rules and orders of the Commission. Holdings, and BHIFT shall file notice with the Commission of any proposed amendments to, assignment of, or transfer of management rights under the Management Agreement (referred to by BHIFT as an “Investment Management Agreement”) among SharpVue, Partners, and Holdings that would result in SharpVue Managing Partners Lee Roberts and Douglas Vaughn no longer be leading the provision of management services under the Management Agreement.

20. **Intellectual Property.** All intellectual property currently used in parking, ferry, barge, tug, and tram operations shall continue to be available for use by BHIFT at no additional charge. To the extent that intellectual property of BHIL conveyed to Pelican IP, LLC, at closing is currently used in parking, ferry, barge, tug, or tram operations, BHIFT shall have the continued right to utilize such intellectual

property and shall not be charged a licensing fee or any other sum associated with such use.

21. Public meetings with Stakeholders. Management of Holdings and BHIFT shall meet at least semi-annually in a noticed public meeting (one of which must be on Bald Head Island) with ferry, barge, tug, and tram service constituents to receive input on all aspects of such services.

22. Ferry Terminals, Barge, and Parking Access. BHIFT shall continue to have the right to maintain the long-term lease for ferry terminal facilities on the mainland and island (Terminal Lease) and the right to secure and maintain a perpetual easement(s) or long-term lease(s) or otherwise ensure ownership or control of all property necessary for regulated parking and barge and tug operations at reasonable rates, with escalations not to exceed the rate of inflation for an annual 12-month period at a rate greater than the annual increase in the Consumer Price Index for Urban Consumers, CPI-U, as published by the U.S. Bureau of Labor Statistics, unless any such rent escalation at a different rate is approved by the Commission in a rate case proceeding. In the event that any such easement or lease is terminated, expires, or is rendered inoperable, the grantor/lessor shall file written notice in this docket at least 90 days in advance and BHIFT shall be granted access (for example, by new easement or lease) to such facilities necessary for regulated operations at reasonable rates.

23. Supplemental Assets. The subsequent sale, assignment, lease, easement, or other transfer of any right or interest in and to supplemental assets (assets other than

regulated assets) under the Asset Purchase Agreement (APA) for the Transfer shall not materially impact customers of regulated operations for the ferry, tram, parking, barge, or tug.

24. **Mergers and Acquisitions.** For any proposed merger or other business combination that would affect BHIFT, Holdings, or SharpVue, BHIFT shall file an application for approval pursuant to N.C.G.S. § 62-111(a) at least 90 days before the proposed closing date for such merger or other business combination.
25. **Vessel Replacement.** Within one year of the closing of the Transfer, Holdings and BHIFT shall file a ten-year plan for the capital expenditures to replace any of BHIT's current ferry vessels, including the proposed financing of any capital expenditures related to the vessels.
26. **Transfer Pricing Between Affiliates.** For untariffed goods and services provided by Holdings, BHIFT, SharpVue, or Sharp Affiliates to a non-utility Affiliate, the transfer price paid shall be set at the higher of market value or Holdings', BHIFT's, SharpVue's, or SharpVue Affiliates' cost. For untariffed goods and services provided to Holdings, BHIFT, SharpVue, or SharpVue Affiliates by a non-utility Affiliate, the transfer price charged by a non-utility Affiliate to Holdings, BHIFT, SharpVue, or SharpVue Affiliates shall be set at the lower of market value or the non-utility Affiliate's cost. Services provided by Holdings, BHIFT, SharpVue, or SharpVue Affiliates to utility Affiliates or by utility Affiliates to Holdings, BHIFT, SharpVue, or SharpVue Affiliates shall be transferred at the supplier's cost, unless otherwise directed by order of the Commission.

27. **Rate Case.** BHIFT agrees not to seek an increase in rates for at least one year following the consummation of the Transfer, other than as allowed under Condition 5 above.
28. **Tariff/Service Regulations.** Within thirty days of the issuance of the final Order in this docket, the Applicants will file tariffs/service regulations, with rates and operating schedules, for parking and tugboat/barge services for approval by the Commission consistent with its Order in this docket.
28. **Successors.** The respective successors and assigns of Holdings, BHIFT, SharpVue, and SharpVue Affiliates shall be bound by these regulatory conditions, Commission rules, and Commission jurisdiction established by Chapter 62 of the North Carolina General Statutes. Any successor or assign shall file in this docket consent to submit to the Commission's jurisdiction for the limited purpose of allowing the Commission to oversee and enforce these regulatory conditions.