

## Bald Head Island Limited's Report for the BHA 30 Jan 2021 Annual Meeting

This report could be entitled, "did you know?" and "falling dominos". Did you know, because as you focus on a sustainable future for the island, history is important. Falling dominos because all pieces had to successively fall to complete transition of legacy assets. Important to the Mitchell family legacy was and is transition of assets with a focus on providing viable long-term solutions for the asset and the island.

Since Chad Paul became Limited's CEO eleven years ago, he has worked with various island entities and individuals to transition legacy assets. Numerous joint infrastructure improvement projects, one being the construction of the trans-marsh bridge and repaving of Keelson Row, placed the domino in position to allow deeding of the Harbour roads to the Village, a project requiring four island organizations working in unison for the benefit of the island.

A complex group of transactions called the Global Agreement in 2015 allowed multiple dominos to fall into place; enabled by BHI Club, the Yacht Clubs, BHI Transportation, and Limited. This complex agreement provided for independent governance by each organization and created opportunity for the Yacht Club to sell slips. This multidimensional transaction involved six major organizations collaborating for the future of their organizations as well as the long-term interests of the island.

In 2020 Limited sold its residential real estate and property management businesses to Intracoastal Realty Corporation, the largest and most successful real estate company in southeastern North Carolina, with a 45-year track record. This sale continues Limited's goal of transitioning assets with a focus on the Island's long-term viability. Islandwide, Bald Head Island had its best real estate sales year in its history in 2020 as consumers in congested urban areas sought a safe haven where they could live fulltime or own a vacation getaway.

I've mentioned just a few examples of legacy transactions. Resolving difficult challenges is not a game, but picturing dominos successively falling so that organizations with independent governance structures can thrive is the objective. Perhaps the most difficult challenge for island sustainability is the transportation system: the ferries, trams, parking, and barge. The island leadership has recognized for over 30 years the need for a long-term governance solution for transportation and its inherent logistic structure.

Did you know that in 1987 the BHI Club original documents and agreements granted a first right to purchase the Transportation Company to the BHA, and a second right to the Village? However, if neither wanted to acquire transportation, it would be sold to the Club. In 1991 the Club membership voted to remove references in the Club documents to acquisition of the transportation system.

Most of you know that in 1993 the North Carolina Utilities Commission began regulation of the ferries and trams.

Have you heard of the 1998 "Community/Club Forums" and the "Island Access Conferences"? These were serious, focused leadership meetings that unfortunately resulted in no long-term solutions for the transportation system.

Did you know that in September 1998 the Village began discussions with the State of North Carolina about establishment of a State-operated ferry system to the Island? Contacts with the Ferry Division of

the Transportation Department indicated that it might be feasible for the Ferry Division to provide the desired public ferry service if, and only if, the Village underwrote all the millions of capital funding and operating subsidies required for the State to provide such service to the Island. The State would not subsidize fares or operations to BHI as it does at other NC public ferry sites. In June 1999, the Village Council voted against asking the NC Division of Ferries to proceed with the proposals based on the exorbitant potential subsidy required and cost to purchase and develop a different terminal location.

Did you know that in 2013 the Village created the Strategic Initiatives Group, which listed ultimate disposition of the transportation system as one of its top four priorities?

For the last eleven years Limited has helped orchestrate complex island transactions to facilitate transition of legacy assets. In this same vein facilitating a long-term viable solution for transportation is Limited's objective.

In July 2017, the North Carolina General Assembly enacted the "Ferry Transportation Authority Act," "to provide reliable and safe public ferry transportation services in its service area." The Bald Head Island Transportation Authority received its Certificate of Incorporation from the Department of the Secretary of State in August 2017. In its defined role, the BHITA will establish rates, fees, charges, routes, and schedules for transportation services.

The transition from a privately owned transportation system to a publicly owned system addresses Bald Head Island's critical need for long-term governance and stewardship of ferry service and related logistics operations. It also allows seamless integration and interoperability between the various companies and departments that support transportation. The past 11 years of legacy transitions from Limited demonstrate a focus on finding and implementing solutions that serve the long-term best interest of the island. Limited believes the BHITA ensures the efficiency, viability and stability of Bald Head Island's Ferry Transportation System going forward.

Anyone with questions about the Transportation Authority should plan to attend the TA meeting on Wed 3 Feb at 9:15 AM. I'm sure the Village can provide the number to call into the meeting.

Thank you for your time.