

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



Prepared For:

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

Prepared By:

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

June 17, 2019

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

Dear Ms. Rabon:

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

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

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

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

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

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

Sincerely yours,

[Redacted Signature]

Earl M. Worsley, Jr., MAI



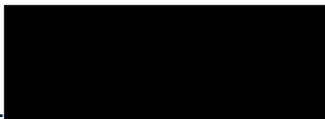
eworsley@worsleyrealestate.com

File No.: 19-004

CERTIFICATION

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

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



Earl M. Worsley, Jr., MAI

June 17, 2019

Date

LIMITING CONDITIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TABLE OF CONTENTS

EXECUTIVE SUMMARY.....	1
INTRODUCTION.....	2
DESCRIPTION OF THE REPORT.....	2
PURPOSE AND INTENDED USE OF THE REPORT.....	2
DEFINITION OF MARKET VALUE.....	2
HYPOTHETICAL CONDITIONS.....	3
EXTRAORDINARY ASSUMPTIONS.....	3
EFFECTIVE DATE AND DATE OF INSPECTION.....	4
DATE OF THE REPORT.....	4
SCOPE OF THE APPRAISAL.....	
PROPERTY RIGHTS APPRAISED.....	5
IDENTIFICATION OF THE PROPERTY.....	5
OWNER OF RECORD.....	6
HISTORY OF THE PROPERTY.....	6
LEGAL DESCRIPTION.....	7
EXPOSURE TIME AND MARKETING TIME.....	7
AREA AND NEIGHBORHOOD ANALYSIS.....	8
THE IMMEDIATE NEIGHBORHOOD.....	12
DESCRIPTION OF THE PROPERTY.....	14
PHOTOGRAPHS OF THE SUBJECT.....	24
ZONING AND APPLICABLE ORDINANCES.....	30
AD VALOREM TAX VALUATION.....	32
HIGHEST AND BEST USE.....	34
VALUATION METHODOLOGY.....	39
LAND VALUE BY COMPARISON.....	41
COST APPROACH.....	56
RECONCILIATION AND FINAL OPINION OF MARKET VALUE	63
ADDENDA	

EXECUTIVE SUMMARY

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

Value Indicators

Cost Approach:	\$36,325,000
FINAL ESTIMATE OF MARKET VALUE:	\$36,325,000

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.
- **Furniture, Fixtures and Equipment (FF&E):** business trade fixtures and personal property, exclusive of inventory
- **Gross Building Area (GBA):** total floor area of a building, excluding unenclosed areas, measured from the exterior of the walls of the above-grade area. This includes mezzanines and basements if and when typically included in the region
- **Real Estate:** an identified parcel or tract of land, including improvements, if any
- **Real Property:** the interests, benefits, and rights inherent in the ownership of the real estate
- **Special-Purpose Property:** a property with a unique physical design, special construction materials, or a layout that particularly adapts its utility to the use for which it was built; also called a *special-design property*.
- **Floor Area Ratio (FAR):** the relationship between the above – ground floor area of a building, as described by the building code, and the area of the plot on which it stands.

HYPOTHETICAL CONDITIONS

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

There are no Hypothetical Conditions.

EXTRAORDINARY ASSUMPTIONS

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

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

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

EFFECTIVE DATE AND DATE OF INSPECTION

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

DATE OF THE REPORT

This report was completed and dated June 17, 2019.

SCOPE OF THE APPRAISAL

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

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

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

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

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

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.”

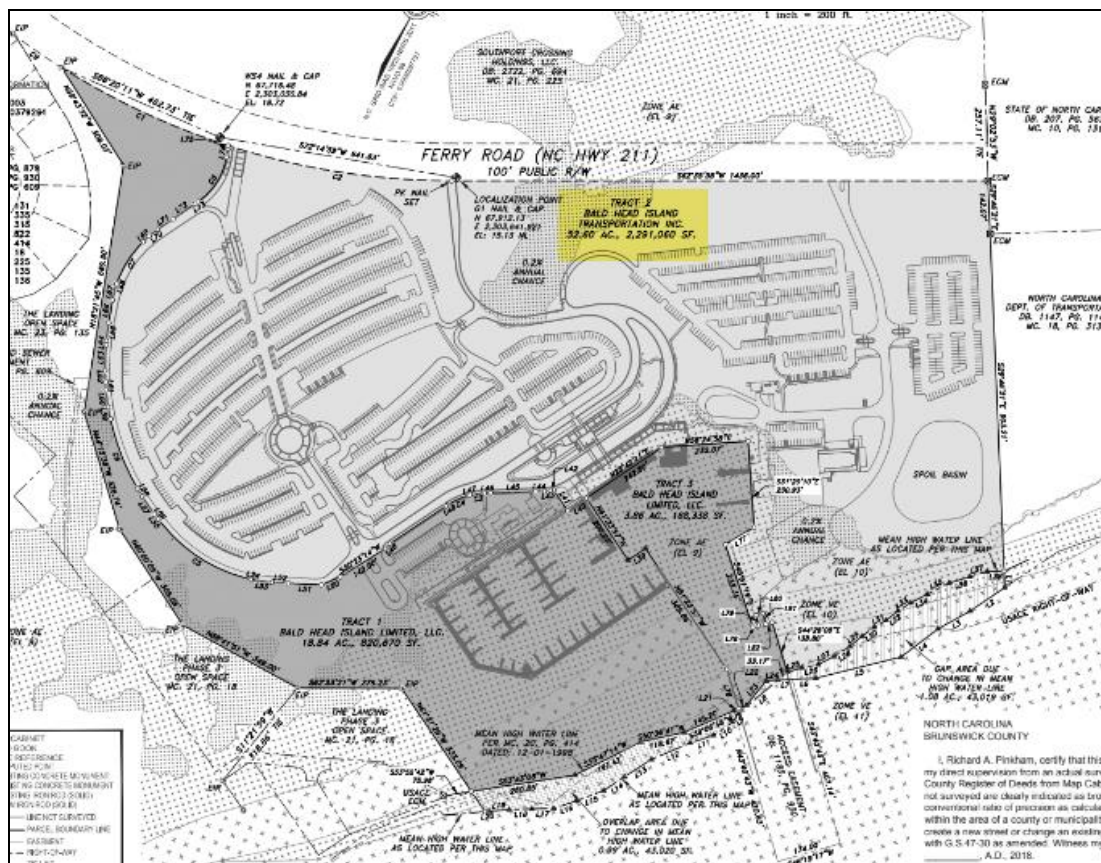
The value opinion further assumes that the property is free and clear of all encumbrances, except those noted in the deed of record, and is available for its highest and best use.

IDENTIFICATION OF THE PROPERTY

The subject property consists of several buildings containing approximately 50,325 square feet serving Deep Point passenger and vehicular ferry dock facility with related site improvements. It is situated on an approximate 52.60 acre site.

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

SURVEY



GENERAL APPRAISAL CONCEPT

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

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

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

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

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

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

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

OWNER OF RECORD

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

HISTORY OF THE PROPERTY

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

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

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

LEGAL DESCRIPTION

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

EXPOSURE TIME AND MARKETING TIME

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

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

According to *The Dictionary of Real Estate Appraisal*, 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 in Brunswick County. This is considered to be part of the Greater Wilmington area, which is made up of three counties: New Hanover, Brunswick and Pender.

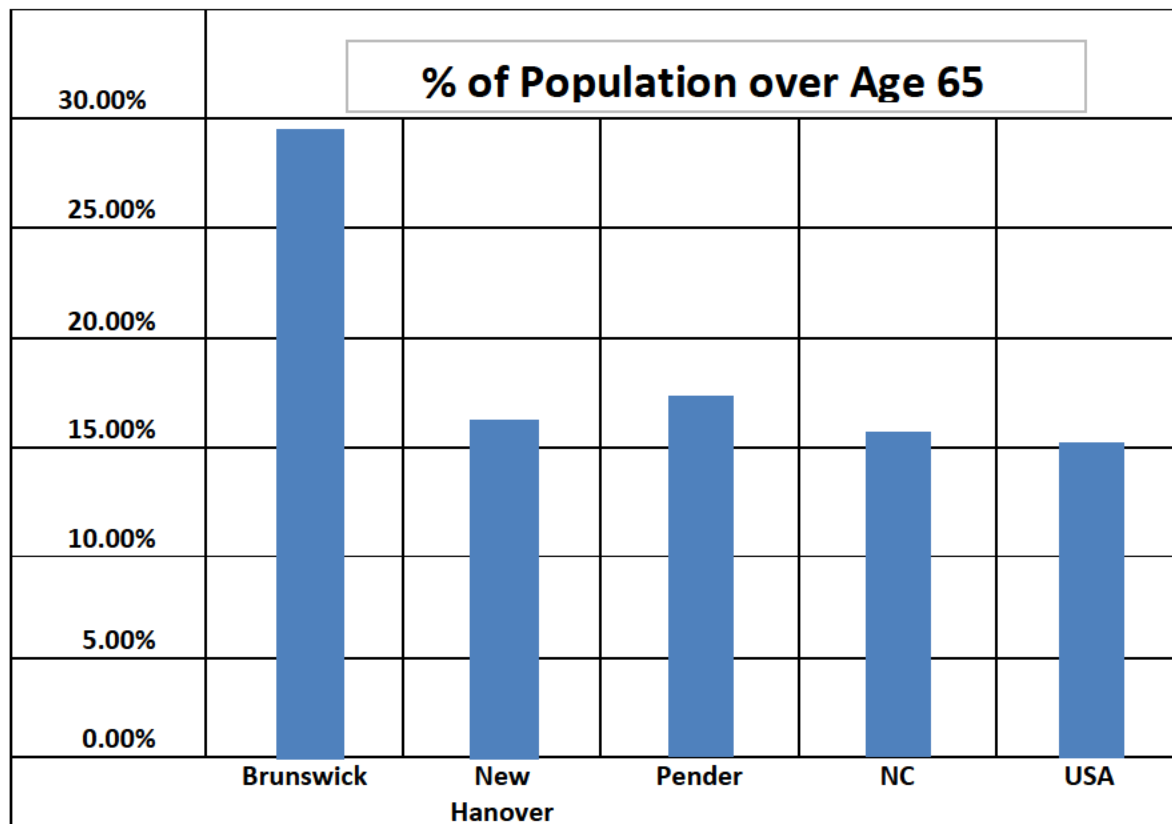


POPULATION AND GROWTH

POPULATION GROWTH IN THE GREATER WILMINGTON AREA 1990-2017				
Source: US Census Bureau				
	1990 Population	2000 Population	2017 Population	CAGR 1990-2017
Brunswick County	51,000	73,000	131,000	3.6%
New Hanover County	120,000	160,000	227,000	2.4%
Pender County	29,000	41,000	61,000	2.8%
Three-County Area	200,000	274,000	419,000	2.8%
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
- Verizon Wireless (Communications) - 1,411
- Progress Energy - Southport & Wilmington (Electricity) - 1,109
- Corning, Inc. (Optical Fiber) - 1,000

¹ Source: US Census QuickFacts, 2009-2015 data

² Source: Wilmington Chamber of Commerce

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

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

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.

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.

³ Source: Bureau of Labor Statistics

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

CLIMATE

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

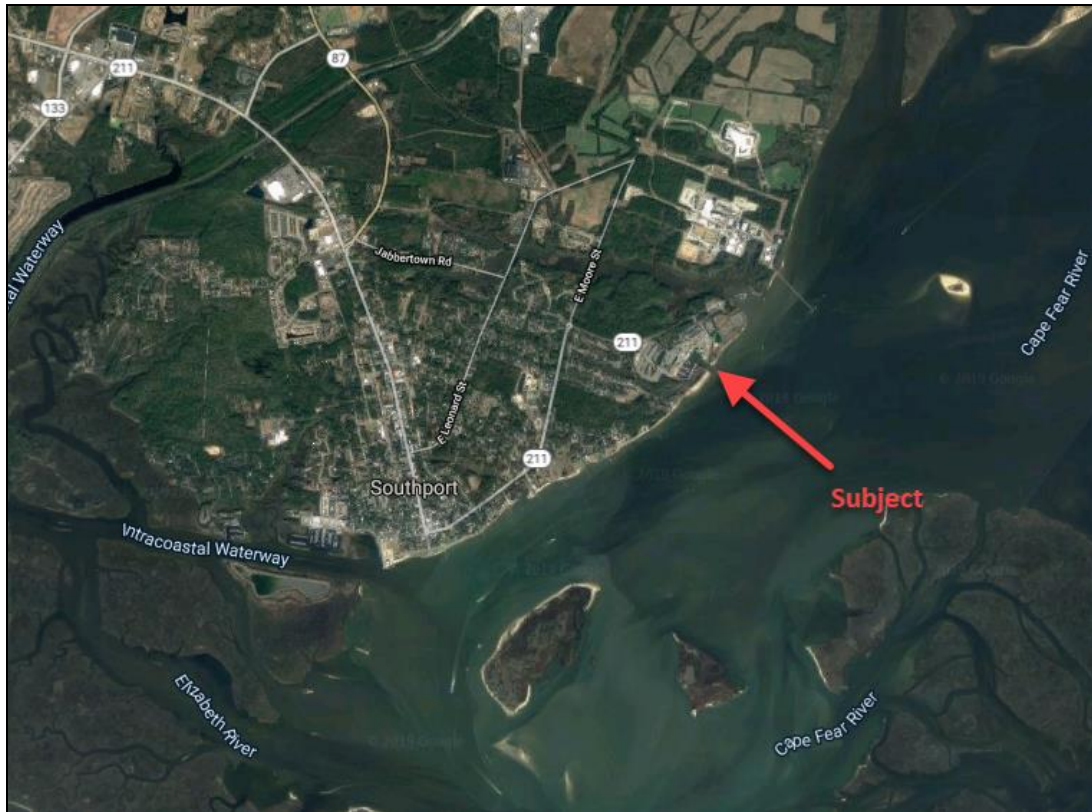
The Greater Wilmington area has grown at very high rates over the past 25+ years. The growth rate has plateaued in the wake of an economic correction. Unemployment has been stubbornly high over the past several years, but has recently shown signs of improvement. With all of the advantages of the area,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

⁵ Source: weather.com monthly averages

THE IMMEDIATE NEIGHBORHOOD

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

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



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

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

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

Commercial and Institutional Development

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

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

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

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

Residential Property Uses

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

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

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

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

Summary

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

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

DESCRIPTION OF THE PROPERTY

Location

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

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

Aerial Photograph



Size, Shape and Dimensions

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

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

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

Survey



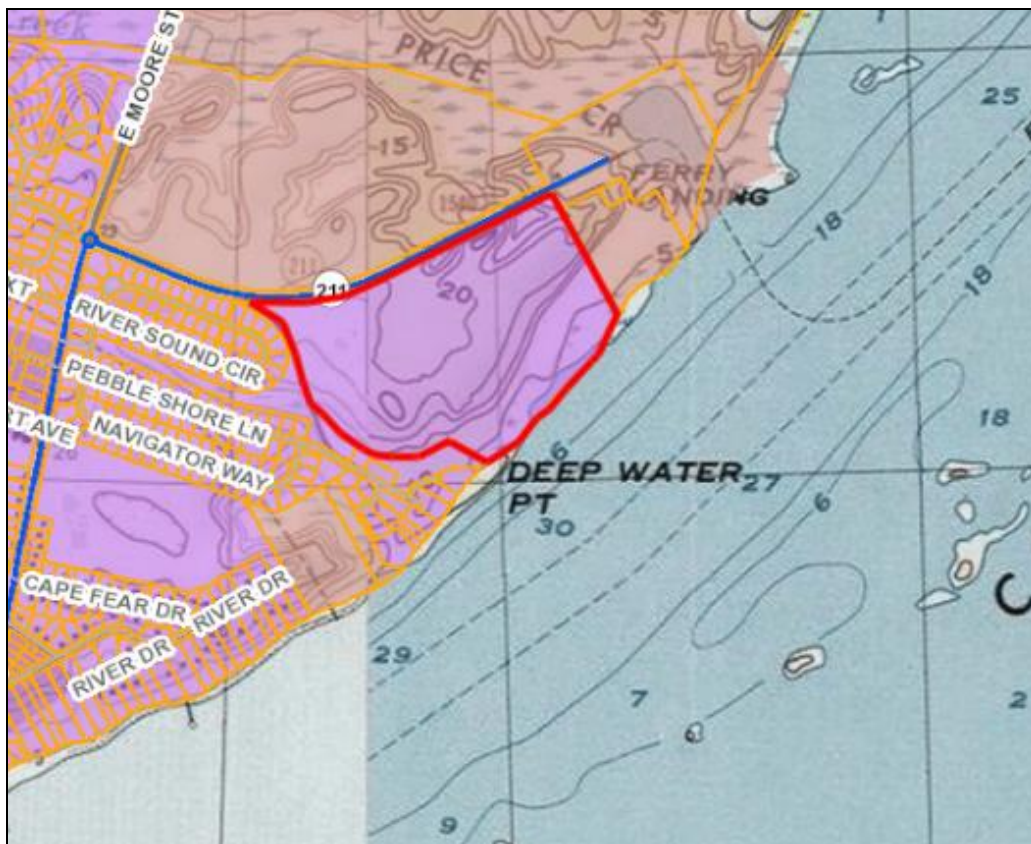
Utilities and Services

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

Topography

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

Topographic Map

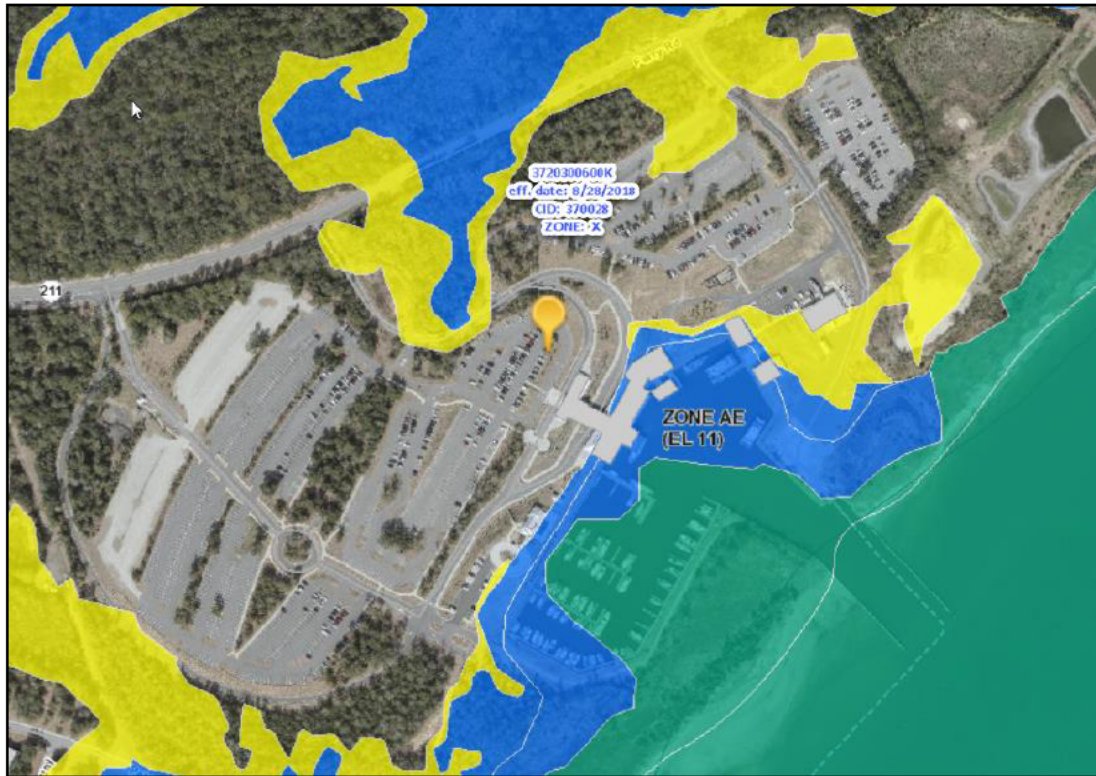


Drainage is through a series of underground tile and catch basins within the driveways and parking areas, as well as open swales. According to a State Storm Water Management Permit provided by a representative of ownership, 28 infiltration basins, 6 infiltration trenches, and 2 wetland detention ponds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

Flood Information

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

Flood Map



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

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

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

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

Easements and Restrictions

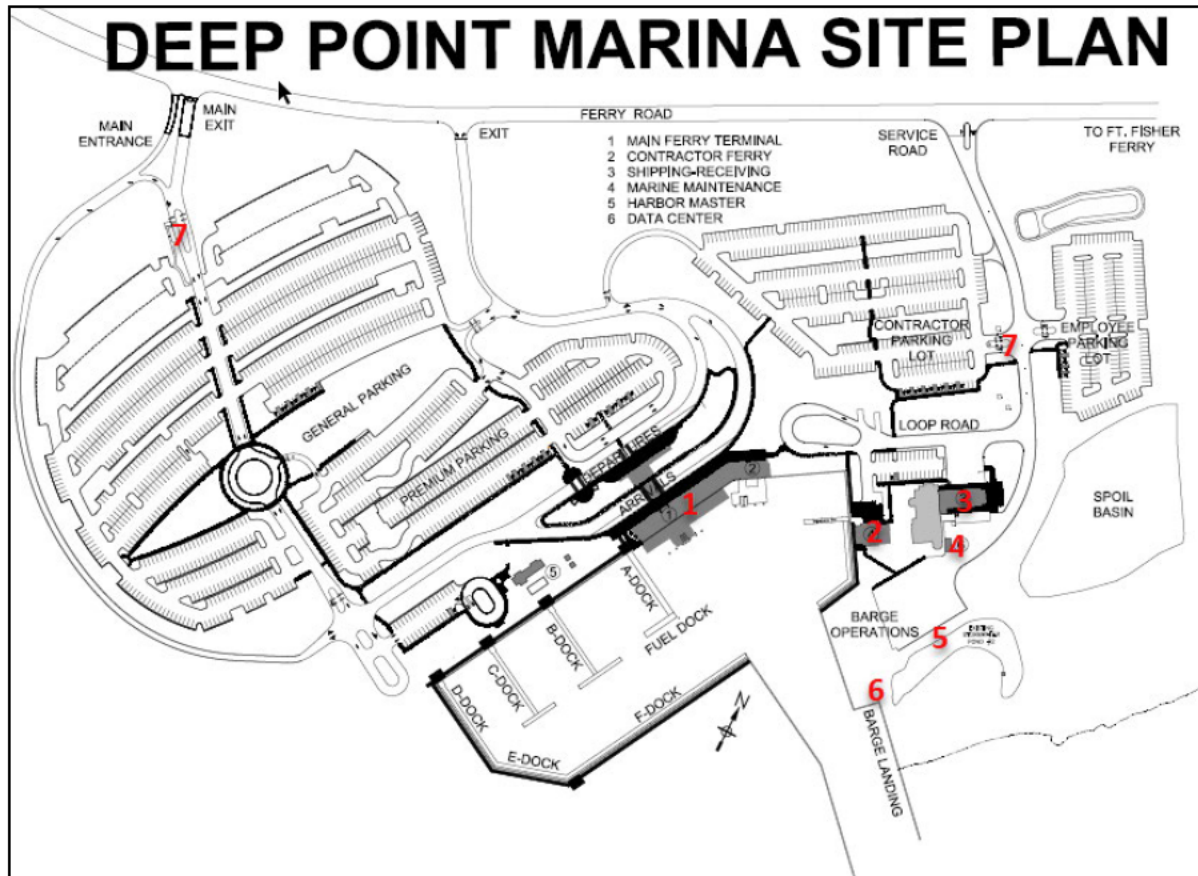
There are no major easements or restrictions of record other than those normal for utility, riparian rights and street purposes.

THE IMPROVEMENTS

General

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

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



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

General Construction Details

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Appearance and Utility

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

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

Furniture, Fixtures and Equipment

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

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

The FF&E items are defined as personal property from *The Dictionary of Real Estate Appraisal, 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, one barge loading system ramp, a main terminal generator, an IT data center generator, and an overhead crane that are affixed to the real estate. They are considered real property.

These items are defined as fixture from *The Dictionary of Real Estate Appraisal, 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.”

Site Improvements

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

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

Age and Condition

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

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

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

Summary of Construction Areas

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

Building Areas

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

Total Building Area

50,325 Square Feet

Gross Land Area

52.60 Acres

Excess Land and/or Surplus Land

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

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

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

PHOTOGRAPHS OF THE SUBJECT



Passenger Arriving Area



Passenger Ferry Terminal



Passenger Ferry Terminal



Ticket Area



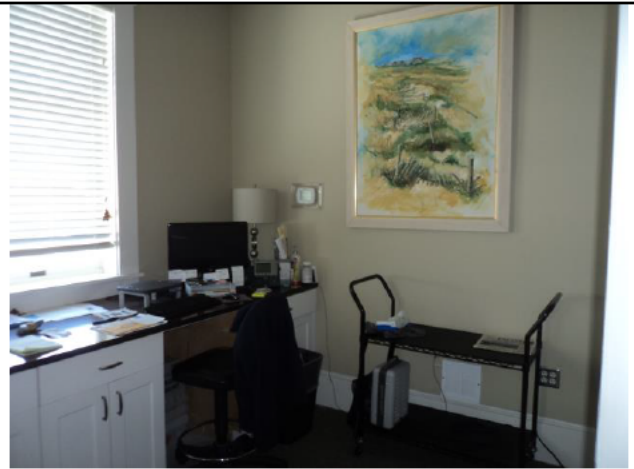
Covered Passenger Deck



Passenger Waiting Area



Passenger Boarding area



Typical Office



Employee Break Area



Island Times Cafe



Contractor Passenger Ferry Area



Baggage Area



Marina/River View



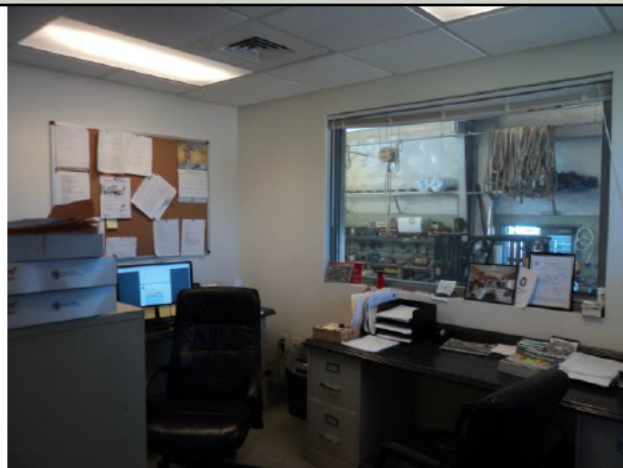
Ferry Repair Building



Ferry Dock Area



Ferry Repair Building



Ferry Repair Building



Ferry Repair Building



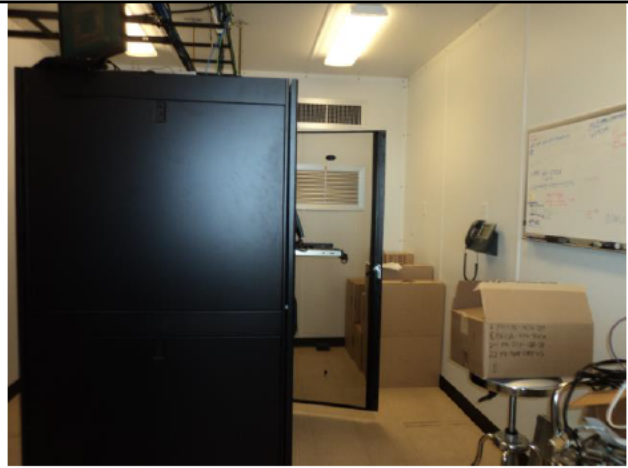
Barge Loading Area



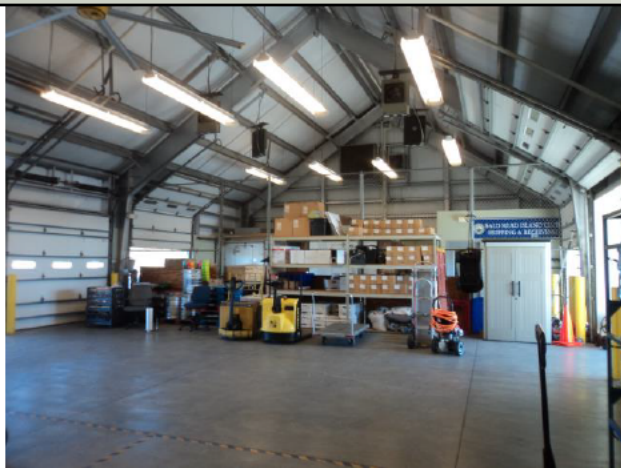
Barge Lift Mechanical Building



Computer Server Building



Computer Server Building



Shipping/Receiving Building



Typical Office-Shipping/Receiving Building



Shipping/Receiving Building



Shipping/Receiving Building



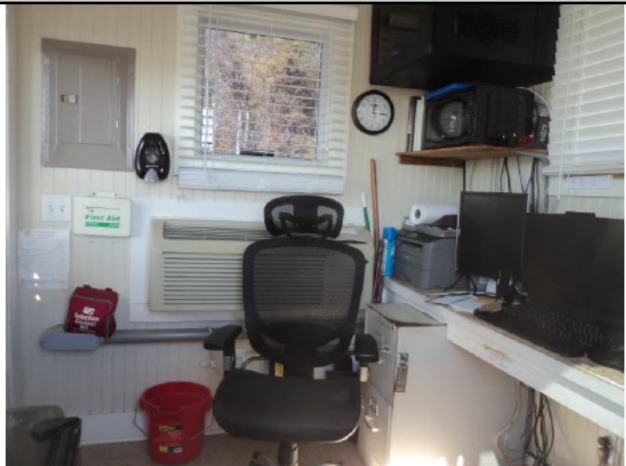
Typical Access Road



Typical Parking Area



Typical Parking Attendant Station



Typical Parking Attendant Station



Storm Water Retention Pond



Typical Parking Area



Typical Access Road



Typical Parking Area



Typical Parking Attendant Station



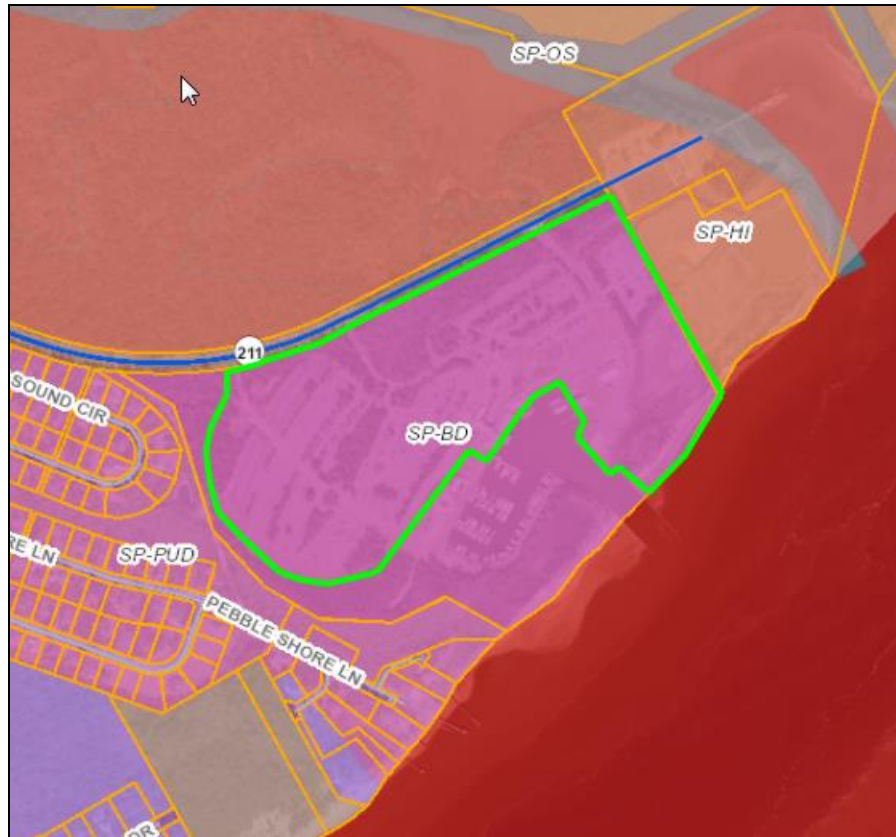
Future Parking Area

ZONING

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

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

Zoning Map



It appears that the improvements conform to this zoning classification.

COASTAL AREA MANAGEMENT ACT

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

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

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

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

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

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

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

SOIL EROSION AND SEDIMENTATION ORDINANCE

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

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

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

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

OTHER GOVERNMENT REGULATIONS

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

AD VALOREM TAX VALUATION

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

Land	\$ 9,346,800
Improvements	\$ 7,110,690
Total	\$16,457,490

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

Brunswick County	0.4850
Southport	0.2956
Doshier Hospital	0.0400
Total	0.8206

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

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

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

HIGHEST AND BEST USE

GENERAL

The Appraisal Institute defines Highest and Best Use as follows:

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

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

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

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

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

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

AS IF VACANT

Legally Permissible

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

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

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

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

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

Physically Possible

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

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

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

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

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

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

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

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

Financially Feasible

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

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

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

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

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

Maximally Productive

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

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

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

Final Estimate of Highest and Best Use

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

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

AS IMPROVED

Legally Permissible

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

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

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

Physically Possible

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

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

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

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

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

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

Financially Feasible / Maximally Productive

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

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

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

Final Estimate of Highest and Best Use

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

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

VALUATION METHODOLOGY

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

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

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

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

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

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

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

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

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

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

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

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

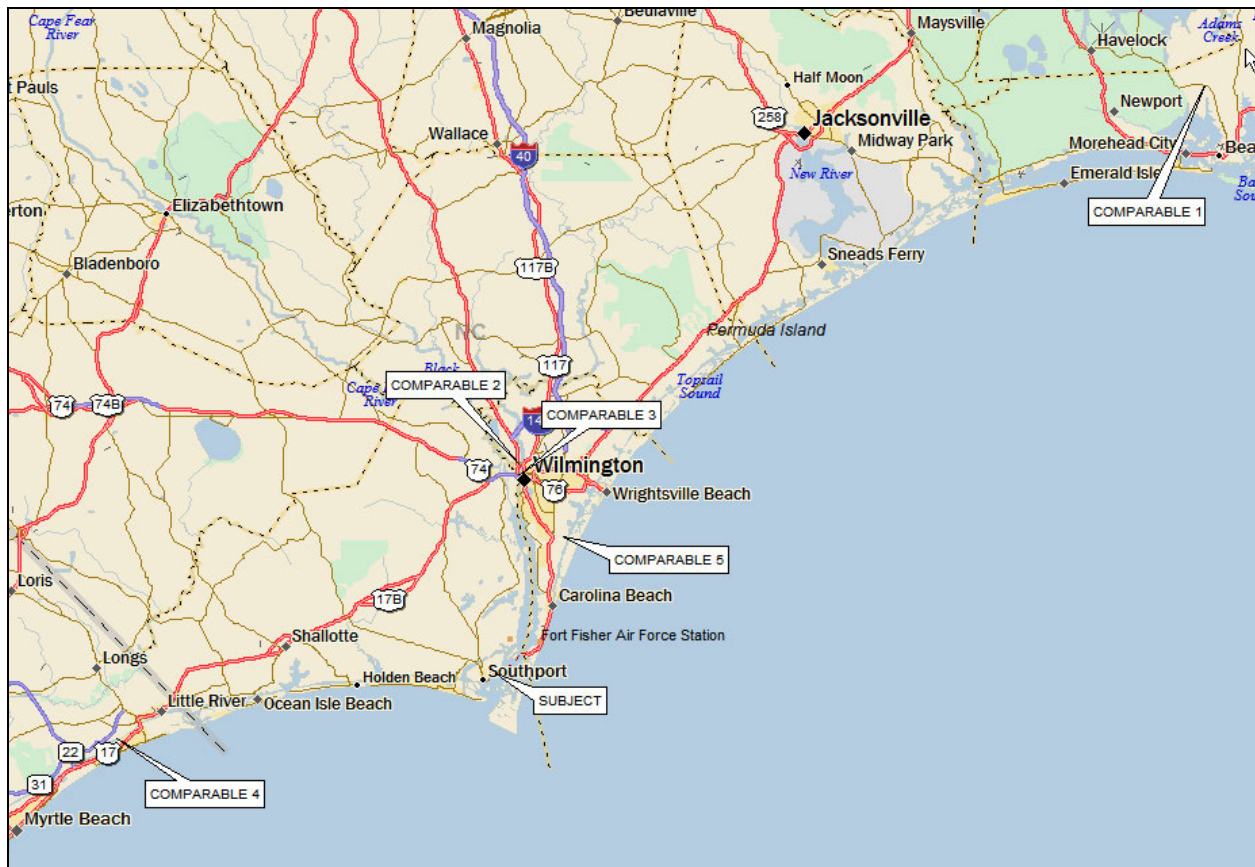
LAND VALUE BY COMPARISON

COMPARABLE LAND TRANSACTIONS

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

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

Comparable Land Sales Map



Land Listing No. 1



Property Identification

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

Sale Data

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

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

Land Data

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

Land Listing No. 1 (Cont.)

Topography	Level
Utilities	W, T, E
Shape	Irregular
Flood Info	In

Land Size Information

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

Indicators

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

Remarks

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

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

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

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

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

Land Sale No. 2



Property Identification

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

Sale Data

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

Land Sale No. 2 (Cont.)

Land Data

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

Land Size Information

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

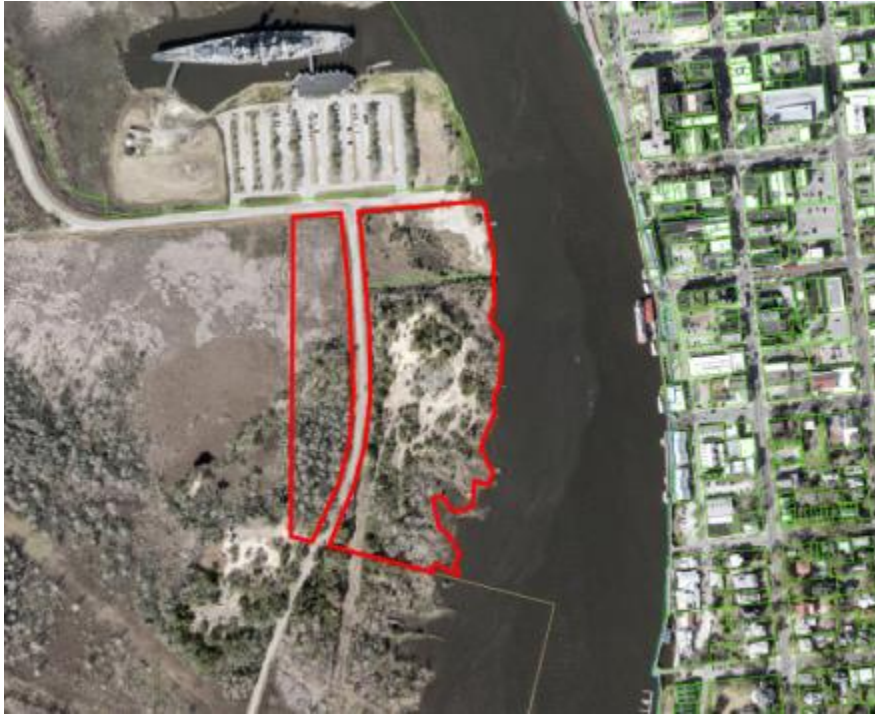
Indicators

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

Remarks

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

Land Sale No. 3



Property Identification

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

Sale Data

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

Land Sale No. 3 (Cont.)

Land Data

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

Land Size Information

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

Indicators

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

Remarks

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

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

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

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

Land Sale No. 4



Property Identification

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

Sale Data

Grantor	FOURTEENPOINTSIXACRES, LLC
Grantee	ICW Properties, LLC
Sale Date	December 15, 2016
Deed Book/Page	3973/144
Property Rights	Fee Simple
Conditions of Sale	Arm's Length
Financing	Market rates
Verification	Woods Brown (broker); Other sources: Public Record
Sale Price	\$2,000,000
Cash Equivalent	\$2,000,000

Land Sale No. 4 (Cont.)

Land Data

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

Land Size Information

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

Indicators

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

Remarks

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

Land Sale No. 5



Property Identification

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

Sale Data

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

Sale Price	\$10,000,000
Cash Equivalent	\$10,000,000

Land Data

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

Land Sale No. 5 (Cont.)

Landscaping	Lightly wooded
Flood Info	Partially in

Land Size Information

Gross Land Size	75.160 Acres or 3,273,970 SF
Planned Units	159
Front Footage	1,075 ft Masonboro Loop Road;

Indicators

Sale Price/Gross Acre	\$133,049
Sale Price/Gross SF	\$3.05
Sale Price/Planned Unit	\$62,893

Remarks

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

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

ANALYSIS OF THE COMPARABLE MARKET DATA

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

ADJUSTMENT CRITERIA AND PROCEDURES

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

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

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

Condition of Sale

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

Market Conditions

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

Size

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

Location

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

Utilities

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

Entitlements

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

Zoning

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

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

ADJUSTMENT OF THE COMPARABLE MARKET DATA

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

Comparable Land Sales

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

OPINION OF MARKET VALUE OF THE LAND

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

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

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

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

COST APPROACH TO VALUE

ESTIMATED REPLACEMENT COST NEW

According to *The Dictionary of Real Estate Appraisal, 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. Construction cost estimates provided by ownership were also reviewed. Site costs are estimated based on the costs of similar construction projects.

Ferry Terminal Building

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

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

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

Marine Repair Building

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

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

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

Shipping / Receiving Building

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

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

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

IT Data Center Building

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

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

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

Storage Building & Barge Equipment Building

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

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

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

Parking Attendant Buildings

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

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

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

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

Site Improvements

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

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

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

Bulkhead

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

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

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

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

Passenger / Cargo Ramps

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

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

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

Barge Loading System Ramp

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

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

Generator

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

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

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

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

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

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

Floating Dock

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

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

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

Fixed Dock

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

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

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

Overhead Crane

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

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

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

INDIRECT COSTS

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

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

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

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

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

ENTREPRENEURIAL INCENTIVE

Entrepreneurial incentive is an often misinterpreted phase of a real estate venture or project. In the *Dictionary of Real Estate Appraisal, 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 including the required coastal permits, a 15% developer's profit is adopted.** This developer's profit figure is applied to total project costs (direct and indirect), inclusive of land value.

DEPRECIATION

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

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

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

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

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

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

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

The Cost Approach is as follows:

COST APPROACH TO VALUE

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

RECONCILIATION AND FINAL OPINION OF MARKET VALUE

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

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

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

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

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

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

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

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

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

ADDENDA

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, 2020

REGISTRATION / LICENSE / CERTIFICATE HOLDER		
19 EARL M WORSLEY JR 20		
A299	G	Y
APPRAISER NUMBER	TYPE	NATIONAL REGISTRY

APPRAISER'S SIGNATURE

EXECUTIVE DIRECTOR

NORTH CAROLINA APPRAISAL BOARD
APPRAISER QUALIFICATION CARD
Expires June 30, 2020

REGISTRATION / LICENSE / CERTIFICATE HOLDER		
19 ALONZO C EDWARDS III 20		
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.

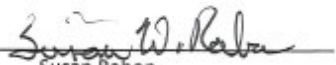
Sincerely,

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

Earl M. Worsley, Jr., MAI

EMWjr:mcc

ENGAGEMENT LETTER


Susan Rabon
Chair
Bald Head Island Transportation Authority

1/16/2019
Date

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


Finance Director

1-16-19
Date

EX 1083 PG 0879

BRUNSWICK COUNTY, NC 04/15/96

\$2900.00

Real Estate
Excise Tax

Enforce Tax

1063 0879

56 APR 15 PM 4:46

RECEIVED
REGISTERED
RECORDS
BRUNSWICK COUNTY, NC

Recording Time, Book and Page

Tax Lot No. _____ Parcel Identifier No. _____

Verified by _____ County on the _____ day of _____, 1996

by _____

Mail after recording to Bald Head Island Limited, P. O. Box 3069, Bald Head Island, NC 28461

This instrument was prepared by Kenneth M. Kirkman, Esq., P. O. Box 3069, Bald Head Island, NC 28461

Brief description for the index

±172.52 acres, Smithville Township

NORTH CAROLINA GENERAL WARRANTY DEED

THIS DEED made this 12th day of April, 1996, by and between

GRANTOR

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

GRANTEE

BALD HEAD ISLAND LIMITED,
a Texas Limited Partnership
P. O. Box 3069
Bald Head Island, NC 2846112.00 8900.00
50 3484

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

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

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

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

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

3 0 2380 0 003 0 700

DEED (1083/879)

DX 1083 PC0880

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

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

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

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

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

PFIZER INC., a Delaware corporation

BY: Kenneth E. Kline
Vice President



ATTEST:

Edna Wilson
Assistant Secretary

STATE OF New York

CITY/COUNTY OF New York, to-wit:

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

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



Rosalyn L. Cooper
Notary Public

My commission expires: November 18, 1998

State of North Carolina, County of Brunswick:

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

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

BR 1083 PG 0881

EXHIBIT A

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

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

