

November 15, 2021

Ms. Paru Patel
State and Local Government Finance Division
North Carolina Local Government Commission
3200 Atlantic Avenue
Raleigh, NC 27604

Bald Head Island Transportation Authority - LGC request for documents

Dear Paru:

The Bald Head Island Transportation Authority and its consultants have been working to provide responses to the items requested in your November 8, 2021 email. I have attached requested documents in some instances; in others I have provided additional information.

1. An updated numbers run
 - UBS has provided an updated numbers run, which includes the following which is consistent with recent market spreads for BBB- debt: closing date of 2/28/2021; 10 year no call until 2032; par amount of \$46,175,000 (with premium of \$6,966,698); average coupon of 4.133% and TIC of 3.172.
2. The FY2020 audit reports for Bald Head Island Transportation, Inc. ("Transportation"), which operates the ferry, and Bald Head Island Limited, LLC ("Limited"), relating to the barge and parking operations (collectively, the "System"). Note that these audits are for the calendar year ended December 31, 2020 since Limited and Transportation continue to operate on a calendar basis.
 - 2020 Audit: Bald Head Island Transportation, Inc. 2020 RSM Audited Financial Statements;
 - 2020 Audit: Bald Head Island Limited, LLC Tug & Freight Barge Department (710) 2020 RSM Audited Financial Statements;
 - 2020 Audit: Bald Head Island Limited, LLC Parking Department (715) 2020 RSM Audited Financial Statements;
3. Updated, unaudited financials for those same operations through September 30, 2021.

- Transportation System Monthly Consolidated Financial Statements FYE 6/30/21^{Note 1}
- Transportation System Monthly Consolidated Financial Statements FYE 12/31/21 - Actual 1.1.21 - 9.30.21 and Budget 10.1.21 - 12.31.21^{Note 1}
- Bald Head Island Transportation, Inc. Monthly Financials 2013-2021 (through 9/30/21)
- Bald Head Island Limited, LLC Parking Department (715) Monthly Financials 2013-2021 (through 9/30/21)
- Bald Head Island Limited, LLC Tug & Barge Department (710) Monthly Financials 2013-2021 (through 9/30/21)

Note 1 Please note that when reviewing the consolidated financial statements, and comparing it to the Mercator financial projections, the following adjustments should be made: (a) the line item for NCUC Facilities Lease is to be backed out (since that intercompany lease would no longer be an expense of the System after it is owned by the Authority) and (b) for the Consolidated Financial Statements presented for the period ended 6/30/2021, the “Other Revenue” of \$502,100 should be backed out because it was a one-time cash infusion (i.e. a PPP Loan) and will not be an ongoing part of the revenue of the System.

4. A schedule of depreciation for all the transportation assets

- A table that includes the depreciation of all System assets is included.
- In addition, Limited and Transportation provided a schedule of all of the capital expenditures that have been made to the assets of the System since 2019, which is also included.

5. Confirmation on a sale and pricing date

- The Authority has spoken with Bob Newman at the LGC and has obtained a sale and pricing date of February 16, 2022 on the LGC calendar

6. Did the Authority respond to the Village’s list of questions for the second valuation? We would like to see those responses.

We understand that the LGC staff is looking for the Authority’s response to the Review prepared by Loftis Companies (the “Loftis Review”) of the Appraisals prepared by Greg Becker, MAI, MRICS, Newmark Knight Frank dated July 25, 2021 (Bald Head Island Terminal) and August 31, 2021 (Deep Point Marina) (collectively, the “Newmark Appraisals” or “Works Under Review”). Loftis Companies is itself an appraisal company, and reviewed the methodology applied in the Newmark Appraisals. The Loftis Review specifically states that the appraisers who prepared it were not able to provide an opinion of value for the Works under Review, and that the review did not apply to the market value reported by the Works Under Review.

The Authority has, at your request, attempted to respond to the issues raised by the Loftis Review. Please note that none of the Authority, the Trustees, or their professionals are licensed appraisers, and therefore are not in a position to address a number of the points raised in the Loftis Review. The Authority was able to obtain certain additional limited information from Greg Becker, which is included in the attached response.

7. Have the ratings been refreshed? If so, please send us the updated report.
 - Tim Romocki indicated in late October that it was not necessary to obtain an updated rating report for the December LGC meeting. We have no expectation that the rating will be any different from what we shared earlier this spring. Of course, once the transaction is approved and we move towards a sale date, we will reach out to S&P to confirm the rating.
8. Can you give us more insight on the methodology used when performing the property tax valuation on the operation of the ferry system?
 - We have been in contact with Jeff Niebauer, the Tax Assessor in Brunswick County. We would like to arrange a call with Mr. Niebauer and the LGC staff to provide an opportunity for you to ask questions of him directly as to the valuation methodology. He is happy to get on a call, and will bring the assessor responsible for these particular properties to the call.
9. Can the appraiser make himself available by phone in the event any questions arise from the commission?
 - We have reached out to Greg Becker to request that he be available, but are not certain that he will be available for the LGC meeting on December 2. We will continue to request that he attend.

In addition to the items in your November 8, 2021 email, Tim Romocki had also requested a letter from Jim Leonard with Mercator, the author of the Feasibility Study, indicating that his conclusions from the Feasibility Study (draft of April 22, 2021) were still valid. That letter is in process, and we will forward it as soon as we receive it.

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As always, please let us know what additional information we can provide.

Very truly yours,



Mary Nash Rusher

cc: Tim Romocki
Jennifer Wimmer
Trustees, Bald Head Island Transportation Authority
Eric Golynsky
Ted Cole
Mitch Brigulio
Henry L. Kitchin Jr.
J. Dickson McLean