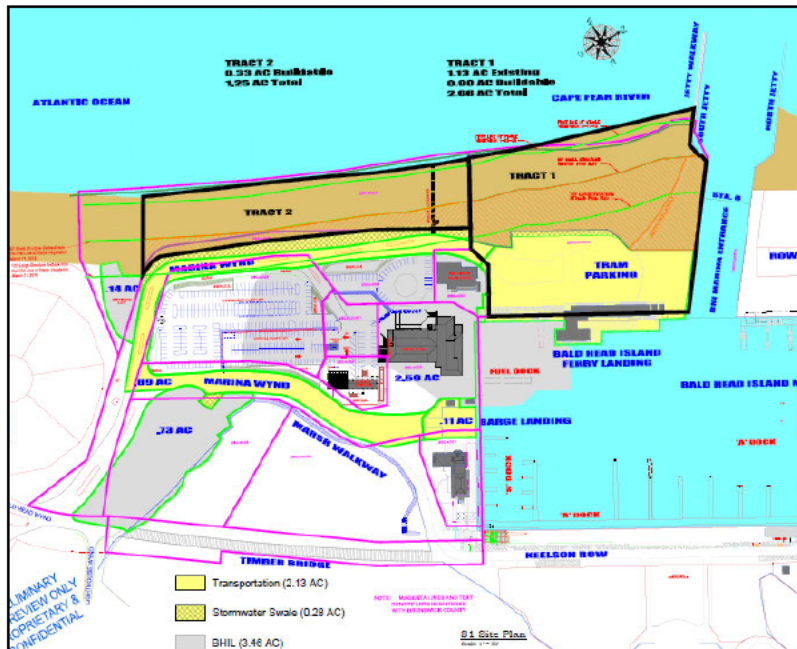


An Appraisal Report of
The Real Property of
The Bald Head Island Ferry Operation
Located At
2 Marina Wynd
On Bald Head Island, Brunswick County,
North Carolina



Prepared For:

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

Prepared By:

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

May 28, 2019

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

Dear Ms. Rabon:

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

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

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

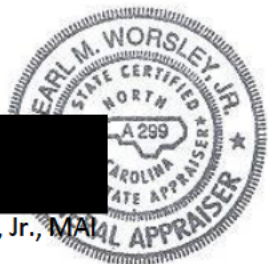
All estimates and conclusions are subject to the Limiting Conditions in which the context of this report has been written.

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

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

Sincerely yours,


Earl M. Worsley, Jr., MAI



eworsley@worsleyrealestate.com

File No.: 19-005

CERTIFICATION

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

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



Earl M. Worsley, Jr., MAI

May 28, 2019

Date

LIMITING CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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EXECUTIVE SUMMARY

Property Identification:	The Bald Head Island Ferry/Barge facility real property located on an approximate 3.94 acre site. It is further identified as a portion of Brunswick County tax parcels 2600000503, 260JA002, 260JA003, 260JA005, 260JA007, 260JA00701, and 260JA008. For the purpose of this analysis, the subject property will be identified as Tract A (2.77+/- acres) and Tract B (1.17+/- acres). This will be discussed further in a subsequent section of this report.	
Location:	2 Marina Wynd, Bald Head Island Village, on Bald Head Island, Brunswick County, North Carolina.	
Interest Appraised:	Fee Simple	
Date of Value:	April 24, 2019	
Ownership of Record:	Bald Head Island Limited, LLC	
Proposed Ownership:	Bald Head Island Transportation Authority	
Land Area:	Tract A – 2.77+/- acres Tract B – 1.17+/- acres	
Zoning:	Planned District, PD – 3C	
Highest and Best Use:	Commercial Use	
Improvements:	Several wood frame structures utilized as The Bald Head Island Ferry/ Barge Landing facility with related site improvements.	

Value Indicator

Cost Approach:	\$6,070,000
FINAL ESTIMATE OF MARKET VALUE:	\$6,070,000

INTRODUCTION

DESCRIPTION OF THE REPORT

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

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

PURPOSE AND INTENDED USE OF THE APPRAISAL REPORT

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

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

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

DEFINITION OF MARKET VALUE

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

It is as follows:

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

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

ADDITIONAL DEFINITIONS

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

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

HYPOTHETICAL CONDITIONS

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

There are no Hypothetical Conditions.

EXTRAORDINARY ASSUMPTIONS

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

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

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

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

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

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

EFFECTIVE DATE AND DATE OF INSPECTION

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

DATE OF THE REPORT

This report was completed and dated May 28, 2019.

SCOPE OF THE APPRAISAL

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

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

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

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

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

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

PROPERTY RIGHTS APPRAISED

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

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

IDENTIFICATION OF THE PROPERTY

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

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

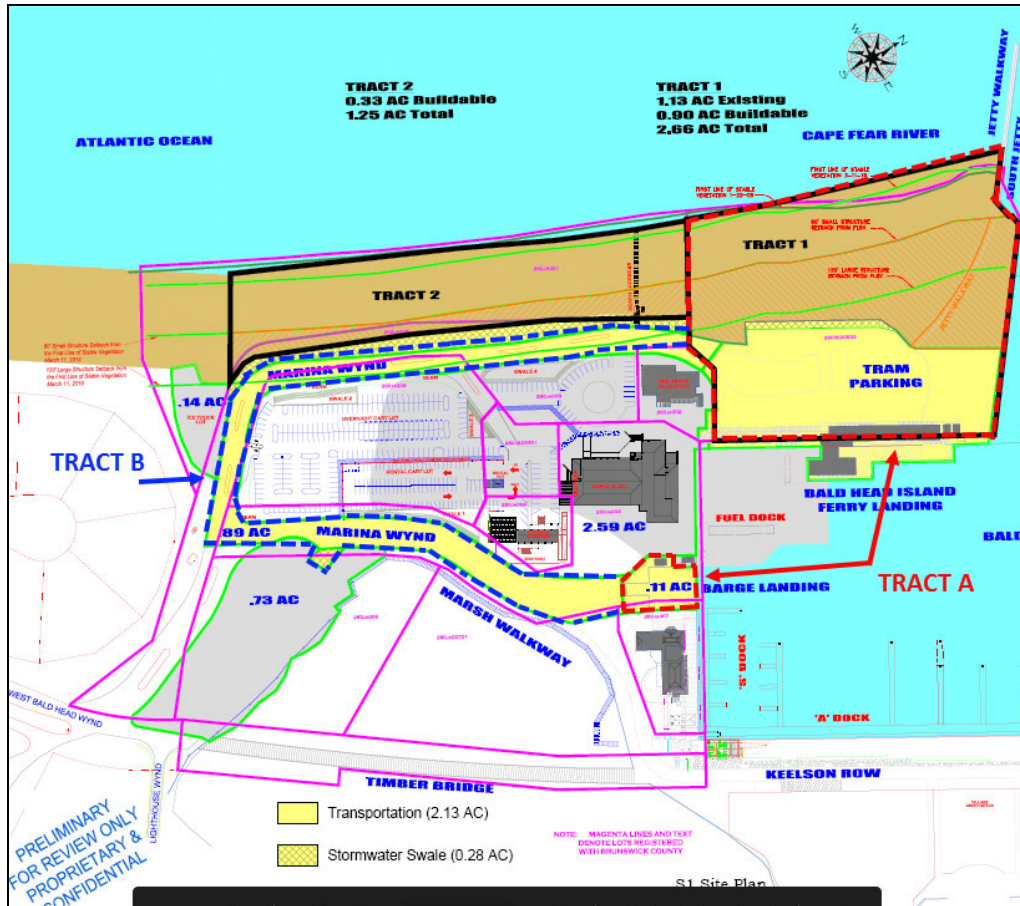
Tract A is identified on the Bald Head Island Ferry Landing map as Tract 1 (2.66 acres) and barge landing (0.11 acres).

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

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

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

Bald Head Island Ferry Landing Map



GENERAL APPRAISAL CONCEPT

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

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

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

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

along internal roads to various destinations on the island.

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

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

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

OWNER OF RECORD

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

HISTORY OF THE PROPERTY

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

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

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

LEGAL DESCRIPTION

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

EXPOSURE TIME AND MARKETING TIME

Exposure Time is defined in *The Dictionary of Real Estate Appraisal*, fifth edition as “the estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based on an analysis of past events assuming a competitive and open market.” Based on a review of market data in the subject and competing market areas as well as the current economic climate, an exposure time of 1 year is considered reasonable and is adopted based on the opinion of value as indicated within this report.

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

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

AREA AND REGIONAL DESCRIPTION

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

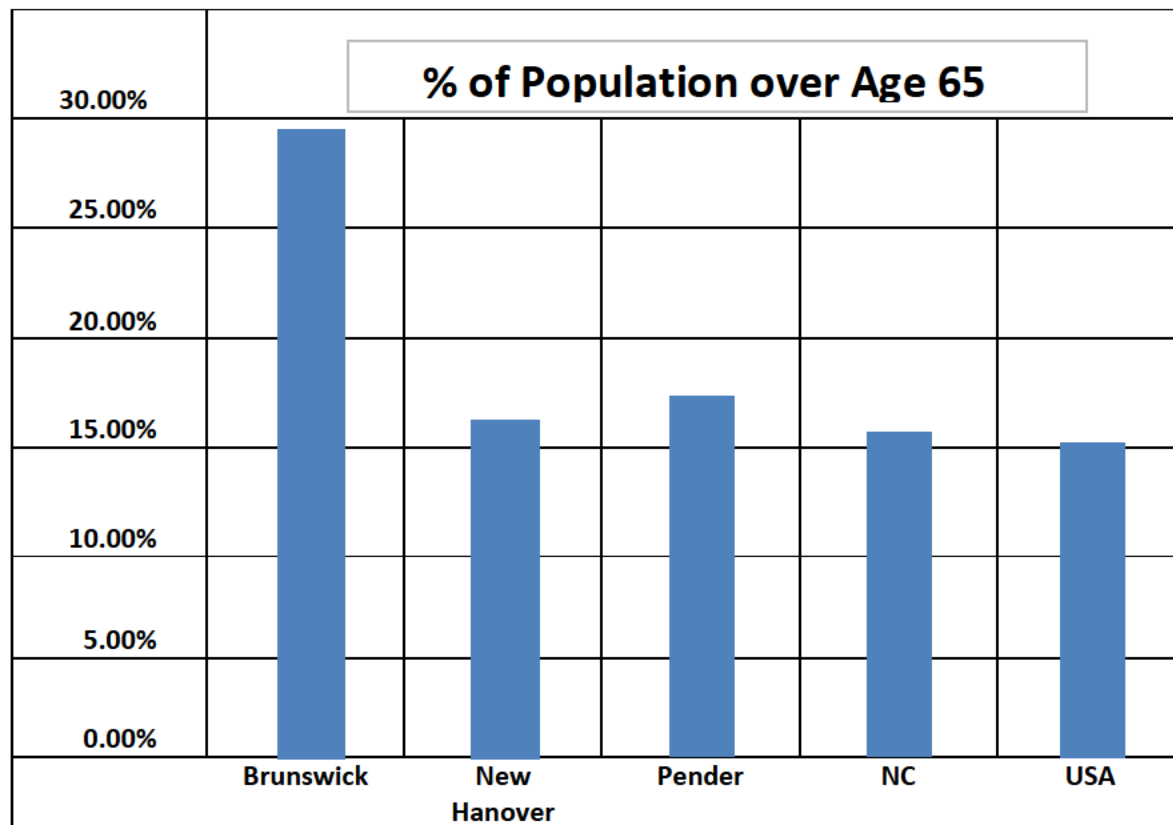


POPULATION AND GROWTH

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

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

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



DEMOGRAPHICS

Median household income for the area ranges from approximately \$46,580 in Pender County to \$51,232 in New Hanover County. This is generally in line with the statewide average of approximately \$48,256.¹

EMPLOYMENT

Major area employers² include:

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

¹ Source: US Census QuickFacts, 2009-2015 data

² Source: Wilmington Chamber of Commerce

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

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

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

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

ATTACHED HOUSING

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

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

US Census

Source: Bureau

TAX BURDEN AND COST OF LIVING

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

EDUCATION

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

³ Source: Bureau of Labor Statistics

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

CLIMATE

The area enjoys a very favorable year-round climate, with mild winters, pleasant springs and autumns and hot humid summers. The coldest month is January, with average highs of 56 degrees and lows of 36 degrees⁵. The warmest month is July, averaging 90° / 73°.

RECREATION AND CULTURE

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

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

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

PROJECTIONS

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

SUMMARY

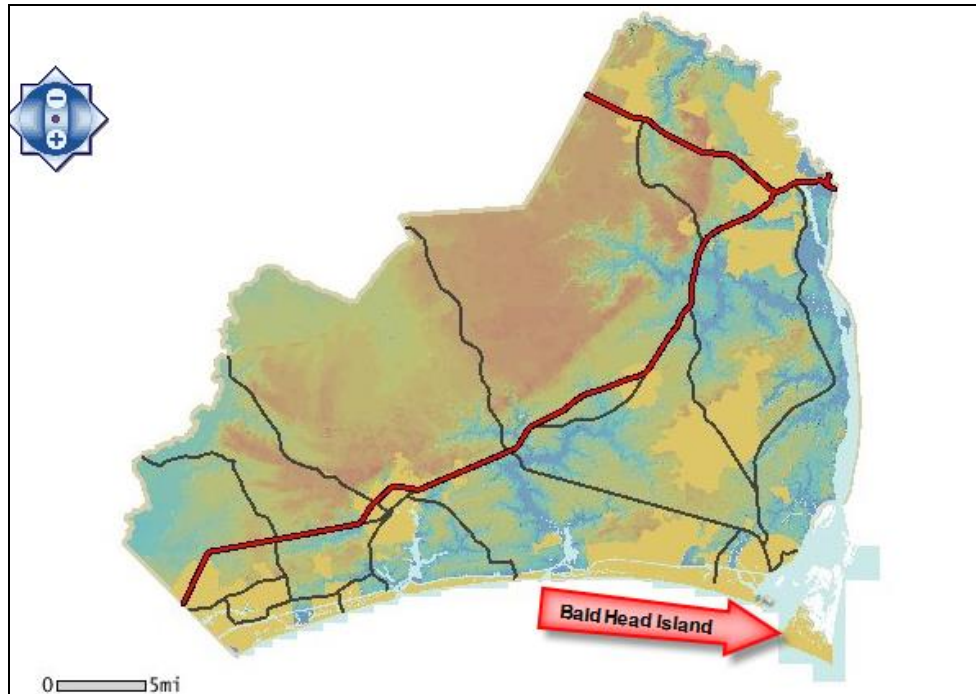
The Greater Wilmington area has grown at very high rates over the past 25+ years. The growth rate has plateaued in the wake of an economic correction. Unemployment has been stubbornly high over the past several years, but has recently shown signs of improvement. With all of the advantages of the area,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

⁴ Source: County Facts, U.S. Census Bureau

⁵ Source: weather.com monthly averages

THE IMMEDIATE NEIGHBORHOOD

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DESCRIPTION OF THE PROPERTY

Location

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

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



Size, Shape and Dimensions

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

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

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

Roads and Access

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

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

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

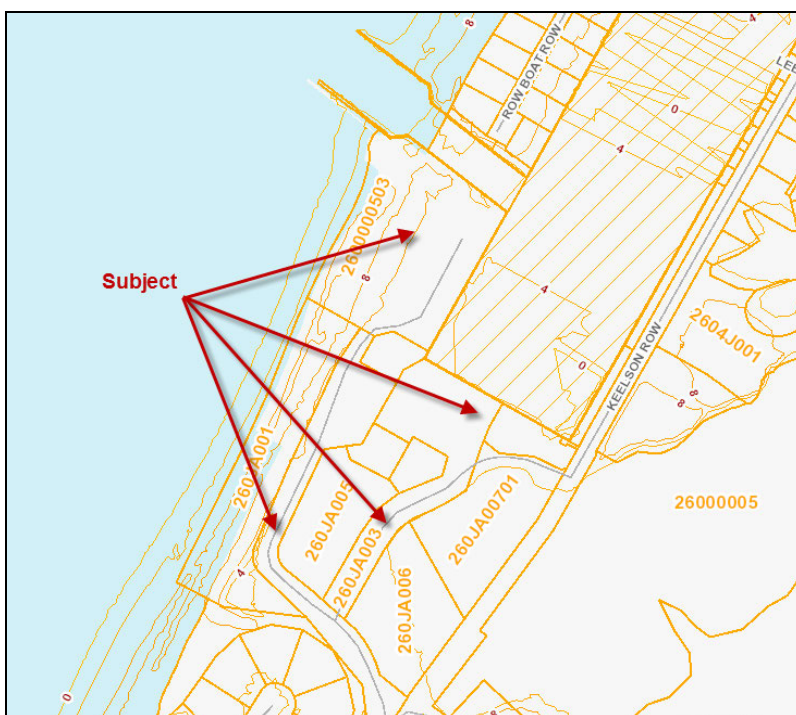
The site has frontage and access on Marina Wynd, the Bald Head Island Marina, as well as the Cape Fear River.

Utilities and Services

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

Topography

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



THE IMPROVEMENTS

General

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

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

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

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

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

General Construction Details

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

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

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

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

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

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

General Appearance and Utility

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

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

Furniture, Fixtures and Equipment

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

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

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

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

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

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

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

Age and Condition

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

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

Summary of Construction Areas and Land Areas

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

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

Surplus Land

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

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

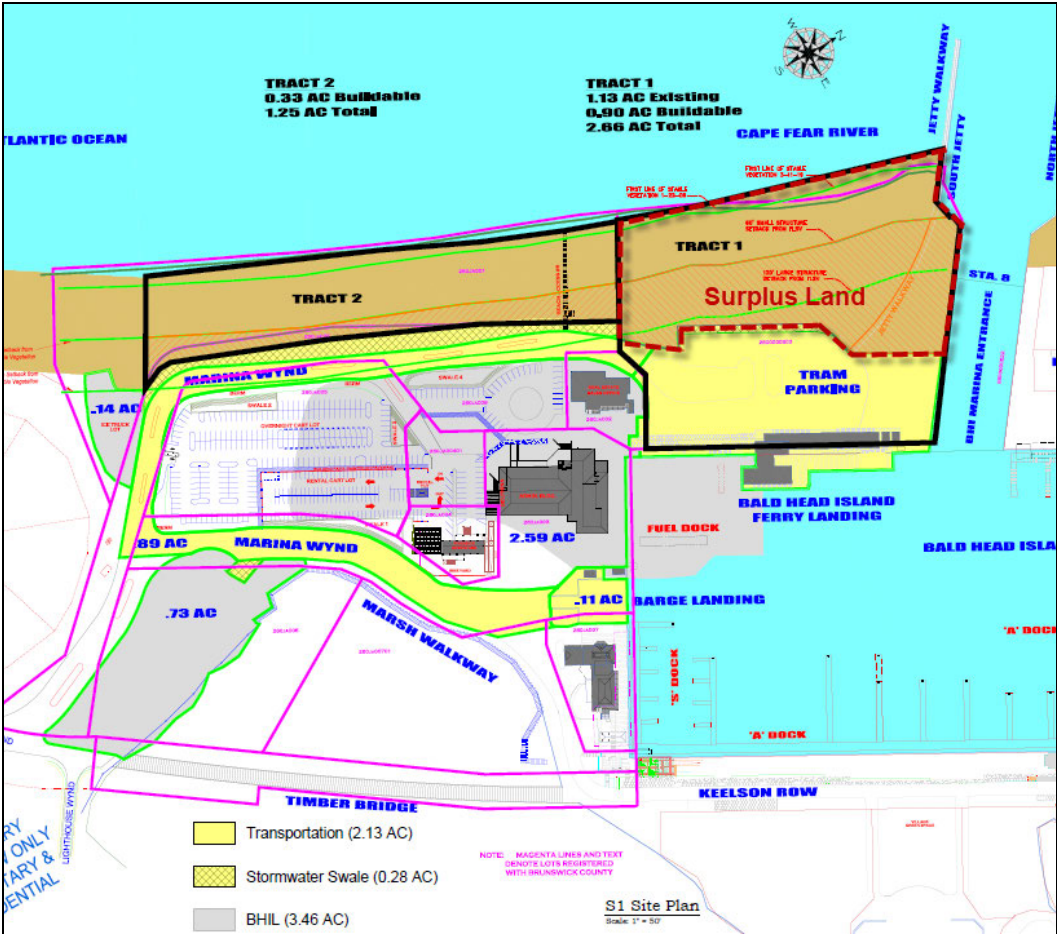
As previously discussed, a portion of Tract A along the Cape Fear River is currently undeveloped. According to conversations with a representative of ownership, the undeveloped area could be used for future parking expansion.

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

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

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

Surplus Land



PHOTOGRAPHS OF THE SUBJECT



Tram Parking Area



View from marina



Side View Main Building



Covered Passenger Deck



Covered Passenger Deck



Covered Passenger Deck



Covered Passenger Deck



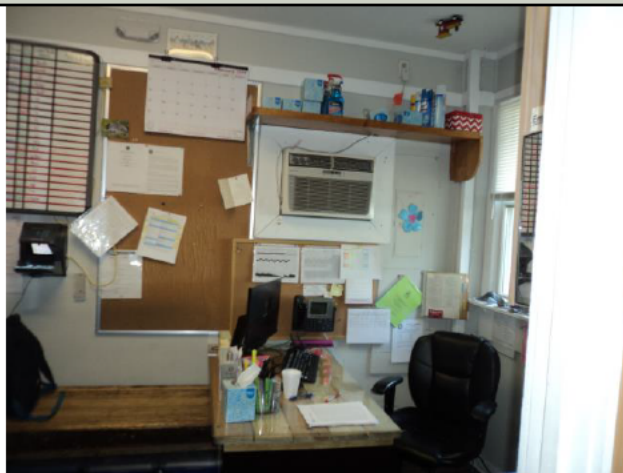
Covered Passenger Deck



Main Ferry Ticket Building



Interior of Ferry Ticket building



Interior of Ferry Ticket building



Baggage Claim Area



Baggage Claim area



Storage buildings



Marina/River Entrance



Tract A (Surplus Land)



Tract A (Surplus Land)



Tract A (Surplus Land)



Tract B (Roadway)



Tract B (Roadway)



Tract B (Roadway)



Tract A (Barge Landing area)



Tract A (Barge Landing area)



Tract A (Barge Landing area)

ZONING AND APPLICABLE ORDINANCE

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

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

Zoning Map



It appears that the improvements conform to this zoning classification.

COASTAL AREA MANAGEMENT ACT

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

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

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

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

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

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

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

SOIL EROSION AND SEDIMENTATION ORDINANCE

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

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

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

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

OTHER GOVERNMENT REGULATIONS

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

AD VALOREM TAX VALUATION

APPRAISED TAX VALUE

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

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

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

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

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

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

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

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

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

The projected ad valorem tax assessment is as follows:

Land (projected)	\$788,000
Improvements (projected)	\$489,320
Total (projected)	\$1,277,320

TAX RATES

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

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

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

PROJECTED TAX LEVY

This results in the following projected tax levy:

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

HIGHEST AND BEST USE

GENERAL

The Appraisal Institute defines Highest and Best Use as follows:

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

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

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

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

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

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

AS IF VACANT

Legally Permissible

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

Physically Possible

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

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

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

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

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

Financially Feasible / Maximally Productive

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

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

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

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

Final Estimate of Highest and Best Use

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

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

AS IMPROVED

Legally Permissible

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

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

in form of roadway/street infrastructure.

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

Physically Possible

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

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

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

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

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

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

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

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

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

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

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

Financially Feasible / Maximally Productive

The current improvements are considered special-purpose in nature.

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

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

Final Estimate of Highest and Best Use

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

VALUATION METHODOLOGY

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

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

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

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

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

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

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

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

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

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

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

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

LAND VALUE BY COMPARISON

COMPARABLE LAND TRANSACTIONS

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

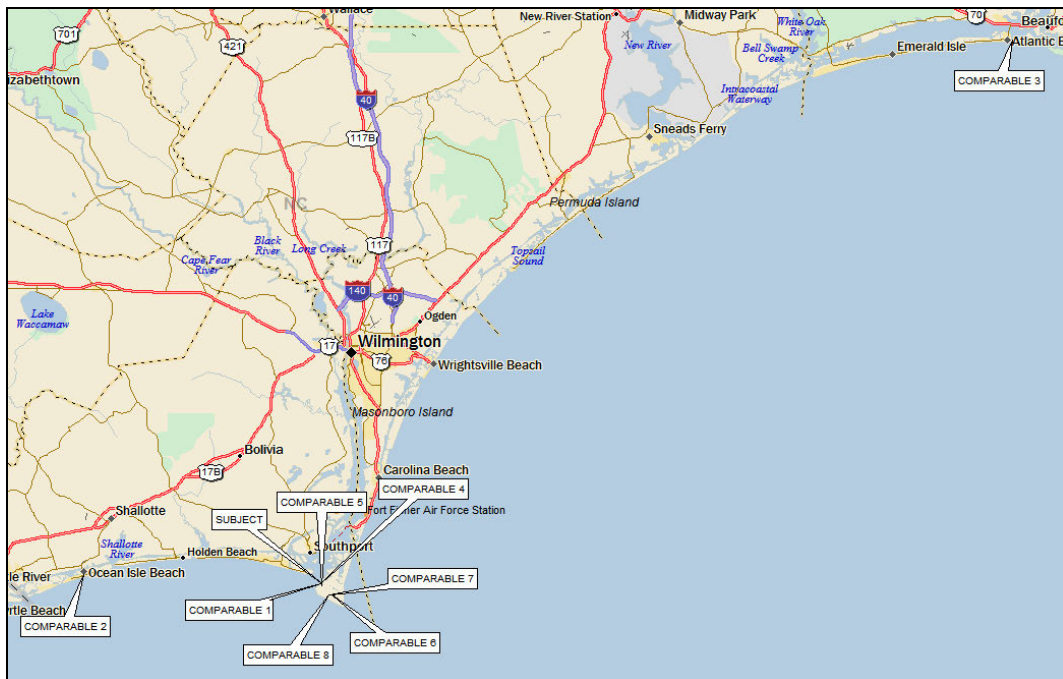
Comparable 1 through 4 are utilized to determine the value of **Tract A**. Comparable 5 through 9 are utilized to determine the value of **Tract B**.

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

COMPARABLE LAND SALES SUMMARY TABLE

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

COMPARABLE LAND SALES MAP



Land Sale No. 1



Property Identification

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

Sale Data

Grantor	Bald Head Island Limited, LLC
Grantee	The Village of Bald Head Island
Sale Date	December 29, 2016
Deed Book/Page	3856/1040
Recorded Plat	98/75
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to seller
Verification	Ken Mowbray, broker; 910-231-3418, Other sources: Public Record
Sale Price	\$1,175,000
Cash Equivalent	\$1,175,000

Land Sale No. 1 (Cont.)

Land Data

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

Land Size Information

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

Indicators

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

Remarks

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

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

Land Sale No. 2



Property Identification

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

Sale Data

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

Land Data

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

Land Sale No. 2 (Cont.)

Land Size Information

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

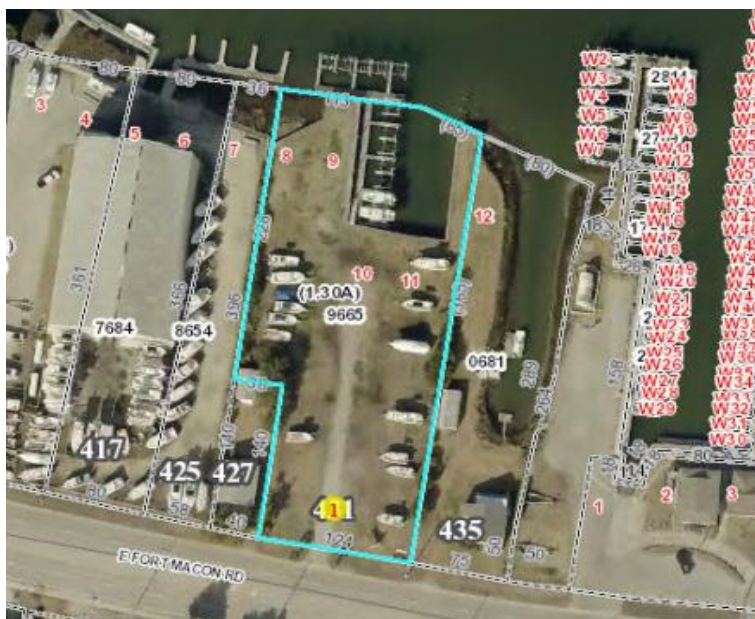
Indicators

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

Remarks

This represents the sale of a 1.81 acre parcel in Ocean Isle Beach, NC. 675+/- feet of road and 625+/- water frontage. To the best of the appraiser's knowledge, the entire site consists of uplands.

Land Sale No. 3



Property Identification

Record ID	2589
Property Type	Multi-family
Property Name	Waterfront - Vacant Land
Address	431 E. Fort Macon Road, Atlantic Beach, Carteret County, North Carolina
Location	On the north side of Fort Macon Drive close to the intersection of Money Island Drive & Fort Macon Rd
Tax ID	638513139665000

Sale Data

Grantor	Pinnacle East, LLC
Grantee	J & B East Properties, LLC
Sale Date	December 28, 2016
Deed Book/Page	1563/129
Recorded Plat	31/434
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Market rates
Verification	Alan Shelor, Broker; 252-723-1467, Other sources: Public Records
Sale Price	\$1,500,000

Land Sale No. 3 (Cont.)

Cash Equivalent	\$1,500,000
Downward Adjustment	\$500,000 Marina Improvements & entitlements for condo project
Adjusted Price	\$1,000,000

Land Data

Zoning	RS, Resort Service
Topography	Level
Utilities	W, E, T
Shape	Somewhat Rectangular
Landscaping	Adequate
Flood Info	In

Land Size Information

Gross Land Size	1.280 Acres or 55,757 SF
Uplands Land Size	1.100 Acres or 47,916 SF , 85.94%
Wetlands Land Size	0.180 Acres or 7,841 SF , 14.06%
Front Footage	124 ft Total Frontage: 124 ft E. Fort Macon Road;

Indicators

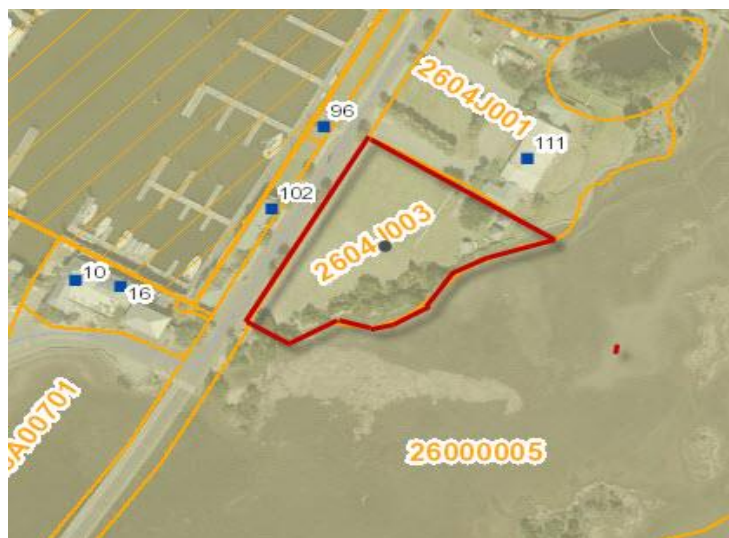
Sale Price/Gross Acre	\$781,250 Adjusted
Sale Price/Gross SF	\$17.94 Adjusted
Sale Price/Uplands Acre	\$909,091 Adjusted
Sale Price/Uplands SF	\$20.87 Adjusted
Sale Price/Front Foot	\$8,065 Adjusted

Remarks

Waterfront site- Permits and plans/entitlements in place for a residential condo project. Planned for 12 large luxury sound front condominiums, each including a 30-foot boat slip and 13,000-pound lift. Each unit is 2,160 SF, single level and has 10 foot ceilings. The units have 3 full baths, 2 master suites as well as 2 bonus rooms. The units are to be completed in March 2018.

On the date of sale, a boat basin with docks, boat lifts, and seawalls was in place. In addition, entitlements / plans were in place to develop a residential condominium project. Conversations with the broker indicate the buyer placed approximately \$500,000 worth of value on the existing improvements and entitlements / plans. Therefore, \$500,000 will be deducted from the sales price.

Land Sale No. 4



Property Identification

Record ID	3049
Property Type	Commercial
Property Name	Vacant Land
Address	Lot 3 Keelson Row, Bald Head Island, Brunswick County, North Carolina 28461
Location	East side of Keelson Row, approximately 900 feet north of Lighthouse Wynd
Tax ID	2604J003

Sale Data

Grantor	Bald Head Island Limited, LLC
Grantee	The Village of Bald Head Island
Sale Date	December 08, 2017
Deed Book/Page	3997/410
Recorded Plat	98/75
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Verification	Ken Mowbray, broker; 910-231-3418, Other sources: Public Record
Sale Price	\$825,000
Cash Equivalent	\$825,000

Land Sale No. 4 (Cont.)

Land Data

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

Land Size Information

Gross Land Size	0.840 Acres or 36,590 SF
Front Footage	244 ft Total Frontage: 244 ft Keelson Row;

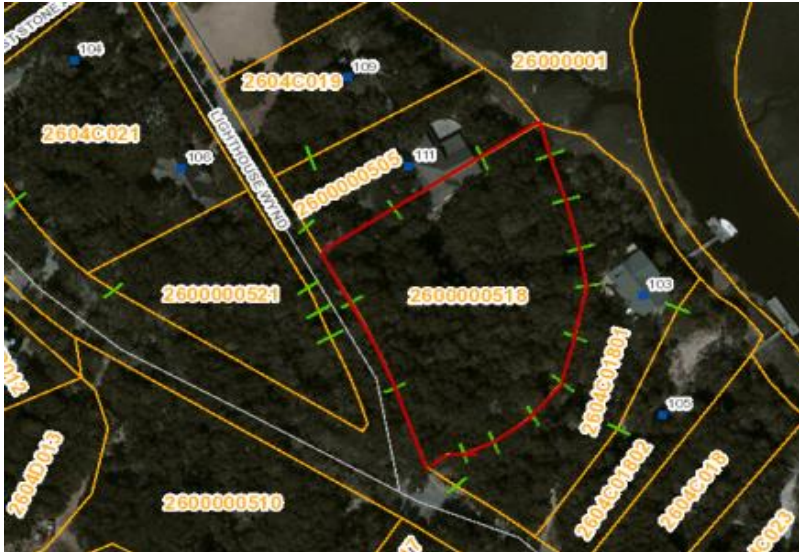
Indicators

Sale Price/Gross Acre	\$982,143
Sale Price/Gross SF	\$22.55
Sale Price/Front Foot	\$3,381

Remarks

This represents the sale of a .84 acre parcel on Bald Head Island, NC. To the best of the appraiser's knowledge, the entire site consists of uplands.

Land Sale No. 5



Property Identification

Record ID	2618
Property Type	Commercial
Property Name	Vacant Land
Address	1.32 acres Lighthouse Wynd, Bald Head Island, Brunswick County, North Carolina
Location	Northeast side of Lighthouse Wynd at its intersection with N Bald Head Wynd
Tax ID	2600000518

Sale Data

Grantor	Bald Head Island Limited, LLC
Grantee	Bald Head Association
Sale Date	February 08, 2016
Deed Book/Page	3735/1016
Recorded Plat	0086/0030
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Cash to seller
Verification	Ken Mowbray (broker); Other sources: Public Record

Sale Price	\$651,000
Cash Equivalent	\$651,000

Land Data

Zoning PD-3, Planned Development 3 Commercial

Land Sale No. 5 (Cont.)

Topography	Level
Utilities	All municipal
Shape	Irregular
Flood Info	In Mostly AE with .13 acres VE

Land Size Information

Gross Land Size	1.320 Acres or 57,499 SF
Uplands Land Size	1.190 Acres or 51,836 SF , 90.15%
Wetlands Land Size	0.130 Acres or 5,663 SF , 9.85%
Front Footage	258 ft Total Frontage: 258 ft Lighthouse Wynd;

Indicators

Sale Price/Gross Acre	\$493,182
Sale Price/Gross SF	\$11.32
Sale Price/Uplands Acre	\$547,063
Sale Price/Uplands SF	\$12.56
Sale Price/Front Foot	\$2,523

Remarks

This represents the sale of a 1.32 acre lot near the chapel on Bald Head Island.

Land Sale No. 6



Property Identification

Record ID	2328
Property Type	Commercial
Property Name	Bald Head Island Commercial Site
Address	256 Edward Teach Wynd, Bald Head Island, Brunswick County, North Carolina 28461
Location	Southeast corner of Edward Teach Wynd and Federal Road
Tax ID	26400019

Sale Data

Grantor	Bald Head Island Limited, LLC
Grantee	The Village of Bald Head Island
Sale Date	September 30, 2015
Deed Book/Page	3693/0414
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Market
Verification	Grantor; Other sources: Public Record

Sale Price	\$2,500,000
Cash Equivalent	\$2,500,000

Land Data

Zoning	PD-2C, Planned Development 2 Commercial
Topography	Level
Utilities	All municipal

Land Sale No. 6 (Cont.)

Shape	Mostly rectangular
Flood Info	Mostly AE flood zone, partial X

Land Size Information

Gross Land Size	4.986 Acres or 217,190 SF
Front Footage	1,004 ft Total Frontage: 484 ft Federal Road; 520 ft Edward Teach Wynd;

Indicators

Sale Price/Gross Acre	\$501,404
Sale Price/Gross SF	\$11.51
Sale Price/Front Foot	\$2,490

Remarks

This represents the sale of 4.986 +/- acre site located at the corner of Edward Teach Wynd and Federal Road. Property is located adjacent to the main commercial "hub" of the island, which consists of a small grocery store, hardware store, and several seasonal retailers. According to a representative of the grantor, the site was purchased by the Village of Bald Head Island in order to be developed with a maintenance/support facility. To the best of the appraiser's knowledge, the entire site consists of uplands. To the best of the appraiser's knowledge, the entire site consists of uplands.

Land Sale No. 7



Property Identification

Record ID	2023
Property Type	Commercial
Property Name	Maritime Way - Lot 10 Revised
Address	Maritime Way, Bald Head Island, Brunswick County, North Carolina 28461
Location	South side of Maritime Way, about 550 feet west of Federal Road
Tax ID	2642J01501

Sale Data

Grantor	Bald Heal Island Limited, LLC
Grantee	Maritime Market Properties, LLC
Sale Date	February 03, 2015
Deed Book/Page	3608/872
Recorded Plat	68/27
Property Rights	Fee simple
Conditions of Sale	Arms' length
Financing	Market
Verification	Ken Mowbray (Grantor); Other sources: Public record
Sale Price	\$175,000
Cash Equivalent	\$175,000

Land Sale No. 7 (Cont.)

Land Data

Zoning	PD-2C, Planned Development 2 Commercial
Topography	Level
Utilities	All municipal
Shape	Slightly irregular
Landscaping	Wooded
Flood Info	AE flood zone

Land Size Information

Gross Land Size	0.266 Acres or 11,607 SF
Front Footage	189 ft Total Frontage: 95 ft Maritime Way; 94 ft Market Alley;

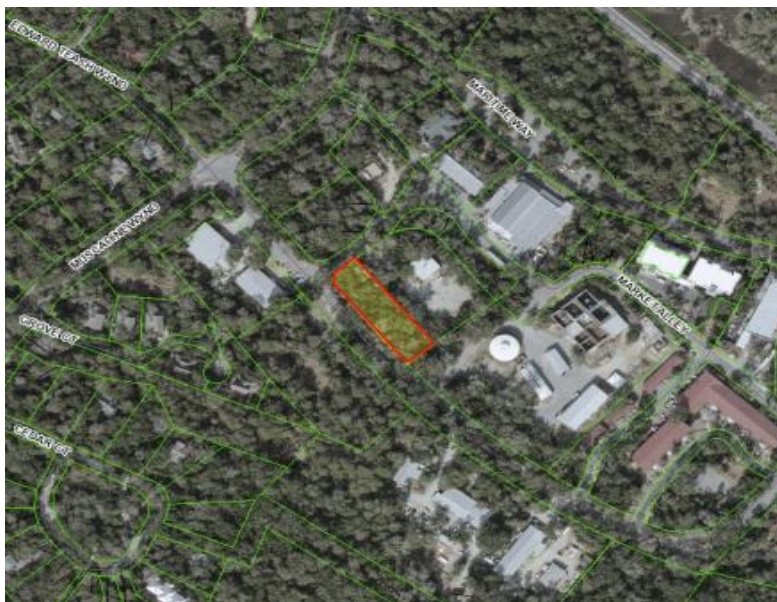
Indicators

Sale Price/Gross Acre	\$656,759
Sale Price/Gross SF	\$15.08
Sale Price/Front Foot	\$926

Remarks

Sale of a 0.266-acre lot, located on Bald Head Island. It is legally identified as Lot 10 Revised of the Shops at Maritime Way, as depicted in Plat Book 68 at Page 27 of the Brunswick County Registry. Sales price was \$175,000 - this equates to \$656,759 per acre or \$15.08 per square foot. To the best of the appraiser's knowledge, the entire site consists of uplands.

Land Sale No. 8



Property Identification

Record ID	2326
Property Type	Commercial
Property Name	Bald Head Island Commercial Site
Address	Edward Teach Wynd (Lot 2), Bald Head Island, Brunswick County, North Carolina 28461
Location	Northeast side of Edward Teach Wynd, just southeast of Muscadine Wynd
Tax ID	2642J021

Sale Data

Grantor	Bald Head Island Limited, LLC
Grantee	Aubrey Properties, LLC
Sale Date	June 17, 2015
Deed Book/Page	3655/1260
Recorded Plat	26/458
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Market (D/T to commercial land)
Verification	Grantor; Other sources: Public record
Sale Price	\$175,000
Cash Equivalent	\$175,000

Land Sale No. 8 (Cont.)

Land Data

Zoning	PD-2C, Planned Development 2 Commercial
Topography	Level
Utilities	All municipal
Shape	Rectangular
Landscaping	Wooded
Flood Info	Partially AE Flood Zone

Land Size Information

Gross Land Size	0.350 Acres or 15,246 SF
Front Footage	208 ft Total Frontage: 208 ft Edward Teach Wynd;

Indicators

Sale Price/Gross Acre	\$500,000
Sale Price/Gross SF	\$11.48
Sale Price/Front Foot	\$841

Remarks

This represents the sale of an approximate 0.35-acre parcel on Bald Head Island. According to a representative of the grantor, the site was purchased for the development of a small self-storage facility. The site is located within close proximity to one of the island's prime retail centers and only grocery store. To the best of the appraiser's knowledge, the entire site consists of uplands.

ANALYSIS OF THE COMPARABLE MARKET DATA

A diligent search was conducted in order to locate a sufficient number of comparable land transactions considered competitive to the subject. A substantial amount of data was discovered. The most comparable data was utilized in this analysis.

As previously discussed, there has been limited water front commercial land sales activity on Bald Head Island. North Carolina. Recently, the master developer has started selling commercial land on the island. A portion of the transactions utilized in this analysis are located on Bald Head Island.

Comparable 1 through 4 are utilized to determine the value of **Tract A**. Comparable 5 through 8 are utilized to determine the value of **Tract B**.

ADJUSTMENT CRITERIA AND PROCEDURES

Tract A

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

- Condition of Sale
- Market Conditions
- Location
- Utilities
- Access
- Improvements

Typically, a portion of these adjustments are inherent in the data itself while others are somewhat judgmental. The data does not indicate a size adjustment is warranted.

Condition of Sale

A 10% upward condition of sale adjustment is adopted for Comparable 1 and 4. These sites were acquired by The Village of Bald Head Island at a slight discount according to the seller. This adjustment is somewhat judgmental.

Market Conditions

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

Location

Pairing of Comparable 3 and 4, after other adjustments, indicate an approximate 15% upward adjustment for Comparable 3 due to its inferior location. This adjustment is also adopted for Comparable 2.

Utilities

A judgmental 10% upward adjustment is adopted for Comparable 3's inferior utilities.

Access

A judgmental 10% upward adjustment is adopted for Comparable 1 due to its inferior water access. This adjustment is also adopted for Comparable 4.

Improvements

Pairing of Comparable 1 and 2, after other adjustments, indicates an approximate 5% downward adjustment for Comparable 1's superior improvements.

Tract B

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

- Market Conditions
- Size

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

Market Condition

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

Size

Comparable 6 is adjusted upward 5% due to its larger size. This adjustment is somewhat judgmental; however, it is based on the basis of economies of scale, which generally concludes that larger properties tend to sell for less per incremental unit of value.

Comparable 7 and 8 are adjusted downward 5% due to their smaller size. These adjustments are somewhat judgmental; however, they are based on the basis of economies of scale, which generally concludes that smaller properties tend to sell for more per incremental units of value.

The unit of comparison selected is the price per upland square foot.

ADJUSTMENT OF THE COMPARABLE MARKET DATA

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

Comparable Land Sales

Appraisal Date	Apr-19			
Annual Time Adjustment	5.0%			
Size of Subject Property (Upland SF)	120,661			
	Tract A			
Comparable Number	1	2	3	4
Price	\$1,175,000	\$2,000,000	\$1,000,000	\$825,000
Date of Sale	Dec-16	Feb-18	Dec-16	Dec-17
Size in SF	48,787	78,844	47,916	36,590
Price Per SF	\$24.08	\$25.37	\$20.87	\$22.55
Interest Sold	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest Adjustment	0%	0%	0%	0%
Interest Adjusted Price	\$24.08	\$25.37	\$20.87	\$22.55
Financing	Market	Market	Market	Market
Financing Adjustment	0%	0%	0%	0%
Cash Equivalent Price	\$24.08	\$25.37	\$20.87	\$22.55
Condition Adjustment	10%	0%	0%	10%
Condition Adjusted Price	\$26.49	\$25.37	\$20.87	\$24.80
Time Adjustment	12%	6%	12%	7%
Time Adjusted Price	\$29.56	\$26.84	\$23.28	\$26.48
Adjustments For:				
Size	0%	0%	0%	0%
Location	0%	15%	15%	0%
Topography	0%	0%	0%	0%
Utilities	0%	0%	10%	0%
Physical Characteristics	0%	0%	0%	0%
Access	10%	0%	0%	10%
Improvements	<u>-5%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Composite Factor	5%	15%	25%	10%
Indicated Value Per SF	\$31.04	\$30.87	\$29.10	\$29.13
Value Indices				
Minimum Value Per SF		\$29.10		
Maximum Value Per SF		\$31.04		
Mean Value Per SF		\$30.04		
Standard Deviation		\$0.92		
68% Prob of Value/SF Falling Between		\$29.12	and	\$30.96

Comparable Land Sales

Appraisal Date	Apr-19			
Annual Time Adjustment	5.0%			
Size of Subject Property (Upland SF)	50,965			
	Tract B			
Comparable Number	5	6	7	8
Price	\$651,000	\$2,500,000	\$175,000	\$175,000
Date of Sale	Feb-16	Sep-15	Feb-15	Jun-15
Size in SF	51,836	217,190	11,607	15,246
Price Per SF	\$12.56	\$11.51	\$15.08	\$11.48
Interest Sold	Fee Simple	Fee Simple	Fee Simple	Fee Simple
Interest Adjustment	0%	0%	0%	0%
Interest Adjusted Price	\$12.56	\$11.51	\$15.08	\$11.48
Financing	Market	Market	Market	Market
Financing Adjustment	0%	0%	0%	0%
Cash Equivalent Price	\$12.56	\$11.51	\$15.08	\$11.48
Condition Adjustment	0%	0%	0%	0%
Condition Adjusted Price	\$12.56	\$11.51	\$15.08	\$11.48
Time Adjustment	16%	18%	21%	19%
Time Adjusted Price	\$14.57	\$13.56	\$18.26	\$13.69
Adjustments For:				
Size	0%	5%	-5%	-5%
Location	0%	0%	0%	0%
Topography	0%	0%	0%	0%
Utilities	0%	0%	0%	0%
Physical Characteristics	0%	0%	0%	0%
Access	0%	0%	0%	0%
Improvements	<u>0%</u>	<u>0%</u>	<u>0%</u>	<u>0%</u>
Composite Factor	0%	5%	-5%	-5%
Indicated Value Per SF	\$14.57	\$14.24	\$17.35	\$13.01
Value Indices				
Minimum Value Per SF		\$13.01		
Maximum Value Per SF		\$17.35		
Mean Value Per SF		\$14.79		
Standard Deviation		\$1.59		
68% Prob of Value/SF Falling Between		\$13.21	and	\$16.38

OPINION OF MARKET VALUE OF THE LAND (TRACT A)

The range of adjusted prices is from approximately \$29.10 to \$31.04 per square foot. The mean of the range is approximately \$30.04.

Comparable 1 and 4 are given considerable weight in this analysis indicating values of approximately \$31.04 and \$29.13 per square foot.

From this data, a value of \$30.00 per square foot is adopted. This results in the following indication of land value:

$$120,661 \text{ Square Feet @ } \$30.00 = \$3,619,830$$

OPINION OF MARKET VALUE OF THE LAND (TRACT B)

The range of adjusted prices is from approximately \$13.01 to \$17.35 per square foot. The mean of the range is approximately \$14.79.

The mean of the range is given weight in this analysis indicating a value of approximately \$14.79.

From this data, a value of \$14.79 per square foot is adopted. This results in the following indication of land value:

$$50,965 \text{ Square Feet @ } \$14.79 = \$753,772$$

However, Tract B can only accommodate limited uses due to its irregular shape (used as a roadway). In addition, representatives of ownership indicate an easement for ingress, egress and regress will be placed on Tract B allowing for the continued use of the roadway by adjacent property owners. This has been discussed in depth within a previous section of this report. Therefore, the utility of Tract B is severely restricted; this is considered to have a substantial impact on the value of the tract.

In an effort to determine the basis for this adjustment, a thorough data search was performed. On October 26, 1990, Wilmington Machinery, Inc. purchased a 5.69 acre tract within the North Chase Industrial Park in Wilmington, New Hanover County, North Carolina.

At time of sale, this property was improved with the Wilmington Machinery manufacturing facility. The confirmed sales price was \$296,500, or approximately \$52,109 per acre. This transaction is recorded in Deed Book 1515 at Page 876 of the New Hanover County Register of Deeds Office.

Also on October 26, 1990, Wilmington Machinery, Inc. purchased an adjacent 2.71 acre tract. The confirmed sales price was \$20,000, or approximately \$7,380 per acre. This transaction is recorded in Deed Book 1515 at Page 878 of the New Hanover County Register of Deeds Office.

This tract is situated below a Carolina Power and Light Company (Progress Energy) high tension power line easement. Although the easement prevented the construction of any habitable structures, the site was purchased and is currently utilized as a green space site for the adjacent Wilmington Machinery facility.

Comparing the two sales prices indicates an approximate 85% difference in the sales prices due to the difference in Highest and Best Use caused by the high tension power line easement.

The opinion of value per upland square foot is thus reduced from \$14.79 per square foot to \$2.22 per square foot (this represents an 85% discount).

Therefore, the final value of Tract B is calculated as follows:

$$50,965 \text{ square feet @ } \$2.22 = \$113,142$$

As a test of reasonableness, a data search was expanded to the mainland to locate an adequate number of land transactions that were acquired for roadways in surrounding commercial and residential subdivisions.

The data search resulted in locating limited transactions ranging in prices from approximately \$2.00 to \$5.00 per square foot. Although they are not located on Bald Head Island, they do provide an indication of prices for mainland land sales with the same or similar highest and best use as the subject property.

Therefore, the previous value estimate (\$113,142) is considered to be reasonable.

OPINION OF MARKET VALUE – SUBJECT PROPERTY IN ITS ENTIRETY

For the purpose of this analysis, the subject property was identified as Tract A and Tract B. Therefore, the opinion of land value for the subject property in its entirety is calculated as follows:

$$\begin{aligned} \$3,619,830 + \$113,142 &= \$3,732,972 \\ \text{Rounded} &= \text{\$3,730,000} \end{aligned}$$

COST APPROACH TO VALUE

ESTIMATED REPLACEMENT COST NEW

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

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

Ferry Terminal Building

Section 14, Page 20 of the Marshall Valuation Service indicates a cost of approximately \$65 to \$85 per square foot for Low Cost to Fair, Class D Passenger Terminals.

Ownership did not provide a construction cost estimate for the Ferry Terminal Building.

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

Covered Decks / Baggage Area

Section 66, Page 2 of the Marshall Valuation Service indicates a cost of approximately \$25 to \$30 per square foot for Covered Decks.

Ownership did not provide construction cost estimates for the Covered Decks / Baggage Area.

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

Storage & Barge Equipment Buildings

Section 17, Page 12 of the Marshall Valuation Service indicates a cost of approximately \$40 per square foot for Good, Class D Toolshed Buildings.

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

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

From the estimates obtained from the Marshall Valuation Service and local construction data, a replacement cost new of approximately **\$75.00 per square foot** is adopted for the Ferry Terminal Building, **\$30.00 per square foot** is adopted for the Covered Decks / Baggage Area, and **\$40.00 per square foot** is adopted for the Storage and Barge Equipment Buildings.

Site Improvements

Site improvements include clearing and grading, asphalt paved parking areas, driveways, concrete sidewalks, utility taps, adequate landscaping, and yard lights.

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

From this data, site improvement costs are estimated at **\$125,000 per acre**.

Bulkhead

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

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

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

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

Generator

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

According to a representative of ownership, the ticket booth generator (Briggs and Stratton 10KW) was replaced in April 2018 for approximately \$5,000 including the tank and transfer switch.

From this data, a replacement cost new of approximately **\$5,000** is adopted for the generator.

Passenger / Cargo Ramps

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

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

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

Barge Loading System Ramp

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

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

INDIRECT COSTS

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

This is a very broad category and can include such items as design fees (i.e. architect, civil engineering, surveying, PM&E and structural engineering, landscape design, etc.). Other items can include permit and impact fees, legal and appraisal fees, utility tap fees, testing fees (independent inspections or special inspections), environmental reports, temporary electrical service, as well as carrying costs such as taxes and interest during the construction period among other items.

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

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

ENTREPRENUERIAL INCENTIVE

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

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

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

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

DEPRECIATION

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

- **Physical Deterioration** – wear and tear from regular use, the impact of the elements or damage
- **Functional Obsolescence** – a flaw in the structure, materials, or design that diminishes the function, utility and value of the improvement
- **External Obsolescence** – a temporary or permanent impairment of the utility or salability of an improvement or property due to negative influences outside the property. (External Obsolescence may result from adverse market conditions. Because of its fixed location, real estate is subject to external influences that usually cannot be controlled by the property owner, landlord, or tenant)

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

There does not appear to be any major physical deterioration curable. However, minor deferred maintenance was observed on the date of inspection. A judgmental \$1,000 cost to cure is adopted for minor repairs.

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

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

The Cost Approach is as follows:

COST APPROACH TO VALUE

Estimated Reproduction Cost New							Schedule of Physical Deterioration Incurable						
							*	EPLN	EA	Ratio	Depreciation		
Improvements on Land	of	5,621	sf	@	\$75.00	=	\$421,575	*	45	20	44.4%	\$187,367	
Covered Decks/Baggage Area	of	2,345	sf	@	\$30.00	=	\$70,350	*	45	20	44.4%	\$31,267	
Storage Buildings	of	450	sf	@	\$40.00	=	\$18,000	*	40	20	50.0%	\$9,000	
Barge Equipment Building	of	400	sf	@	\$40.00	=	\$16,000	*	40	20	50.0%	\$8,000	
Total Improvements on Land							\$525,925	*	Subtotal			\$235,633	
							*						
							*						
Improvements to Land								*					
Site Improvements		2.41	ac	@	\$125,000	=	\$301,250	*	30	15	50.0%	\$150,625	
Bulkhead		770	lf	@	\$1,250	=	\$962,500	*	35	10	28.6%	\$275,000	
Generator		1		@	\$5,000	=	\$5,000	*	20	1	5.0%	\$250	
Passenger/Cargo Ramps		4		@	\$70,000	=	\$280,000	*	20	5	25.0%	\$70,000	
Barge Loading System Ramp		1		@	\$425,000	=	\$425,000	*	20	5	25.0%	\$106,250	
Total Improvements to Land							\$1,973,750	*	Subtotal			\$602,125	
							*						
							*						
Indirect Costs of 10%							\$249,968	*	45	20	44.4%	\$111,097	
Developer's Profit of 15%							\$971,946	*	45	20	44.4%	\$431,976	
Total Estimated Reproduction Cost New							\$3,721,589	*	Physical Deterioration Incurable			\$1,380,831	
							*	Schedule of Functional Obsolescence					
Schedule of Depreciation								*	Curable				
Physical Deterioration			Curable				\$1,000	*					
Physical Deterioration			Incurable				\$1,380,831	*					
Functional Obsolescence			Curable				\$0	*	Functional Obsolescence Curable			\$0	
Functional Obsolescence			Incurable				\$0	*	Incurable			\$0	
External Obsolescence							\$0	*					
Total Depreciation							\$1,381,831	*					
Reproduction Cost less Depreciation							\$2,339,758	*					
Estimated Value of the Land							\$3,730,000	*					
Value Indicated by the Cost Approach							\$6,069,758	*					
							Rounded to	\$6,070,000	*	External Obsolescence			\$0

RECONCILIATION AND FINAL OPINION OF MARKET VALUE

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

Cost Approach

\$6,070,000

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

The Cost Approach yielded a value indication of \$6,070,000. The Cost Approach utilized the replacement cost of the improvements, less depreciation, and added the site value.

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

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

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

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

Based upon the indication from the Cost Approach, the final opinion of market value is **\$6,070,000**.

ADDENDA

APPRAISAL QUALIFICATIONS

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

EDUCATION

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

EMPLOYMENT HISTORY

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

PROFESSIONAL AFFILIATIONS

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

APPRAISAL EXPERIENCE

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

EXPERT WITNESS EXPERIENCE

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

FINANCIAL CLIENTELE

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

INSTITUTIONAL CLIENTELE

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

PROFESSIONAL CLIENTELE

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

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2019

REGISTRATION / LICENSE / CERTIFICATE HOLDER

18 **EARL M WORSLEY JR** **19**

A299 **G** **Y**
APPRAISER NUMBER TYPE NATIONAL REGISTRY

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2019

REGISTRATION / LICENSE / CERTIFICATE HOLDER

18 **ALONZO C EDWARDS III** **19**

T5897 **T** **N**
APPRAISER NUMBER TYPE NATIONAL REGISTRY

APPRAISER'S SIGNATURE EXECUTIVE DIRECTOR

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



January 9, 2019

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

Dear Chair Rabon:

The following is our proposal for appraisal services.

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

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

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

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

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

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

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

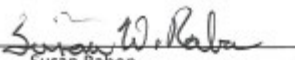
Sincerely,

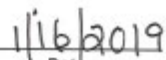
A black rectangular box redacting the signature of Earl M. Worsley, Jr.

Earl M. Worsley, Jr., MAI

EMWjr:mcc

ENGAGEMENT LETTER

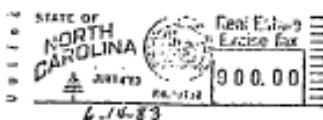

Susan Rabon
Chair
Bald Head Island Transportation Authority


Date

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


Finance Director


Date



BOOK 532 PAGE 546

RECEIVED REGISTRATION
BOOK 532 PAGE 546

1983 JUN 14 PM 4:41

WILLIAM J. ROBINSON
REGISTER OF DEEDS
BRUNSWICK COUNTY, N.C.



Mail after recording to:

This instrument was prepared by: Minton and Bruckel

Brief description for the Index: Bald Head Island and
.923 acre tract in Southport

NORTH CAROLINA

GENERAL WARRANTY DEED

BRUNSWICK COUNTY

THIS DEED made this 1st day of June, 1983, by and between
BALD HEAD ISLAND CORPORATION, a North Carolina corporation,
Grantor, and BALD HEAD ISLAND LIMITED, a Texas limited partner-
ship, Grantee, P. O. Box 4000, The Woodlands, Texas 77380.

The designation "Grantor" and "Grantee" as used herein shall
include said parties, their successors and assigns.

WITNESSETH:

That the Grantor, for the sum of One Dollar (\$1.00) and
other valuable consideration paid by the Grantee, the receipt of
which is hereby acknowledged, has, and by these presents does
grant, bargain, sell and convey unto the Grantee in fee simple,
that certain lot or parcel of land situated in Smithville Town-
ship, Brunswick County, North Carolina, and more particularly
described as follows:

SEE SCHEDULE A ATTACHED HERETO AND INCORPORATED

HEREIN BY REFERENCE.

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

D/50-5



DEED (532/546)



REV 532 REG 547

6-14-83
And Grantor does hereby covenant that it is seized of the premises in fee simple, has the right to convey the same in fee simple, that title is marketable and free and clear of all encumbrances, and that Grantor will warrant and defend the title against the lawful claims of all persons whomsoever, except for the exceptions hereinafter stated.

This conveyance is made expressly subject to the exceptions in Schedule B attached hereto and incorporated herein by reference.

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



BALD HEAD ISLAND CORPORATION

By: [Signature]
President



NORTH CAROLINA

Brunswick COUNTY

I, Donna Jones, a Notary Public in and for said State and County, do hereby certify that Charles X. Hunter III personally appeared before me this day and acknowledged that he is Secretary of BALD HEAD ISLAND CORPORATION, a corporation, and that by authority duly given and as the act of the corporation, the foregoing instrument was signed in its name by its President, James E. Harrington, sealed with its corporate seal, and attested by him self as its Secretary.

WITNESS my hand and notarial seal this the 14th day of June, 1983.



[Signature]
Notary Public

My commission expires: 9-13-86



D/50-5

STATE OF NORTH CAROLINA, Brunswick County
The foregoing Certificate(s) of Donna Jones, Notary Public

Recorded this 14th day of June 19 83 at 4:41 o'clock P. M. fd
Robert J. Robinson, Registrar of Deeds

[Signature]



BOOK 532 PAGE 548



SCHEDULE A - DESCRIPTION

All those certain tracts or parcels of land lying and being in Smithville Township, Brunswick County, North Carolina, and more particularly described as follows:

PARCEL A

Bounded on the North by an agreed division line with Hugh McRae and Company set forth in deed recorded in Book 76, at Page 480 in the Brunswick County Public Registry, bounded on the West and South by the channel of the Cape Fear River; and bounded on the East by the Atlantic Ocean, and described as follows:

TRACT ONE:

BEGINNING in the mouth of Lighthouse Creek, at Four Posts, where the U.S. Government formerly kept a beacon light in the mouth of said creek, it being about 150 feet east of the present place where said beacon light is now kept by said Government, and running thence up the main channel of Lighthouse Creek in an easterly direction about five miles to a point in the head of said creek about 400 yards west of the eastern coast of the Atlantic Ocean; thence about south-east to the Atlantic Ocean and into the Atlantic Ocean until the line reaches a depth of three feet of water; thence with the eastern boundary line of the Atlantic Ocean said boundary to be on a line along said coast at a point where the water will average a depth of three feet to a point on Frying Pan Shoals; thence with the boundary of the western coast of said Atlantic Ocean, said boundary being on a line in said ocean where the water will reach a depth of three feet, and in a westerly direction to the bar at the mouth of the Cape Fear River, being a distance of about five miles; thence up said river with the channel of the same to a point in said channel opposite Lighthouse Creek; thence direct to the place of BEGINNING, being said Four Posts in the mouth of Lighthouse Creek where said beacon lights were formerly kept by said Government, and containing Five Thousand Acres, more or less.

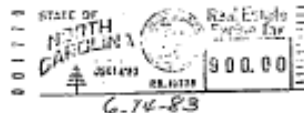
The foregoing description includes and is intended to include all land of Smith Island south of Light House Creek.

BEING the same property conveyed to Frank O. Sherrill by Brunswick County, by deed dated March 23, 1938 and recorded in Book 66, at Page 226 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by deed dated June 30, 1970 and recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT TWO:

BEGINNING at the mouth of Lighthouse Creek, four beacon posts, and runs with Lighthouse Creek in a southeasterly direction about four miles to the Atlantic Ocean; thence with the Atlantic Ocean in a northeasterly direction to new inlet; thence with New Inlet to the Cape Fear River; thence with the Cape Fear River to the BEGINNING, this being the balance of the property bought by T. F. Boyd about 20 years ago less that part which he had sold to other parties.

D/50-3



BEING the same property conveyed to Frank O. Sherrill by D. C. Boyd and wife, Messie B. Boyd, by deed dated November 29, 1938, recorded in Book 66 at page 515 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by deed dated June 30, 1970 and recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT THREE A:

A certain piece or parcel of land situate on Cape or Smith's Island. BEGINNING at the first bluff point of high land on the south side of Lower Cape Creek; running thence south twelve poles along said creek to a stake; thence southeast twenty poles along said creek to a stake; thence south seventy-five east, twenty poles along said creek to a stake; thence southwest forty-one poles; thence northwest forty-six poles; thence northeast thirty-nine poles to the BEGINNING, containing ten acres, together with the free use and navigation of said Lower Cape Creek from the entrance into Cape Fear River to the aforesaid land;

TRACT THREE B:

At 'southeast end of Smith Island at mouth of Cape Fear River, beginning at a point 2000 feet N. 59° W. from the south corner of the building used for quarters of the Life Saving Station on the pitch of Cape Fear, N.C., and running thence N. 44° E. 1320 feet; thence N. 46° W. 660 feet; thence S. 44° W. 1320 feet; thence S. 46° E. 660 feet to the place of BEGINNING, the whole containing 20 acres, more or less, together with a right of way thirty feet wide running from the middle of the western boundary of above tract of land N. 46° W. 13,600 feet to the easterly boundary of the "present" Cape Fear Lighthouse Reservation. Then beginning on the prolongation of the same line when it intersects with the westerly boundary of the same reservation, and running thence N. 29° W. 1220 feet to low water line on the easterly bank of Cape Fear River, including the right to cut down trees and to construct road beds or tramways, erect such boat houses, landings and store sheds as may be necessary or convenient for the proper construction, maintenance and repairs at all times hereafter of the New Cape Fear Light Station, N.C. This right of way covers 10 acres, more or less.

Tracts Three A and Three B being the same property conveyed to Frank O. Sherrill by deed from the United States of America dated October 24, 1963, recorded in Book 176, at Page 221 in the Brunswick County Public Registry and the same property conveyed to Carolina Cape Fear Corporation by deed from Frank O. Sherrill and Ruth J. Sherrill, his wife, dated June 30, 1970, recorded in Book 244, at Page 251 in the Brunswick County Public Registry.

TRACT FOUR:

BEGINNING in the center of the middle cord of the Rock Dam across New Inlet, the point being marked with a cross cut in the Rock Dam it being the beginning corner of a tract of land conveyed by Frank O. Sherrill to Hugh McRae & Company by deed dated December 9, 1943, and running from said point (1) South 70° 20' East 7150 feet crossing what is known as Still Water Basin to low water mark on the shore of the Atlantic Ocean, the line being marked by an iron monument on the beach 110 feet from low water mark; (2) thence with low water mark of the Atlantic Ocean South 15° West

42,000 feet to the point of Cape Fear; (3) thence with the Southern shore of Bald Head Island with low water mark North 62° West 20,000 feet to a point beyond the Western shore of said Island in the ship channel of Cape Fear River; (4) thence up the various courses of the ship channel of the Cape Fear River in a Northeasterly direction to a point in said channel North 70° 20' West 2300 feet from the point of beginning; (5) thence South 70° 20' East 2300 feet to the BEGINNING.

Including the property generally known as the Bald Head Island Tract.

All of which will more fully appear by reference to a survey made by C. J. Josephans and Eric Norden, Civil Engineers, October 29, 1943.

Being the same property conveyed to Frank O. Sherrill by Hugh McRae & Company by deed dated December 9, 1943 and recorded in Book 76, at page 480 in the Brunswick County Public Registry.

Together with all right, title and interest of Frank O. Sherrill in an easement reserved to the said Frank O. Sherrill over and across the lands formerly owned by Hugh McRae & Company, lying immediately north of the property of Frank O. Sherrill, said easement being set forth in that deed from Frank O. Sherrill and wife, Ruth J. Sherrill, to Hugh McRae & Company dated December 9, 1943 and recorded in Book No. 355, Page 209 in the Office of the Register of Deeds of New Hanover County, N.C.

All of the tract referred to as "Tract Four" being the same property conveyed to Carolina Cape Fear Corporation by Frank O. Sherrill and Ruth J. Sherrill, his wife, by that certain deed without warranty dated June 30, 1970, recorded in Book 244, Page 258 in the Brunswick County Public Registry.

Together with those easements (a) retained in the deed to The Nature Conservancy dated May 3, 1976, and recorded in Book 401 at Page 598 in the Brunswick County Registry and (b) set forth in that Easement from the State of North Carolina dated June 19, 1979 and recorded in Book 427 at Page 927 in the Brunswick County Registry.

Grantor further does hereby grant, convey and assign unto Grantee, the right of use, all rights, privileges and easements of Grantor reserved in the deeds to Young Realty Co., Inc. recorded in Book 399, Page 448 and Book 499, Page 167, Brunswick County Registry.

PARCEL B

BEGINNING at a point in the southern line of Moore Street in the City of Southport, said point being located South 29° 20' 48" East 51.2 feet from a point in the center line of Moore Street, said point in the center line of Moore Street being located north 56° 32' East 457.23 feet from the point where the culvert of Bonnett's Creek crosses Moore Street in the City of Southport, North Carolina, said beginning point also being a common corner with the Wriley Willis tract. From said beginning point runs thence south 29° 28' 48" East 602.65 feet to the mean high water mark of the Cape Fear River, runs thence north 43° 49' 42" East and with the mean high water mark of the Cape Fear River 139.32 feet to a point; runs thence north 29° 28' 48" West 575.64 feet

to a concrete monument in the southern right-of-way line of Moore Street; runs thence South 54° 57' 22" West and with the southern right-of-way line of Moore Street 134.09 feet to the place and point of beginning; the same containing 0.923 acres more or less and being the same tract of land as was conveyed to the Grantor by warranty deed from Phillip King and wife, Susan T. King, dated December 22, 1977, and recorded in Book 390, Page 14 of the Brunswick County Registry.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on March 27, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for an enlargement of the waterward section of an existing pier abutting the property conveyed in the Parcel B above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(1) and incorporated herein by reference.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on January 22, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for installation of a wooden fender system, for placement of riprap material on both sides of the entrance channel jetties, and installation of a sandbag bulkhead with backfill, abutting the property conveyed in the Parcel A above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(2) and incorporated herein by reference.

THERE IS ALSO TRANSFERRED AND CONVEYED a certain permit from the Department of the Army issued to Bald Head Island Corporation on July 13, 1981, to perform work in or affecting the navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 USC 403). The nature of the permit is to allow for lengthening the entrance channel jetties on the Cape Fear River, abutting the property conveyed in the Parcel A above. Grantee, by acceptance of this property, hereby agree to comply with all terms and conditions of these permits, copies of which are attached as Exhibit A(3) and incorporated herein by reference.

LESS AND EXCEPTING FROM THE ABOVE DESCRIBED TRACTS ONE, TWO, THREE-A, THREE-B and FOUR (Parcel A), all of the lots and tracts listed on "Exhibit A", consisting of the following pages 5 through 10, attached hereto and incorporated herein by reference.

EXHIBIT A

BALD HEAD ISLAND CORPORATION

SUBJECT: LOTS IN STAGE 1, ACCORDING TO A SURVEY OF BALD HEAD ISLAND BY WM. F. FREEMAN ASSOCIATES, ENGINEERS, MAPS OF WHICH ARE DULY RECORDED IN MAP BOOK 12, PAGES 1-9, RECORDS OF BRUNSWICK COUNTY, NORTH CAROLINA

1	137	199	254	346	416	497
3	142	200	255	347	417	498
4	147	201	256	348	418	499
5	148	202	257	349	419	500
6	149	203	258	350	420	501
7 *	150	204	259	351	421	502
9	151	205	260	352	422	503
10	152	206	261	353	423	504
11	153	207	262	354	424	505
12	154	208	265	357	425	
14	155	209	266	362	426	507
15	156	210	300	363	427	508
16	157	211	301	364	428	509
17	158	212	302	365	429	510
18	159	214	303	366	430	511
19	160	215	304	367	431	512
20	161	216	305	368	432	513
21	162	217	306	370	433	514
22	163	218	307	371	434	515
102	164	219	308	372	436	516
103	165	220	309	373	437	517
104	166	221	310	374	438	518
106 *	167	222	311	375	439	519
107	168	223	312	376	440	520
108	170	224	313	377	441	521
109	171	225	314	378	442	522
110	172	226	315	379	447	523
111	173	227	316	380	449	524
112	174	228	317	381	452	525
114	175	229	318	382	453	527
115	176	230	319	385	454	529
146	177	231		389	461	532
117	178	232	321	390	463	535
118	179	233	322	391	464	536
119	180	234	323	392	465	537
120	181	235	324	394	466	538
121	182	238	325	395	467	539
122	183	239	326	396	468	540
123	184	240	327	397	469	541
124	185	241	328	398	470	543
125	186	242	329	399	471	545
126	187	243	330	400	476	546
127	188	244	331	402	477	547
128	189	245	332	403	479	548
129	190	246	334	404	480	549
130	191	247	336	408	481	550
131	192	248	337	409	487	551
132	193	249	341	410	491	552
133	194	250	342	411	492	553
134	195	251	343	412	493	554
135	196	252	344	413	494	555
136	197	253	345	414	495	556
	198			415	496	

*Lot should have been conveyed referencing Map Book 12 at Page 11.

557	616	672	739	857	942	1086
558	617	673	741	858	943	1087
559	618	674	742	859	944	1088
560	619	675	743		945	1089
561	620	676	744		946	1090
562	621	677	745	863	947	1091
563	622	678	747	864	948	1092
564	623	679	748	865	949	1093
565	625	680	749	866	950	1094
566	626	681	750	867	951	1095
567	627	682	751	869	952	1096
568	628	683		871	953	1097
569	629	684	753	872	957	1098
570	630	685	754	873	958	1099
571	631	686	755	883	959	1101
572	632	687	757	884	960-2/3	1102
573	633	688	758	885	961 inter-	1103
574	634	689	759	889	962 est	1104
575	635	690	760	891	963 only	1105
576	636	691	761	892	964	1106
	637				965	
577	638	692	763	893	966	1107
		693				
578	639	697	764	894	967	1108
579	640	698	765	900	968	1109
580	641	699	766	907	1000	1110
581	642	700	767	908		1111
582	643	701	768	909	1037	1112
583	644	702	769*	910	1046	1200
584	645	703	771*	911	1051	1201
585	646	704	775*	912	1052	1203
586	647	705	776*	913	1053	1205
587	648	706	777*	915	1057	1206
588	649	707	779	918	1061	1207
589	650	708	780	919	1062	1208
590	651	710	791	921	1065	1209
591	652	719	792	922	1066	1210
592	653	720	807	923	1067	1211
593	654	721	808	924	1068	
594	655	722	809	925	1069	
595	656	723	810	926	1070	
600	657	724	811	927	1071	
601	658	725	813	928	1072	
602	659	726	823	929	1073	1286
603	660	727	824	930	1074	1287
604	661	728	825	931	1075	1288
605	662	729	826	932	1076	1289
606	663	730	827	933	1077	1290
607	664	731	828	934	1078	1291
608	665	732	829	935	1079	1292
610	666	733	837	936	1080	1293
611	667	734	838	937	1081	1294
612	668	735	843	938	1082	1295
613	669	736	844	939	1083	1296
614	670	737	846	940	1084	1297
615	671	738	848	941	1085	1298
			849			
			850			

*Lots should have been conveyed referencing Map Book 12 at Page 10.

1299	1354
1300	1355
1301	1356
1302	1357
1303	1358
1304	1359
1305	1360
1306	1362*
1307	1363
1308	1364
1309	1365
1310	1366
1314	1367
1317	1368
1318	1369
1319	1370
1320	1371
1321	1373
1323	1374
1324	1375
1327	1376
1328	1377
1329	1379
1331	1380
1334	1381
1335	1382
1338	1383
1339	
1340	
1341	
1342	
1343	
1347	
1348	
1349	
1350	
1351	
1352	
1353	

* (Portion reconveyed to BMIC by deed in Book 390 at Page 173 and added to Lot 1361 by Map Cabinet I at Page 373).

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 10, Brunswick County Registry:

769	774
771	775
772	776
773	777
778	

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at page 11, Brunswick County Registry:

105
106

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 36, Brunswick County Registry:

1059

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12 at Page 39, Brunswick County Registry:

229

Lots in Stage I, according to surveys of parts of Bald Head Island recorded in the following Map Books in the Brunswick County Registry:

<u>Lot</u>	<u>Map Cabinet</u>	<u>Page</u>
1100	I	373
1361	I	373
1362	I	373
624	J	319

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet L, Page 195, Brunswick County Registry:

EC-1
EC-2
EC-3
EC-4

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 84, Brunswick County Registry:

1029	1037	1240
1030	1038	1248
1031	1039	1249
1032	1040	1253
1033	1042	1254
1034	1043	1255
1035	1044	
1036		

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 85, Brunswick County Registry:

1005	1213
1006	1214
1007	1215-A
1009	1216
	1217

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet M, Page 86, Brunswick County Registry:

1012	1025	1221
1013	1026	1228
1016	1027	1229
1022	1028	1238
		1239

Lots in Stage I, according to a survey of part of Bald Head Island entitled "BALD HEAD ISLAND VILLAS" recorded in Map Cabinet M, Page 250, Brunswick County Registry:

1	5	9
2	6	10
3	7	11
4	8	

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 19, Brunswick County Registry:

138-A
146-A

Lots in Stage I, according to a survey of part of Bald Head Island entitled "BALD HEAD ISLAND VILLAS" recorded in Map Cabinet N, Page 133, Brunswick County Registry:

12	16
13	17
14	18
15	

A 2.2860 acre condominium tract in Stage I conveyed to Cinco Associates by deed recorded in Book 344, Page 333 of the Brunswick County Public Registry.

A 4.944 acre tract was conveyed to Robert C. Hayes by deed dated July 25, 1977 and recorded in Book 379, Page 583 in the Brunswick County Registry.

Middle Island and 2,000 feet of ocean frontage adjacent thereto was conveyed to Young Realty Co., Inc., by deed recorded in Book 399, Page 448 and Book 499, Page 167, Brunswick County Registry.

Quitclaim deed of a portion of the Marsh Highlands and high marsh to the State of North Carolina dated May 3, 1976 and recorded in Book 401, Page 616 in the Brunswick County Registry.

Deed to The Nature Conservancy dated May 3, 1976 recorded in Book 401, Page 598 in the Brunswick County Registry.

Deed of Trust to NSI covering 26 lots (Lots Nos. 1493-1501, 1506-1513 and 1515-1527) north of North Bald Head Wynd recorded in Book 291, Page 523, Brunswick County Registry. This Deed of Trust was foreclosed.

Property of Charles D. Young as shown on map recorded in Map Book 12, Page 37, Brunswick County Registry, and property conveyed by deed recorded in Book 325, Page 125, and Book 482, Page 190, Brunswick County Registry.

Property conveyed to Walter R. Davis by deed recorded in Book 462, Page 763, Brunswick County Registry.

Property conveyed to Arron W.E. Capel by deed recorded in Book 473, Page 484, Brunswick County Registry.

Property conveyed to Bald Head Island Villas Association by deed recorded in Book 487, Page 974, Brunswick County Registry, saving and excepting any portion of Lots 19 and 20, as shown on map recorded in Map Cabinet N, Page 133, Brunswick County Registry.

Property conveyed to Walter R. Davis by deed recorded in Book 492, Page 89, Brunswick County Registry.

Property conveyed to Arron W.E. Capel by deed recorded in Book 501, Page 401, Brunswick County Registry.

Property conveyed to Bald Head Island Villas Association by deed recorded in Book 512, Page 513, Brunswick County Registry.

Property conveyed to Rising 3, Inc. by deed recorded in Book 520, Page 898, Brunswick County Registry.

Property conveyed to STATE OF NORTH CAROLINA, by deed recorded in Book 489, Page 7, Brunswick County Registry.

Phase II, Royal James Landing as shown on map recorded in Map Cabinet N, Page 251, Brunswick County Registry.

Gazebo Tract north of North Bald Head Wynd more particularly described as follows:

BEGINNING at a point in the north right-of-way line of North Bald head Wynd, said point being North 32° 18' 41" East 60.00 feet from the northwesternmost corner of Lot 809, Stage I, Bald Head Island, recorded in Map Book 12, Page 1 through 9, Brunswick County Registry and also having N.C. Grid Coordinates N=45732.932 and E=2,303,716.772; thence from said POINT OF BEGINNING North 21° 35' 05" East 352.89 feet to a point in the high water line of Bald Head Creek; thence along the high water mark of said creek the following two courses and distances: (1) South 45° 12' 43" East 116.95 feet to a point; (2) South 26° 10' 07" East 73.05 feet to a point; thence leaving said creek South 38° 38' 06" West 286.42 feet to a point in the northern right-of-way of North Bald Head Wynd; thence along said northern right-of-way line along a curve to the left having a radius of 2,894.79 feet a distance of 79.24 feet to the POINT AND PLACE OF BEGINNING, and containing 0.95 acres according to a survey entitled "Gazebo Tract, Bald Head Island" dated June 13, 1983, prepared by Moore, Gardner & Associates, Inc., Consulting Engineers, Cary, North Carolina.

TOGETHER with a non-exclusive easement for access, ingress and egress over and on all the existing roads, wynds, trails, paths, and courts of Stage I, Bald head Island, as shown on all existing recorded maps, and over the marina, docks and adjoining property and the Mainland facilities.

LESS AND EXCEPTING from the above described Parcel A, the following lots:

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Book 12, Pages 1 - 9, Brunswick County Registry:

369	752
478	954
489	1311
490	1313
531	1315

Lot in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 86, Brunswick County Registry:

1227

Lots in Stage I, according to a survey of part of Bald Head Island recorded in Map Cabinet N, Page 84, Brunswick County Registry:

1251
1252

SCHEDULE B

1. Taxes for the year 1983 and subsequent years, not yet due and payable.

2. Assessments of the Bald Head Association for the year 1983 and subsequent years.

3. Deed of Trust from Carolina Cape Fear Corporation to Dotson G. Palmer, et al, Trustees for Mutual Savings and Loan Association, dated March 28, 1973, recorded in Book 288, Page 470, Brunswick County Registry, securing \$250,000.00; which Deed of Trust was amended by Modification Agreement recorded in Book 342, Page 129. (Affects Bald Head Inn tract only)

4. Title to any portion of the property below the mean high water line or any waters that ebb and flow with the tide.

5. No liability is assumed for loss or damage occasioned by the fact that Parcel A does not abut a public road or highway or is not serviced by any right-of-way or easement over adjoining or adjacent property to any such road or highway. (This exception does not apply to Parcel B).

6. Duties and restrictions imposed by the Brunswick County Dune Protection Law and the Coastal Area Management Act.

7. Easement for utilities over front, rear and side 10 feet of all plotted lots as reserved in paragraph 6 of the restrictions recorded in Book 263, Page 621, and Book 498, Page 260, Brunswick County Registry.

8. Rights and restrictions contained in those Section 10 Harbor Permits issued by the Department of Army recorded in Book 313, Page 302, and in this deed from Bald Head Island Corporation to Bald Head Limited.

9. Restrictions and conditions created by the following maps of Bald Head Island recorded in the Office of the Register of Deeds for Brunswick County, North Carolina:

Map Book 12, Pages 1 - 21
Map Book 12, Pages 36-39
Map Cabinet I, Page 373
Map Cabinet J, Page 135
Map Cabinet J, Pages 176-184
Map Cabinet J, Page 319
Map Cabinet K, Pages 29-32
Map Cabinet L, Page 195
Map Cabinet M, Page 84-86
Map Cabinet M, Page 250
Map Cabinet M, Page 277
Map Cabinet N, Page 19
Map Cabinet N, Page 133
Map Cabinet N, Page 251

10. Easement rights contained in deeds to Robert C. Hayes and Young Realty Co., Inc. respectively recorded in Book 379, at Page 583 and Book 399, Page 448 in the Brunswick County registry.

11. Appurtenant Easement (conservation) to The Nature Conservancy dated May 3, 1976, recorded in Book 401 at Page 602 in the Brunswick County Registry.

12. Declaration of Restrictions on Stage 1 recorded in Book 374, Page 645, Brunswick County Registry as amended by Amended and Restated Declaration of Restrictions recorded in Book 409, Page 421, and Book 498, Page 260, Brunswick County Registry.

13. Declaration of Covenants, Conditions and Restrictions for Bald Head Island Villas, recorded in Book 487, Page 687, Brunswick County Registry.

14. Easements to Carolina Power and Light Company recorded in Book 442, Page 199, Book 462, Page 174, and Book 474, Page 487, Brunswick County Registry.

15. Modification and Relocation Agreement among Bald Head Island Corporation, Bald Head Property Owners Association and various owners recorded in Book 472, Page 174, Brunswick County Registry.

16. Easement Agreements between Bald Head Island Corporation and various property owners recorded in Brunswick County Registry as follows:

<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>
470	634	470	636	470	638
470	640	470	642	470	644
470	646	470	648	470	650
470	652	470	654	470	656
470	658	470	660	470	662
470	664	470	666	470	668
470	670	470	672	470	674
470	676	470	678	470	680
470	682	472	855	472	857
472	859	472	909	472	915
472	917	472	919	472	921
472	923	472	925	472	927
474	569	474	571	474	573
475	739	476	29	476	35
476	41	477	195	477	197
477	598	477	604	477	610
477	616	477	622	477	746
477	752	478	256	478	870
478	876	478	882	479	133
479	139	479	145	479	151
479	879	479	883	479	891
480	267	480	273	480	642
480	656	480	666	480	672
480	678	480	684	481	245
481	251	481	257	482	118
482	120	482	126	482	132
482	138	482	144	482	150
482	156	482	643	482	649
482	655	483	1	483	7
483	13	483	19	483	25
483	824	483	830	483	836
484	239	484	245	484	251
484	257	484	263	484	269
484	830	484	836	484	842
484	848	484	855	484	861
485	877	485	883	485	889
485	895	485	901	486	920
487	398	487	404	487	967
488	84	488	92	488	100

<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>	<u>Book</u>	<u>Page</u>
488	425	488	431	488	437
489	361	489	994	490	897
490	903	490	909	490	915
491	458	492	87	494	110
		494	112		
494	711	494	717	494	719
495	246	495	492	495	498
496	646	497	361	498	252
497	355	498	246		
498	258	498	593	499	165
501	957	501	964	503	37
503	43	504	108	504	784
505	274	505	445	505	816
505	899	505	905	505	911
505	917	505	586	507	360
507	366	507	372	508	35
508	41	508	47	508	53
508	766	508	858	508	864
509	539	509	545	509	551
509	557	509	672	510	21
				510	25
510	29	510	35	510	147
510	674	510	680	510	686
510	692	510	917	511	135
511	143	511	754	511	760
511	766	511	771	512	232
512	239	512	629	512	635
512	641	512	645	513	743
513	749	513	755	513	761
514	852	515	304	516	243
516	249	517	342	517	352
517	358	517	365	517	372
518	27	518	158	518	504
519	749	519	860	520	389
520	917	520	921	522	178
523	98	523	104	524	664
524	906	525	445	525	451
525	457	527	563	527	586
527	588	527	590	527	599
528	392	528	398	528	401
528	403	529	705	529	712
529	715	529	717	529	719
531	286	531	296	531	302
531	309	531	315	531	323
531	336	531	336	532	17

17. Declaration of Ratification and Approval recorded in Book 487, Page 685, Brunswick County Registry.

Application No. SAW0081-N-010-000116

BOOK 532 PAGE 561

Name of Applicant Bald Head Island Corporation

Effective Date See page 4

Expiration Date (if applicable) 31 December 1954

DEPARTMENT OF THE ARMY
PERMIT

Referring to written request dated 16 February 1951 for a permit to:

1. Perform work in or affecting navigable waters of the United States, when the recommendation of the Chief of Engineers, Department of the Army, is required in accordance with Section 10 of the Rivers and Harbors Act of March 3, 1899 (34 U.S.C. 4031).

2. Discharge dredged or fill material into waters of the United States upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 404 of the Federal Water Pollution Control Act 886 Stat. 816, P.L. 82-500.

3. Transport dredged material for the purpose of dumping it into ocean waters upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972 (88 Stat. 1603; P.L. 92-532).

Bald Head Island Corporation
PO Box 11058
Southport, NC 28461

Is hereby authorized by the Secretary of the Army:

to enlarge the waterward section of an existing pier

is on the Cape Fear River

at Southport, Brunswick County, North Carolina

in accordance with the plans and drawings attached hereto which are incorporated in and made a part of this permit (as drawings give the location of other definite identification marks.)

subject to the following conditions:

I. General Conditions:

a. That all activities identified and authorized herein shall be consistent with the terms and conditions of this permit; and that any activities not specifically identified and authorized herein shall constitute a violation of the terms and conditions of this permit which may result in the modification, suspension or revocation of this permit, in whole or in part, as set forth more specifically in General Condition g or h herein, and in the discretion of such legal proceedings as the United States Government may consider appropriate, whether or not this permit has been previously modified, suspended or revoked in whole or in part.

END FORM 1120 EDITION OF 1 APR 74 IS OBSOLETE.

DER 1145-2-3009

Incl 1

- b. That all activities authorized herein shall, if they involve, during their continuation or operation, any discharge of pollutants into waters of the United States or other waters, be at all times consistent with applicable water quality standards, effluent limitations and standards of performance, prohibitions, preservation standards and management practices established pursuant to the Federal Water Pollution Control Act of 1972 (P.L. 92-500, 86 Stat. 816), the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532, 86 Stat. 1033), or pursuant to applicable State and local law.
- c. That when the activity authorized herein involves a discharge during its continuation or operation, of any pollutants (including dredged or fill material, and others) into waters of the United States, the authorized activity shall, if applicable water quality standards are revised or modified during the term of this permit, be modified, if necessary, to conform with such revised or modified water quality standards within 6 months of the effective date of any revision or modification of water quality standards, or as directed by an implementation plan contained in such revised or modified standards, or within such longer period of time as the District Engineer, in consultation with the Regional Administrator at the Environmental Protection Agency, may determine to be reasonable under the circumstances.
- d. That the discharge will not destroy or endanger species as identified under the Endangered Species Act, or endanger the critical habitat of such species.
- e. That the permittee agrees to make every reasonable effort to preserve the conservation or operation of the work authorized herein in a manner so as to avoid any adverse impact on fish, wildlife, and natural environmental values.
- f. That the permittee agrees that he will prosecute the continuation of work authorized herein in a manner so as to minimize any degradation of water quality.
- g. That the permittee shall permit the District Engineer or his authorized representative(s) or designee(s) to make periodic inspections at any time deemed necessary in order to ensure that the activity being performed under authority of this permit is in accordance with the terms and conditions presented herein.
- h. That the permittee shall maintain the structure or work authorized herein in good condition and in accordance with the plans and drawings attached hereto.
- i. That this permit does not convey any property rights, either in real estate or material, or any exclusive privileges, and that it does not authorize any rights in property or violation of rights or any infringement of Federal, State, or local laws or regulations nor does it obviate the requirement to obtain State or local agency approval by law for the activity authorized herein.
- j. That this permit may be summarily suspended, in whole or in part, when a finding by the District Engineer (the immediate supervisor of the activity) authorized herein would be in the general public interest. Such suspension shall be effective upon receipt by the permittee of a written notice of suspension which shall indicate (1) the extent of the suspension, (2) the reasons for this action, and (3) any corrective or preventative measures to be taken by the permittee when and where necessary for the District Engineer in State and Federal waters to the general public interest. The permittee shall take immediate action to comply with the provisions of the notice. Within ten days following receipt of this notice of suspension, the permittee may request a hearing in order to present information relevant to a decision as to whether the permit should be reinstated, modified or revoked. If a hearing is requested, it shall be conducted pursuant to procedures prescribed by the Chief of Engineers. After completion of the hearing, or within a reasonable time after issuance of the suspension notice to the permittee if no hearing is requested, the permit will either be reinstated, modified or revoked.
- k. That this permit may be either suspended, suspended or revoked in whole or in part if the Secretary of the Army or his authorized representative determines that there has been a violation of any of the terms or conditions of this permit or that such action would otherwise be in the public interest. Any such modification, suspension, or revocation shall become effective 30 days after receipt by the permittee of written notice of such action which shall specify the facts or conduct warranting such action (1) within the 30-day period, the permittee is able to satisfactorily demonstrate that (a) the alleged violation of the terms and conditions of this permit did not, in fact, occur or (b) the alleged violation was accidental, and the permittee has been cooperative with the terms and conditions of this permit, and is able to provide satisfactory assurance that future operations shall be in full compliance with the terms and conditions of this permit, or (2) within the aforesaid 30-day period, the permittee requests that a public hearing be held to present and consider evidence concerning the proposed modification, suspension or revocation. The conduct of this hearing and the procedures for making a final decision shall be modified, suspended or revoked this permit in whole or in part shall be pursuant to procedures prescribed by the Chief of Engineers.
- l. That in issuing this permit, the Government has relied on the information and data which the permittee has provided in connection with his permit application. If, subsequent to the issuance of this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Government may, in addition, institute appropriate legal proceedings.
- m. That any modification, suspension, or revocation of this permit shall not be the basis for any claim for damages against the United States.
- n. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, or for in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period of more than one week, resumption of work and its completion.

BOOK 532 PAGE 563

b. That if the activity authorized herein is not started on or before 31st day of March, 1982, one year from the date of issuance of this permit unless otherwise specified and is not completed on or before 31st day of December, 1984, seven years from the date of issuance of this permit unless otherwise specified this permit, if not previously revoked or specifically extended, shall automatically expire.

c. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

d. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer procedure by which the permittee is transferring his interests herein to a third party pursuant to General Condition c hereof, he must remove the area to a condition satisfactory to the District Engineer.

e. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of title to and interests in real property.

f. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

g. That this permit may not be transferred to a third party without prior written notice to the District Engineer, either by the transferor's written agreement to comply with all terms and conditions of this permit or by the transferee subscribing to the permit in the space provided below and thereby agreeing to comply with all terms and conditions of this permit. In addition, if the permittee transfers the interests authorized herein by conveyance of title, the deed shall reference this permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

h. Special Conditions: (Here list conditions relating specifically to the proposed structure or work authorized by this permit.)

The following Special Conditions will be applicable when appropriate:

STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:

a. That the permittee does not authorize the construction with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structure or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no attempt shall be made by the permittee to prevent the full and free use by the public of all navigable waters at or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be prescribed by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of inspection of the permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the direction of the Secretary of the Army or his authorized representative, the Secretary or his designee may restore the waterway to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. **Structures for Small Boats:** This permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by small craft from passing vessels. The owner of this permit does not release the permittee from taking all proper steps to insure the integrity of the structure permitted herein and the safety of boats moored nearby from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

MAINTENANCE DREDGING:

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for _____ years from the date of issuance of this permit (ten years unless otherwise indicated).

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 404(a) of the FWPCA and published in 40 CFR 228;

b. That the discharge will consist of suitable material free from toxic pollutants in either than trace quantities;

c. That the fill created by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution; and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 229-228.

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND CORPORATION

BY: [Signature]
PERMITTEE
[Signature]
TITLE

DATE

BY AUTHORITY OF THE SECRETARY OF THE ARMY:
[Signature]
K. A. KOPCEK
LTC, US
DEP DIST ENGR

DATE

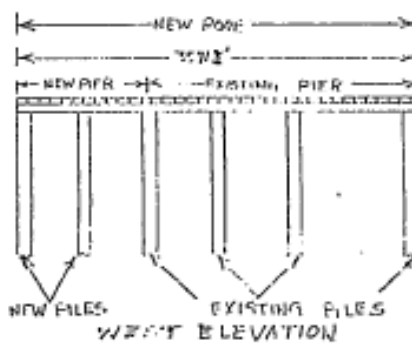
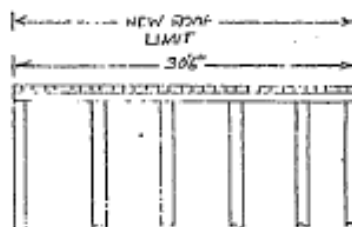
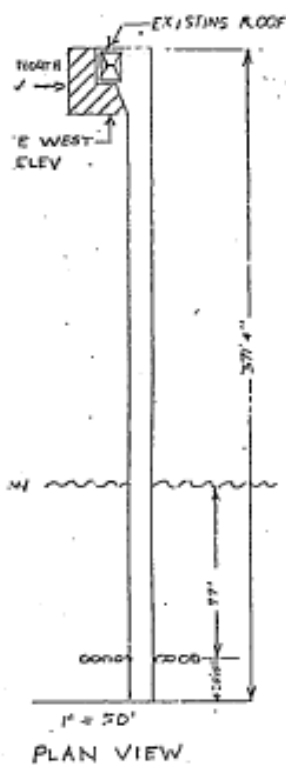
ROBERT K. HUGHES, COLONEL
DISTRICT ENGINEER,
U.S. ARMY, CORPS OF ENGINEERS

Transferor hereby agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND, LIMITED
BY: [Signature]
TRANSFEREE
[Signature]

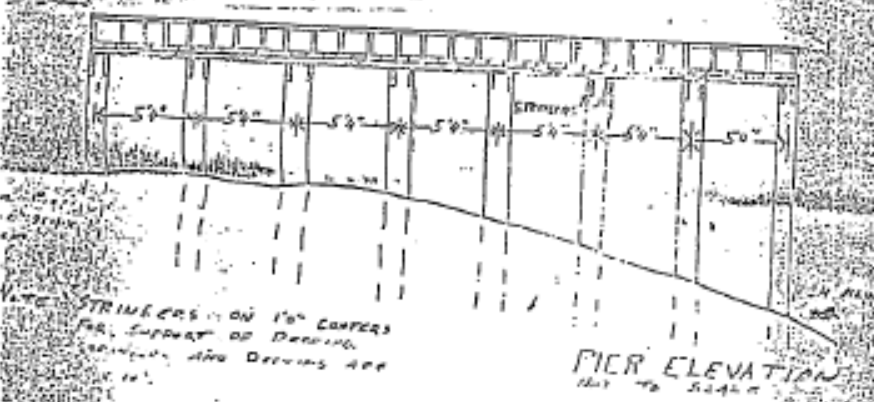
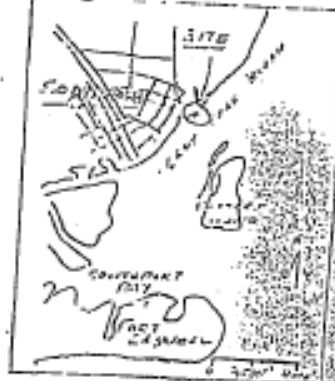
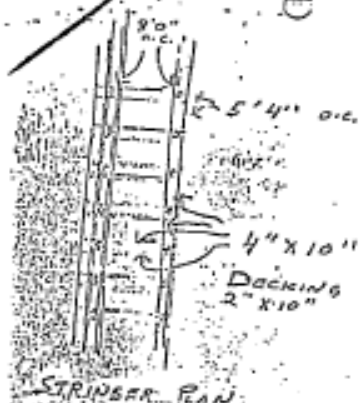
DATE

PROJECT
SITE



- NOTES
- 1) ALL CONST. & MATCH EXIST.
 - 2) NEW ROOF TO COVER ENTIRE END OF PIER
 - 3) ALL PILES TO BE 12" DIA. 6' I. O.C.
 - 4) ADDITION

SHEET 1 OF 2



NOTE: STRINGERS ON 1\"/>

PIER ELEVATION
1:10 TO 5:45 P.M.

SHEET 2 OF 2

Sheet 2 of 2

- b. That all activities authorized herein shall, if they involve, during their construction or operation, any discharge of pollutants into waters of the United States or upon waters, be in at times consistent with applicable water quality standards, effluent limitations and standards of performance, discharge, pretreatment standards and management practices established pursuant to the Federal Water Pollution Control Act of 1972 (P.L. 92-500, 85 Stat. 2140), the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532, 86 Stat. 1083), or pursuant to applicable State and local law.
- c. That when the activity authorized herein involves a discharge during its construction or operation, of any pollutant (including dredged or fill material), into waters of the United States, the authorized activity shall, if applicable water quality standards are revised or modified during the term of this permit, be modified, if necessary, to conform with such revised or modified water quality standards within 6 months of the effective date of any revision or modification of water quality standards, or as directed by an implementation plan contained in such revised or modified standards, or within such longer period of time as the District Engineer, in consultation with the Regional Administrator of the Environmental Protection Agency, may determine to be reasonable under the circumstances.
- d. That the discharge will not destroy a threatened or endangered species as described under the Endangered Species Act, or endanger the critical habitat of such species.
- e. That the permittee agrees to make every reasonable effort to protect the construction or operation of the work authorized herein in a manner so as to minimize any adverse impact on fish, wildlife, and natural environmental values.
- f. That the permittee agrees that he will protect the construction or work authorized herein in a manner so as to minimize any degradation of water quality.
- g. That the permittee shall notify the District Engineer or his authorized representative or designee to make periodic inspections at any time deemed necessary in order to assure that the activity being performed under authority of this permit is in accordance with the terms and conditions prescribed herein.
- h. That the permittee shall maintain the structure or work authorized herein in good condition and in accordance with the plans and drawings attached hereto.
- i. That this permit does not convey any property rights, either in real estate or material, or any exclusive privileges; and that it does not authorize any injury to property or invasion of rights of any independent of Federal, State, or local laws or regulations nor does it override the requirement to obtain State or local permits required by law for the activity authorized herein.
- j. That this permit may be summarily suspended, in whole or in part, upon a finding by the District Engineer that immediate suspension of the activity authorized herein would be in the general public interest. Such suspension shall be effective upon receipt by the permittee of a written notice thereof which shall indicate (1) the extent of the suspension, (2) the reasons for the action, and (3) any corrective or preventative measures to be taken by the permittee which are deemed necessary by the District Engineer to avert imminent hazards to the general public interest. The permittee shall take immediate action to comply with the provisions of this notice. Within ten days following receipt of this notice of suspension, the permittee shall submit a written report in compliance with the terms and conditions of this permit to a decision as to whether his permit should be reinstated, modified or revoked. If a hearing is requested, it shall be conducted pursuant to procedures prescribed by the Chief of Engineers. After completion of the hearing, or within a reasonable time after issuance of the suspension notice to the permittee if no hearing is requested, the permit will either be reinstated, modified or revoked.
- k. That this permit may be either modified, suspended or revoked in whole or in part if the Secretary of the Army or his authorized representative determines that there has been a violation of any of the terms or conditions of this permit or that such action would otherwise be in the public interest. Any such modification, suspension, or revocation shall become effective 30 days after receipt by the permittee of written notice of such action which shall specify the basis for conduct constituting such action. (1) within the 30-day period the permittee is able to satisfactorily demonstrate that (a) the alleged violation of the terms and conditions of this permit did not, in fact, occur or (b) the alleged violation was accidental, and the permittee has been operating in compliance with the terms and conditions of the permit, and is able to present satisfactory assurance that future operations shall be in full compliance with the terms and conditions of this permit, or (2) within the aforesaid 30-day period, the permittee requests that a public hearing be held to present oral and written evidence concerning the proposed modification, suspension or revocation. The conduct of this hearing and the procedures for making a final decision either to modify, suspend or revoke this permit in whole or in part shall be pursuant to procedures prescribed by the Chief of Engineers.
- l. That in issuing this permit, the Government has relied on the information and data which the permittee has provided in connection with his permit application. If, subsequent to the issuance of this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Government may, in addition, initiate appropriate legal proceedings.
- m. That any modification, suspension, or revocation of this permit shall not be the basis for any claim for damages against the United States.
- n. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, as far in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period more than one week, interruption of work and its completion.

a. That if the activity authorized herein is not started on or before 31st day of July, 1982 (one year from the date of issuance of this permit unless otherwise specified and is not completed on or before 31st day of December, 1982), then years from the date of issuance of this permit unless otherwise specified this permit, if not previously revoked or specifically extended, shall automatically expire.

b. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

c. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer proceeding by which the permittee is transferring his interests herein to a third party pursuant to General Condition 6 hereof, he must ensure the area is a condition satisfactory to the District Engineer.

d. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of title to and interests in real property.

e. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

f. That this permit may not be transferred to a third party without prior written notice to the District Engineer, signed by the permittee's written agreement to comply with all terms and conditions of this permit or by the transferee subscribing to this permit in the space provided below and thereby agreeing to comply with all terms and conditions of this permit. In addition, if the permittee transfers the interests authorized herein by conveyance of realty, the deed shall reference this permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

II. Special Conditions: (Here list conditions relating specifically to the proposed structure or work authorized by the permit.)

All special conditions of the basic permit, SANCO80-N-010-000348, issued 24 May 1974, and subsequent modifications remain valid and in full force and effect.

The following Special Conditions will be applicable when appropriate:

DATE 532 PAGE 570

STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:

a. That this permit does not authorize the interference with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structure or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no action shall be made by the permittee to prevent the full and free use by the public of all navigable waters in or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be permitted by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of expiration of this permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the direction of the Secretary of the Army or his authorized representative, the Secretary or his designee may cause the waterway to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. Structures for Small Boats: That permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by wave wash from passing vessels. The issuance of this permit does not relieve the permittee from taking all proper steps to insure the stability of the structure permitted herein and the safety of boats moored therein from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

MAINTENANCE DREDGING:

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for _____ years from the date of issuance of this permit (ten years unless otherwise indicated).

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 304(b) of the FWPCA and published in 40 CFR 230;

b. That the discharge will consist of suitable material free from toxic pollutants in other than trace quantities;

c. That the sediment by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution; and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 220-226.

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND CORPORATION

BY:

[Signature]
PERMITTEE

DATE

(Title)

BY AUTHORITY OF THE SECRETARY OF THE ARMY

[Signature]
LTC, CE
DEP. COMMANDER

DATE

1. ROBERT K. HUGHES, COLONEL

Commander and
District Engineer,
U.S. Army, Corps of Engineers

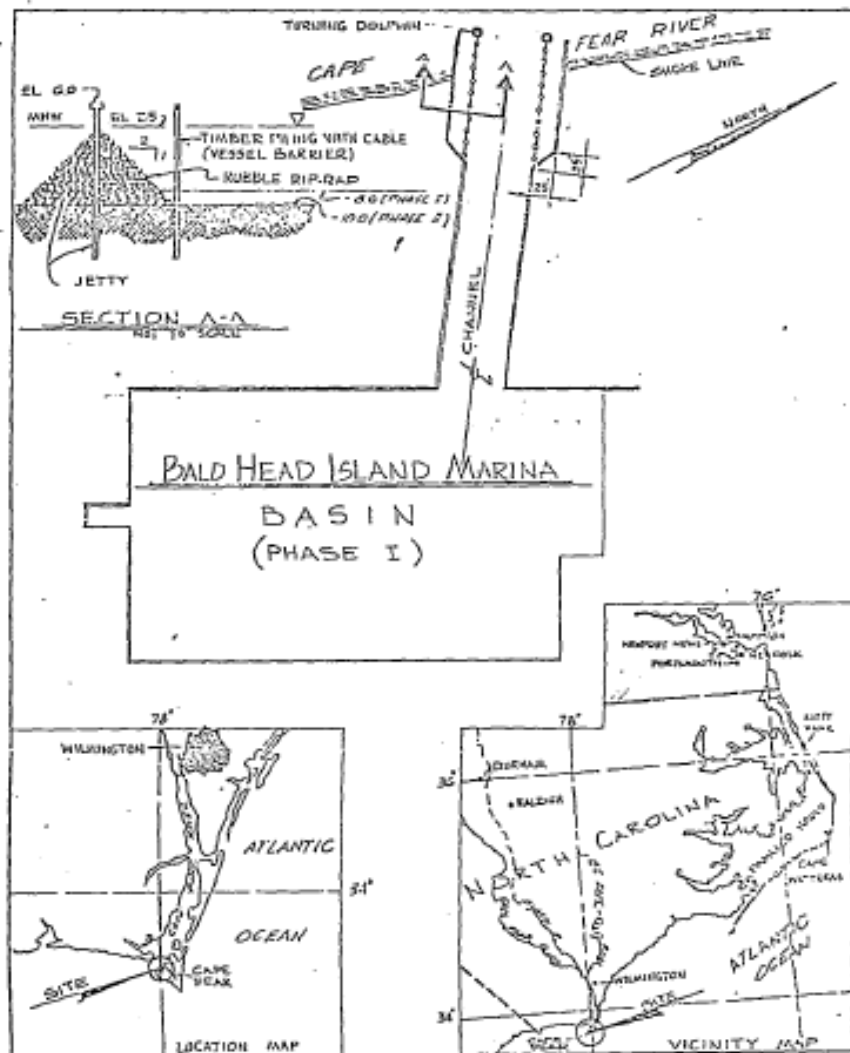
Transferor hereby agrees to comply with the terms and conditions of the permit.

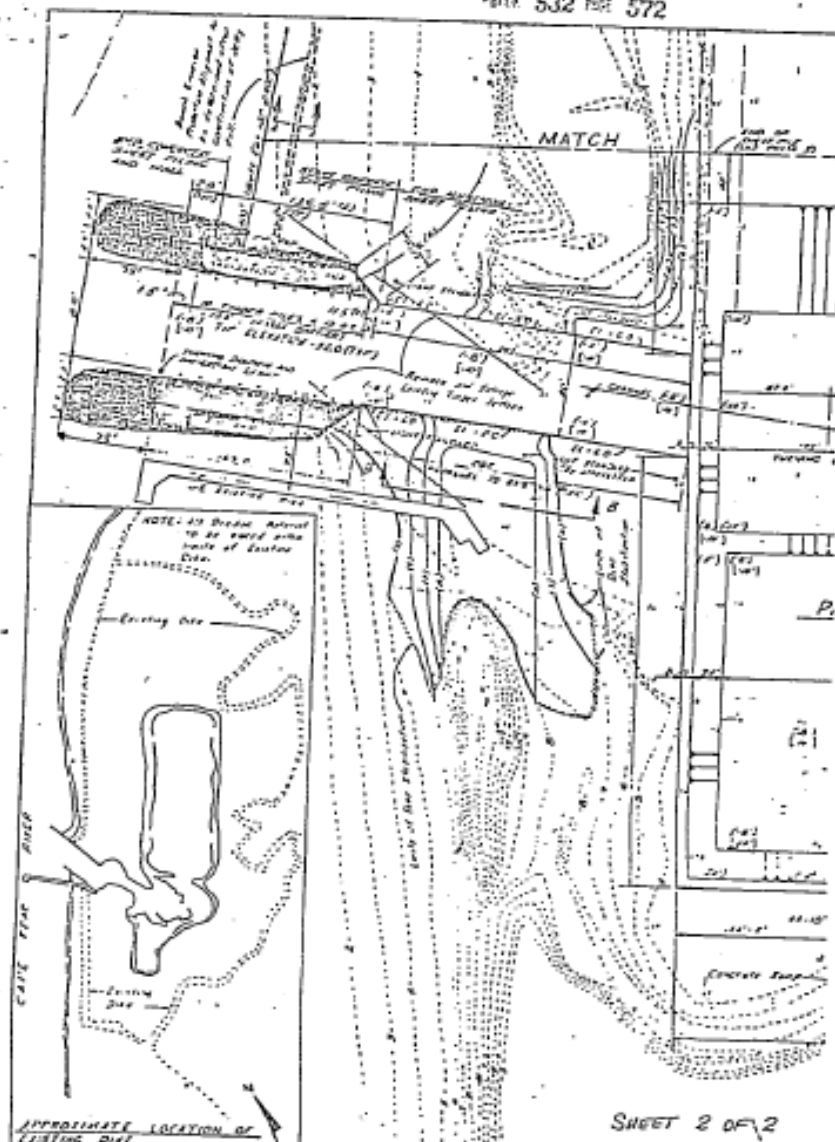
BALD HEAD ISLAND LIMITED

by *[Signature]*
TRANSFEREE

14 June 1983
DATE

[Signature]
Mick D. Mitchell





DEPARTMENT OF THE ARMY
CORPS OF ENGINEERS

NOTICE OF AUTHORIZATION

13 July 19 81

A PERMIT TO : Deepen the entrance channel jetties on the Cape Fear River

AT : Bald Head Island, near Southport, Brunswick County, North Carolina

HAS BEEN ISSUED TO : Bald Head Island Corporation ON 13 July 19 81

ADDRESS OF PERMITTEE : 704 East Moore Street
PO Box 11058
Southport, NC 28461

PERMIT NUMBER : SAHCOB1-010-000225

for *[Signature]*
COMMANDER, US Army Engineer
ROBERT M. HUGHES, COL, ICE

THIS NOTICE MUST BE CONSPICUOUSLY DISPLAYED AT THE SITE OF WORK

Application No. SAAC000-N-010-000368

Name of Applicant Bald Head Island Corporation

Effective Date (See Page 4)

Expiration Date (if applicable) 31 December 1984

DOC 532 PAGE 574

DEPARTMENT OF THE ARMY

PERMIT

MODIFICATION

Referring to written request dated 15 September 1980 for a permit to:

X 1. Perform work in or affecting navigable waters of the United States, upon the recommendation of the Chief of Engineers, pursuant to Section 10 of the Rivers and Harbors Act of March 3, 1899 (33 U.S.C. 403);

X 2. Discharge dredged or fill material into waters of the United States upon the issuance of a permit from the Secretary of the Army, acting through the Chief of Engineers pursuant to Section 404 of the Federal Water Pollution Control Act (33 Stat. 816, P.L. 85-624);

I 3. Transport dredged material for the purpose of dumping it into ocean waters upon the issuance of a permit from the Secretary of the Army acting through the Chief of Engineers pursuant to Section 103 of the Marine Protection, Research and Sanctuaries Act of 1972 (36 Stat. 1952, P.L. 92-532);

Bald Head Island Corporation
704 East Moore Street
PO Box 11058
Southport, NC 28461

Is hereby authorized by the Secretary of the Army:

to
install a wooden fender system, to place riprap material on both sides
of the entrance channel jetties, and to install a sandbag bulkhead with
backfill

on the Cape Fear River at Bald Head Island

near Southport, Brunswick County, North Carolina

in accordance with the plans and drawings attached hereto which are incorporated in and made a part of this permit (see drawings give file number or other definite identification marks.)

subject to the following conditions:

I. General Conditions:

a. That all activities identified and authorized herein shall be consistent with the terms and conditions of this permit; and that any alteration not specifically identified and authorized herein shall constitute a violation of the terms and conditions of the permit which may result in the modification, suspension or revocation of this permit, in whole or in part, as set forth more specifically in General Condition 1 or 4. Herein, and in the violation of such legal proceedings as the United States Government may consider appropriate, whether or not the permit has been previously modified, suspended or revoked in whole or in part.

ENG FORM 1121 EDITION OF 1 APR 74 IS OBSOLETE.

(ER 1145-2-000)

Incl 1

b. That all activities authorized herein shall, if they involve, during their construction or operation, any discharge of pollutants into waters of the United States or ocean waters, be in full compliance with applicable water quality standards, effluent limitations and standards of performance, prohibitions, pretreatment standards and other requirements established pursuant to the Federal Water Pollution Control Act of 1972 (P.L. 92-500; 86 Stat. 816), the Marine Protection, Research and Sanctuaries Act of 1972 (P.L. 92-532, 86 Stat. 1052), or pursuant to applicable State and local law.

c. That when the activity authorized herein involves a discharge during its construction or operation, of any pollutant (including dredged or fill material), into waters of the United States, the authorized activity shall, if applicable water quality standards are revised or modified during the term of the permit, be modified, if necessary, to conform with such revised or modified water quality standards within 6 months of the effective date of any revision or modification of water quality standards, or as directed by an enforcement action contained in such revised or modified standards, or within such longer period of time as the District Engineer, in consultation with the Regional Administrator of the Environmental Protection Agency, may determine to be reasonable under the circumstances.

d. That the discharge will not destroy a threatened or endangered species as identified under the Endangered Species Act, or endanger the critical habitat of such species.

e. That the permittee agrees to make every reasonable effort to prosecute the construction or operation of the work authorized herein in a manner so as to minimize any adverse impact on fish, wildlife, and natural environmental values.

f. That the permittee agrees that he will prosecute the construction or work authorized herein in a manner so as to minimize any degradation of water quality.

g. That the permittee shall permit the District Engineer or his authorized representative(s) or designee(s) to make periodic inspections at any time deemed necessary in order to ensure that the activity being performed under authority of this permit is in accordance with the terms and conditions herein.

h. That the permittee shall maintain the structure or work authorized herein in good condition and in accordance with the plans and drawings attached hereto.

i. That this permit does not convey any property rights, either in real estate or material, or any exclusive privileges; and that it does not authorize any injury to persons or violation of rights or any infringement of Federal, State, or local laws or regulations nor does it oblige the permittee to obtain State or local permits required by law for the activity authorized herein.

j. That this permit may be summarily suspended, in whole or in part, upon a finding by the District Engineer that immediate termination of the activity authorized herein would be in the general public interest. Such suspension shall be effective upon receipt by the permittee of a written notice of suspension which shall indicate (1) the reasons for the suspension, (2) the steps for this action, and (3) any corrective or preventative measures to be taken by the permittee which are deemed necessary by the District Engineer to their imminent hazard to the general public interest. The permittee shall take immediate action to comply with the provisions of this notice. Within ten days following receipt of this notice of suspension, the permittee may request a hearing in order to present information relevant to a decision as to whether the permit should be reinstated, modified or revoked. If a hearing is requested, it shall be conducted pursuant to procedures prescribed by the Chief of Engineers. After completion of the hearing, or within a reasonable time after issuance of the suspension notice to the permittee if no hearing is requested, the permit will either be reinstated, modified or revoked.

k. That this permit may be either modified, suspended or revoked in whole or in part if the Secretary of the Army or his authorized representative determines that there has been a violation of any of the terms or conditions of this permit or that such action would otherwise be in the public interest. Any such modification, suspension, or revocation shall become effective 30 days after receipt by the permittee of written notice of such action which shall specify the facts or conduct warranting same unless (1) within the 30-day period the permittee is able to satisfactorily demonstrate that (a) the alleged violation of the terms and conditions of this permit did not, in fact, occur or (b) the alleged violation was accidental, and the permittee has been operating in compliance with the terms and conditions of this permit and is able to provide satisfactory assurance that future operations shall be in full compliance with the terms and conditions of this permit; or (2) within the aforesaid 30-day period, the permittee requests that a public hearing be held to present oral and written evidence concerning the proposed modification, suspension or revocation. The conduct of this hearing and the procedure for making a final decision either to modify, suspend or revoke this permit in whole or in part shall be pursuant to procedures prescribed by the Chief of Engineers.

l. That in issuing this permit, the Government has relied on the information and data which the permittee has provided in connection with his permit application. If, subsequent to the issuance of this permit, such information and data prove to be false, incomplete or inaccurate, this permit may be modified, suspended or revoked, in whole or in part, and/or the Government may, in addition, institute appropriate legal proceedings.

m. That any modification, suspension, or revocation of this permit shall not be the basis for any claim for damages against the United States.

n. That the permittee shall notify the District Engineer at what time the activity authorized herein will be commenced, as far in advance of the time of commencement as the District Engineer may specify, and of any suspension of work, if for a period of more than one week, resumption of work and its completion.

10. That if the activity authorized herein is not started on or before 31st day of January, 1982, hereafter, from the date of issuance of this permit unless otherwise specified and is not completed on or before 31st day of December, 1982, (three years from the date of issuance of this permit unless otherwise specified) the permit, if not previously renewed or specifically extended, shall automatically expire.

11. That this permit does not authorize or approve the construction of particular structures, the authorization or approval of which may require authorization by the Congress or other agencies of the Federal Government.

12. That if and when the permittee desires to abandon the activity authorized herein, unless such abandonment is part of a transfer procedure by which the permittee is transferring his interest herein to a third party pursuant to General Condition 1 hereof, he must restore the area to a condition satisfactory to the District Engineer.

13. That if the recording of this permit is possible under applicable State or local law, the permittee shall take such action as may be necessary to record this permit with the Register of Deeds or other appropriate official charged with the responsibility for maintaining records of sale to and interests in real property.

14. That there shall be no unreasonable interference with navigation by the existence or use of the activity authorized herein.

15. That this permit may not be transferred to a third party without prior written notice to the District Engineer, either by the permittee's written agreement to comply with all terms and conditions of this permit or by the District Engineer's written agreement to the transfer provided herein and thereby agreeing to comply with all terms and conditions of this permit. In addition, if the permittee transfers the interest authorized herein by conveyance of realty, the deed shall recite this permit and the terms and conditions specified herein and this permit shall be recorded along with the deed with the Register of Deeds or other appropriate official.

16. Special Conditions: (Here list conditions relating specifically to the proposed structure or work authorized by this permit.)

Before any excavation or construction is begun, the permittee and his contractor will meet onsite with a representative of the US Army Corps of Engineers to delineate and stake the sandbag bulkhead and breakwater structure alignments.

STRUCTURES IN OR AFFECTING NAVIGABLE WATERS OF THE UNITED STATES:

a. That the permit does not authorize the interference with any existing or proposed Federal project and that the permittee shall not be entitled to compensation for damage or injury to the structure or work authorized herein which may be caused by or result from existing or future operations undertaken by the United States in the public interest.

b. That no attempt shall be made by the permittee to prevent the full and free use by the public of all navigable waters at or adjacent to the activity authorized by this permit.

c. That if the display of lights and signals on any structure or work authorized herein is not otherwise provided for by law, such lights and signals as may be prescribed by the United States Coast Guard shall be installed and maintained by and at the expense of the permittee.

d. That the permittee, upon receipt of a notice of revocation of the permit or upon its expiration before completion of the authorized structure or work, shall, without expense to the United States and in such time and manner as the Secretary of the Army or his authorized representative may direct, restore the waterway to its former condition. If the permittee fails to comply with the decision of the Secretary of the Army or his authorized representative, the Secretary or his delegate may cause the waterway to be restored to its former condition, by contract or otherwise, and recover the cost thereof from the permittee.

e. Structures for Small Boats: That permittee hereby recognizes the possibility that the structure permitted herein may be subject to damage by wave wash from passing vessels. The issuance of this permit does not release the permittee from taking all proper steps to insure the integrity of the structure permitted herein and the safety of boats moored thereto from damage by wave wash and the permittee shall not hold the United States liable for any such damage.

MAINTENANCE DREDGING:

a. That when the work authorized herein includes periodic maintenance dredging, it may be performed under this permit for _____ years from the date of issuance of this permit, ten years unless otherwise indicated:

b. That the permittee will advise the District Engineer in writing at least two weeks before he intends to undertake any maintenance dredging.

DISCHARGES OF DREDGED OR FILL MATERIAL INTO WATERS OF THE UNITED STATES:

a. That the discharge will be carried out in conformity with the goals and objectives of the EPA Guidelines established pursuant to Section 404(b) of the FWPCA and published in 40 CFR 220:

b. That the discharge will consist of suitable material free from toxic pollutants in other than trace quantities:

c. That the fill created by the discharge will be properly maintained to prevent erosion and other non-point sources of pollution and

d. That the discharge will not occur in a component of the National Wild and Scenic River System or in a component of a State wild and scenic river system.

DUMPING OF DREDGED MATERIAL INTO OCEAN WATERS:

a. That the dumping will be carried out in conformity with the goals, objectives, and requirements of the EPA criteria established pursuant to Section 102 of the Marine Protection, Research and Sanctuaries Act of 1972, published in 40 CFR 220-228.

b. That the permittee shall place a copy of this permit in a conspicuous place in the vessel to be used for the transportation and/or dumping of the dredged material as authorized herein.

This permit shall become effective on the date of the District Engineer's signature.

Permittee hereby accepts and agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND CORPORATION
BY [Signature]
PERMITTEE [Signature]
TITLE _____

1/8/81
DATE

BY AUTHORITY OF THE SECRETARY OF THE ARMY:
GEORGE T. BUNCH
[Signature] EXECUTIVE ADJUTANT

22 Jan 1981
DATE

ROBERT K. HUGHES, Colonel
DISTRICT ENGINEER,
U.S. ARMY, CORPS OF ENGINEERS

Transferee hereby agrees to comply with the terms and conditions of this permit.

BALD HEAD ISLAND LIMITED
BY [Signature]
TRANSFEEE

14 June 1983
DATE

[Signature]
NAME D. Antlell

BOX 532 PAGE 578 *file: permit*



DEPARTMENT OF THE ARMY
WILMINGTON DISTRICT, CORPS OF ENGINEERS
P. O. BOX 1890
WILMINGTON, NORTH CAROLINA 28402

IN REPLY REFER TO
SANKS73-10-15-386

16 January 1981

Mr. John Messick
Bald Head Island, Inc.
PO Box 1058
Southport, NC 28461

Dear Mr. Messick:

In accordance with your written request of 12 January 1981, Department of the Army Permit No. SANKS73-10-15-386 issued 24 May 1974 to Bald Head Island Corporation is hereby modified.

The following condition is incorporated into the authorization and supersedes previously established work completion dates.

That if the activity authorized herein is not completed on or before 31 December 1981, this permit if not previously revoked or specifically extended shall automatically expire.

All other conditions of the permit issued 24 May 1974 and previous modification of 14 December 1977 remain in full force and effect.

BY AUTHORITY OF THE SECRETARY OF THE ARMY:

Robert K. Hughes
ROBERT K. HUGHES
Colonel, Corps of Engineers
District Engineer
GEORGE T. DUDCH
EXECUTIVE ASSISTANT

CP:
Director, Atlantic Marine Center
National Ocean Survey, NOAA
ATTN: CAMD4, 439 W. York Street
Norfolk, VA 23510

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

PLAT (71/39)

