

NOTE: The information in this Credit Presentation about the Feasibility Report and the Pro Forma Financial Results are based on drafts from early December, 2020, and continues to be updated and refined. Updated information will be provided to the Authority and the LGC, and will be included in the offering materials for potential bondholders.

# Credit Presentation

---

## Bald Head Island Transportation Authority Series 2021 Revenue Bonds



December 3&4, 2020

# Table of Contents

---

|    |  |
|----|--|
| 4  | Topics for Discussion  |
| 5  | Service Area Overview  |
| 17 | Rationale for Establishment of Authority                       |
| 20 | System Assets, Operations and Financial Performance            |
| 32 | BHITA Organizational Structure, Leadership and Transition Plan |
| 38 | Feasibility Report Key Findings                                |
| 53 | Transaction Details  |
| 61 | Conclusion   |

# Participants

---

- Bald Head Island Transportation Authority

- Susan Rabon, Chair
- Robert Howard, Vice Chair
- David Jessen, Treasurer

- Bald Head Island Limited, LLC (Operator)

- Chad Paul, CEO
- Shirley Mayfield, CFO

- McGuireWoods (Bond Counsel / Issuer Counsel)

- Mary Nash Rusher
- Hal Kitchen
- Dickson McLean

- Mercator International LL (Feasibility Consultant)

- Jim Leonard
- Derik Andreoli

- UBS Financial Services, Inc. (Underwriter)

- Eric Golynsky
- David Moffett
- Conor Lanz
- Kathryn Kehne

- Davenport & Company LLC (Financial Advisor)

- Ted Cole
- Mitch Brigulio
- Brandon DeCoste
- Cole Claiborne

- Parker Poe Adams & Bernstein LLP (Underwriter's Counsel)

- Rebecca Joyner
- Carlos Manzano

# Proposed Transaction Schedule

## Dec-20

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
|    |    | 1  | 2  | 3  | 4  | 5  |
| 6  | 7  | 8  | 9  | 10 | 11 | 12 |
| 13 | 14 | 15 | 16 | 17 | 18 | 19 |
| 20 | 21 | 22 | 23 | 24 | 25 | 26 |
| 27 | 28 | 29 | 30 | 31 |    |    |

## Jan-21

| Su                   | Mo | Tu | We | Th | Fr | Sa |
|----------------------|----|----|----|----|----|----|
|                      |    |    |    |    | 1  | 2  |
| 3                    | 4  | 5  | 6  | 7  | 8  | 9  |
| 10                   | 11 | 12 | 13 | 14 | 15 | 16 |
| 17                   | 18 | 19 | 20 | 21 | 22 | 23 |
| <small>24/31</small> | 25 | 26 | 27 | 28 | 29 | 30 |

## Feb-21

| Su | Mo | Tu | We | Th | Fr | Sa |
|----|----|----|----|----|----|----|
|    | 1  | 2  | 3  | 4  | 5  | 6  |
| 7  | 8  | 9  | 10 | 11 | 12 | 13 |
| 14 | 15 | 16 | 17 | 18 | 19 | 20 |
| 21 | 22 | 23 | 24 | 25 | 26 | 27 |
| 28 |    |    |    |    |    |    |

|  |                        |
|--|------------------------|
|  | BHITA Board Meeting    |
|  | Local Gov't Commission |
|  | Pricing                |

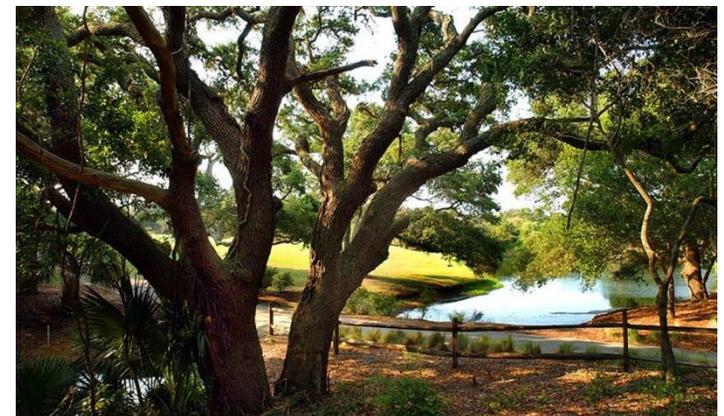
## Key Dates

- December 1: LGC Informational Meeting
- December 8: Special BHITA Board Meeting to Approve Findings Resolution and Asset Purchase Agreement
- December 15: Receipt of Indicative Ratings
- By December 31: Public Ratings
- Week of January 4: LGC Meeting to Request Approval of Financing  
BHITA Board Meeting Approval of Bond Documents
- January 27: Pricing
- Early February: Closing

# Topics for Discussion

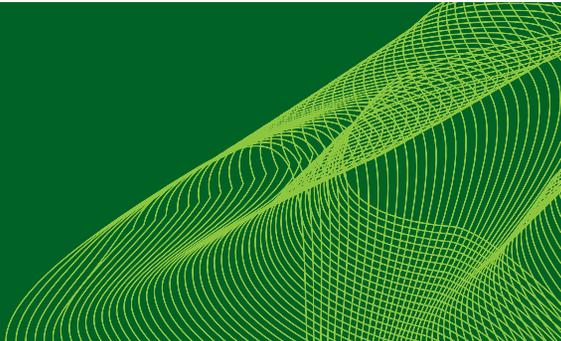
---

- Service Area Overview
- Rationale for Establishment of the Authority
- System Assets, Operations and Financial Performance
- BHITA Organizational Structure, Leadership and Transition Plan
- Feasibility Report Key Findings
- Transaction Details
- Conclusion



---

# Service Area Overview



# Bald Head Island Overview - History and Development



- Bald Head Island is a barrier island in Brunswick County located at the mouth of the Cape Fear River, approximately 25 miles south of Wilmington. While Bald Head Island has a long history dating back to the 1500s, development on the Island didn't begin until the early twentieth century and accelerated in the 1970s.
- After the Island was purchased by the George P. Mitchell family in 1983, Bald Head Island Limited, LLC and its affiliates were formed to manage and oversee the Island's further development. Since then, many of the Island's foremost amenities and infrastructure began to take shape, such as: the Chandler Administration Building; Bald Head Island Club tennis courts, pool and croquet; the water and sewer treatment facility; paved roadways; commercial and residential development; and the mainland ferry terminals.
- The Village of Bald Head Island was incorporated in 1985. Over the 30-plus years since then, the municipality has matured to one with an elected council and mayor with municipal employees providing administration, police, fire, EMT protection, public works and water/sewer services.



Source: Bald Head Association

# Bald Head Island Overview

---

## Beaches

---



- Bald Head Island is home to fourteen miles of pristine beaches.
- Frying Pan Shoals extends over 20 miles off of Cape Fear Point, where East Beach meets South Beach.
- East Beach is ideal for boogie boarding and surfing, while South Beach features long stretches of sand and calmer waters, and is better suited for a relaxing day with family.

## Historic Sites

---



- Old Baldy is North Carolina's longest standing lighthouse and one of three that once graced Bald Head Island.
- The Island served as home to a British fort and hospital during the Revolutionary War, and was secured by over 1,200 Confederate soldiers before it's evacuation near the end of the Civil War
- These sites can be toured through the Old Baldy Foundation.

*Source: Bald Head Island / Old Baldy Foundation / Intracoastal Realty*

# Bald Head Island Overview

## Bald Head Island Club



## Bald Head Island Club

- The Bald Head Island Club is a private club located on the south side of the island, where the Atlantic Ocean meets the Cape Fear River.
- The Club is home to a world-class golf course designed by George Cobb in 1974 and recently renovated by Tim Cate.
- The Club offers additional amenities such as a complete fitness center, an aquatics center, tennis courts, croquet and several dining venues.
  - The Club features four hard tennis courts along with a tennis shop and a professional tennis staff, with private lessons available upon request.
  - There are three croquet greenswards and a pavilion for players to use, and the Club hosts monthly socials and tournaments throughout the year.
  - The Club is home to five distinct restaurants / bars, offering a more casual or upscale dining experience.

Source: *Bald Head Island Club*

# Bald Head Island Overview

---

## The Shoals Club

---



## The Shoals Club

---

- The Shoals Club is a private beach club located on the historic Frying Pan Shoals of Bald Head Island.
- The Shoals Club takes its name from the Frying Pan Shoals that extend over 20 miles from the south corner of the island where the club is located.
- The Club offers easy beach access from an oceanfront clubhouse, fine and casual dining, lounge, a fitness room, and swimming pools.
- Private events are often hosted at the Club, including weddings overlooking the ocean or in a more traditional chapel setting.

Source: *The Shoals Club*

# Bald Head Island Overview

---

## Marinas

---



## Marinas

---

- Bald Head Island and Southport are served by three marinas that provide easy access to the Cape Fear River, Intracoastal Waterway and Atlantic Ocean.
  - Bald Head Island Marina
  - Deep Point Marina
  - Indigo Plantation Marina
  
- Each marina is operated by Bald Head Island, with Deep Point Marina and Indigo Plantation Marina both located in Southport.
  
- Bald Head Island Marina and Indigo Plantation Marina each serve as homeport to their own yacht club.

# Bald Head Island Overview

---

## Dining, Shopping & Other Activities



## Dining, Shopping & Other Activities

- In addition to the Clubs, Bald Head Island is home to a large selection of dining options, including Will O' The Wisp, Delphina Cantina, Jules' Salty Grub & Island Pub (formerly Mojo's on the Harbor), Maritime Market Café, Sandpiper Ice Cream and Coffee and more.
- Bald Head Island offers an assortment of shopping options, from basics like groceries up to high fashion. Just a few of the stores on the Island include All About Art, Bald Head Blues, Coastal Urge, the Maritime Market, Silver Peddler, The Sail Shop, and Turtle Central.
- The Island Retreat Spa and Salon offers massages, yoga classes, pedicures and more relaxation to those visiting the Island.
- Bald Head Island offers the perfect setting for weddings and other events and has an experienced event planning staff to help assist with the process.
- The Island offers numerous different outdoor activities, such as biking, hiking, fishing, kayaking, Standup Paddleboarding, sailing, Kiteboarding, and more.
- In the summer months, the Bald Head Island Conservancy offers a Turtle Walk to observe the nesting and hatching of loggerhead sea turtles.

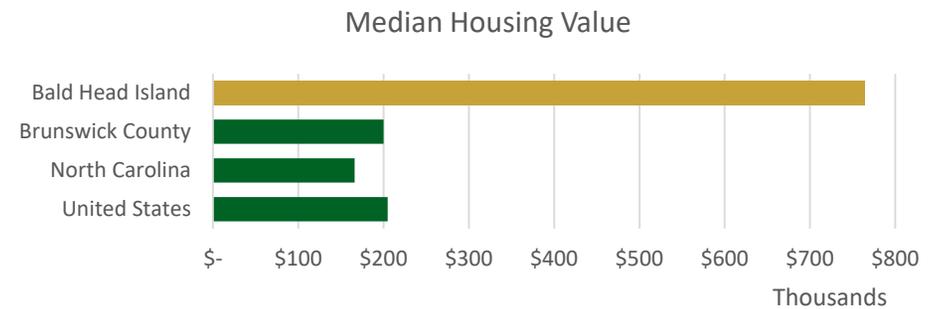
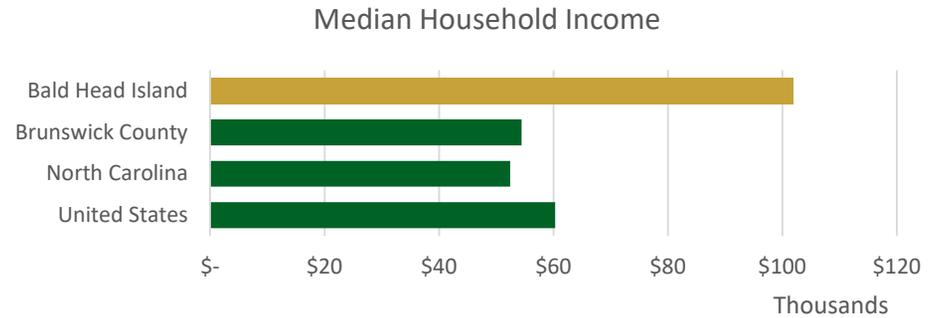
*Source: Bald Head Island / Intracoastal Realty*

# Bald Head Island Service Area Demographics

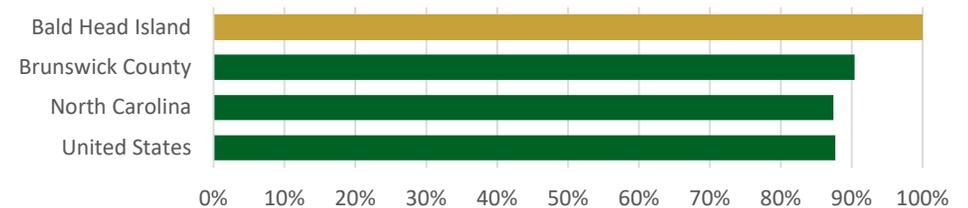
## Demographic Statistics

|  | United States | North Carolina | Brunswick County | Bald Head Island |
|--|---------------|----------------|------------------|------------------|
| <b>2019 Population Estimates</b>                                       | 328,239,523   | 10,488,084     | 142,820          | 182              |
| <b>Median Household Income</b>   | \$60,293      | \$52,413       | \$54,406         | \$101,875        |
| <b>Educational Attainment: Percent high school graduate or higher</b>  | 87.70%        | 87.40%         | 90.40%           | 100.00%          |
| <b>2019 Poverty Statistics, All People Below Poverty Level Percent</b> | 10.50%        | 13.60%         | 10.50%           | 3.00%            |
| <b>Persons without health insurance, percent</b>                       | 9.40%         | 11.10%         | 13.70%           | 0.00%            |
| <b>Median Housing Value</b>  | \$204,900     | \$165,900      | \$199,900        | \$764,300        |
| <b>Total Housing Units</b>   | 136,384,292   | 4,573,066      | 86,968           | 1,220            |

## Demographic Statistics



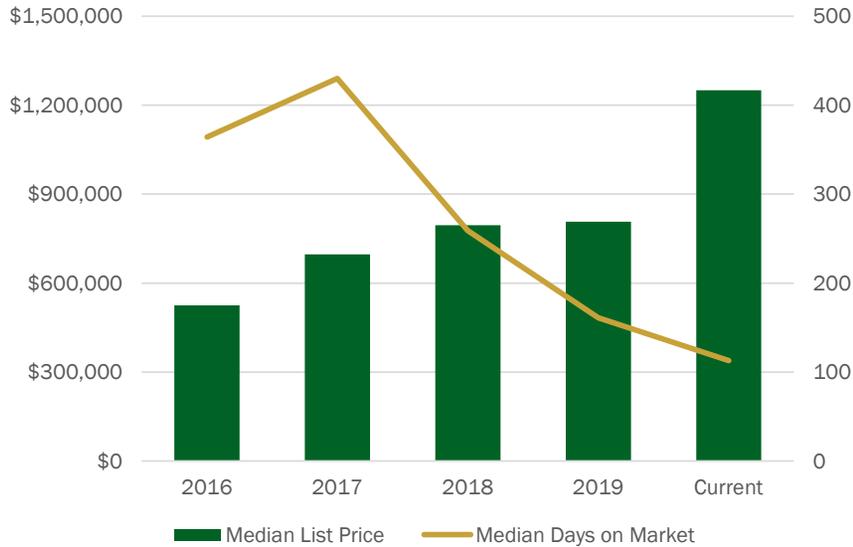
### Educational Attainment: Percent high school graduate or higher



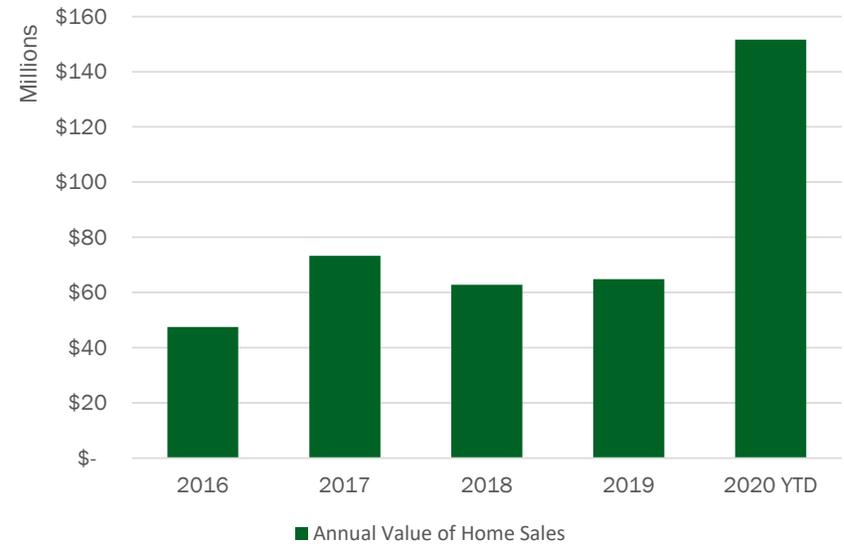
Source: US Census Bureau

# Bald Head Island Housing Market & Development Trends

## Median List Price & Days on Market



## Annual Value of Home Sales



| Year                          | Median List Price | Change | Median Days on Market | Change  |
|-------------------------------|-------------------|--------|-----------------------|---------|
| 2016                          | \$525,000         |        | 364                   |         |
| 2017                          | \$697,000         | 32.76% | 430                   | 18.13%  |
| 2018                          | \$795,000         | 14.06% | 259                   | -39.77% |
| 2019                          | \$807,000         | 1.51%  | 161                   | -37.84% |
| Current                       | \$1,250,000       | 54.89% | 113                   | -29.81% |
| Avg. Ann. Change 2016-Present |                   | 25.81% |                       | -22.32% |

| Year                | Annual Value of Home Sales |
|---------------------|----------------------------|
| 2016                | \$ 47,464,750              |
| 2017                | 73,250,415                 |
| 2018                | 62,753,784                 |
| 2019                | 64,787,000                 |
| YTD 2020 (a)        | 151,576,075                |
| Average (2016-2019) | 62,063,987                 |

(a) YTD as of 12/2/2020. As of 11/30/2020 there is an additional \$20,086,400 in sales contracts "Pending" to close (not included).

Source: Movoto

Source: Brunswick County Multiple Listing Services Report

# Recent Home Sales

**SOLD: \$3,200,000**

218 STATION HOUSE WAY  
BALD HEAD ISLAND, NC 28461



|      |       |       |
|------|-------|-------|
| 6    | 5   2 | 5,567 |
| Beds | Baths | SqFt  |

 #100185089 | Single Family Home

**SOLD: \$2,500,000**

970 S BALD HEAD WYND  
BALD HEAD ISLAND, NC 28461



|      |       |       |
|------|-------|-------|
| 4    | 4   1 | 3,880 |
| Beds | Baths | SqFt  |

 #100226935 | Single Family Home

**SOLD: \$2,450,000**

17 SEA GULL TRAIL  
BALD HEAD ISLAND, NC 28461



|      |       |       |
|------|-------|-------|
| 6    | 6   1 | 4,801 |
| Beds | Baths | SqFt  |

 #100214640 | Single Family Home

**SOLD: \$2,995,000**

5 E BEACH DRIVE  
BALD HEAD ISLAND, NC 28461



|      |       |       |
|------|-------|-------|
| 5    | 6   1 | 4,401 |
| Beds | Baths | SqFt  |

 #100227806 | Single Family Home

**SOLD: \$2,180,250**

234 STATION HOUSE WAY  
BALD HEAD ISLAND, NC 28461



|      |       |       |
|------|-------|-------|
| 4    | 4   1 | 3,560 |
| Beds | Baths | SqFt  |

 #100209812 | Single Family Home

**SOLD: \$2,200,000**

976 S BALD HEAD WYND  
BALD HEAD ISLAND, NC 28461

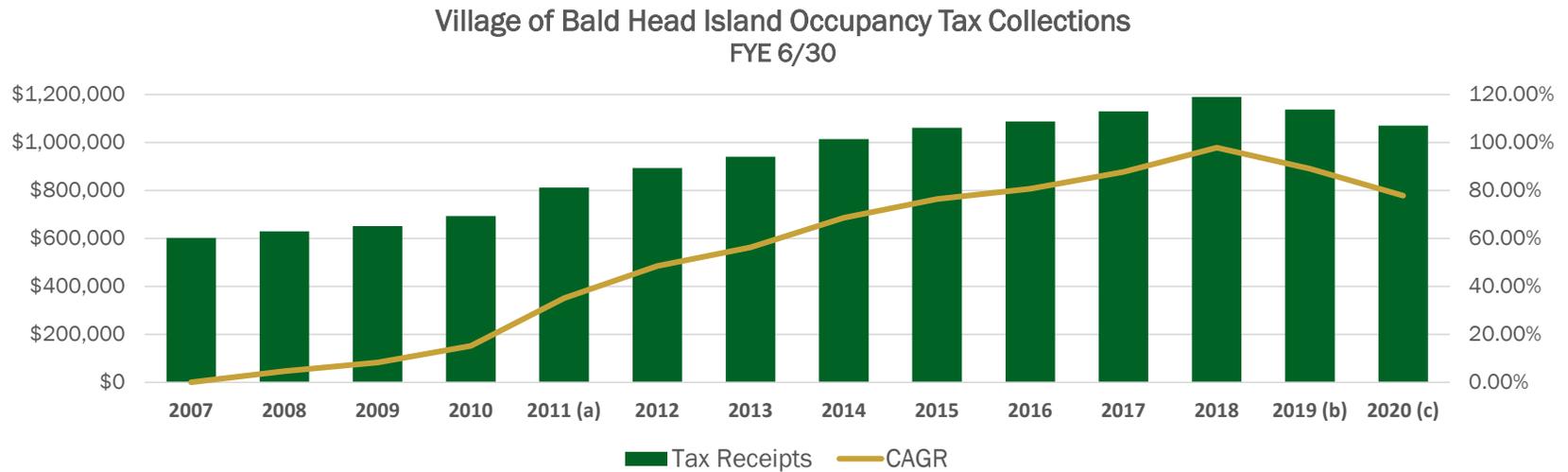
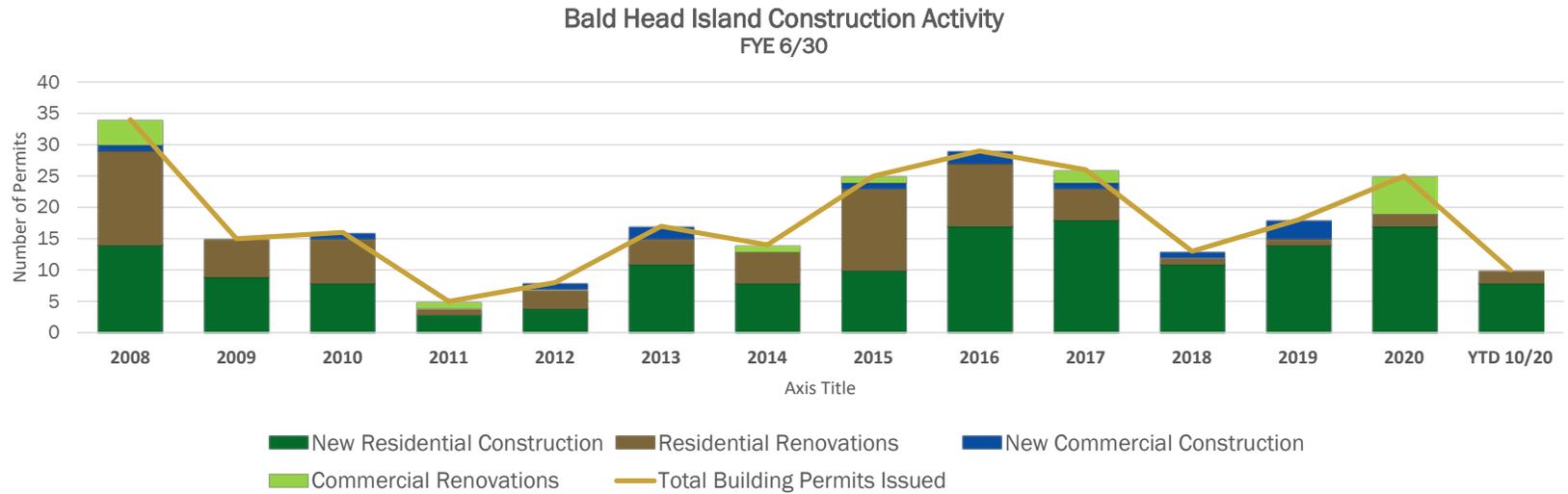


|      |       |       |
|------|-------|-------|
| 4    | 4   1 | 3,201 |
| Beds | Baths | SqFt  |

 #100215202 | Single Family Home

Source: Elliott Coastal Living

# Bald Head Island Permitting and Occupancy Trends

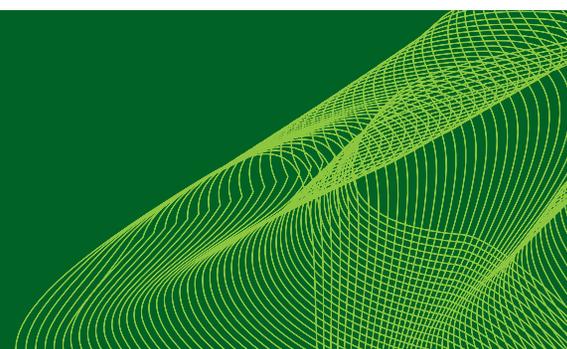


- (a) The Village of Bald Head Island began to collect occupancy tax proceeds more effectively in 2011.
- (b) FY 2019 collections adversely impacted due to Hurricane Florence.
- (c) Preliminary estimates prior to Village of Bald Head Island Year-End Audit.

Source: Bald Head Island Limited, Inc.

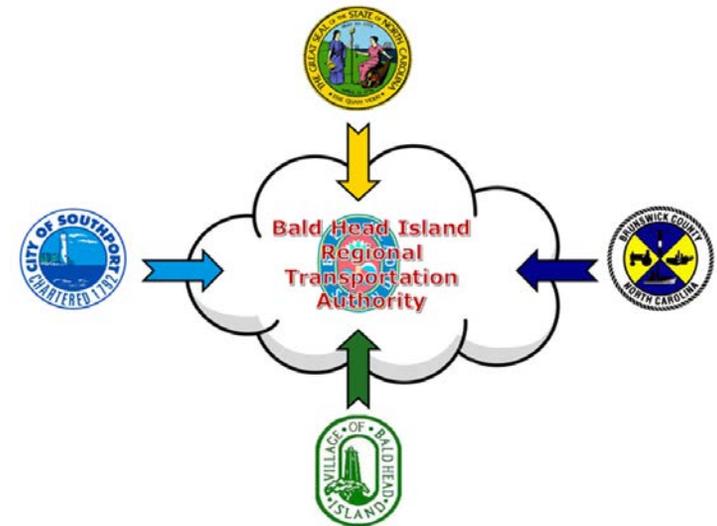
---

# Rationale for Establishment of the Authority



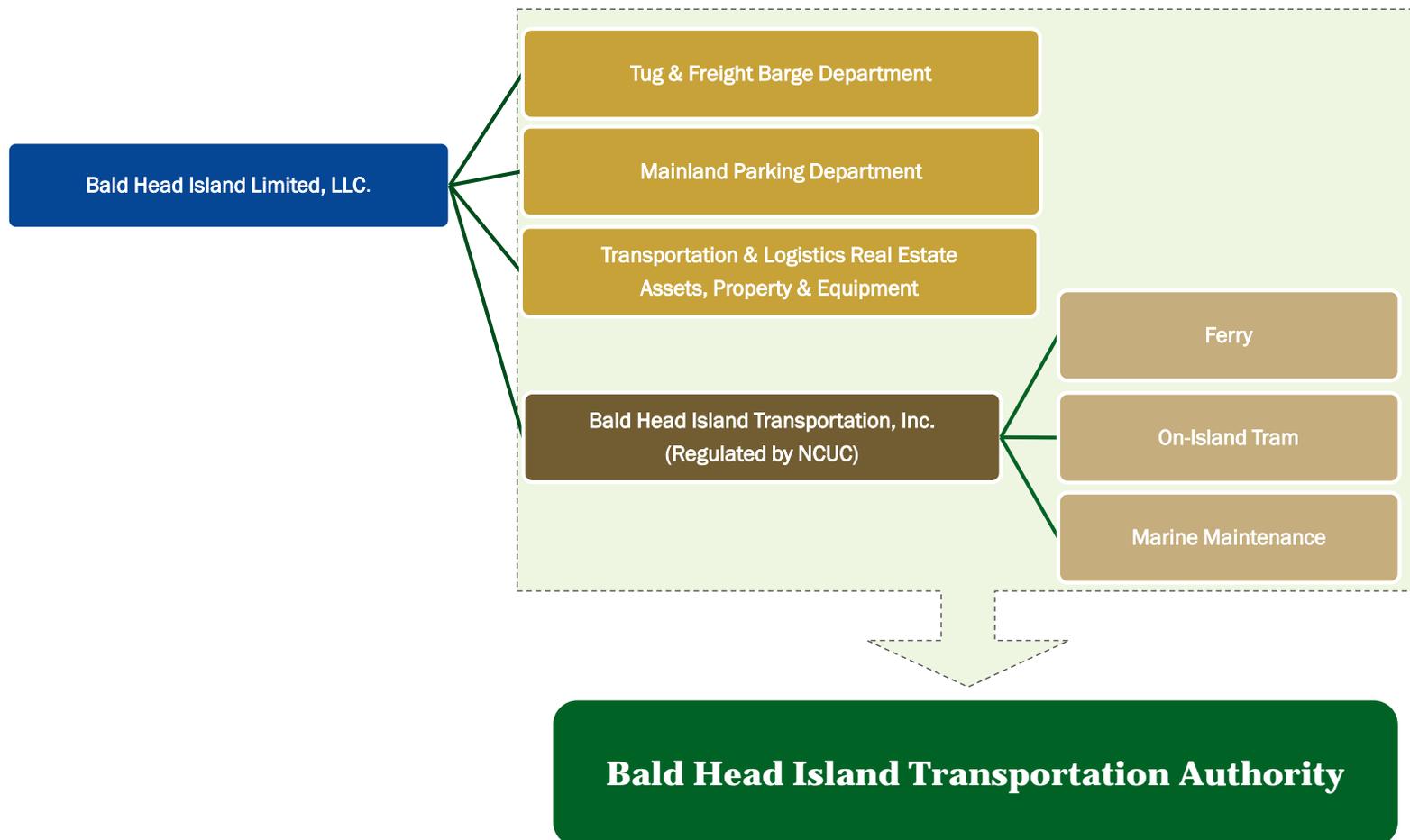
# Rationale for Establishment of the Authority

- **Strategy for Bald Head Island Logistics and Sustainment** - The passenger ferries, mainland parking facility, on-island transportation system, and tug & freight barge operations are not discretionary services relative to Bald Head Island’s long-term sustainability. The substantial financial and operational responsibilities inherent with operating mainland and Island terminal facilities, the passenger ferries and the tug & freight barge system are not plausible endeavors for ownership-operation by independent third parties in the future.
- **Establishing a North Carolina Transportation Authority** - A strategy that leads to the creation of an entity representing a comprehensive scope of government and constituents across the region must be developed for the long-term stewardship and operation of the Island’s transportation and logistics functions. The creation of the Bald Head Island Transportation Authority (“Transportation Authority”) is an optimal structure for consolidating the passenger ferry, on-island transportation, parking, and tug & freight barge operations into a single comprehensive and integrated system of ownership, governance, and operation.
- **Creating the Bald Head Island Transportation Authority**
  - Answers the need for a platform of long-term governance, stewardship and operation;
  - Creates a decision-making body addressing comprehensive interests;
  - Enhances the viability and sustainment of Bald Head Island; and,
  - Simplifies passenger ferry, on-island tram transportation, parking, as well as tug & freight barge governance, strategy, planning, funding, and operations by creating an integrated transportation and logistics system.
- **NC Bill S#391** - The Transportation Authority has been formed pursuant to Legislation NC Senate Bill #391 as enacted on July 18, 2017. The Ferry Transportation Authority Act was drafted along the lines of N.C.G.S § Chapter 160A, Article 25 (“Public Transportation Authorities”) and N.C.G.S § Chapter 160 A, Article 27 (“Regional Transportation Authority”).



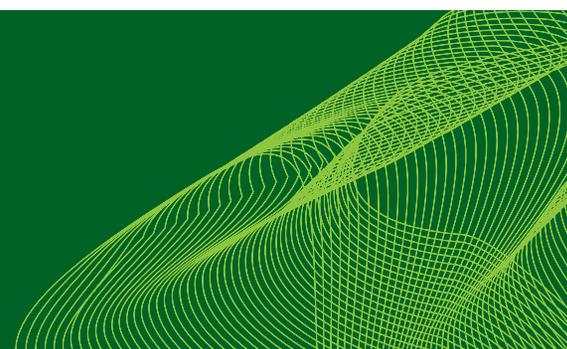
# Rationale for Establishment of the Authority

- The formation of the Bald Head Island Transportation Authority represents the optimal solution to undertake ownership, governance and operation of the passenger ferry, on-island tram, parking, and tug & freight barge operations and assets. The purpose of the Transportation Authority would be to provide for safe, dependable passenger and baggage transport to and from Bald Head Island via ferry; mainland parking; on-island tram transportation between the Island ferry terminal and Island destination for those ferry passengers seeking such service; and, to provide equally safe and dependable tug & freight barge service to and from the Island. The Bald Head Island Transportation Authority has been formed pursuant to Legislation NC Senate Bill #391 as enacted on July 18, 2017.



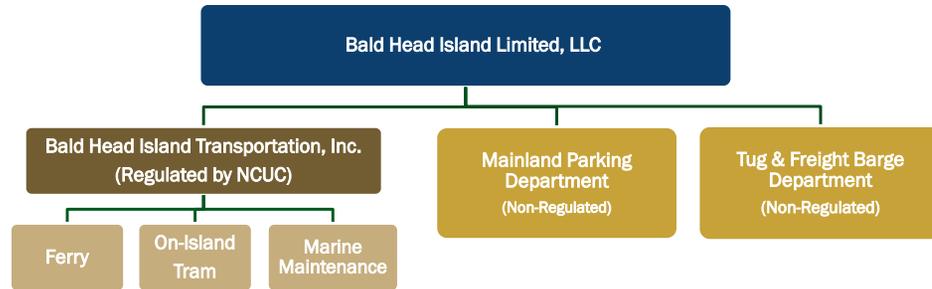
---

# System Assets, Operations and Financial Performance



# Operating Structure and Efficiency Opportunities

## Current Operating Structure



- The current transportation system is operated under the umbrella of Bald Head Island Limited, LLC and divided into three separate operating companies / departments:
  - Bald Head Island Transportation, Inc. (a regulated company) which is responsible for three components: Ferry, On-Island Tram and Marine Maintenance
  - Mainland Parking Department
  - Tug & Freight Barge Department

## New Authority Operating Structure



- Under the new operating structure, the Authority will operate all current operating companies / departments as a combined, non-regulated system. This structure may create opportunities for efficiency, for example:
  - Operational efficiency gains in general & administrative and support functions by consolidating four separate organic operations into one vertically integrated interoperable system.
  - Purchase vessel fuel forward based on demand rather than at spot fuel rates as required by the North Carolina Utilities Commission (fuel is largest variable cost in system).
  - Flexibility to align and coordinate ferry schedules with passenger demand and seasonality (currently any changes to ferry schedules require a Rate Case).
  - Advancing electronic ticketing systems:
    - Align ticket tariff classes with travel type demand.
    - Integrated ferry, tram and parking ticket classes / reservations.
    - Integrate baggage processing with electronic ticketing system.
    - Integrate Island tram and ferry reservation ticketing systems.

# Bald Head Island Transportation, Inc.

## Regulated Utility Company

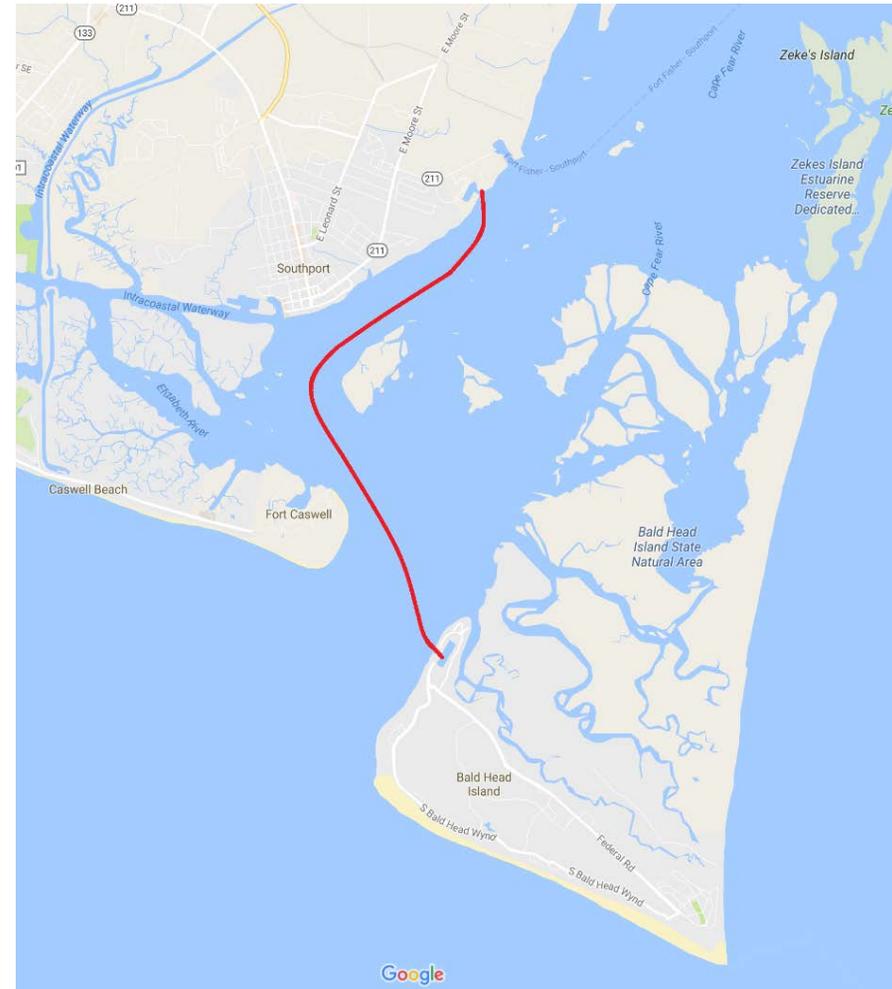
- Bald Head Island Transportation, Inc. consists of three divisions:
  - **Ferry** - passenger and luggage transport to-from Bald Head Island.
  - **Island Tram Transportation** - passenger and luggage transport to-from Island destinations.
  - **Marine Maintenance** - maintain vessel fleet.



# Bald Head Island Transportation, Inc.

## Regulated Utility Company

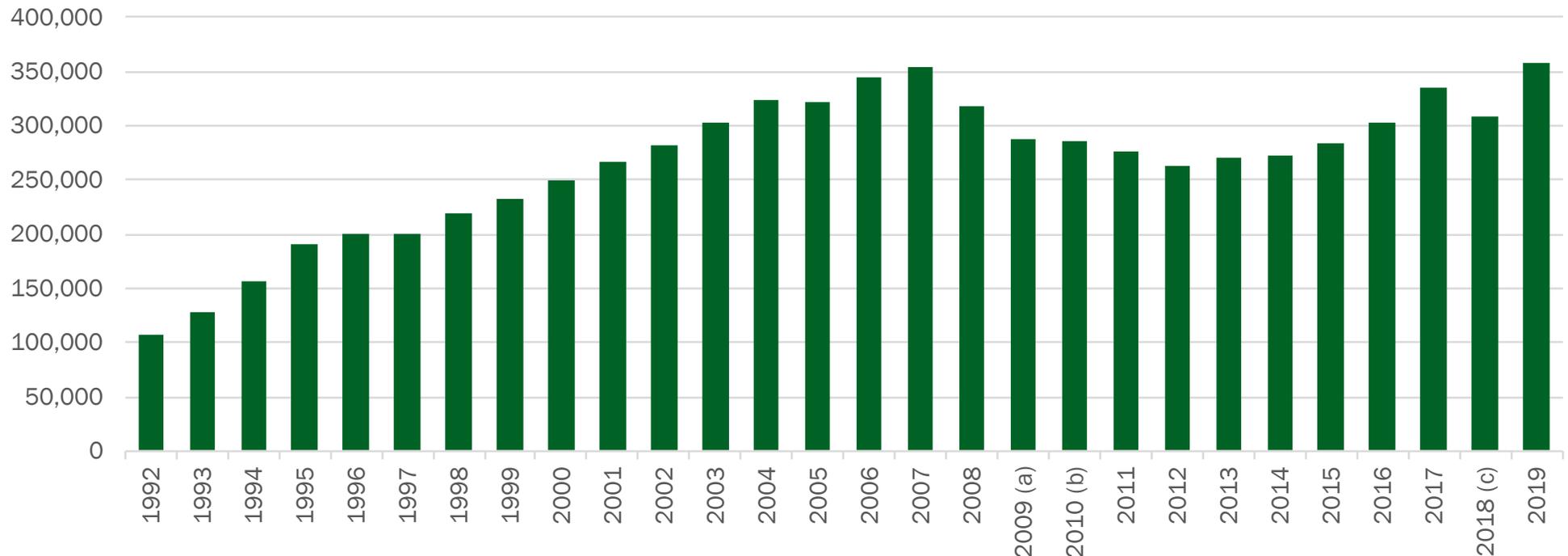
- Privately-owned, Regulated Utility by the North Carolina Utilities Commission.
- Operates ferry services to-from Bald Head Island and on-Island Tram service.
- Transported over 359,175 passengers to-from the mainland of Southport, NC to Bald Head Island in 2019.
- Made 8,127 round trips to-from Bald Head Island using 4 ferries in 2019.
- Full-time staff of 65; increasing to 85 during summer season.
- Regulated by North Carolina Utilities Commission since January 1993.
  - Common Carrier Certificate No. A-41.
  - Current tariff resultant from General Rate Case effective 1 January 2011.
  - To change rates or schedules, North Carolina Utilities Commission approval of a rate case is required.
- The current cost of a general ticket is \$23 and the current cost of an annual pass is \$1,850.



# Bald Head Island Transportation, Inc.

Regulated Utility Company

Bald Head Island Transportation, Inc.  
Annual Ferry Ridership - FYE 12/31



(a) Ferry and Parking operations moved from the Indigo Plantation Terminal facilities to the Deep Point Terminal Facilities in June 2009.

(b) In 2010, Bald Head Island Transportation, Inc. as operator of the regulated utility concluded a rate case with the North Carolina Utilities Commission. New ticket classes and tariffs became effective in January, 2011.

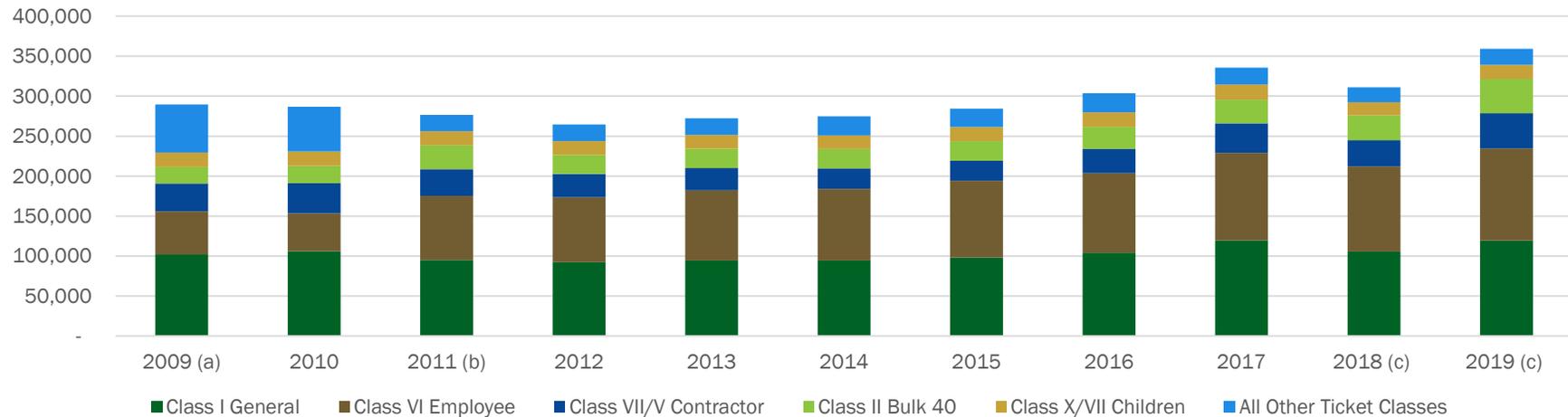
(c) Hurricane Florence (Sept-2018) had significant effects on Ferry and Tram operations during the Q4 2018 -to- Q1 2019 period.

Note: Chart passenger data does **NOT** include Tariff Class X One-Way or Free Children passengers.

# Bald Head Island Transportation, Inc.

## Regulated Utility Company

Bald Head Island Transportation, Inc.  
Annual Ferry Ridership by Tariff Class - FYE 12/31



### Bald Head Island Transportation, Inc.

| Annual Ferry Ridership   | 2009 (a)       | 2010           | 2011 (b)       | 2012           | 2013           | 2014           | 2015           | 2016           | 2017           | 2018 (c)       | 2019 (c)       |
|--------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Class I General          | 102,200        | 105,832        | 95,089         | 92,222         | 94,372         | 94,468         | 98,293         | 104,314        | 119,686        | 105,495        | 119,489        |
| Class VI Employee        | 53,585         | 47,563         | 80,259         | 81,190         | 88,051         | 89,454         | 95,858         | 99,473         | 109,349        | 106,856        | 115,259        |
| Class VII/V Contractor   | 35,049         | 37,787         | 33,308         | 29,173         | 27,613         | 25,959         | 25,101         | 30,195         | 36,808         | 32,565         | 43,813         |
| Class II Bulk 40         | 20,824         | 21,593         | 29,749         | 24,125         | 24,380         | 24,205         | 24,745         | 27,818         | 29,621         | 30,906         | 42,889         |
| Class X/VII Children     | 17,745         | 18,107         | 17,857         | 16,980         | 17,213         | 16,888         | 17,299         | 17,976         | 19,058         | 16,452         | 17,883         |
| All Other Ticket Classes | 60,158         | 55,813         | 20,419         | 21,046         | 20,772         | 23,899         | 23,124         | 23,791         | 21,252         | 18,724         | 19,842         |
| <b>Total Ridership</b>   | <b>289,561</b> | <b>286,695</b> | <b>276,681</b> | <b>264,736</b> | <b>272,401</b> | <b>274,873</b> | <b>284,420</b> | <b>303,567</b> | <b>335,774</b> | <b>310,998</b> | <b>359,175</b> |
| Growth                   | n/a            | -0.99%         | -3.49%         | -4.32%         | 2.90%          | 0.91%          | 3.47%          | 6.73%          | 10.61%         | -7.38%         | 15.49%         |

(a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.

(b) In 2010, the regulated utility concluded a rate case with the North Carolina Utilities Commission. New Ticket classes and tariffs became effective January 1, 2011. Ferry Ticket prices have not changed since January, 2001.

(c) Hurricane Florence (September 2018) had significant effects on Ferry operations during the Q4 2018 -to- Q2 2019 period.

# Bald Head Island Transportation, Inc.

## Regulated Utility Company

### BALD HEAD ISLAND TRANSPORTATION, INC. Passenger and Fare Box Data

| Month          | Number of Passengers |                |                |                |                |                | Ticketed Passenger Revenue |                  |                  |                  |                  |                  | Average Revenue Per Pax |              |              |              |              |              |
|----------------|----------------------|----------------|----------------|----------------|----------------|----------------|----------------------------|------------------|------------------|------------------|------------------|------------------|-------------------------|--------------|--------------|--------------|--------------|--------------|
|                | 2014                 | 2015           | 2016           | 2017           | 2018 (c)       | 2019           | 2014                       | 2015             | 2016             | 2017             | 2018 (c)         | 2019             | 2014                    | 2015         | 2016         | 2017         | 2018 (c)     | 2019         |
| January        | 10,657               | 11,660         | 12,179         | 13,945         | 15,096         | 17,591         | 174,811                    | 193,504          | 192,130          | 228,494          | 244,520          | 305,562          | 16.40                   | 16.60        | 15.78        | 16.39        | 16.20        | 17.37        |
| February       | 10,977               | 11,061         | 13,033         | 15,012         | 15,822         | 17,172         | 171,059                    | 171,213          | 210,686          | 256,264          | 262,107          | 276,049          | 15.58                   | 15.48        | 16.17        | 17.07        | 16.57        | 16.08        |
| March          | 16,282               | 17,641         | 23,681         | 20,965         | 25,429         | 24,774         | 289,000                    | 298,255          | 401,586          | 352,314          | 458,321          | 434,941          | 17.75                   | 16.91        | 16.96        | 16.80        | 18.02        | 17.56        |
| April          | 24,492               | 23,698         | 22,914         | 28,917         | 26,171         | 32,857         | 439,023                    | 426,995          | 466,191          | 520,918          | 467,649          | 595,406          | 17.93                   | 18.02        | 20.35        | 18.01        | 17.87        | 18.12        |
| May            | 28,748               | 29,943         | 29,403         | 33,569         | 32,967         | 38,861         | 549,362                    | 577,157          | 515,387          | 596,768          | 583,714          | 701,689          | 19.11                   | 19.28        | 17.53        | 17.78        | 17.71        | 18.06        |
| June           | 34,959               | 35,693         | 37,938         | 39,948         | 41,566         | 44,453         | 599,430                    | 624,212          | 664,246          | 706,487          | 730,622          | 789,761          | 17.15                   | 17.49        | 17.51        | 17.69        | 17.58        | 17.77        |
| July           | 38,432               | 40,807         | 44,255         | 46,423         | 43,628         | 45,952         | 661,765                    | 704,337          | 767,152          | 824,904          | 781,778          | 813,224          | 17.22                   | 17.26        | 17.33        | 17.77        | 17.92        | 17.70        |
| August         | 35,371               | 34,081         | 36,584         | 38,237         | 40,715         | 41,842         | 609,879                    | 601,838          | 637,072          | 668,501          | 713,288          | 726,848          | 17.24                   | 17.66        | 17.41        | 17.48        | 17.52        | 17.37        |
| September      | 22,079               | 26,387         | 27,185         | 29,879         | 10,000         | 25,230         | 363,636                    | 431,495          | 476,205          | 528,487          | 183,918          | 439,241          | 16.47                   | 16.35        | 17.52        | 17.69        | 18.39        | 17.41        |
| October        | 23,459               | 22,143         | 20,681         | 28,495         | 21,074         | 29,425         | 424,497                    | 369,400          | 346,601          | 494,212          | 365,309          | 501,243          | 18.10                   | 16.68        | 16.76        | 17.34        | 17.33        | 17.03        |
| November       | 16,067               | 16,136         | 20,190         | 22,871         | 20,386         | 22,757         | 268,206                    | 252,071          | 341,446          | 386,493          | 334,882          | 368,112          | 16.69                   | 15.62        | 16.91        | 16.90        | 16.43        | 16.18        |
| December       | 13,350               | 15,170         | 15,521         | 17,513         | 16,705         | 18,261         | 222,840                    | 244,803          | 253,330          | 292,217          | 263,742          | 312,493          | 16.69                   | 16.14        | 16.32        | 16.69        | 15.79        | 17.11        |
| <b>Total</b>   | <b>274,873</b>       | <b>284,420</b> | <b>303,564</b> | <b>335,774</b> | <b>309,559</b> | <b>359,175</b> | <b>4,773,506</b>           | <b>4,895,281</b> | <b>5,272,032</b> | <b>5,856,055</b> | <b>5,389,848</b> | <b>6,264,569</b> | <b>17.37</b>            | <b>17.21</b> | <b>17.37</b> | <b>17.44</b> | <b>17.41</b> | <b>17.44</b> |
| <b>Maximum</b> | 38,432               | 40,807         | 44,255         | 46,423         | 43,628         | 45,952         | 661,765                    | 704,337          | 767,152          | 824,904          | 781,778          | 813,224          | 19.11                   | 19.28        | 20.35        | 18.01        | 18.39        | 18.12        |
| <b>Minimum</b> | 10,657               | 11,061         | 12,179         | 13,945         | 10,000         | 17,172         | 171,059                    | 171,213          | 192,130          | 228,494          | 183,918          | 276,049          | 15.58                   | 15.48        | 15.78        | 16.39        | 15.79        | 16.08        |

(a) Figures include Tariff Class X One-Way Ticket.

(b) Figures do NOT include excess baggage or fuel surcharge.

(c) Hurricane Florence (Sept 2018) had significant effects on Ferry and Tram operations during the Q4 2018 -to- Q1 2019 period.

# Bald Head Island Limited, LLC

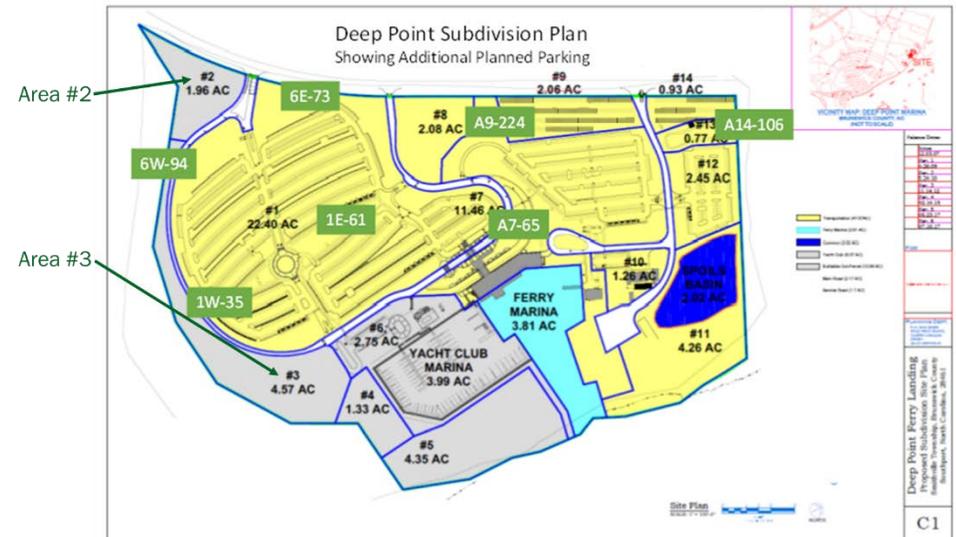
## Current Operations Review - Parking Department

### Bald Head Island Limited, LLC - Mainland Parking Department

- Privately-owned, Not-Regulated by the North Carolina Utilities Commission.
- Operates 1,955 parking spaces at Deep Point Terminal in Southport, NC.
- Provides daily ticketed parking and monthly-annual proximity card parking.
- The max number of ferry passengers can be increased 40% without acquiring land.
- Purchase and development of areas #2 and #3 at Deep Point Terminal would add an additional 425 stalls, and the max passengers would be increased to 585,000 (a 64% increase over current capacity).



Figure 10: Deep Point Terminal expansion areas and number of stalls (area - # new stalls)



# Bald Head Island Limited, LLC

## Current Operations Review - Tug & Freight Barge Department

---

### Bald Head Island Limited, LLC - Tug & Freight Barge Department

- Privately-owned, Not-Regulated by the North Carolina Utilities Commission.
- Provides freight and logistical services to-from Bald Head Island.
- Major assets are tug, barge and barge ramp systems at mainland and Island terminals.
- Completed 1021 round trips to Bald Head Island in 2019.



# Bald Head Island Transportation Authority

## Summary Barge Revenue

### BALD HEAD ISLAND LIMITED, LLC TUG & FREIGHT BARGE SYSTEM Summary Statistics

| Month          | Number of Vehicles |              |              |               |               |               | Ticketed Revenue |                |                |                  |                  |                  | Average Fare Box |               |               |               |               |               |
|----------------|--------------------|--------------|--------------|---------------|---------------|---------------|------------------|----------------|----------------|------------------|------------------|------------------|------------------|---------------|---------------|---------------|---------------|---------------|
|                | 2014               | 2015         | 2016         | 2017          | 2018 (b)      | 2019 (c)      | 2014             | 2015           | 2016           | 2017             | 2018 (b)         | 2019 (c)         | 2014             | 2015          | 2016          | 2017          | 2018 (b)      | 2019 (c)      |
| January        | 331                | 413          | 555          | 635           | 707           | 1,133         | 33,475           | 44,550         | 64,525         | 71,125           | 74,325           | 128,100          | 101.13           | 107.87        | 116.26        | 112.01        | 105.13        | 113.06        |
| February       | 450                | 433          | 449          | 664           | 756           | 1,381         | 41,850           | 44,100         | 58,200         | 72,475           | 78,150           | 134,900          | 93.00            | 101.85        | 129.62        | 109.15        | 103.37        | 97.68         |
| March          | 533                | 616          | 752          | 747           | 967           | 1,125         | 53,275           | 65,525         | 92,800         | 84,225           | 108,250          | 117,350          | 99.95            | 106.37        | 123.40        | 112.75        | 111.94        | 104.31        |
| April          | 713                | 668          | 656          | 834           | 869           | 1,335         | 74,775           | 79,950         | 83,400         | 91,025           | 93,325           | 147,450          | 104.87           | 119.69        | 127.13        | 109.14        | 107.39        | 110.45        |
| May            | 731                | 723          | 795          | 1,059         | 1,124         | 1,378         | 77,475           | 77,325         | 92,850         | 118,350          | 126,525          | 156,000          | 105.98           | 106.95        | 116.79        | 111.76        | 112.57        | 113.21        |
| June           | 698                | 795          | 777          | 1,199         | 948           | 1,236         | 76,325           | 89,375         | 91,960         | 135,175          | 106,625          | 136,225          | 109.35           | 112.42        | 118.35        | 112.74        | 112.47        | 110.21        |
| July           | 787                | 714          | 765          | 892           | 843           | 1,139         | 78,000           | 87,225         | 97,675         | 108,625          | 102,600          | 140,460          | 99.11            | 122.16        | 127.68        | 121.78        | 121.71        | 123.32        |
| August         | 721                | 621          | 768          | 917           | 939           | 1,152         | 74,265           | 77,950         | 94,525         | 105,325          | 109,725          | 147,910          | 103.00           | 125.52        | 123.08        | 114.86        | 116.85        | 128.39        |
| September      | 485                | 540          | 598          | 746           | 243           | 763           | 55,285           | 70,050         | 72,000         | 77,075           | 23,650           | 91,855           | 113.99           | 129.72        | 120.40        | 103.32        | 97.33         | 120.39        |
| October        | 466                | 500          | 501          | 848           | 1,243         | 1,028         | 49,475           | 57,875         | 59,525         | 101,500          | 110,875          | 125,825          | 106.17           | 115.75        | 118.81        | 119.69        | 89.20         | 122.40        |
| November       | 292                | 493          | 650          | 882           | 1,290         | 654           | 36,150           | 55,675         | 77,925         | 91,600           | 125,085          | 81,800           | 123.80           | 112.93        | 119.88        | 103.85        | 96.97         | 125.08        |
| December       | 388                | 479          | 465          | 686           | 712           | 660           | 40,725           | 55,550         | 59,200         | 70,200           | 81,425           | 81,040           | 104.96           | 115.97        | 127.31        | 102.33        | 114.36        | 122.79        |
| <b>Total</b>   | <b>6,595</b>       | <b>6,995</b> | <b>7,731</b> | <b>10,109</b> | <b>10,641</b> | <b>12,984</b> | <b>691,075</b>   | <b>805,150</b> | <b>944,585</b> | <b>1,126,700</b> | <b>1,140,560</b> | <b>1,488,915</b> | <b>104.79</b>    | <b>115.10</b> | <b>122.18</b> | <b>111.46</b> | <b>107.19</b> | <b>114.67</b> |
| <b>Maximum</b> | 787                | 795          | 795          | 1,199         | 1,290         | 1,381         | 78,000           | 89,375         | 97,675         | 135,175          | 126,525          | 156,000          | 123.80           | 129.72        | 129.62        | 121.78        | 121.71        | 128.39        |
| <b>Minimum</b> | 292                | 413          | 449          | 635           | 243           | 654           | 33,475           | 44,100         | 58,200         | 70,200           | 23,650           | 81,040           | 93.00            | 101.85        | 116.26        | 102.33        | 89.20         | 97.68         |

(a) Relatively minor amounts of revenue may be attributed to deck cargo which is not associated with a vehicle. The dollar share is negligible due to infrequent carriage of deck cargo.

(b) Hurricane Florence (September 2018) had significant effects on Tug & Freight Barge operations during the Q4 2018 -to- Q2 2019 period.

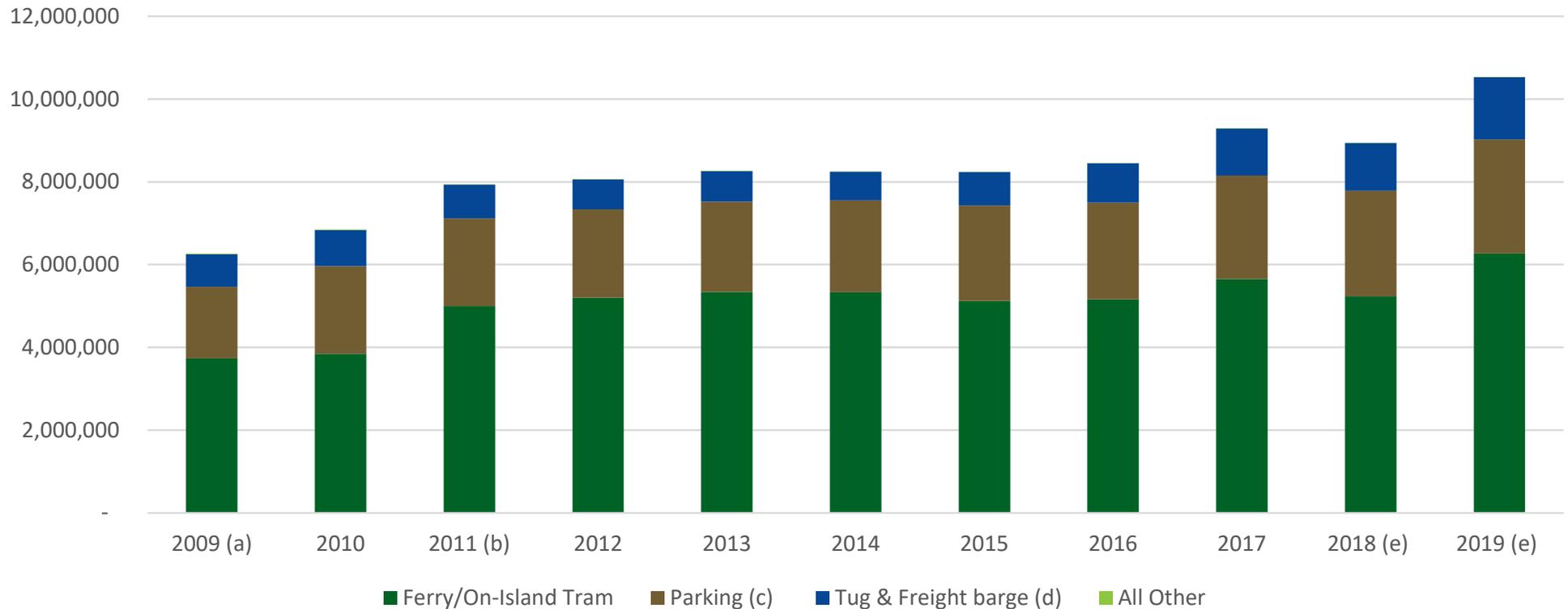
(c) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rates were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.

(d) Preliminary figures prior to year-end accounting adjustments and reconciliations.

# Bald Head Island Transportation Authority

## Summary System-Wide Revenue

Project Pelican Transportation & Logistics  
Annual Consolidated System-Wide Revenues - FYE 12/31



(a) Ferry and Parking operations moved from Indigo Plantation Terminal facilities to Deep Point Terminal Facilities in June 2009.

(b) In 2010 Bald Head Island Transportation, Inc. as operator of the regulated utility concluded a rate case with the North Carolina Utilities Commission. New Ticket classes and tariffs became effective January 1, 2011.

(c) Effective July 22, 2019, Daily Parking Rates were increased for the first time since 2009. General Lot Daily Parking Rates and Contractor Lot Daily Rates were increased by \$1.00. Annual and Seasonal Parking Rates did not change.

(d) Effective July 22, 2019, Barge Ticket Rates were increased for the first time since 2006. Barge Ticket Rate were increased by \$5.00 from \$50.00 to \$55.00 per 6ft. Length.

(e) Hurricane Florence (September 2018) had significant effects on Tug & Freight Barge operations during the Q4 2018 -to- Q2 2019 period.

# FY 2020 Performance Update

- Ticket sales and revenues were trending higher in January and February 2020 than the average over the previous three years, before falling in March and April and then quickly rebounding, despite COVID-19 related capacity restrictions – see COVID-19 updates on pages 63-64 for further information.
- Total revenues through September have nearly recovered to the average over the previous three years.

## Historical Ticket-Unit Sales Comparison - FYE 12/31 - 2020 Data Available Through Nov.

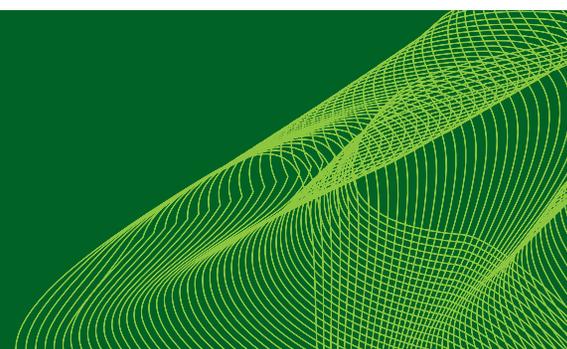
|                                    | Jan    | Feb     | Mar     | Apr     | May     | Jun     | Jul     | Aug     | Sep    | Oct    | Nov     | Dec   | 11 Mo. Total   |
|------------------------------------|--------|---------|---------|---------|---------|---------|---------|---------|--------|--------|---------|-------|----------------|
| <b>2020 YTD</b>                    |        |         |         |         |         |         |         |         |        |        |         |       |                |
| Ferry                              | 18,573 | 16,954  | 18,432  | 5,935   | 20,569  | 36,045  | 39,008  | 33,049  | 31,345 | 29,940 | 22,228  |       | <b>272,078</b> |
| Parking                            | 4,821  | 4,225   | 4,793   | 1,370   | 5,290   | 10,499  | 11,595  | 10,499  | 9,826  | 9,400  | 6,981   |       | <b>79,299</b>  |
| Barge                              | 1,785  | 1,398   | 2,086   | 1,073   | 1,964   | 2,744   | 2,503   | 2,246   | 2,272  | 2,212  | 1,603   |       | <b>21,886</b>  |
| COVID-19 Avg. Capacity Limits      | 100.0% | 100.0%  | 86.6%   | 16.7%   | 43.5%   | 50.0%   | 50.0%   | 50.0%   | 50.0%  | 63.4%  | 66.7%   | 66.7% |                |
| <b>2017-2019 Average</b>           |        |         |         |         |         |         |         |         |        |        |         |       |                |
| Ferry                              | 15,544 | 16,002  | 23,723  | 29,315  | 35,132  | 41,989  | 45,334  | 40,265  | 22,183 | 26,331 | 22,005  |       | <b>317,823</b> |
| Parking                            | 3,644  | 3,853   | 6,006   | 8,358   | 9,722   | 11,104  | 12,572  | 11,125  | 7,257  | 7,458  | 5,745   |       | <b>86,844</b>  |
| Barge                              | 1,822  | 1,919   | 2,036   | 2,209   | 2,655   | 2,525   | 2,318   | 2,332   | 1,235  | 2,176  | 1,881   |       | <b>23,109</b>  |
| <b>2020 YTD vs. 3-Year Average</b> |        |         |         |         |         |         |         |         |        |        |         |       |                |
| Ferry                              | 19.5%  | 5.9%    | (22.3%) | (79.8%) | (41.5%) | (14.2%) | (14.0%) | (17.9%) | 41.3%  | 13.7%  | 1.0%    |       | <b>(14.4%)</b> |
| Parking                            | 32.3%  | 9.6%    | (20.2%) | (83.6%) | (45.6%) | (5.4%)  | (7.8%)  | (5.6%)  | 35.4%  | 26.0%  | 21.5%   |       | <b>(8.7%)</b>  |
| Barge                              | (2.0%) | (27.1%) | 2.4%    | (51.4%) | (26.0%) | 8.7%    | 8.0%    | (3.7%)  | 84.0%  | 1.6%   | (14.8%) |       | <b>(5.3%)</b>  |

## Historical Revenue Comparison - FYE 12/31 - 2020 Data Available Through Sep.

|                                    | Jan               | Feb               | Mar               | Apr               | May               | Jun                 | Jul                 | Aug                 | Sep                 | Oct | Nov | Dec | 9 Mo. Total         |
|------------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|---------------------|---------------------|---------------------|---------------------|-----|-----|-----|---------------------|
| <b>2020 YTD</b>                    |                   |                   |                   |                   |                   |                     |                     |                     |                     |     |     |     |                     |
| Ferry Revenue                      | \$ 295,586        | \$ 287,727        | \$ 315,206        | \$ 100,211        | \$ 367,332        | \$ 676,448          | \$ 727,871          | \$ 615,137          | \$ 574,149          |     |     |     | \$ 3,959,666        |
| Parking Revenue                    | 134,613           | 115,083           | 143,349           | 111,530           | 252,104           | 457,763             | 545,852             | 474,829             | 375,011             |     |     |     | 2,610,134           |
| Barge Revenue                      | 99,765            | 80,995            | 114,105           | 60,630            | 108,620           | 150,505             | 139,995             | 124,720             | 127,535             |     |     |     | 1,006,870           |
| <b>Total Revenue</b>               | <b>\$ 529,964</b> | <b>\$ 483,805</b> | <b>\$ 572,661</b> | <b>\$ 272,370</b> | <b>\$ 728,056</b> | <b>\$ 1,284,716</b> | <b>\$ 1,413,717</b> | <b>\$ 1,214,686</b> | <b>\$ 1,076,695</b> |     |     |     | <b>\$ 7,576,670</b> |
| <b>2017-2019 Average</b>           |                   |                   |                   |                   |                   |                     |                     |                     |                     |     |     |     |                     |
| Ferry Revenue                      | \$ 245,283        | \$ 250,896        | \$ 399,470        | \$ 509,944        | \$ 611,495        | \$ 737,531          | \$ 801,894          | \$ 694,874          | \$ 378,406          |     |     |     | \$ 4,629,794        |
| Parking Revenue                    | 105,820           | 99,756            | 142,214           | 198,182           | 223,057           | 334,378             | 452,499             | 385,718             | 198,415             |     |     |     | 2,140,038           |
| Barge Revenue                      | 91,767            | 95,758            | 103,858           | 111,183           | 134,208           | 126,592             | 118,202             | 121,820             | 64,943              |     |     |     | 968,332             |
| <b>Total Revenue</b>               | <b>\$ 442,869</b> | <b>\$ 446,411</b> | <b>\$ 645,542</b> | <b>\$ 819,310</b> | <b>\$ 968,760</b> | <b>\$ 1,198,501</b> | <b>\$ 1,372,595</b> | <b>\$ 1,202,413</b> | <b>\$ 641,764</b>   |     |     |     | <b>\$ 7,738,164</b> |
| <b>2020 YTD vs. 3-Year Average</b> |                   |                   |                   |                   |                   |                     |                     |                     |                     |     |     |     |                     |
| Ferry Revenue                      | 20.5%             | 14.7%             | (21.1%)           | (80.3%)           | (39.9%)           | (8.3%)              | (9.2%)              | (11.5%)             | 51.7%               |     |     |     | <b>(14.5%)</b>      |
| Parking Revenue                    | 27.2%             | 15.4%             | 0.8%              | (43.7%)           | 13.0%             | 36.9%               | 20.6%               | 23.1%               | 89.0%               |     |     |     | <b>22.0%</b>        |
| Barge Revenue                      | 8.7%              | (15.4%)           | 9.9%              | (45.5%)           | (19.1%)           | 18.9%               | 18.4%               | 2.4%                | 96.4%               |     |     |     | <b>4.0%</b>         |
| <b>Total Revenue</b>               | <b>19.7%</b>      | <b>8.4%</b>       | <b>(11.3%)</b>    | <b>(66.8%)</b>    | <b>(24.8%)</b>    | <b>7.2%</b>         | <b>3.0%</b>         | <b>1.0%</b>         | <b>67.8%</b>        |     |     |     | <b>(2.1%)</b>       |

---

# BHITA Organizational Structure, Leadership and Transition Plan



# Governance Structure & Enabling Legislation

- On July 18, 2017 Senate Bill 391, known as the Ferry Transportation Authority Act, was approved.
  - The purpose of the Ferry Transportation Authority Act is to authorize the creation of an Authority to provide reliable and safe public ferry transportation services in its service area.
  - The Ferry Transportation Authority Act established an 11 member Board of Trustees consisting of the Mayor and Mayor Pro Tempore of the municipality only accessible by the vessel (Village of Bald Head Island), as well as 9 appointed members. The appointed members include 1 by the Governor, 2 by the General Assembly, 3 by the Secretary of the Department of Transportation, 1 by the Board of Commissioners of the County where the Authority is located (Brunswick County), 1 by the elected Board of the municipality where the mainland terminal of the Authority is located (Southport), and 1 by the elected Board of a municipality only accessible by vessel (Village of Bald Head Island). The Board of Trustees will serve various three-year staggered terms.

## Board of Trustees as of 12/1/2020

| Trustee                        | Appointed By:    | Trustee                     | Appointed By:               |
|--------------------------------|------------------|-----------------------------|-----------------------------|
| Ms. Susan Rabon (Chair)        | Governor         | Mr. Paul Cozza              | General Assembly            |
| Mr. Robert Howard (Vice Chair) | Brunswick County | Mr. Jim Powell              | City of Southport           |
| Mr. Landon Zimmer (Secretary)  | NCDOT            | Mayor Andy Sayre            | Village of Bald Head Island |
| Mr. David Jessen (Treasurer)   | General Assembly | Mayor Pro Tem Michael Brown | Village of Bald Head Island |
| Dr. Rex Cowdry                 | NCDOT            | Mr. Claude Pope             | Village of Bald Head Island |
| Mr. Jed Dixon                  | NCDOT            |                             |                             |

- Additionally, the Ferry Transportation Authority Act establishes the Financial Accountability, Funds, General Powers, and the independent rate-setting authority of the Board of Trustees for establishing Rates, Fees, Charges, Routes, and Schedules.
- Under Section 6.(a) of the Ferry Transportation Authority Act, the newly-created Authority was charged to purchase “the assets used and useful for the ferry transportation service... at or below their appraised value.”
- The Bald Head Island Transportation Authority (“BHITA” or the “Authority”) received its Certificate of Incorporation from the Department of the Secretary of State on August 23, 2017.

# North Carolina Local Government Commission

---

- Local Government Commission: Debt and Fiscal Management Division.
  - Reviews all Audited Financial Statements annually and evaluates revenue, expense, and fund balance trends.
  - Provides due diligence on all debt issuance.
  - Surveillance of all Local Government Debt Service Payments.
  - The N.C. Local Government Commission is authorized by Statute to impound the books and records of any unit of local government or public authority and assume full control of all its financials affairs if the unit defaults on any debt service payment or, in the opinion of the Commission, would default on a future debt service payment if the financial policies and practices of the unit are not improved.



# Acquisition Due Diligence

## Due Diligence

- Asset / Infrastructure Due Diligence
  - Vessel Survey Reports – KOPCO
  - Marina Infrastructure Due Diligence Report (Deep Point Marina and Bald Head Island Marina) – Moffatt & Nichol
  - Real Estate Appraisals (Deep Point Marina and Bald Head Island Marina) – Earl Worsley
  - Environmental Reports (Deep Point Marina and Bald Head Island Marina) – S&ME
  - Title and Surveys on Real Estate (Deep Point Marina and Bald Head Island Marina)
  - System Valuations and Financial Projections – HMS Global
  
- Financial Due Diligence
  - Historical Financial Review (Monthly, Calendar Year, and Fiscal Year)
  - Pro Forma Financial Models (Monthly and Fiscal Year)
  - Bond Feasibility Study – Mercator International LLC
  - Operational Plan Option Analysis
  - Credit Rating Indicative Ratings – Moody's, S&P and Fitch
  
- Legal Due Diligence / Documentation
  - Asset Purchase Agreement
  - Operating and Transition Services Agreement
  - Bond Documents
  
- On behalf of the Seller, Mercator International LLC prepared a separate enterprise asset value report, which arrived at an enterprise value of \$55.8 Million as of January 2018.

## Asset Valuation

| Assets                           | Valuation Source | FMV               |
|----------------------------------|------------------|-------------------|
| <b>Land</b>                      |                  |                   |
| Deep Point Marina (mainland)     | Worsley          | 36,325,000        |
| Bald Head Island                 | Worsley          | 6,070,000         |
| <b>Total Land</b>                |                  | <b>42,395,000</b> |
| <b>Marine Vessels</b>            |                  |                   |
| Ranger                           | KOPCO/HMS        | 1,200,000         |
| Patriot                          | KOPCO/HMS        | 975,000           |
| Sans Souci                       | KOPCO/HMS        | 410,000           |
| Adventure                        | KOPCO/HMS        | 592,500           |
| Capt Cooper                      | KOPCO/HMS        | 2,100,000         |
| USS Brandon Randall              | KOPCO/HMS        | 245,000           |
| <b>Total Marine Vessels</b>      |                  | <b>5,522,500</b>  |
| <b>Vehicles</b>                  |                  |                   |
| DPA 001 - 2014 Dodge Ram 1500    | KBB              | 15,000            |
| T 028 - 2003 GMC Sonoma          | KBB              | 4,000             |
| MM001 - 2006 Ford F250           | KBB              | 5,500             |
| MM002 - 2006 Ford F250           | KBB              | 5,500             |
| MM005 - 2004 Ford F250           | KBB              | 5,000             |
| Island Tram Trucks (19)          | Mercator/Web     | 142,500           |
| Passenger Trams (20)             | Mercator/Web     | 140,000           |
| Luggage Dollies (82)             | Mercator/Web     | 61,500            |
| Forklift (estimated)             |                  | 30,000            |
| <b>Total Vehicles</b>            |                  | <b>409,000</b>    |
| <b>Furniture &amp; Equipment</b> | Pelican          | 1,400,324         |
| <b>Information Technology</b>    | Pelican          | 1,214,099         |
| <b>Grand Total</b>               |                  | <b>50,940,923</b> |

# Asset Purchase Agreement

---

- As part of the acquisition of the ferry transportation service, Bald Head Island Transportation, Inc. (“BHIT”) and Bald Head Island Limited, LLC (“BHIL” and together, the “Sellers”) will enter into an Asset Purchase Agreement with the Authority to determine the assets transferred at closing and purchase price of the transaction.
  
- At Closing, the Sellers shall transfer to the Authority all rights, title and interest in and to the assets used and useful in the Business, including but not limited to the following assets, free and clear of all Liens other than Permitted Liens:
  - All furniture, fixtures, machinery, equipment, vehicles and other tangible personal property owned by Sellers and used and useful in the operation of the Business.
  - The Owned Real Property.
  - All intellectual property rights and assets.
  - All contracts, including licenses, leases and rental agreements utilized in the operation of the Business.
  - Any inventory of Sellers to the extent associated exclusively with the Business.
  - All records and documentation relating to passengers, distributors and suppliers with respect to the operation of the Business.
  
- The Authority shall not assume any of the Sellers’ liabilities, with the exception of those liabilities arising on or after the Closing Date.
  
- At Closing, the Authority shall pay the Sellers an aggregate amount equal to \$47,750,000 as consideration for the assets.
  
- The Asset Purchase is contingent upon successful closing of the Revenue Bonds.

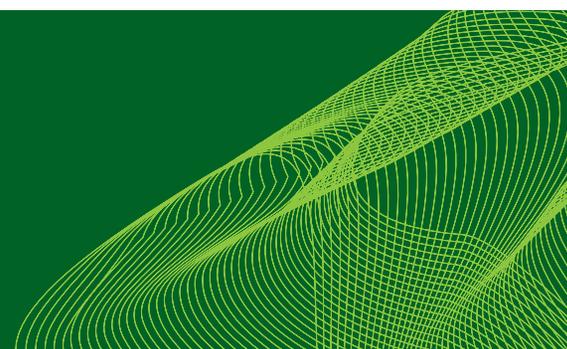
# Operating and Transition Services Agreement

---

- As part of the acquisition of the ferry transportation service, Bald Head Island Transportation, Inc. (“BHIT”) and Bald Head Island Limited, LLC (“BHIL” and together, the “Operator”) will enter into an Operating and Transition Services Agreement with the Authority in order for the Operator to continue operating the facilities immediately following the sale of the facilities to the Authority.
  
- Current employees of the Operator, including its Chief Executive Officer (Chad Paul) and Chief Financial Officer (Shirley Mayfield), will continue to operate the facilities in the same manner as before for and on behalf of the Authority, until the operations can be smoothly and efficiently transferred to the Authority during the term of the Agreement.
  - The Operator will provide weekly and monthly reports to the Authority regarding the ongoing operations of the facilities, and notify the Authority of any major occurrence.
  - The Operator will collect revenues and transfer them to the Bond Trustee for deposit to the Revenue Fund.
  - The Operator will provide a budget for the Ferry System Operations for the first Fiscal Year of the Authority (ending June 30, 2021) and will assist in preparation of each annual budget thereafter.
  - Both parties agree to use commercially reasonable efforts to complete the transition on or before June 30, 2022.
  
- Vessel maintenance shall be the responsibility of the Operator paid for from the operating budget; however, repairs outside the scope of regular maintenance shall be the responsibility of the Authority.
  
- It is the intent of the Operator to not make a profit nor incur a loss in providing the services necessary to operate the facilities during the term of the Agreement. Operator will not charge a fee for operating the ferry transportation system, but will be reimbursed for all costs, including employee costs, of operating the system. Operator shall engage, at the Authority’s sole cost and expense, an experienced certified public accounting firm approved by the Authority to review Operator’s books and records in connection with this Agreement.

---

# Feasibility Report Key Findings



# BHITA – Historic Ticket Sales by Type

- Ferry ticket sales have been volatile, with a prolonged contraction between 2007 and 2012.
- The downturn is explained by the local housing market which mirrored the national market.
- Barge ticket sales (below) track employee and contractor tickets.
- Ticket Price increase in 2011 induced a shift from resident and guest ticket sales to employee and contractor ticket sales. Prior to this, many employees and contractors chose to pay more for the flexibility granted by the more expensive guest/resident tickets.

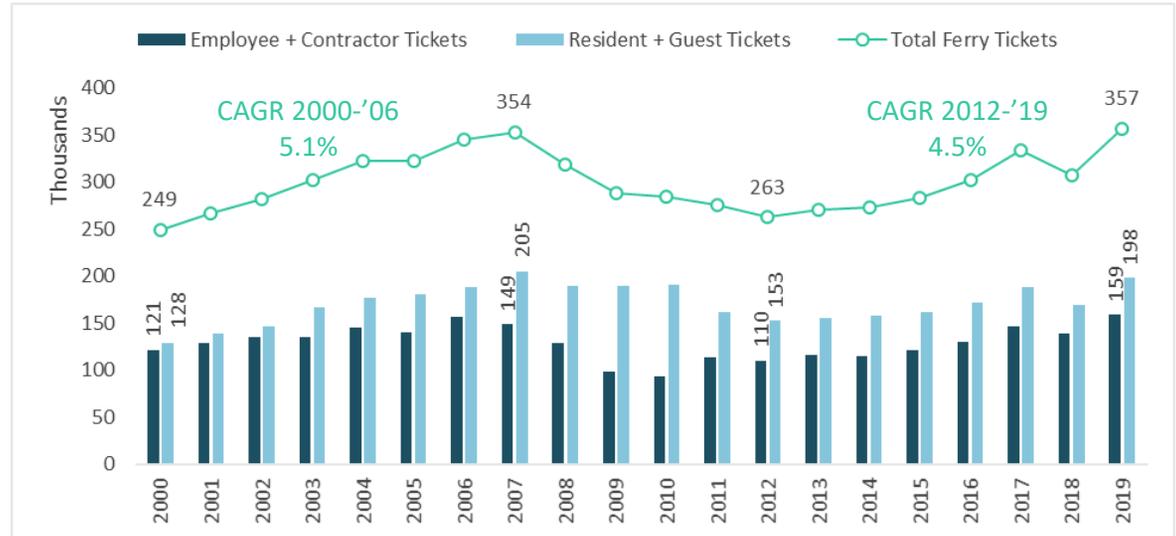
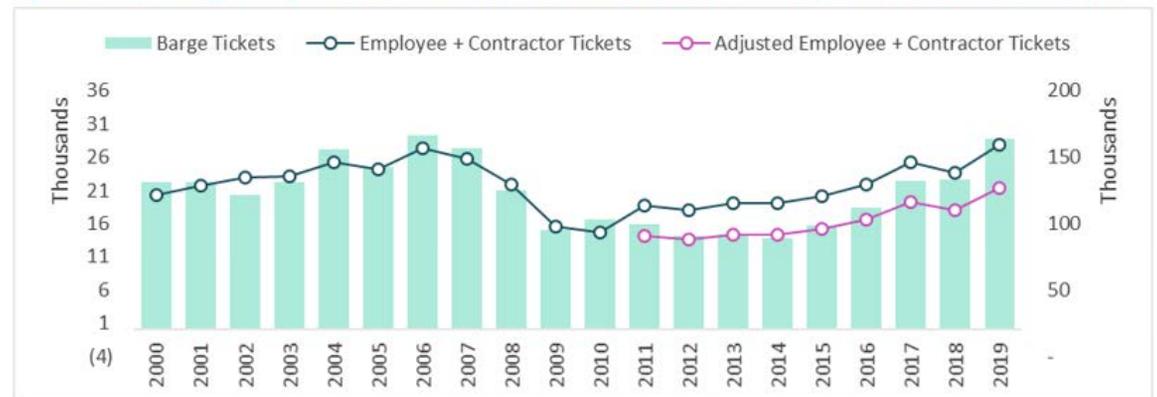


Figure 14: BHI freight barge ticket sales and employee and contractor ferry ticket sales, 2000 to 2019



# BHITA – Ticket Sales and Residential Construction/Housing Stock

- Construction on the island grew rapidly prior to housing market collapse, which preceded the 2008/9 recession.
- Ferry ticket sales can be accurately predicted by multivariate econometric model that is driven housing stock and annual additions to housing stock.

Figure 12: Residential units built per year and accumulated housing stock, 2000 to 2019

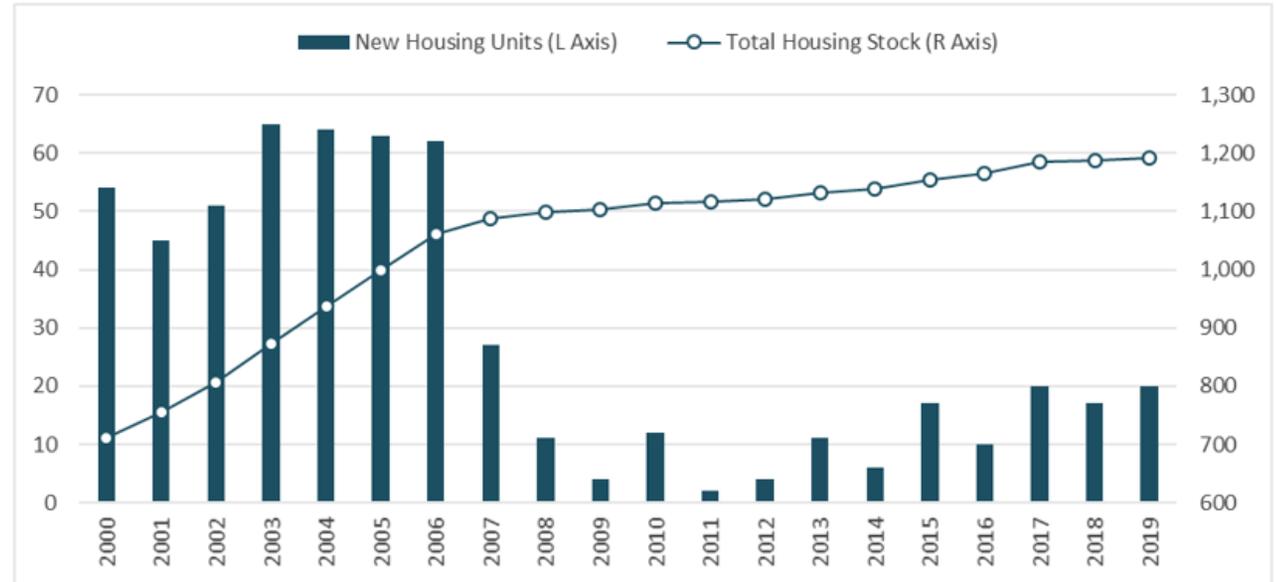
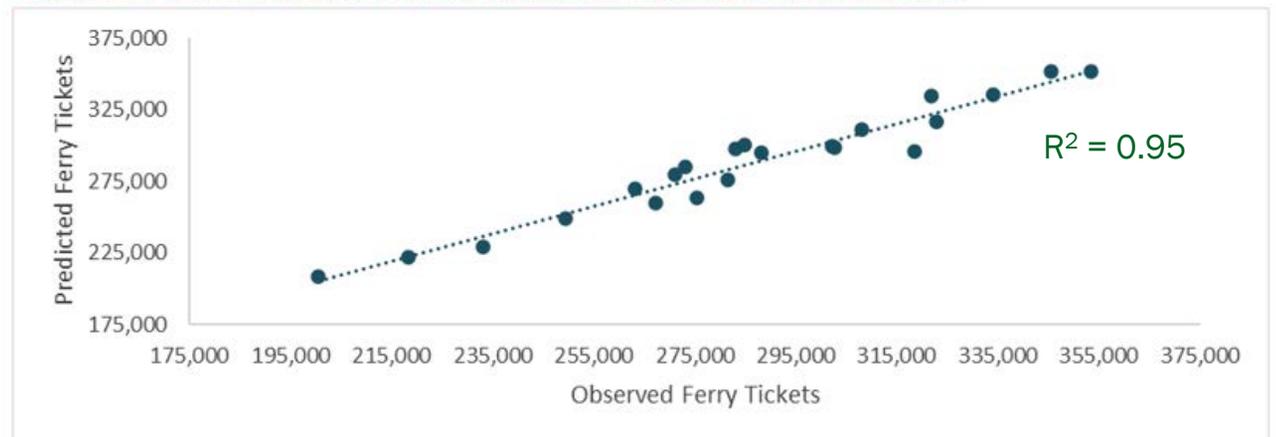
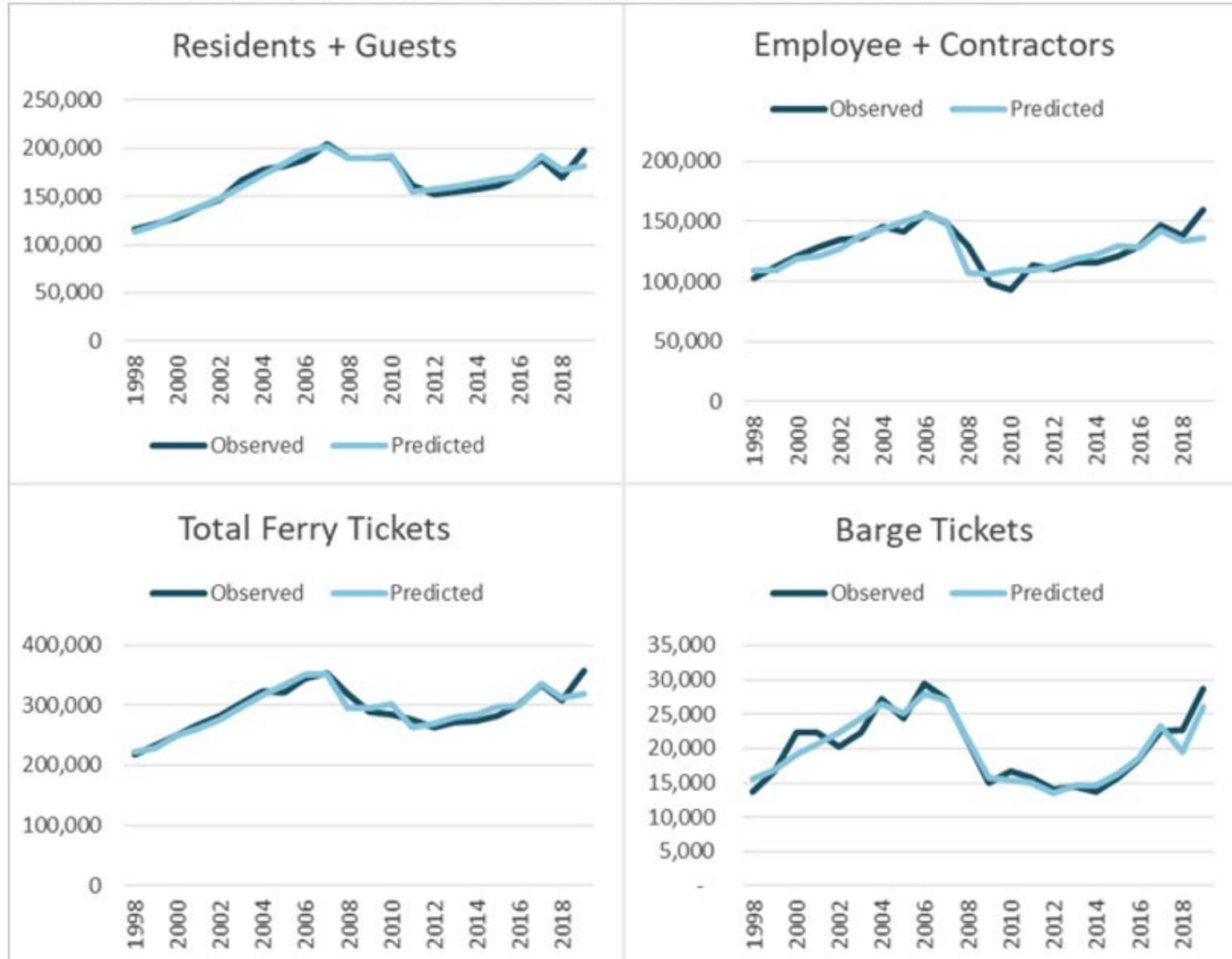


Figure 17: Scatterplot of observed and predicted ferry ticket sales, 1997 to 2018<sup>21</sup>



# BHITA – Ticket Sales Model ‘Backcast’

Figure 16: Observed and predicted BHI ferry and barge ticket volumes, 1997 to 2019



# BHITA – Real Estate Fundamentals

- New home construction must be viewed from the perspective of real estate as an investment class, and it must be viewed in comparison to alternative investments.

- Four distinct periods are presented in the table below:

## 1. Housing bubble (Jan 2000 to Mar 2007)

- Home prices show strong growth while stock market indices contracted
- Ticket sales grow at 5.1% CAGR

## 2. Great contraction (Mar 2007 to May 2009)

- Home prices and stock prices collapse
- Ticket sales contract

## 3. Early recovery (May 2009 to May 2012)

- Home prices stagnate while strong growth is experienced in stock markets
- Ticket sales flat

## 4. Late recovery (May 2012 to present)

- Strong growth in housing prices and stock market indices
- Ticket sales grow 4.5% CAGR

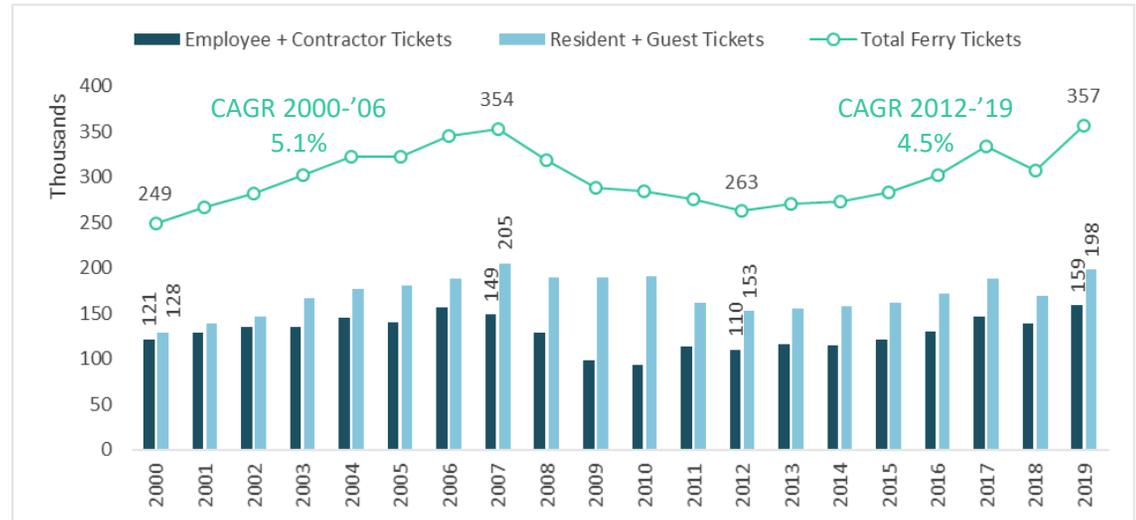


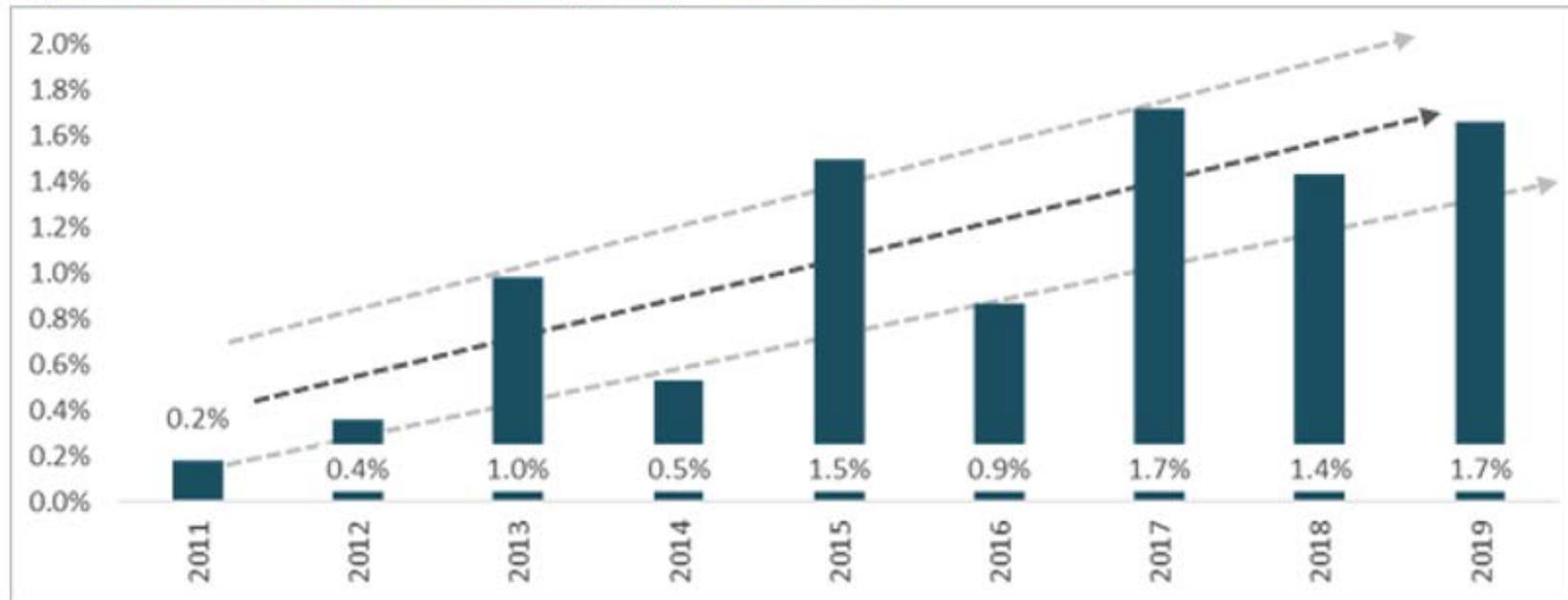
Table 13: Four major periods impacting real estate development in the US, 2000 to 2019

|                                    | Case Shiller Home Prices |         | Nasdaq Composite |         | Dow Jones Industrial Av. |          |
|------------------------------------|--------------------------|---------|------------------|---------|--------------------------|----------|
|                                    | Index                    | Measure | Index            | Measure | Index                    | Measure  |
| <b>Period 1: Housing Bubble</b>    |                          |         |                  |         |                          |          |
| Jan-00                             | 100                      | 100.0   | 100              | 4,131.2 | 100                      | 16,618.7 |
| Mar-07                             | 204                      | 204.0   | 59               | 2,448.9 | 93                       | 15,430.6 |
| CAGR                               | 10.3%                    |         | -7.0%            |         | -1.0%                    |          |
| <b>Period 2: Great Contraction</b> |                          |         |                  |         |                          |          |
| Mar-07                             | 100                      | 204.0   | 100              | 2,448.9 | 100                      | 15,430.6 |
| May-09                             | 69                       | 140.8   | 69               | 1,689.2 | 66                       | 10,191.9 |
| CAGR                               | -15.7%                   |         | -15.8%           |         | -17.4%                   |          |
| <b>Period 3: Early Recovery</b>    |                          |         |                  |         |                          |          |
| May-09                             | 100                      | 140.8   | 100              | 1,689.2 | 100                      | 10,191.9 |
| May-12                             | 99                       | 139.5   | 172              | 2,902.6 | 136                      | 13,831.1 |
| CAGR                               | -0.3%                    |         | 19.8%            |         | 10.7%                    |          |
| <b>Period 4: Late Recovery</b>     |                          |         |                  |         |                          |          |
| May-12                             | 100                      | 139.5   | 100              | 2,902.6 | 100                      | 13,831.1 |
| Dec-19                             | 158                      | 220.2   | 310              | 9,006.6 | 206                      | 28,481.4 |
| CAGR                               | 6.2%                     |         | 16.1%            |         | 10.0%                    |          |

# BHITA – Conservative Outlook for New Home Construction/Housing Stock Growth Rates

- Annual growth of housing stock has accelerated over the most recent period.
- The Mercator forecast conservatively assumes that the average annual growth rate of housing stock will remain at 1.7%.

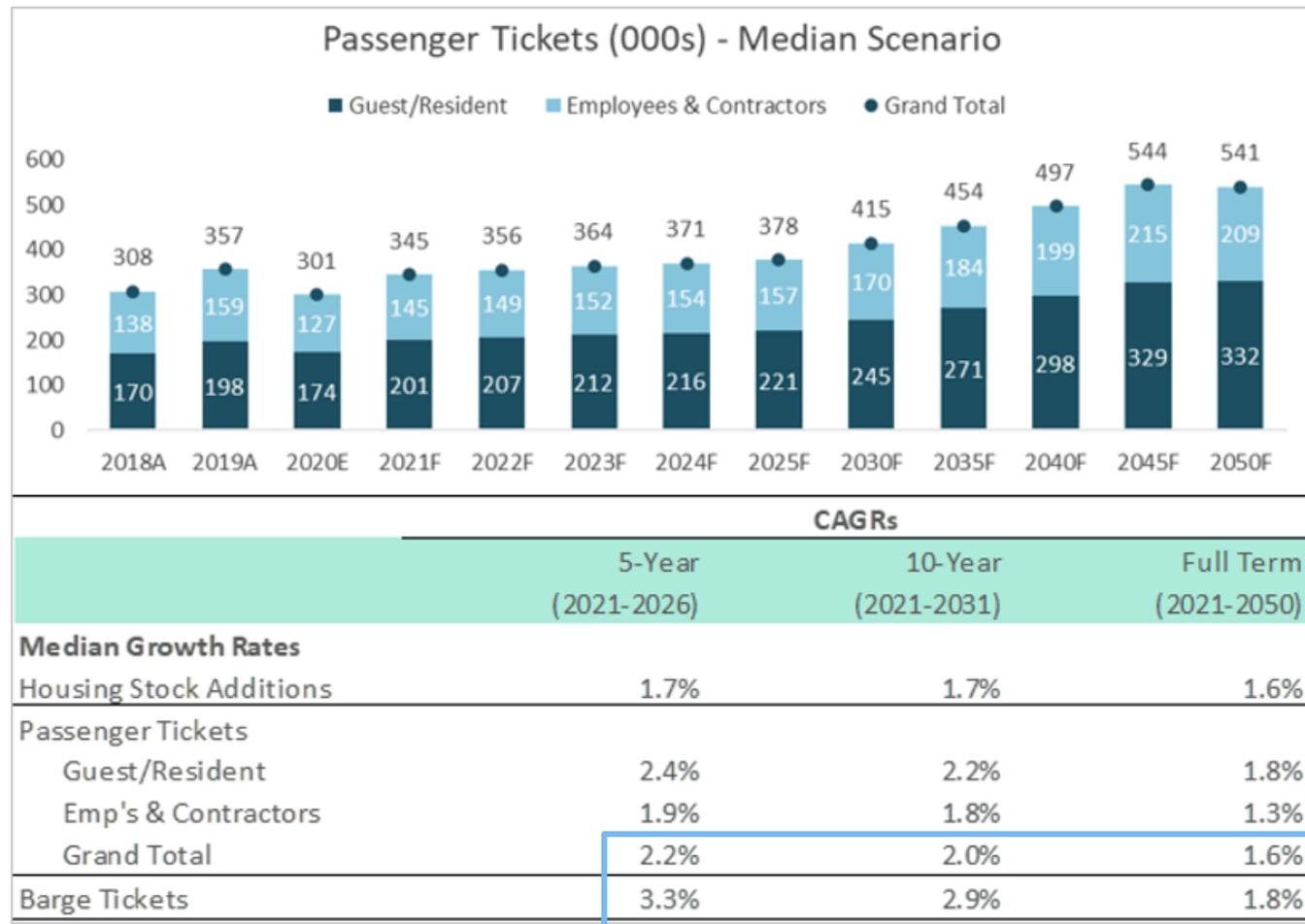
Figure 19: Growth rate of BHI housing stock, 2011 to 2019



# BHITA – Forecast of Passenger and Barge Ticket Sales through 2050

- Passenger ferry ticket sales are forecasted to grow at a CAGR over 2.0% in the near term declining to 1.6% over the long term, while barge tickets are forecasted to grow at slightly accelerated rates of 2.9% and 1.8% over the near- and long-term.

Figure 21: Ferry and barge ticket forecast, 2020E to 2050<sup>23</sup>



# Financial Forecast – Passenger Ferry / Tram Service

- Capacity is not reached until about 2045.
- Volume returns to a “normal” pattern in CY 2021; growth of about 2%.
- Catch-up ticket price increase of \$4 Per Class I standard ticket at start of FY 2022; next increase in 2027 and subsequently increased every three years in line with inflation.
- Fixed and variable costs are modeled to increase with inflation and traffic levels.
- Passenger ferry/tram EBITDA in the first full fiscal year (FY 2022) expected to be about \$1.8 million.

| Year                           | UOM               | CY 2020       | FY 2021     | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2035      | FY 2040      | FY 2045      | FY 2050      |
|--------------------------------|-------------------|---------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                                | Median            | 13mo (Jan)    | 5mo to Jun  |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Passenger Ferry/On-Island Tram | UOM               | CY 2020       | FY 2021     | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2035      | FY 2040      | FY 2045      | FY 2050      |
| Capacity                       | Passengers        | 401,250       | 401,250     | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      | 535,000      |
| Volume (Total Tickets)         | Pass Tickets      | 307,995       | 145,805     | 347,800      | 356,700      | 366,500      | 375,400      | 383,600      | 389,100      | 395,600      | 404,700      | 412,200      | 451,300      | 494,100      | 537,800      | 537,800      |
| % of Max Capacity              | %                 |               | 36%         | 65%          | 67%          | 69%          | 70%          | 72%          | 73%          | 74%          | 76%          | 77%          | 84%          | 92%          | 101%         | 101%         |
| Revenue                        | USD (000s)        | 5,475         | 2,692       | 7,281        | 7,450        | 7,644        | 7,823        | 7,994        | 8,663        | 8,811        | 9,014        | 9,692        | 11,265       | 13,760       | 16,901       | 17,986       |
| Costs                          | USD (000s)        | 6,783         | 2,507       | 5,493        | 5,802        | 5,973        | 6,144        | 6,316        | 6,477        | 6,648        | 6,839        | 7,025        | 8,009        | 9,149        | 10,447       | 11,532       |
| <b>EBITDA</b>                  | <b>USD (000s)</b> | <b>-1,308</b> | <b>185</b>  | <b>1,789</b> | <b>1,648</b> | <b>1,670</b> | <b>1,679</b> | <b>1,678</b> | <b>2,186</b> | <b>2,163</b> | <b>2,176</b> | <b>2,668</b> | <b>3,256</b> | <b>4,611</b> | <b>6,454</b> | <b>6,454</b> |
| <b>EBITDA Margin</b>           | <b>% of Rev</b>   | <b>-23.9%</b> | <b>6.9%</b> | <b>24.6%</b> | <b>22.1%</b> | <b>21.9%</b> | <b>21.5%</b> | <b>21.0%</b> | <b>25.2%</b> | <b>24.5%</b> | <b>24.1%</b> | <b>27.5%</b> | <b>28.9%</b> | <b>33.5%</b> | <b>38.2%</b> | <b>35.9%</b> |
| Unit Rev                       | USD/Tkt           | 17.78         | 18.46       | 20.94        | 20.89        | 20.86        | 20.84        | 20.84        | 22.27        | 22.27        | 22.27        | 23.51        | 24.96        | 27.85        | 31.43        | 33.44        |
| Unit Costs                     | USD/Tkt           | 22.02         | 17.19       | 15.79        | 16.27        | 16.30        | 16.37        | 16.46        | 16.65        | 16.81        | 16.90        | 17.04        | 17.75        | 18.52        | 19.43        | 21.44        |
| Unit EBITDA                    | USD/Tkt           | -4.25         | 1.27        | 5.14         | 4.62         | 4.56         | 4.47         | 4.37         | 5.62         | 5.47         | 5.38         | 6.47         | 7.21         | 9.33         | 12.00        | 12.00        |
| <b>YoY Growth Rates</b>        |                   |               |             |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Volume                         | %                 |               |             |              | 2.6%         | 2.7%         | 2.4%         | 2.2%         | 1.4%         | 1.7%         | 2.3%         | 1.9%         | 1.9%         | 1.9%         | 1.2%         | 0.0%         |
| Revenue                        | %                 |               |             |              | 2.3%         | 2.6%         | 2.4%         | 2.2%         | 8.4%         | 1.7%         | 2.3%         | 7.5%         | 1.9%         | 1.9%         | 7.7%         | 0.1%         |
| Costs                          | %                 |               |             |              | 5.6%         | 2.9%         | 2.9%         | 2.8%         | 2.6%         | 2.6%         | 2.9%         | 2.7%         | 2.7%         | 2.7%         | 2.5%         | 2.0%         |
| EBITDA                         | %                 |               |             |              | -7.9%        | 1.4%         | 0.5%         | -0.1%        | 30.3%        | -1.1%        | 0.6%         | 22.6%        | -0.1%        | 0.3%         | 17.4%        | -3.1%        |
| Unit Rev                       | %                 |               |             |              | 13.4%        | -0.2%        | -0.1%        | -0.1%        | 0.0%         | 6.8%         | 0.0%         | 0.0%         | 5.6%         | 0.0%         | 0.0%         | 0.1%         |
| Unit Costs                     | %                 |               |             |              |              | 3.0%         | 0.2%         | 0.4%         | 0.6%         | 1.1%         | 1.0%         | 0.6%         | 0.9%         | 0.8%         | 0.8%         | 2.0%         |

# Financial Forecast – Parking Service

- Capacity expansion will be undertaken in FY 2022 to increase capacity to about 500,000 vehicle days per year.
- Vehicle-day parking volume is derived from ferry traffic.
- A parking rate increase will occur at the start of FY 2022, with the next increase in 2027, then increased every three years thereafter in line with inflation.
- Low variable cost / high margin; delivers substantial portion of the EBITDA of the BHITA.
- Parking EBITDA in the first full fiscal year (FY 2022) expected to be about \$2.9 million.

| Parking                 | UOM               | CY 2020      | FY 2021      | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2035      | FY 2040      | FY 2045      | FY 2050      |
|-------------------------|-------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                         | Median            | 13mo (Jan)   | 5mo to Jun   |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Capacity                | Vehicle Days      | 498,000      | 191,000      | 499,000      | 499,000      | 499,000      | 499,000      | 524,000      | 524,000      | 524,000      | 539,000      | 591,000      | 617,000      | 687,000      | 717,000      | 717,000      |
| Parking Volume          | Vehicle Days      | 387,191      | 183,297      | 437,231      | 448,420      | 460,740      | 471,928      | 482,237      | 489,151      | 497,322      | 508,762      | 518,191      | 567,345      | 621,150      | 676,087      | 676,087      |
| Utilization             | %                 | 78%          | 96%          | 88%          | 90%          | 92%          | 95%          | 92%          | 93%          | 95%          | 94%          | 88%          | 92%          | 90%          | 94%          | 94%          |
| Revenue                 | USD (000s)        | 2,558        | 1,211        | 3,498        | 3,587        | 3,686        | 3,775        | 3,858        | 4,158        | 4,227        | 4,324        | 4,405        | 5,390        | 6,522        | 7,775        | 8,451        |
| Costs                   | USD (000s)        | 652          | 260          | 637          | 651          | 666          | 681          | 696          | 711          | 727          | 743          | 759          | 847          | 945          | 1,056        | 1,165        |
| <b>EBITDA</b>           | <b>USD (000s)</b> | <b>1,906</b> | <b>951</b>   | <b>2,861</b> | <b>2,936</b> | <b>3,020</b> | <b>3,094</b> | <b>3,162</b> | <b>3,447</b> | <b>3,501</b> | <b>3,582</b> | <b>3,645</b> | <b>4,543</b> | <b>5,577</b> | <b>6,719</b> | <b>7,286</b> |
| <b>EBITDA Margin</b>    | <b>% of Rev</b>   | <b>74.5%</b> | <b>78.5%</b> | <b>81.8%</b> | <b>81.8%</b> | <b>81.9%</b> | <b>82.0%</b> | <b>82.0%</b> | <b>82.9%</b> | <b>82.8%</b> | <b>82.8%</b> | <b>82.8%</b> | <b>84.3%</b> | <b>85.5%</b> | <b>86.4%</b> | <b>86.2%</b> |
| Unit Rev                | USD/Veh-Day       | 6.61         | 6.61         | 8.00         | 8.00         | 8.00         | 8.00         | 8.00         | 8.50         | 8.50         | 8.50         | 8.50         | 9.50         | 10.50        | 11.50        | 12.50        |
| Unit Costs              | USD/Veh-Day       | 1.68         | 1.42         | 1.46         | 1.45         | 1.45         | 1.44         | 1.44         | 1.45         | 1.46         | 1.46         | 1.47         | 1.49         | 1.52         | 1.56         | 1.72         |
| Unit EBITDA             | USD/Veh-Day       | 4.92         | 5.19         | 6.54         | 6.55         | 6.55         | 6.56         | 6.56         | 7.05         | 7.04         | 7.04         | 7.03         | 8.01         | 8.98         | 9.94         | 10.78        |
| <b>YoY Growth Rates</b> |                   |              |              |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Parking Volume          | %                 |              |              |              | 2.6%         | 2.7%         | 2.4%         | 2.2%         | 1.4%         | 1.7%         | 2.3%         | 1.9%         | 1.9%         | 1.9%         | 1.2%         | 0.0%         |
| Revenue                 | %                 |              |              |              | 2.6%         | 2.7%         | 2.4%         | 2.2%         | 7.8%         | 1.7%         | 2.3%         | 1.9%         | 1.9%         | 1.9%         | 1.2%         | 0.0%         |
| Costs                   | %                 |              |              |              | 2.2%         | 2.3%         | 2.2%         | 2.2%         | 2.1%         | 2.2%         | 2.2%         | 2.2%         | 2.2%         | 2.2%         | 2.2%         | 2.0%         |
| EBITDA                  | %                 |              |              |              | 2.6%         | 2.9%         | 2.5%         | 2.2%         | 9.0%         | 1.6%         | 2.3%         | 1.8%         | 1.8%         | 1.8%         | 1.1%         | -0.3%        |
| Unit Rev                | %                 |              |              | 21.1%        | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 6.3%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |

# Financial Forecast – Freight Barge Service

- Barge traffic is dependent on both construction activity and visitor traffic.
- Barge rates will increase at the start of FY 2022, with the next increase in 2027; rates will subsequently be increased every three years in line with inflation.
- Freight barge EBITDA in the first full fiscal year (FY 2022) expected to be about \$1.0 million.

| Tug&Feight Barge          | UOM                 | CY 2020    | FY 2021    | FY 2022      | FY 2023      | FY 2024      | FY 2025      | FY 2026      | FY 2027      | FY 2028      | FY 2029      | FY 2030      | FY 2035      | FY 2040      | FY 2045      | FY 2050      |
|---------------------------|---------------------|------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
|                           | Median              | 13mo (Jan) | 5mo to Jun |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Voyages Made              | R-T Voyages         | 975        | 375        | 900          | 925          | 955          | 990          | 1,015        | 1,020        | 1,060        | 1,095        | 1,105        | 1,250        | 1,395        | 1,560        | 1,435        |
| Barge Capacity            | Tickets Available   | 33,345     | 12,825     | 30,780       | 31,635       | 32,661       | 33,858       | 34,713       | 34,884       | 36,252       | 37,449       | 37,791       | 42,750       | 47,709       | 53,352       | 49,077       |
| Barge Volume              | Tickets Sold        | 23,600     | 9,900      | 23,800       | 25,300       | 26,100       | 27,100       | 27,800       | 27,900       | 29,000       | 29,900       | 30,300       | 34,200       | 38,200       | 42,700       | 39,300       |
| Utilization               | %                   | 71%        | 77%        | 77%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          | 80%          |
| Revenue                   | USD (000s)          | 1,307      | 548        | 1,437        | 1,527        | 1,576        | 1,636        | 1,678        | 1,754        | 1,823        | 1,880        | 1,905        | 2,408        | 2,978        | 3,650        | 3,755        |
| Costs                     | USD (000s)          | 451        | 178        | 435          | 454          | 475          | 499          | 519          | 531          | 559          | 585          | 601          | 735          | 889          | 1,079        | 1,110        |
| <b>EBITDA</b>             | <b>USD (000s)</b>   | <b>855</b> | <b>370</b> | <b>1,001</b> | <b>1,073</b> | <b>1,100</b> | <b>1,137</b> | <b>1,159</b> | <b>1,223</b> | <b>1,264</b> | <b>1,294</b> | <b>1,303</b> | <b>1,673</b> | <b>2,089</b> | <b>2,571</b> | <b>2,645</b> |
| <b>EBITDA Margin</b>      | <b>% of Rev</b>     | <b>65%</b> | <b>68%</b> | <b>70%</b>   | <b>70%</b>   | <b>70%</b>   | <b>70%</b>   | <b>69%</b>   | <b>70%</b>   | <b>69%</b>   | <b>69%</b>   | <b>68%</b>   | <b>69%</b>   | <b>70%</b>   | <b>70%</b>   | <b>70%</b>   |
| Unit Rev/Ticket           | USD / ticket        | 55         | 55         | 60           | 60           | 60           | 60           | 60           | 63           | 63           | 63           | 63           | 70           | 78           | 85           | 96           |
| Unit Cost/Ticket          | USD / ticket        | 19         | 18         | 18           | 18           | 18           | 18           | 19           | 19           | 19           | 20           | 20           | 21           | 23           | 25           | 28           |
| <b>Unit EBITDA/Ticket</b> | <b>USD / ticket</b> | <b>36</b>  | <b>37</b>  | <b>42</b>    | <b>42</b>    | <b>42</b>    | <b>42</b>    | <b>42</b>    | <b>44</b>    | <b>44</b>    | <b>43</b>    | <b>43</b>    | <b>49</b>    | <b>55</b>    | <b>60</b>    | <b>67</b>    |
| <b>YoY Growth Rates</b>   |                     |            |            |              |              |              |              |              |              |              |              |              |              |              |              |              |
| Volume                    | %                   |            |            |              | 6.3%         | 3.2%         | 3.8%         | 2.6%         | 0.4%         | 3.9%         | 3.1%         | 1.3%         | 2.4%         | 1.9%         | 2.2%         | -15.1%       |
| Revenue                   | %                   |            |            |              | 6.3%         | 3.2%         | 3.8%         | 2.6%         | 4.5%         | 3.9%         | 3.1%         | 1.3%         | 2.4%         | 1.9%         | 2.2%         | -15.1%       |
| Costs                     | %                   |            |            |              | 4.4%         | 4.6%         | 4.9%         | 4.0%         | 2.4%         | 5.2%         | 4.7%         | 2.8%         | 4.1%         | 3.6%         | 3.7%         | -11.3%       |
| EBITDA                    | %                   |            |            |              | 7.1%         | 2.6%         | 3.3%         | 1.9%         | 5.5%         | 3.4%         | 2.4%         | 0.7%         | 1.7%         | 1.2%         | 1.5%         | -16.6%       |
| Unit Rev                  | %                   |            |            | 9.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 4.1%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%         |

# Financial Forecast – Consolidated BHITA

## Median (Expected) Scenario

- EBITDA of \$5.6 million during each of the first two full fiscal years, increasing to about \$6.0 million in 2026.
- EBITDA reaches \$7.6 million in 2030.

|                                |                | 13 mo<br>to Jan<br>CY 2020 | 5 mo<br>to Jun | Fiscal Years Ending June 30: |         |         |         |         |         |         |         |         |         |         |         |         |
|--------------------------------|----------------|----------------------------|----------------|------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Consolidated BHITA Results     | UOM            | FY 2021                    | FY 2022        | FY 2023                      | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2035 | FY 2040 | FY 2045 | FY 2050 |         |
| Ferry Tickets                  | Passengers     | 307,995                    | 145,805        | 347,800                      | 356,700 | 366,500 | 375,400 | 383,600 | 389,100 | 395,600 | 404,700 | 412,200 | 451,300 | 494,100 | 537,800 | 537,800 |
| Barge Traffic                  | Barge Tickets  | 23,600                     | 9,900          | 23,800                       | 25,300  | 26,100  | 27,100  | 27,800  | 27,900  | 29,000  | 29,900  | 30,300  | 34,200  | 38,200  | 42,700  | 39,300  |
| Parking Volume                 | Vehicle Days   | 387,191                    | 183,297        | 437,231                      | 448,420 | 460,740 | 471,928 | 482,237 | 489,151 | 497,322 | 508,762 | 518,191 | 567,345 | 621,150 | 676,087 | 676,087 |
| Ferry Capacity                 | R-T Passengers | 401,250                    | 401,250        | 535,000                      | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 | 535,000 |
| Revenue- Ferry, Barge, Parking | USD (000s)     | 9,340                      | 4,451          | 12,216                       | 12,564  | 12,905  | 13,235  | 13,530  | 14,575  | 14,861  | 15,218  | 16,002  | 19,063  | 23,260  | 28,326  | 30,192  |
| Costs                          | USD (000s)     | 7,887                      | 2,945          | 6,565                        | 6,908   | 7,115   | 7,324   | 7,531   | 7,720   | 7,934   | 8,167   | 8,385   | 9,591   | 10,984  | 12,582  | 13,807  |
| EBITDA - BHITA                 | USD (000s)     | 1,454                      | 1,506          | 5,651                        | 5,657   | 5,790   | 5,911   | 5,999   | 6,855   | 6,928   | 7,052   | 7,616   | 9,472   | 12,276  | 15,745  | 16,384  |
| EBITDA Margin                  | % of Rev       | 15.6%                      | 33.8%          | 46.3%                        | 45.0%   | 44.9%   | 44.7%   | 44.3%   | 47.0%   | 46.6%   | 46.3%   | 47.6%   | 49.7%   | 52.8%   | 55.6%   | 54.3%   |
| Unit Rev                       | USD/Ferry Tkt  | 30.33                      | 30.53          | 35.12                        | 35.22   | 35.21   | 35.25   | 35.27   | 37.46   | 37.57   | 37.60   | 38.82   | 42.24   | 47.07   | 52.67   | 56.14   |
| Unit Costs                     | USD/Ferry Tkt  | 25.61                      | 20.20          | 18.88                        | 19.37   | 19.41   | 19.51   | 19.63   | 19.84   | 20.06   | 20.18   | 20.34   | 21.25   | 22.23   | 23.39   | 25.67   |
| Unit EBITDA                    | USD/Ferry Tkt  | 4.72                       | 10.33          | 16.25                        | 15.86   | 15.80   | 15.74   | 15.64   | 17.62   | 17.51   | 17.42   | 18.48   | 20.99   | 24.85   | 29.28   | 30.47   |
| <b>YoY Growth Rates</b>        |                |                            |                |                              |         |         |         |         |         |         |         |         |         |         |         |         |
| BHITA Revenue                  | %              |                            |                |                              | 2.9%    | 2.7%    | 2.6%    | 2.2%    | 7.7%    | 2.0%    | 2.4%    | 5.1%    | 1.9%    | 1.9%    | 5.1%    | -2.1%   |
| BHITA Costs                    | %              |                            |                |                              | 5.2%    | 3.0%    | 2.9%    | 2.8%    | 2.5%    | 2.8%    | 2.9%    | 2.7%    | 2.7%    | 2.8%    | 2.6%    | 0.8%    |
| BHITA EBITDA                   | %              |                            |                |                              | 0.1%    | 2.4%    | 2.1%    | 1.5%    | 14.3%   | 1.1%    | 1.8%    | 8.0%    | 1.1%    | 1.1%    | 7.3%    | -4.4%   |

# Financial Forecast – Alternate Scenarios

- In addition to the expected (Median Growth) scenario, Low and high housing growth scenarios were examined.
- As variations on the Median and Low Scenarios, scenarios with a sharp 3-4 year housing recession were also evaluated

**Expected (Median Housing Growth) Scenario** Compound Annual Growth

| Passenger Tickets (000s) - | 13mo 2020 | Feb-Jun '21 | FY '22 | FY '23 | FY '24 | FY '25 | FY '30 | FY '35 | FY '40 | FY '45 | FY '50 | 2022-2025 | 2025-2030 | 2030-2050 |
|----------------------------|-----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Guest/Resident             | 178       | 85          | 203    | 208    | 214    | 219    | 243    | 268    | 296    | 326    | 344    | 2.6%      | 2.1%      | 1.8%      |
| Employees & Contractors    | 130       | 61          | 145    | 148    | 152    | 156    | 169    | 183    | 198    | 214    | 220    | 2.5%      | 1.6%      | 1.3%      |
| Grand Total Ferry Tickets  | 308       | 146         | 348    | 356    | 366    | 375    | 412    | 451    | 494    | 540    | 565    | 2.5%      | 1.9%      | 1.6%      |
| Barge Tickets (000s)       | 23.6      | 9.9         | 23.8   | 25.3   | 26.1   | 27.1   | 30.3   | 34.2   | 38.2   | 42.7   | 39.3   | 4.4%      | 2.3%      | 1.3%      |

**High Housing Growth Scenario** Compound Annual Growth

| Passenger Tickets (000s) - | 13mo 2020 | Feb-Jun '21 | FY '22 | FY '23 | FY '24 | FY '25 | FY '30 | FY '35 | FY '40 | FY '45 | FY '50 | 2022-2025 | 2025-2030 | 2030-2050 |
|----------------------------|-----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Guest/Resident             | 178       | 85          | 206    | 215    | 222    | 228    | 260    | 296    | 335    | 333    | 333    | 3.5%      | 2.7%      | 1.2%      |
| Employees & Contractors    | 130       | 61          | 147    | 153    | 158    | 163    | 180    | 200    | 222    | 210    | 210    | 3.4%      | 2.1%      | 0.8%      |
| Grand Total                | 308       | 146         | 353    | 367    | 380    | 391    | 440    | 496    | 556    | 542    | 542    | 3.5%      | 2.4%      | 1.0%      |
| Barge Tickets (000s)       | 23.6      | 9.9         | 25.4   | 27.0   | 28.2   | 29.1   | 33.7   | 39.3   | 45.1   | 39.3   | 39.3   | 4.7%      | 3.0%      | 0.8%      |

**Low Housing Growth Scenario** Compound Annual Growth

| Passenger Tickets (000s) - | 13mo 2020 | Feb-Jun '21 | FY '22 | FY '23 | FY '24 | FY '25 | FY '30 | FY '35 | FY '40 | FY '45 | FY '50 | 2022-2025 | 2025-2030 | 2030-2050 |
|----------------------------|-----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Guest/Resident             | 178       | 85          | 195    | 191    | 194    | 196    | 206    | 216    | 227    | 237    | 249    | 0.2%      | 1.0%      | 1.0%      |
| Employees & Contractors    | 130       | 61          | 139    | 135    | 139    | 141    | 146    | 151    | 157    | 163    | 169    | 0.4%      | 0.7%      | 0.7%      |
| Grand Total                | 308       | 146         | 335    | 326    | 333    | 337    | 352    | 367    | 384    | 400    | 419    | 0.3%      | 0.9%      | 0.9%      |
| Barge Tickets (000s)       | 23.6      | 9.9         | 19.7   | 20.8   | 21.4   | 21.8   | 22.8   | 24.4   | 26.1   | 27.5   | 29.4   | 3.4%      | 0.9%      | 1.3%      |

**Median Housing Growth Scenario - with a Housing Recession** Compound Annual Growth

| Passenger Tickets (000s) - | 13mo 2020 | Feb-Jun '21 | FY '22 | FY '23 | FY '24 | FY '25 | FY '30 | FY '35 | FY '40 | FY '45 | FY '50 | 2022-2025 | 2025-2030 | 2030-2050 |
|----------------------------|-----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Guest/Resident             | 178       | 85          | 196    | 190    | 190    | 191    | 227    | 252    | 278    | 306    | 337    | -0.7%     | 3.5%      | 2.0%      |
| Employees & Contractors    | 130       | 61          | 140    | 134    | 135    | 136    | 161    | 174    | 188    | 203    | 220    | -0.8%     | 3.3%      | 1.6%      |
| Grand Total                | 308       | 146         | 335    | 324    | 325    | 328    | 388    | 426    | 466    | 510    | 557    | -0.8%     | 3.4%      | 1.8%      |
| Barge Tickets (000s)       | 23.6      | 9.9         | 20.0   | 19.8   | 20.0   | 20.5   | 27.9   | 31.7   | 35.7   | 39.8   | 44.4   | 0.8%      | 6.4%      | 2.3%      |

**Low Housing Growth Scenario - with a Housing Recession** Compound Annual Growth

| Passenger Tickets (000s) - | 13mo 2020 | Feb-Jun '21 | FY '22 | FY '23 | FY '24 | FY '25 | FY '30 | FY '35 | FY '40 | FY '45 | FY '50 | 2022-2025 | 2025-2030 | 2030-2050 |
|----------------------------|-----------|-------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-----------|-----------|-----------|
| Guest/Resident             | 178       | 85          | 195    | 189    | 190    | 191    | 202    | 211    | 222    | 233    | 243    | -0.7%     | 1.1%      | 0.9%      |
| Employees & Contractors    | 130       | 61          | 139    | 134    | 135    | 136    | 144    | 149    | 155    | 160    | 166    | -0.8%     | 1.1%      | 0.7%      |
| Grand Total                | 308       | 146         | 335    | 323    | 325    | 327    | 346    | 360    | 377    | 393    | 409    | -0.7%     | 1.1%      | 0.8%      |
| Barge Tickets (000s)       | 23.6      | 9.9         | 19.7   | 19.8   | 20.0   | 20.4   | 22.3   | 23.8   | 25.5   | 26.9   | 28.3   | 1.2%      | 1.7%      | 1.2%      |

# Financial Forecast – Alternate Scenarios

- In the worst performing “low growth with a housing recession” scenario, EBITDA over the first 5 full years averages about \$1.4 million per year less than in the expected median case, with a maximum EBITDA shortfall versus the median case of \$1.72 million during those 5 years.
- Nonetheless, full-year EBITDA in the low growth and housing recession scenario remains
  - Above \$4.2 million per year over the first 5 full years
  - About \$4.9 million per year for the subsequent 3 years through 2029
  - Between \$5.2 and \$6 million per year during 2030-2035
  - Above \$6 million per year thereafter.
- EBITDA forecasts for each of these five scenarios are shown below.

| EBITDA Forecasts -<br>Recap and Comparison of Scenarios | FY 2021<br>5mo to Jun | FY 2022 | FY 2023 | FY 2024 | FY 2025 | FY 2026 | FY 2027 | FY 2028 | FY 2029 | FY 2030 | FY 2035 | FY 2040 | FY 2045 | FY 2050 |
|---|-----------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Median Scenario   | 1,506                 | 5,651   | 5,657   | 5,790   | 5,911   | 5,999   | 6,855   | 6,928   | 7,052   | 7,616   | 9,472   | 12,276  | 15,745  | 16,384  |
| Low Scenario  | 1,506                 | 5,008   | 4,524   | 4,575   | 4,568   | 4,540   | 5,179   | 5,115   | 5,102   | 5,438   | 6,276   | 7,732   | 9,422   | 10,705  |
| High Scenario   | 1,506                 | 5,895   | 6,033   | 6,257   | 6,415   | 6,582   | 7,595   | 7,720   | 7,921   | 8,596   | 11,114  | 14,180  | 15,623  | 16,449  |
| Median <b>with Housing Recession</b>                    | 1,506                 | 5,047   | 4,412   | 4,298   | 4,239   | 4,854   | 6,029   | 6,064   | 6,183   | 6,692   | 8,419   | 11,027  | 14,310  | 16,517  |
| Low <b>with Housing Recession</b>                       | 1,506                 | 5,008   | 4,379   | 4,285   | 4,217   | 4,273   | 4,954   | 4,885   | 4,882   | 5,212   | 6,025   | 7,450   | 9,105   | 10,203  |
| <b>EBITDA CHANGE vs Median Scenario</b>                 |                       |         |         |         |         |         |         |         |         |         |         |         |         |         |
| Low Scenario  | 0                     | -643    | -1,132  | -1,216  | -1,343  | -1,459  | -1,676  | -1,813  | -1,950  | -2,179  | -3,196  | -4,544  | -6,323  | -5,679  |
| High Scenario   | 0                     | 244     | 377     | 467     | 505     | 584     | 739     | 792     | 870     | 979     | 1,642   | 1,904   | -122    | 65      |
| Median <b>with Housing Recession</b>                    | 0                     | -604    | -1,245  | -1,492  | -1,671  | -1,145  | -827    | -863    | -868    | -924    | -1,053  | -1,249  | -1,434  | 132     |
| Low <b>with Housing Recession</b>                       | 0                     | -643    | -1,277  | -1,505  | -1,694  | -1,725  | -1,901  | -2,042  | -2,170  | -2,404  | -3,447  | -4,827  | -6,640  | -6,181  |

# Historical Capital Expenditures

- Based upon data provided by Bald Head Island Limited, Mercator International performed a detailed analysis of historical capital spending related to the Transportation, Parking, and Barge operations.
- A summary of the historical capital spending since 2011 is summarized in the chart below. Over this time period, capital spending on the combined system totaled \$10.5 Million, or an average of \$927,000 per year.

## Historical Capital (\$000s)

|  | Calendar Year |              |                |              |              |              |                |                |              | Total           | Average       |
|--|---------------|--------------|----------------|--------------|--------------|--------------|----------------|----------------|--------------|-----------------|---------------|
|  | 2011          | 2012         | 2013           | 2014         | 2015         | 2016         | 2017           | 2018           | 2019         |                 |               |
| Ferry                                      | \$ 18         | \$ 17        | \$ 2,333       | \$ 264       | \$ 227       | \$ 219       | \$ 227         | \$ 334         | \$ 104       | \$ 3,743        | \$ 416        |
| Marine Maintenance                         | -             | 6            | 6              | 5            | 6            | -            | 4              | 6              | 39           | 71              | 9             |
| Island Transportation                      | 96            | 42           | 51             | 38           | 47           | 62           | 99             | 74             | 111          | 619             | 69            |
| <b>Total Transportation</b>                | <b>\$114</b>  | <b>\$ 65</b> | <b>\$2,390</b> | <b>\$307</b> | <b>\$280</b> | <b>\$281</b> | <b>\$ 329</b>  | <b>\$ 414</b>  | <b>\$254</b> | <b>\$ 4,433</b> | <b>\$ 573</b> |
| Deep Point Galley                          | 11            | -            | -              | -            | -            | -            | -              | -              | -            | 11              | 1             |
| Deep Point Assets - G&A                    | 16            | 98           | 37             | 37           | -            | 111          | 15             | 199            | 18           | 530             | 59            |
| Deep Point Assets - Campus & Terminal      | 88            | 20           | 21             | 12           | 181          | 71           | 1,095          | 376            | 41           | 1,906           | 212           |
| Deep Point Assets - IT                     | 141           | 25           | 32             | 72           | 230          | 88           | 49             | 34             | -            | 670             | 98            |
| Shipping & Receiving / Parking Lot         | -             | -            | 101            | 8            | -            | 16           | 16             | 20             | 35           | 196             | 22            |
| Tug & Barge                                | 12            | -            | 129            | 102          | -            | 200          | 1,677          | 32             | 111          | 2,261           | 251           |
| Parking                                    | -             | 25           | 2              | 205          | 22           | 15           | 215            | 46             | 13           | 543             | 68            |
| Deep Point Chandlery                       | -             | -            | -              | -            | -            | -            | -              | -              | -            | -               | -             |
| <b>Total Bald Head Island Limited, LLC</b> | <b>\$267</b>  | <b>\$167</b> | <b>\$ 322</b>  | <b>\$437</b> | <b>\$433</b> | <b>\$499</b> | <b>\$3,068</b> | <b>\$ 706</b>  | <b>\$217</b> | <b>\$ 6,117</b> | <b>\$ 354</b> |
| <b>Total Capital Purchases</b>             | <b>\$381</b>  | <b>\$232</b> | <b>\$2,712</b> | <b>\$744</b> | <b>\$712</b> | <b>\$780</b> | <b>\$3,397</b> | <b>\$1,120</b> | <b>\$471</b> | <b>\$10,550</b> | <b>\$ 927</b> |

Source: Bald Head Island Limited / Mercator International

# Future Capital Expenditures

- Ongoing routine capital expenditures, including ferry engine overhauls, are extrapolated from historic requirements
- Facility maintenance projects are included as per engineering consultant recommendations
- Ferry replacements are programmed and itemized based on estimated remaining life
- The authority will pay 33% of the cost of annual maintenance dredging and periodic major dredging at Deep Point and 27% of the major dredging at BHI, and pay 0% for annual maintenance dredging at BHI. The BHITA share of annual maintenance dredging, although none has been required in recent years, is included in operating cost estimates. Major dredging (done about every 10 years) is included as “Capital Dredging”.
- Projects that address capacity, such as parking lot expansion, are programmed according to expected demand

## Capital Spending Forecast (\$000s)

|  | Fiscal Year |              |              |              |            |              |              |              |              |              |              |              |              |               |  |
|--|-------------|--------------|--------------|--------------|------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------|--|
|  | 2021        | 2022         | 2023         | 2024         | 2025       | 2026         | 2027         | 2028         | 2029         | 2030         | 2031-'35     | 2036-'40     | 2041-'45     | 2045-'50      |  |
| <b>Ferry and Tram System</b>               | Feb-Jun     |              |              |              |            |              |              |              |              |              |              |              |              |               |  |
| Docks/Piers/Bulkheads                      | 0           | 107          | 74           | 155          | 0          | 0            | 527          | 538          | 188          | 0            | 0            | 0            | 0            | 0             |  |
| Capital Dredging                           | 0           | 0            | 0            | 0            | 93         | 0            | 138          | 0            | 0            | 0            | 112          | 164          | 330          | 0             |  |
| Ferry Vessel Overhaul                      | 80          | 80           | 0            | 166          | 0          | 172          | 0            | 183          | 187          | 187          | 404          | 651          | 966          | 805           |  |
| Ferry Vessel Replacement (net)             | 0           | 0            | 2,435        | 2,153        | 0          | 0            | 0            | 0            | 0            | 0            | 5,484        | 0            | 0            | 7,166         |  |
| Vehicles (Trucks and Trams)                | 27          | 55           | 56           | 86           | 236        | 152          | 246          | 220          | 412          | 164          | 792          | 454          | 706          | 649           |  |
| Equipment - Luggage Dollies                | 0           | 0            | 0            | 0            | 0          | 0            | 0            | 0            | 122          | 0            | 0            | 0            | 0            | 0             |  |
| IT - Ticketing System                      | 0           | 250          | 0            | 0            | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0            | 0             |  |
| Other / Sustaining                         | 38          | 77           | 79           | 81           | 82         | 84           | 86           | 87           | 89           | 91           | 482          | 532          | 587          | 648           |  |
| <b>Subtotal Ferry and Tram</b>             | <b>145</b>  | <b>569</b>   | <b>2,645</b> | <b>2,640</b> | <b>412</b> | <b>407</b>   | <b>996</b>   | <b>1,028</b> | <b>998</b>   | <b>441</b>   | <b>7,273</b> | <b>1,802</b> | <b>2,589</b> | <b>9,268</b>  |  |
| <b>Freight Barge System</b>                |             |              |              |              |            |              |              |              |              |              |              |              |              |               |  |
| Docks/Piers/Barge Ramps                    | 0           | 0            | 0            | 0            | 0          | 320          | 0            | 0            | 0            | 0            | 0            | 390          | 0            | 475           |  |
| Barge / Towboat Replacement                | 0           | 0            | 0            | 0            | 0          | 0            | 0            | 0            | 179          | 305          | 0            | 0            | 0            | 0             |  |
| Other / Sustaining                         | 13          | 27           | 27           | 28           | 28         | 29           | 29           | 30           | 30           | 31           | 165          | 182          | 201          | 222           |  |
| <b>Subtotal Freight Barge</b>              | <b>13</b>   | <b>27</b>    | <b>27</b>    | <b>28</b>    | <b>28</b>  | <b>349</b>   | <b>29</b>    | <b>30</b>    | <b>210</b>   | <b>336</b>   | <b>165</b>   | <b>572</b>   | <b>201</b>   | <b>697</b>    |  |
| <b>Parking Operations</b>                  |             |              |              |              |            |              |              |              |              |              |              |              |              |               |  |
| Parking Lots: Land Acquisition             | 0           | 0            | 0            | 0            | 0          | 0            | 0            | 0            | 0            | 0            | 0            | 549          | 618          | 0             |  |
| Parking Lots: Development                  | 0           | 347          | 0            | 0            | 0          | 200          | 0            | 0            | 194          | 546          | 291          | 840          | 394          | 0             |  |
| Other / Sustaining - Parking               | 6           | 12           | 12           | 12           | 12         | 13           | 13           | 13           | 13           | 14           | 73           | 80           | 88           | 98            |  |
| Other / Sustaining - Landlord              | 65          | 133          | 135          | 138          | 141        | 144          | 146          | 149          | 152          | 155          | 825          | 911          | 1,006        | 1,110         |  |
| <b>Subtotal Parking</b>                    | <b>71</b>   | <b>492</b>   | <b>147</b>   | <b>150</b>   | <b>153</b> | <b>356</b>   | <b>159</b>   | <b>163</b>   | <b>360</b>   | <b>715</b>   | <b>1,188</b> | <b>2,380</b> | <b>2,107</b> | <b>1,208</b>  |  |
| <b>Grand Total Capital Spending</b>        | <b>229</b>  | <b>1,088</b> | <b>2,819</b> | <b>2,818</b> | <b>593</b> | <b>1,112</b> | <b>1,185</b> | <b>1,220</b> | <b>1,568</b> | <b>1,492</b> | <b>8,626</b> | <b>4,754</b> | <b>4,897</b> | <b>11,173</b> |  |
| <b>Vessel Replacement Capex (net)</b>      | <b>-</b>    | <b>-</b>     | <b>2,435</b> | <b>2,153</b> | <b>-</b>   | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>-</b>     | <b>5,484</b> | <b>-</b>     | <b>-</b>     | <b>7,166</b>  |  |
| <b>Other than Vessel Replacement Capex</b> | <b>229</b>  | <b>1,088</b> | <b>384</b>   | <b>665</b>   | <b>593</b> | <b>1,112</b> | <b>1,185</b> | <b>1,220</b> | <b>1,568</b> | <b>1,492</b> | <b>3,142</b> | <b>4,754</b> | <b>4,897</b> | <b>4,008</b>  |  |

Note: The capital expenditures reflect capital dredging costs that are not shown in the most recent pro forma financial model.

Source: Mercator International

---

# Transaction Details



# Estimated Sources and Uses of Funds\*

---

## Sources of Funds

|              |                        |
|--------------|------------------------|
| Par Amount   | \$52,370,000.00        |
| Premium      | 3,774,303.30           |
| <b>Total</b> | <b>\$56,144,303.30</b> |

## Uses of Funds

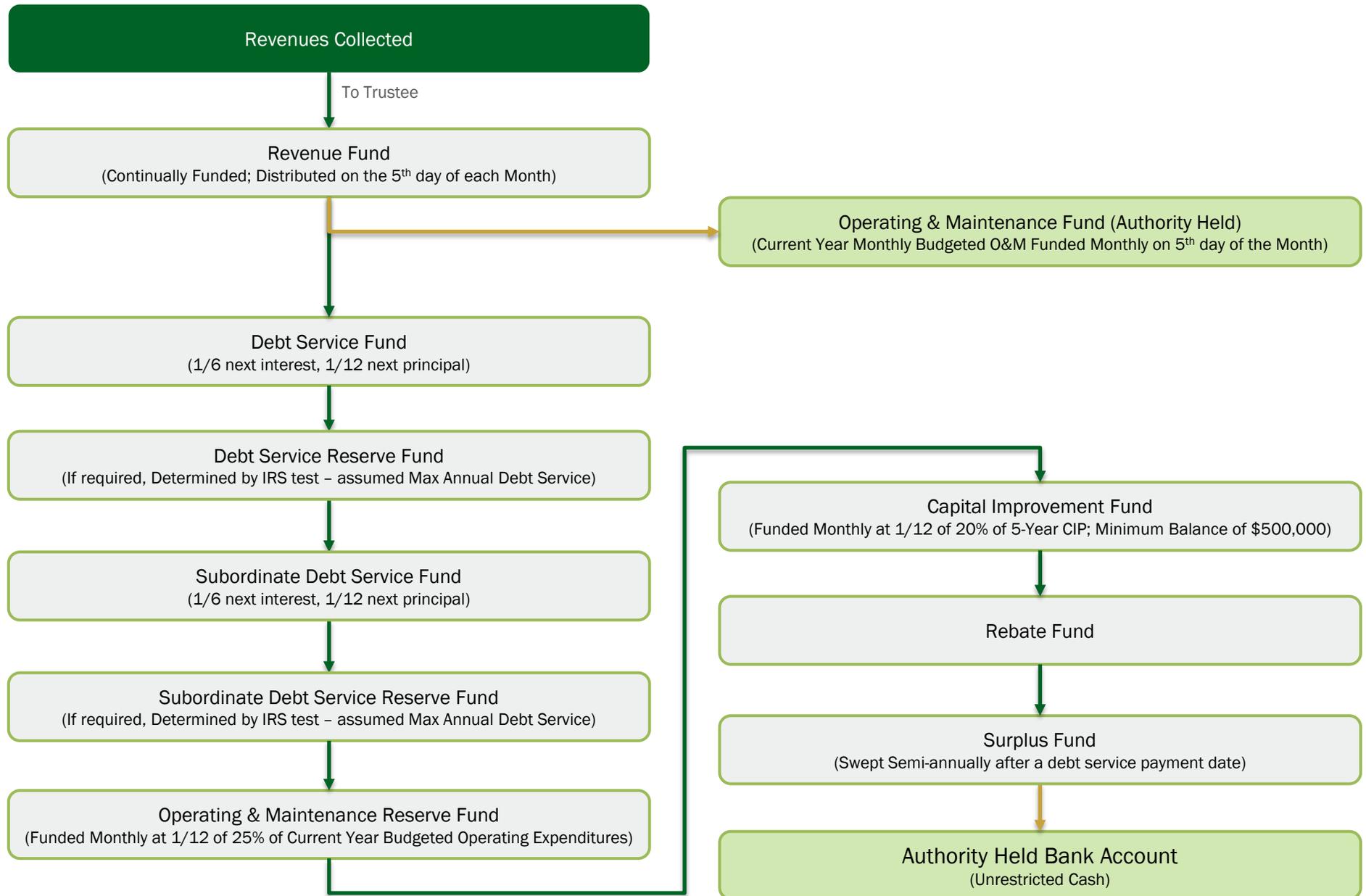
|  |                        |
|--|------------------------|
| Cash Due at Closing for Acquisition    | \$47,750,000.00        |
| Working Capital                        | 1,000,000.00           |
| Debt Service Reserve Fund              | 3,463,875.00           |
| Operating and Maintenance Reserve Fund | 1,640,868.00           |
| Cost of Issuance                       | 1,500,000.00           |
| Underwriter's Discount                 | 785,550.00             |
| Additional Proceeds                    | 4,010.30               |
| <b>Total</b>                           | <b>\$56,144,303.30</b> |

# Transaction Summary and Key Security Features

| Transportation System Revenue Bonds, Series 2021A (Tax-Exempt) and Series 2021B (Taxable) |  |                                |                                  |
|---|--|--------------------------------|----------------------------------|
| <b>Issuer:</b>  | Bald Head Island Transportation Authority  |                                |                                  |
| <b>Seller and Operator:</b>   | Bald Head Island Limited, LLC and Bald Head Island Transportation, Inc.  |                                |                                  |
| <b>Par Amount:*</b>   | \$52,370,000   |                                |                                  |
| <b>Ratings:</b>   | TBD  |                                |                                  |
| <b>Tax Status and Structure:</b>  | Series A: Tax-Exempt (non-AMT) for ~95% of par (subject to tax opinion)<br>Series B: Taxable for ~5% of par (subject to tax opinion)<br>Fixed Rate Fully Amortizing 30-year Level Debt Service. Up to \$ 6 million of the financing may be issued as deferred, level debt service with interest only for the first ten years   |                                |                                  |
| <b>Purpose:</b>   | Proceeds of the Bonds will 1) finance the \$47,750,000* acquisition of the Bald Head Island Ferry Transportation System (the "System") from Bald Head Island Limited, LLC and Bald Head Island Transportation, Inc. (collectively, the "Seller"); 2) fund a debt service reserve and operating and maintenance reserve fund; 3) fund \$1.0 million of working capital; 4) pay capitalized interest on the Bonds; 5) fund certain costs of issuance |                                |                                  |
| <b>The System:</b>  | The System is comprised of four primary service functions: (1) the transportation of passengers via ferry to-and-from the Island and the mainland City of Southport, North Carolina; (2) the on-Island tram transportation of ferry passengers; (3) the vehicle parking operation at the Deep Point Marina in the City; and (4) the tug & freight barge operation, which transports supplies and equipment to-and-from the Island                  |                                |                                  |
| <b>Pledged Revenues:</b>  | Net revenue pledge after providing for the Operating and Maintenance Expenses. Includes all revenues, income, proceeds, tolls, rents, proceeds of ticket sales, parking revenue, lease moneys, returns and charges derived from the ownership of the Facilities and the operation of the System. Not payable from any other funds and not a debt of the State nor of any Political Subdivision thereof.  |                                |                                  |
| <b>Rates and Charges:</b>   | Independently set by the Authority, no external approvals required.  |                                |                                  |
| <b>Rate Covenant:</b>   | To produce Net Revenues in each Fiscal Year in an amount equal to 130% of the Annual Principal and Interest Requirements of all Senior Bonds Outstanding in such Fiscal Year; decreases to 105% for any Subordinate Bonds  |                                |                                  |
| <b>Additional Bonds Test:</b>   | The rate covenant on a historical basis and 145% of the Annual Principal and Interest Requirements on all Senior Bonds then proposed to be Outstanding on a forward basis based on net revenues projected by a independent feasibility consultant  |                                |                                  |
| <b>DSRF Requirement:</b>  | Funded with the Bonds at the lesser of the 3-pronged test  |                                |                                  |
| <b>O&amp;M Reserve Requirement :</b>  | Funded with the Bonds at 25% of FY 2022 Operating and Maintenance Expenses as projected in the Feasibility Report, revised each year based on the budgeted O&M for the following year  |                                |                                  |
| <b>Capital Improvement Fund Requirement:</b>  | 20% of the five-year cash funded capital improvement plan for the System, funded in equal monthly installments over 12 months beginning July 1, 2021; minimum required balance of \$500,000  |                                |                                  |
| <b>Interest:</b>  | Semi-annually on February 1 and August 1 of each year, commencing August 1, 2021   |                                |                                  |
| <b>Optional Redemption*:</b>  | 10-year par call   |                                |                                  |
| <b>Financial Advisor:</b>   | Davenport & Company LLC  | <b>Senior Manager:</b>         | UBS Financial Services Inc.      |
| <b>Bond/Issuer Counsel:</b>   | McGuireWoods LLP   | <b>Underwriter's Counsel:</b>  | Parker Poe Adams & Bernstein LLP |
| <b>Seller's Counsel:</b>  | Murchison, Taylor & Gibson PLLC  | <b>Feasibility Consultant:</b> | Mercator International LLC       |

# Bald Head Island Transportation Authority

## Draft Indenture Flow of Funds as of 12/1/2020



# Bald Head Island Transportation Authority Anticipated Insurance Coverage

- The Authority will maintain similar levels of insurance as Bald Head Island Limited, LLC and Bald Head Island Transportation, Inc., with the addition of Business Interruption Coverage roughly equivalent to FY 2022 projected net revenue

| Coverage                                      | Limits per current quote in process | Deductible Retention   |
|---|-------------------------------------|--|
| Primary Property<br>limit includes \$5.5MM of | <b>11,073,081</b>                   | 10,000<br>2% named storm   |
| Business Interruption Coverage                | <b>5,500,000</b>                    | 72 hour waiting period   |
| Total Limit                                   | <b>16,573,081</b>                   |  |
| Flood   | 500,000 max per bldg                | Deductibles: varies per location \$1,250 to \$2,000  |
| Mobile Equipment                              | <b>1,217,813.00</b>                 | Deductibles:<br>~ All Other Property: \$5,000<br>( includes Golf Carts, NT Vehicles, Trams, etc)<br>~ Copiers: \$2,500<br>~ Flood: \$100,000<br>~ Earthquake: \$50,000<br><br>Transit: (property in transit)<br>~ All Peril: \$1,000<br><br>EDP:<br>~ All Other Peril: \$5,000<br>~ Earthquake: \$50,000<br>~ Flood: \$100,000<br>~ Named Storm: \$250,000 |
| Fiduciary                                     | <b>3,000,000.00</b>                 | Currently being quoted as Fiduciary coverage   |

| Coverage   | Limits per current quote in process | Deductible Retention                             |
|--|-------------------------------------|--|
| Business Auto  | <b>1,000,000</b>                    | deductible: \$500 comprehensive /\$500 Collision |
| General Liability  | <b>\$1M occur/\$2M aggregate</b>    | Deductible: 0                                    |
| Umbrella   | will quote up to \$25M              | Self Insured Retention 10,000                    |
| Pollution Environmental - oils/ waste  | 1,000,000                           | Deductible: 50,000                               |
| Marine Coverages:  |                                     |  |
| Hull & Machinery<br>property damage on vessels<br>casualty coverage if causes damage | 1,000,000.00                        | BI-\$5,000;PD-\$5,000; Physical Damage-Various   |
| Jones Act employees  |                                     | Deductible: Various                              |
| Excess Protection & Indemnity<br>Liability Coverage                                  | 30,000,000.00                       | Deductible: Primary layer                        |
| pollution liability (water quality)  | 5,000,000.00                        | Deductible: NA                                   |
| Workers Comp   | 1,593,782.00 NA                     | Deductible: NA                                   |

# Pro Forma Financial Results – Rating Case 1 (Median Scenario)

## 100% Senior Debt

- The feasibility consultant, Mercator, has prepared a detailed feasibility study projecting the Net Revenue Available for Debt Service under a base case (median) scenario as well as a series of sensitivity scenarios. The results of the base case projections are summarized below, and the results of the alternative cases are shown on the following pages:

| A                 | B            | C            | D                                      | E                        | F                         | G                            | H                           | I                         | J  | K                  |
|-------------------|--------------|--------------|--|--------------------------|---------------------------|------------------------------|-----------------------------|---------------------------|--|--------------------|
| Fiscal Year       | Revenues     | Expenses     | Net Revenue Available for Debt Service | Senior Lien Debt Service | Subordinated Debt Service | Senior Debt Service Coverage | Total Debt Service Coverage | Unrestricted Cash Balance | Restricted Cash Balance (Excluding DSRF) | Total Cash Balance |
| Feb 2021-Jun 2021 | \$ 4,451,131 | \$ 2,945,176 | \$ 1,505,954                           | \$ -                     | \$ -                      | 0.00x                        | 0.00x                       | \$ 1,217,470              | \$ 1,641,295                             | \$ 2,858,765       |
| 2022              | 12,215,945   | 6,565,182    | 5,650,764                              | 2,596,679                | -                         | 2.18x                        | 2.18x                       | 2,010,279                 | 2,173,403                                | 4,183,682          |
| 2023              | 12,564,439   | 6,907,831    | 5,656,608                              | 3,281,500                | 91,769                    | 1.72x                        | 1.68x                       | 2,791,405                 | 2,847,177                                | 5,638,582          |
| 2024              | 12,904,963   | 7,114,526    | 5,790,437                              | 3,281,625                | 558,068                   | 1.76x                        | 1.51x                       | 3,490,888                 | 3,408,950                                | 6,899,838          |
| 2025              | 13,234,535   | 7,323,975    | 5,910,560                              | 3,280,000                | 557,763                   | 1.80x                        | 1.54x                       | 4,292,854                 | 4,150,774                                | 8,443,628          |
| 2026              | 13,529,602   | 7,531,046    | 5,998,556                              | 3,281,500                | 557,445                   | 1.83x                        | 1.56x                       | 5,084,264                 | 4,378,357                                | 9,462,622          |
| 2027              | 14,575,221   | 7,719,733    | 6,855,488                              | 3,281,000                | 557,114                   | 2.09x                        | 1.79x                       | 6,863,545                 | 4,536,431                                | 11,399,976         |
| 2028              | 14,861,456   | 7,933,767    | 6,927,689                              | 3,283,375                | 556,770                   | 2.11x                        | 1.80x                       | 8,780,325                 | 4,459,626                                | 13,239,951         |
| 2029              | 15,218,352   | 8,166,679    | 7,051,673                              | 3,278,625                | 556,412                   | 2.15x                        | 1.84x                       | 10,960,767                | 3,892,191                                | 14,852,958         |
| 2030              | 16,001,593   | 8,385,319    | 7,616,274                              | 3,281,625                | 556,040                   | 2.32x                        | 1.98x                       | 13,902,763                | 3,200,964                                | 17,103,727         |
| 2031              | 16,507,835   | 8,606,567    | 7,901,267                              | 3,282,125                | 555,654                   | 2.41x                        | 2.06x                       | 17,270,050                | 3,398,243                                | 20,668,293         |
| 2032              | 17,379,468   | 8,842,468    | 8,537,000                              | 3,280,125                | 664,923                   | 2.60x                        | 2.16x                       | 20,356,740                | 3,480,149                                | 23,836,890         |
| 2033              | 18,357,577   | 9,088,757    | 9,268,820                              | 3,460,875                | 1,221,776                 | 2.68x                        | 1.98x                       | 24,403,893                | 4,000,451                                | 28,404,345         |
| 2034              | 18,702,024   | 9,334,395    | 9,367,628                              | 3,463,875                | 666,578                   | 2.70x                        | 2.27x                       | 28,564,642                | 4,441,021                                | 33,005,663         |
| 2035              | 19,062,519   | 9,590,621    | 9,471,898                              | 3,463,375                | 666,198                   | 2.73x                        | 2.29x                       | 32,817,565                | 4,696,079                                | 37,513,644         |
| 2036              | 20,329,842   | 9,850,242    | 10,479,600                             | 3,459,375                | 665,803                   | 3.03x                        | 2.54x                       | 38,137,136                | 4,605,696                                | 42,742,832         |
| 2037              | 21,314,867   | 10,124,164   | 11,190,703                             | 3,461,625                | 665,392                   | 3.23x                        | 2.71x                       | 44,219,361                | 3,775,982                                | 47,995,344         |
| 2038              | 21,702,817   | 10,398,616   | 11,304,202                             | 3,459,875                | 664,964                   | 3.27x                        | 2.74x                       | 50,623,774                | 3,857,044                                | 54,480,818         |
| 2039              | 22,828,260   | 10,688,944   | 12,139,317                             | 3,463,875                | 664,520                   | 3.50x                        | 2.94x                       | 57,664,674                | 4,121,906                                | 61,786,580         |
| 2040              | 23,259,664   | 10,983,538   | 12,276,125                             | 3,463,375                | 664,057                   | 3.54x                        | 2.97x                       | 64,808,559                | 4,593,368                                | 69,401,927         |
| 2041              | 24,003,914   | 11,292,161   | 12,711,753                             | 3,463,250                | 663,577                   | 3.67x                        | 3.08x                       | 72,339,443                | 4,789,234                                | 77,128,676         |
| 2042              | 25,947,117   | 11,603,784   | 14,343,333                             | 3,463,250                | 663,077                   | 4.14x                        | 3.48x                       | 82,084,637                | 5,126,712                                | 87,211,350         |
| 2043              | 26,441,734   | 11,930,762   | 14,510,973                             | 3,463,125                | -                         | 4.19x                        | 4.19x                       | 92,033,390                | 4,572,029                                | 96,605,420         |
| 2044              | 26,940,826   | 12,264,506   | 14,676,320                             | 3,462,625                | -                         | 4.24x                        | 4.24x                       | 102,299,487               | 4,660,782                                | 106,960,270        |
| 2045              | 28,326,093   | 12,581,549   | 15,744,544                             | 3,461,500                | -                         | 4.55x                        | 4.55x                       | 113,665,177               | 4,831,619                                | 118,496,795        |
| 2046              | 28,848,871   | 12,853,898   | 15,994,973                             | 3,459,500                | -                         | 4.62x                        | 4.62x                       | 125,263,913               | 4,737,852                                | 130,001,765        |
| 2047              | 29,629,604   | 13,132,295   | 16,497,309                             | 3,461,250                | -                         | 4.77x                        | 4.77x                       | 137,359,848               | 4,849,931                                | 142,209,779        |
| 2048              | 30,745,278   | 13,413,431   | 17,331,846                             | 3,461,375                | 143,311                   | 5.01x                        | 4.81x                       | 149,477,915               | 4,901,341                                | 154,379,256        |
| 2049              | 30,838,439   | 13,700,754   | 17,137,686                             | 3,459,625                | 871,509                   | 4.95x                        | 3.96x                       | 161,322,154               | 5,115,402                                | 166,437,556        |
| 2050              | 30,191,880   | 13,807,416   | 16,384,464                             | 3,460,625                | 871,031                   | 4.73x                        | 3.78x                       | 172,455,878               | 5,138,085                                | 177,593,964        |
| 2051              | 30,191,880   | 13,807,416   | 16,384,464                             | 3,459,000                | 870,535                   | 4.74x                        | 3.78x                       | 184,417,504               | 5,134,103                                | 189,551,607        |

# Pro Forma Financial Results – Rating Case 2 (Median Scenario)

## 50% Senior Debt ; 50% Subordinated Debt

| A                 | B            | C            | D                                      | E                        | F                         | G                            | H                           | I                         | J  | K                  |
|-------------------|--------------|--------------|--|--------------------------|---------------------------|------------------------------|-----------------------------|---------------------------|--|--------------------|
| Fiscal Year       | Revenues     | Expenses     | Net Revenue Available for Debt Service | Senior Lien Debt Service | Subordinated Debt Service | Senior Debt Service Coverage | Total Debt Service Coverage | Unrestricted Cash Balance | Restricted Cash Balance (Excluding DSRF) | Total Cash Balance |
| Feb 2021-Jun 2021 | \$ 4,451,131 | \$ 2,945,176 | \$ 1,505,954                           | \$ -                     | \$ -                      | 0.00x                        | 0.00x                       | \$ 1,217,675              | \$ 1,641,295                             | \$ 2,858,970       |
| 2022              | 12,215,945   | 6,565,182    | 5,650,764                              | 1,295,117                | 1,301,067                 | 4.36x                        | 2.18x                       | 2,010,983                 | 2,173,403                                | 4,184,386          |
| 2023              | 12,564,439   | 6,907,831    | 5,656,608                              | 1,637,500                | 1,735,269                 | 3.45x                        | 1.68x                       | 2,792,609                 | 2,847,177                                | 5,639,786          |
| 2024              | 12,904,963   | 7,114,526    | 5,790,437                              | 1,640,000                | 2,199,193                 | 3.53x                        | 1.51x                       | 3,492,592                 | 3,408,950                                | 6,901,542          |
| 2025              | 13,234,535   | 7,323,975    | 5,910,560                              | 1,636,625                | 2,200,638                 | 3.61x                        | 1.54x                       | 4,295,059                 | 4,150,774                                | 8,445,832          |
| 2026              | 13,529,602   | 7,531,046    | 5,998,556                              | 1,637,375                | 2,201,070                 | 3.66x                        | 1.56x                       | 5,086,969                 | 4,378,357                                | 9,465,326          |
| 2027              | 14,575,221   | 7,719,733    | 6,855,488                              | 1,637,125                | 2,200,489                 | 4.19x                        | 1.79x                       | 6,871,332                 | 4,536,431                                | 11,407,763         |
| 2028              | 14,861,456   | 7,933,767    | 6,927,689                              | 1,635,875                | 2,198,895                 | 4.23x                        | 1.81x                       | 8,784,217                 | 4,459,626                                | 13,243,842         |
| 2029              | 15,218,352   | 8,166,679    | 7,051,673                              | 1,638,500                | 2,201,162                 | 4.30x                        | 1.84x                       | 10,964,721                | 3,892,191                                | 14,856,912         |
| 2030              | 16,001,593   | 8,385,319    | 7,616,274                              | 1,639,875                | 2,197,290                 | 4.64x                        | 1.98x                       | 13,911,800                | 3,200,964                                | 17,112,764         |
| 2031              | 16,507,835   | 8,606,567    | 7,901,267                              | 1,635,125                | 2,197,279                 | 4.83x                        | 2.06x                       | 17,275,192                | 3,398,243                                | 20,673,435         |
| 2032              | 17,379,468   | 8,842,468    | 8,537,000                              | 1,639,125                | 2,310,548                 | 5.21x                        | 2.16x                       | 20,361,945                | 3,480,149                                | 23,842,094         |
| 2033              | 18,357,577   | 9,088,757    | 9,268,820                              | 1,724,500                | 2,957,651                 | 5.37x                        | 1.98x                       | 24,409,598                | 4,000,451                                | 28,410,049         |
| 2034              | 18,702,024   | 9,334,395    | 9,367,628                              | 1,726,125                | 2,403,828                 | 5.43x                        | 2.27x                       | 28,570,846                | 4,441,021                                | 33,011,867         |
| 2035              | 19,062,519   | 9,590,621    | 9,471,898                              | 1,726,000                | 2,403,073                 | 5.49x                        | 2.29x                       | 32,824,269                | 4,696,079                                | 37,520,348         |
| 2036              | 20,329,842   | 9,850,242    | 10,479,600                             | 1,724,125                | 2,400,553                 | 6.08x                        | 2.54x                       | 38,144,340                | 4,605,696                                | 42,750,036         |
| 2037              | 21,314,867   | 10,124,164   | 11,190,703                             | 1,725,375                | 2,401,142                 | 6.49x                        | 2.71x                       | 44,227,065                | 3,775,982                                | 48,003,048         |
| 2038              | 21,702,817   | 10,398,616   | 11,304,202                             | 1,724,625                | 2,399,714                 | 6.55x                        | 2.74x                       | 50,631,978                | 3,857,044                                | 54,489,022         |
| 2039              | 22,828,260   | 10,688,944   | 12,139,317                             | 1,726,750                | 2,401,145                 | 7.03x                        | 2.94x                       | 57,673,378                | 4,121,906                                | 61,795,284         |
| 2040              | 23,259,664   | 10,983,538   | 12,276,125                             | 1,726,625                | 2,400,307                 | 7.11x                        | 2.97x                       | 64,822,347                | 4,593,368                                | 69,415,714         |
| 2041              | 24,003,914   | 11,292,161   | 12,711,753                             | 1,724,250                | 2,397,202                 | 7.37x                        | 3.08x                       | 72,358,501                | 4,789,234                                | 77,147,735         |
| 2042              | 25,947,117   | 11,603,784   | 14,343,333                             | 1,724,500                | 2,396,702                 | 8.32x                        | 3.48x                       | 82,104,133                | 5,126,712                                | 87,230,846         |
| 2043              | 26,441,734   | 11,930,762   | 14,510,973                             | 1,727,125                | 1,736,000                 | 8.40x                        | 4.19x                       | 92,052,886                | 4,572,029                                | 96,624,915         |
| 2044              | 26,940,826   | 12,264,506   | 14,676,320                             | 1,727,000                | 1,735,625                 | 8.50x                        | 4.24x                       | 102,318,983               | 4,660,782                                | 106,979,766        |
| 2045              | 28,326,093   | 12,581,549   | 15,744,544                             | 1,724,125                | 1,737,375                 | 9.13x                        | 4.55x                       | 113,684,673               | 4,831,619                                | 118,516,291        |
| 2046              | 28,848,871   | 12,853,898   | 15,994,973                             | 1,723,375                | 1,736,125                 | 9.28x                        | 4.62x                       | 125,283,409               | 4,737,852                                | 130,021,261        |
| 2047              | 29,629,604   | 13,132,295   | 16,497,309                             | 1,724,500                | 1,736,750                 | 9.57x                        | 4.77x                       | 137,379,344               | 4,849,931                                | 142,229,275        |
| 2048              | 30,745,278   | 13,413,431   | 17,331,846                             | 1,727,250                | 1,877,436                 | 10.03x                       | 4.81x                       | 149,497,411               | 4,901,341                                | 154,398,752        |
| 2049              | 30,838,439   | 13,700,754   | 17,137,686                             | 1,726,500                | 2,604,634                 | 9.93x                        | 3.96x                       | 161,346,233               | 5,115,402                                | 166,461,636        |
| 2050              | 30,191,880   | 13,807,416   | 16,384,464                             | 1,722,250                | 2,604,531                 | 9.51x                        | 3.79x                       | 172,480,145               | 5,138,085                                | 177,618,230        |
| 2051              | 30,191,880   | 13,807,416   | 16,384,464                             | 1,724,250                | 2,605,535                 | 9.50x                        | 3.78x                       | 184,436,938               | 5,134,103                                | 189,571,041        |

# Pro Forma Financial Results – Rating Case 3 (Median Scenario)

## 100% Senior Debt with 50 bps Higher Coverage

| A                 | B            | C            | D                                      | E                        | F                         | G                            | H                           | I                         | J  | K                  |
|-------------------|--------------|--------------|--|--------------------------|---------------------------|------------------------------|-----------------------------|---------------------------|--|--------------------|
| Fiscal Year       | Revenues     | Expenses     | Net Revenue Available for Debt Service | Senior Lien Debt Service | Subordinated Debt Service | Senior Debt Service Coverage | Total Debt Service Coverage | Unrestricted Cash Balance | Restricted Cash Balance (Excluding DSRF) | Total Cash Balance |
| Feb 2021-Jun 2021 | \$ 4,451,131 | \$ 2,945,176 | \$ 1,505,954                           | \$ -                     | \$ -                      | 0.00x                        | 0.00x                       | \$ 1,217,470              | \$ 1,641,295                             | \$ 2,858,765       |
| 2022              | 13,514,285   | 6,565,182    | 6,949,103                              | 2,596,679                | -                         | 2.68x                        | 2.68x                       | 3,308,618                 | 2,173,403                                | 5,482,021          |
| 2023              | 14,205,189   | 6,907,831    | 7,297,358                              | 3,281,500                | 91,769                    | 2.22x                        | 2.16x                       | 5,730,495                 | 2,847,177                                | 8,577,671          |
| 2024              | 14,545,776   | 7,114,526    | 7,431,250                              | 3,281,625                | 558,068                   | 2.26x                        | 1.94x                       | 8,070,790                 | 3,408,950                                | 11,479,740         |
| 2025              | 14,874,535   | 7,323,975    | 7,550,560                              | 3,280,000                | 557,763                   | 2.30x                        | 1.97x                       | 10,512,757                | 4,150,774                                | 14,663,530         |
| 2026              | 15,170,352   | 7,531,046    | 7,639,306                              | 3,281,500                | 557,445                   | 2.33x                        | 1.99x                       | 12,944,917                | 4,378,357                                | 17,323,274         |
| 2027              | 16,215,721   | 7,719,733    | 8,495,988                              | 3,281,000                | 557,114                   | 2.59x                        | 2.21x                       | 16,364,697                | 4,536,431                                | 20,901,128         |
| 2028              | 16,503,143   | 7,933,767    | 8,569,376                              | 3,283,375                | 556,770                   | 2.61x                        | 2.23x                       | 19,923,165                | 4,459,626                                | 24,382,790         |
| 2029              | 16,857,665   | 8,166,679    | 8,690,986                              | 3,278,625                | 556,412                   | 2.65x                        | 2.27x                       | 23,742,919                | 3,892,191                                | 27,635,110         |
| 2030              | 17,642,406   | 8,385,319    | 9,257,086                              | 3,281,625                | 556,040                   | 2.82x                        | 2.41x                       | 28,325,727                | 3,200,964                                | 31,526,691         |
| 2031              | 18,148,897   | 8,606,567    | 9,542,330                              | 3,282,125                | 555,654                   | 2.91x                        | 2.49x                       | 33,334,077                | 3,398,243                                | 36,732,320         |
| 2032              | 19,019,530   | 8,842,468    | 10,177,062                             | 3,280,125                | 664,923                   | 3.10x                        | 2.58x                       | 38,060,830                | 3,480,149                                | 41,540,979         |
| 2033              | 20,088,014   | 9,088,757    | 10,999,258                             | 3,460,875                | 1,221,776                 | 3.18x                        | 2.35x                       | 43,838,421                | 4,000,451                                | 47,838,872         |
| 2034              | 20,433,961   | 9,334,395    | 11,099,566                             | 3,463,875                | 666,578                   | 3.20x                        | 2.69x                       | 49,731,107                | 4,441,021                                | 54,172,128         |
| 2035              | 20,794,207   | 9,590,621    | 11,203,586                             | 3,463,375                | 666,198                   | 3.23x                        | 2.71x                       | 55,715,717                | 4,696,079                                | 60,411,796         |
| 2036              | 22,059,530   | 9,850,242    | 12,209,288                             | 3,459,375                | 665,803                   | 3.53x                        | 2.96x                       | 62,764,975                | 4,605,696                                | 67,370,671         |
| 2037              | 23,045,679   | 10,124,164   | 12,921,515                             | 3,461,625                | 665,392                   | 3.73x                        | 3.13x                       | 70,578,013                | 3,775,982                                | 74,353,996         |
| 2038              | 23,432,755   | 10,398,616   | 13,034,139                             | 3,459,875                | 664,964                   | 3.77x                        | 3.16x                       | 78,712,364                | 3,857,044                                | 82,569,408         |
| 2039              | 24,560,198   | 10,688,944   | 13,871,254                             | 3,463,875                | 664,520                   | 4.00x                        | 3.36x                       | 87,485,201                | 4,121,906                                | 91,607,107         |
| 2040              | 24,991,351   | 10,983,538   | 14,007,813                             | 3,463,375                | 664,057                   | 4.04x                        | 3.39x                       | 96,360,774                | 4,593,368                                | 100,954,141        |
| 2041              | 25,735,539   | 11,292,161   | 14,443,378                             | 3,463,250                | 663,577                   | 4.17x                        | 3.50x                       | 105,623,282               | 4,789,234                                | 110,412,516        |
| 2042              | 27,678,742   | 11,603,784   | 16,074,958                             | 3,463,250                | 663,077                   | 4.64x                        | 3.90x                       | 117,100,102               | 5,126,712                                | 122,226,814        |
| 2043              | 28,173,297   | 11,930,762   | 16,242,535                             | 3,463,125                | -                         | 4.69x                        | 4.69x                       | 128,780,417               | 4,572,029                                | 133,352,447        |
| 2044              | 28,672,138   | 12,264,506   | 16,407,633                             | 3,462,625                | -                         | 4.74x                        | 4.74x                       | 140,777,827               | 4,660,782                                | 145,438,609        |
| 2045              | 30,056,843   | 12,581,549   | 17,475,294                             | 3,461,500                | -                         | 5.05x                        | 5.05x                       | 153,874,266               | 4,831,619                                | 158,705,885        |
| 2046              | 30,578,621   | 12,853,898   | 17,724,723                             | 3,459,500                | -                         | 5.12x                        | 5.12x                       | 167,202,752               | 4,737,852                                | 171,940,604        |
| 2047              | 31,360,229   | 13,132,295   | 18,227,934                             | 3,461,250                | -                         | 5.27x                        | 5.27x                       | 181,029,313               | 4,849,931                                | 185,879,244        |
| 2048              | 32,475,965   | 13,413,431   | 19,062,534                             | 3,461,375                | 143,311                   | 5.51x                        | 5.29x                       | 194,878,067               | 4,901,341                                | 199,779,408        |
| 2049              | 32,568,252   | 13,700,754   | 18,867,498                             | 3,459,625                | 871,509                   | 5.45x                        | 4.36x                       | 208,452,119               | 5,115,402                                | 213,567,521        |
| 2050              | 31,922,192   | 13,807,416   | 18,114,776                             | 3,460,625                | 871,031                   | 5.23x                        | 4.18x                       | 221,316,155               | 5,138,085                                | 226,454,241        |
| 2051              | 31,921,380   | 13,807,416   | 18,113,964                             | 3,459,000                | 870,535                   | 5.24x                        | 4.18x                       | 235,007,281               | 5,134,103                                | 240,141,384        |

---

# Conclusion



# Executive Summary

## Rationale for Establishment of Authority and Overview of Key Assets

- Answers the need for a platform of long-term, local governance and operation;
- Simplifies passenger ferry, on-Island tram transportation, parking, as well as tug & freight barge governance, strategy, planning, funding, and operations by creating an integrated transportation and logistics system
- The Ferry Transportation Act authorizing the creation of the Authority in July 2017 was unanimously approved by the North Carolina General Assembly

## Operating History, Demand Drivers and Resilience through COVID

- Regular ferry service in operation since 1982, growing from 30,000 to over 350,000 annual passengers in 2019, with no competing or viable alternative transportation
- Transfer of Bald Head Island Transportation assets to the Authority creates full rate making autonomy, with additional fare increases in line with inflation programmed for July 1, 2021
- Despite COVID-19 related capacity restrictions, changes in domestic travel patterns have driven a quick rebound in ticket sales, with revenues recovering to their three year average
- Capacity to handle 53% more passengers with only \$42 million of projected 30-year capex and strong demonstrated correlation between housing stock and ferry ticket sales growth

## Key Credit and Financial Highlights

- Three years of diligence conducted to date; all assets in good working condition
- Median case requires only 1.6% annual growth while maintaining 2.04x average senior debt service coverage over the next 10 years, despite immediately amortizing level debt
- \$5.1 million of restricted reserves funded at issuance with an average of 345 days cash on hand projected over the next 10 years under the Median case
- Full transfer of existing operations to Authority, including experienced management team
- Demonstrated resilience to natural perils and comprehensive insurance in place

# Contacts

---

## Bald Head Island Transportation Authority

|               |                   |
|---------------|-------------------|
| Susan Rabon   | <i>Chair</i>      |
| Robert Howard | <i>Vice Chair</i> |
| David Jessen  | <i>Treasurer</i>  |

## Bald Head Island Limited, LLC

|                      |                                |
|----------------------|--------------------------------|
| Charles A. Paul, III | <i>Chief Executive Officer</i> |
| Shirley Mayfield     | <i>Chief Financial Officer</i> |

## Davenport & Company LLC

|                |  |
|----------------|--|
| Ted Cole       | <i>Senior Vice President<br/>Co-Head of Public Finance</i> |
| Mitch Brigulio | <i>Senior Vice President</i>                               |
| Cole Claiborne | <i>Analyst</i>   |

## UBS Financial Services

|               |   |
|---------------|---|
| Eric Golynsky | <i>Executive Director<br/>Transportation Public Finance</i> |
| David Moffett | <i>Executive Director<br/>Southeast Public Finance</i>      |
| Conor Lanz    | <i>Director<br/>Transportation Public Finance</i>           |
| Kate Kehne    | <i>Analyst<br/>Southeast Public Finance</i>                 |

# COVID-19 Updates

---

- **Barge Department:** On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020 NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020 the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. The barge operation is an essential business and has continued to provide service between Southport and Bald Head Island. The barge has continued to operate its customer base, to include retail shops, grocery store, construction, membership clubs, etc. operations have been minimally affected. Management has continued to operate in compliance with the most recent Governor's Executive Orders. There has been some disruption to the barge operation; however, there is minimal concern related to future operations. The Company will continue to monitor and take guidance from the Governor's office, the Village of Bald Head Island, the City of Southport and the Coast Guard.
- **Parking Department:** On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020 NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020 the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. As visitation to Bald Head Island decreased, the parking operation saw some reduction in parking demand. Management is aware of changes in the business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes the disruption could be temporary as people tend to be staying longer on the Island; however, there is an uncertainty around when service may resume normal operations. The Company will continue to take guidance from the Governor's office and the City of Southport. Management has continued to operate in compliance with the Governor's Executive Orders, most recent being Executive Order 148.

# COVID-19 Updates

---

- **Transportation:** On March 11, 2020, the World Health Organization declared the outbreak of the Coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States and around the world. On March 10, 2020 NC Governor, Roy Cooper, issued Executive Order 116 to coordinate response and protective action to prevent the spread of COVID-19. On March 19, 2020 the Village of Bald Head Island declared a Voluntary Evacuation of Bald Head Island to be effective March 21, 2020, effectively ceasing rental guest activity on the Island. Bald Head Island Transportation, Inc. a regulated utility and an essential means of public transportation, began reducing ridership to the Island in cooperation with the Village's Voluntary Evacuation Order. On March 26, 2020 the North Carolina Utilities Commission (NCUC) issued Docket No. A-41, Sub 19, which reduced ferry passengers to 25 plus Captain and Crew leaving Deep Point and 35 passengers plus crew leaving Bald Head Island. Further the order reduced the hours of operation from 8am-5:30pm. On May 6, 2020, given the Governor's subsequent Executive Order, Order No. 138, and the increased traffic going to Bald Head Island, the NCUC issued an amendment to Docket No. A-41, SUB 19 to allow the ferry passenger count to increase to 75 per trip, hands free facial mask/covering were still required and tram operations resumed, the schedule was extended to allow for a 7pm departure from Deep Point and a 7:30pm departure from Bald Head Island. Management is aware of changes in its business as a result of COVID-19 but it is too early to fully know the impact of those changes on its financial position. Management believes that while the disruption could be temporary; the impact could negatively impact 2020 operations. There is an uncertainty around when service may resume normal operations and the Company will continue to monitor and take guidance from the Governor's office, the NCUC, Village of Bald Head Island, City of Southport and the Coast Guard.
- **Subsequent Event:** On September 4, 2020, Governor Roy Cooper issued Executive Order No. 163, further opening the State to activity; but, continuing to regard masks as essential and stressing the need to follow social distancing, washing hands often and using hand sanitizer. On September 23, 2020, the Commission issued an order denying the motion to increase ferry capacity from 75 to 100. However, on September 30, Executive Order 169 was issued, intending to move the State into phase 3 of the COVID recovery. On October 5th and 6th, the NCUC ordered the modification to allow operating procedures to be increased to 100 passengers per voyage, while maintaining the additional emergency procedures, social distancing, handwashing and mandatory masks. The NCUC received numerous consumer statements of position, either supporting or opposing the BHIT ferry passenger increase.

# Municipal Advisor Disclosure

---

The enclosed information relates to an existing or potential municipal advisor engagement.

The U.S. Securities and Exchange Commission (the “SEC”) has clarified that a broker, dealer or municipal securities dealer engaging in municipal advisory activities outside the scope of underwriting a particular issuance of municipal securities should be subject to municipal advisor registration. Davenport & Company LLC (“Davenport”) has registered as a municipal advisor with the SEC. As a registered municipal advisor Davenport may provide advice to a municipal entity or obligated person. An obligated person is an entity other than a municipal entity, such as a not for profit corporation, that has commenced an application or negotiation with an entity to issue municipal securities on its behalf and for which it will provide support. If and when an issuer engages Davenport to provide financial advisory or consultant services with respect to the issuance of municipal securities, Davenport is obligated to evidence such a financial advisory relationship with a written agreement.

When acting as a registered municipal advisor Davenport is a fiduciary required by federal law to act in the best interest of a municipal entity without regard to its own financial or other interests. Davenport is not a fiduciary when it acts as a registered investment advisor, when advising an obligated person, or when acting as an underwriter, though it is required to deal fairly with such persons.

This material was prepared by public finance, or other non-research personnel of Davenport. This material was not produced by a research analyst, although it may refer to a Davenport research analyst or research report. Unless otherwise indicated, these views (if any) are the author’s and may differ from those of the Davenport fixed income or research department or others in the firm. Davenport may perform or seek to perform financial advisory services for the issuers of the securities and instruments mentioned herein.

This material has been prepared for information purposes only and is not a solicitation of any offer to buy or sell any security/instrument or to participate in any trading strategy. Any such offer would be made only after a prospective participant had completed its own independent investigation of the securities, instruments or transactions and received all information it required to make its own investment decision, including, where applicable, a review of any offering circular or memorandum describing such security or instrument. That information would contain material information not contained herein and to which prospective participants are referred. This material is based on public information as of the specified date, and may be stale thereafter. We have no obligation to tell you when information herein may change. We make no representation or warranty with respect to the completeness of this material. Davenport has no obligation to continue to publish information on the securities/instruments mentioned herein. Recipients are required to comply with any legal or contractual restrictions on their purchase, holding, sale, exercise of rights or performance of obligations under any securities/instruments transaction.

The securities/instruments discussed in this material may not be suitable for all investors or issuers. Recipients should seek independent financial advice prior to making any investment decision based on this material. This material does not provide individually tailored investment advice or offer tax, regulatory, accounting or legal advice. Prior to entering into any proposed transaction, recipients should determine, in consultation with their own investment, legal, tax, regulatory and accounting advisors, the economic risks and merits, as well as the legal, tax, regulatory and accounting characteristics and consequences, of the transaction. You should consider this material as only a single factor in making an investment decision.

The value of and income from investments and the cost of borrowing may vary because of changes in interest rates, foreign exchange rates, default rates, prepayment rates, securities/instruments prices, market indexes, operational or financial conditions or companies or other factors. There may be time limitations on the exercise of options or other rights in securities/instruments transactions. Past performance is not necessarily a guide to future performance and estimates of future performance are based on assumptions that may not be realized. Actual events may differ from those assumed and changes to any assumptions may have a material impact on any projections or estimates. Other events not taken into account may occur and may significantly affect the projections or estimates. Certain assumptions may have been made for modeling purposes or to simplify the presentation and/or calculation of any projections or estimates, and Davenport does not represent that any such assumptions will reflect actual future events. Accordingly, there can be no assurance that estimated returns or projections will be realized or that actual returns or performance results will not materially differ from those estimated herein. This material may not be sold or redistributed without the prior written consent of Davenport.

Version 1.13.14 CC | MB | TC