

**BOARD OF TRUSTEES
OF THE BALD HEAD ISLAND TRANSPORTATION AUTHORITY**

**RESOLUTION AUTHORIZING LETTER TO APPOINTING
BODIES AND NORTH CAROLINA LOCAL
GOVERNMENT COMMISSION REGARDING STATUS OF
ACQUISITION OF FERRY SYSTEM**

WHEREAS, pursuant to Session Law 2017-120 (the “Act”), the Bald Head Island Transportation Authority (the “Authority”) was established to acquire, own and operate the ferry and ground transportation assets and services provided to Bald Head Island, North Carolina (the “Island”) including, but not limited to, (i) the transportation of passengers via ferry to and from the Island and Southport, North Carolina; (ii) the on-island tram transportation of ferry passengers; (iii) the vehicle parking operation at Deep Point Marina in Southport, North Carolina, and (iv) the tug and freight barge operation which carries supplies and equipment to and from the Island (collectively, as further defined herein, the “System”); and

WHEREAS, the Authority and Bald Head Island Transportation, Inc., a North Carolina corporation (“BHIT”), and Bald Head Island Limited, LLC, a Texas limited liability company (“BHIL”, and together with BHIL, collectively referred to herein as “Seller”) have negotiated an Asset Purchase Agreement, pursuant to which the Authority will purchase the real and personal property, structures, improvements, buildings, equipment, maritime vessels, vehicles, vehicle parking, trams, shuttle buses, docks, terminals, and other facilities used in the operation of the System (the “Facilities”) for a purchase price of \$47,750,000 (the “Authority Purchase Price”), and a Ferry and Barge Facilities Operating and Transition Services Agreement with Seller, acting as the Management Company, pursuant to which Seller will continue to operate the System for a twelve month period in order to allow an orderly transition of the operation of the System to the Authority; and

WHEREAS, the Authority proposes to issue its Transportation System Revenue Bonds, Series 2021 (the “Series 2021 Bonds”) to finance the acquisition of the System; and

WHEREAS, the Authority filed an application with the Local Government Commission of North Carolina (the “LGC”) for its approval of the Series 2021 as required by applicable North Carolina law on November 5, 2020, which was updated at the request of LGC staff on April 21, 2021 in anticipation of consideration at the May 4, 2021, LGC meeting; and

WHEREAS, the LGC has taken the following actions with respect to the Authority’s application: at the May meeting consideration of the issuance of the Series 2021 Bonds was tabled pending receipt of additional information as to value, transparency and governance; at the June 1, 2021 LGC meeting the members requested the Authority to provide responses to a list of questions submitted by members and the Village Council of the Village of Bald Head Island (the “Village Council”); at the July 13, 2021 meeting the LGC passed a resolution which stated that

the LGC it would take up the Bald Head Island financing once a second appraisal had been received and the staff and members had time to review it and establish a timeline for approval; and at the October 5, 2021 LGC meeting the Treasurer, as Chairman of the LGC, stated that the December 7, 2021 LGC meeting agenda would be almost entirely devoted to the applications submitted by the Bald Head Island Transportation Authority and the Village of Bald Head Island regarding the purchase of the System; and

WHEREAS, in anticipation of consideration by the LGC of the application and the financing at the December 7, 2021 meeting, the Authority has provided additional information to the LGC staff; and

WHEREAS, at the end of the LGC's November meeting, State Auditor Beth Wood, a member of the LGC, stated her objection to putting the Authority's proposed bond issue on the December 7, 2021 agenda because she was not satisfied that she had seen adequate information as to the value of the System, and subsequently sent an open letter to the Treasurer insisting that the matter not be on the agenda because she does not believe the LGC has received evidence to support the value of the asset being purchased, which is necessary to make the finding required by statute that the amount of the debt is adequate and not excessive for the purpose for which it is being issued; and

WHEREAS, the Village Council also seeks to purchase the System using the proceeds of General Obligation Bonds in an amount of up to \$54,000,000 million, the issuance of which was approved by the voters of the Village by a margin of 173-122, although it is not clear at what purchase price the Village Council proposes to purchase the System, since the Seller has indicated that it will not sell the System to the Village, and that the Authority Purchase Price would not in any case apply in a sale to the Village; and

WHEREAS, the Seller has informed the Village and the Authority that unless the sale to the Authority is approved, it intends to pursue a sale in the private equity markets, and that it expects to be able to sell some or all of the System in that market for significantly more than the Authority Purchase Price; and

WHEREAS, the Board does not know what other information it is expected to provide beyond the multiple consultant reports and appraisals that have been undertaken to establish the value of the System, nor does it have the funding to order any additional appraisals or evaluations of the assets of the System; and

WHEREAS, the Board is deeply concerned that it has reached an impasse in its efforts to purchase the System, as it is directed to do in the Act; and

WHEREAS, the Board believes that the outcome of the impasse could be a sale of the System to one or more for-profit investors/owners, which would not be in the best interest of any of the users of the System; and

WHEREAS, at its regular meeting on November 17, 2021, the Board directed two of its members to draft a statement or letter to be sent to the appointing bodies of the Trustees, setting forth this impasse and the Board's concerns; and

WHEREAS, a draft letter addressed to the Governor, the President Pro Tempore of the Senate, the Speaker of the House of Representatives, the Secretary of the Department of Transportation, Board of Commissioners of Brunswick County, the Board of Aldermen of the City of Southport, and the Village Council of the Village of Bald Head Island, all of whom are charged with appointing one or more Trustees of the Board, with a copy to the members and staff of the LGC (the "Authority Letter"), has been presented to this meeting;

NOW, THEREFORE, the Board of Trustees of the Authority, in a special meeting duly called and held on November 29, 2021, hereby resolves as follows:

1. The form and substance of the Authority Letter are hereby approved. The Chair of the Authority is hereby authorized and directed to finalize the Authority Letter, taking into account comments received at this meeting, and to send the Authority Letter to the addressees thereof by electronic and overnight mail, along with a copy of this resolution. A copy shall also be provided to the members and staff of the LGC.
2. All actions of the officers of the Authority in furtherance of this resolution are hereby ratified and confirmed. This resolution shall take effect immediately.

Trustee _____ moved to approve the foregoing, Trustee _____ seconded, and the motion was passed by the following vote:

Ayes: _____

Nays: _____

Not Voting: _____

Board Action Control Number: _____

The undersigned Clerk to the Board of Trustees of the Bald Head Island Transportation Authority hereby certifies that the foregoing resolution was adopted by the Bald Head Island

Transportation Authority Board of Trustees, at a special meeting duly called and held on the 29th day of November, 2021.

Authority Clerk

Date: _____