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Dec 15, 2020 to March 21, 2021	<p>On December 15, 2020, the Village Council wrote to the LGC voicing objections and asking the LGC to defer action. The letter was detailed but expressed two basic complaints: 1- financial questions were raised about whether or not all transportation costs were included, about ferry rate increases planned and modeling assumptions for the financing of the system; and, 2-transparency questions as the public had not been informed of the details of the plan. The Village Council requested that the public be provided an opportunity for comment and input.</p>	<p>The Village agrees with this statement</p>
	<p>The Village asked the LGC for more time so more due diligence could be done on the financial issues and to ensure that the project has public support.</p>	<p>The Village agrees with this statement</p>
	<p>In January 2021, while asking for this delay, the Village Council still confirmed that "it supported the formation of the Authority and believed it was a good structure for the long-term ownership and operation of the transportation system assets."</p>	<p>The Village agrees with this statement because the Village believed the Authority would respond appropriately to the questions leading to support for the proposal.</p>
	<p>In response to the requests of the Village Council, the Authority held an Informational Session on February 17, 2021, at the Bald Head Association on</p>	<p>The Village agrees with this statement, however, it was the LGC that made it clear to the Authority that they should hold a public meeting and the Village is</p>

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	<p>Bald Head Island. Over 200 members of the public attended the Zoom Webinar and asked questions of the Authority. On February 26, 2021, the Authority submitted in writing answers to all the questions.</p>	<p>unsure such a meeting would have happened without LGC intervention. Additionally, the Village disagrees the Authority submitted answers in writing to all the questions. On the contrary, the Authority made available to the public several key reports which had been requested all along and it was the reports that led to many further questions about the process, appraisals, negotiations, etc.</p>
<p>March 22, 2021-June 16, 2021</p>	<p>On March 22, 2021, the Village Council wrote the LGC and announced that the Village Council was “unanimously committed to pursuing the Village’s acquisition of the Transportation System. In this letter, the Village Council set forth the reasons it concluded it was compelled to take this action. It further indicated it would “work closely with the Seller, the Authority and The Local Government Commission to close the transaction quickly.”</p> <p>On March 26, 2021, Limited wrote the LGC stating, “Limited is both surprised and disturbed by the Village’s most recent shift from collaborative stakeholder acting through its representatives on the Board of Trustees of the Authority to that of a competitive bidder. Limited has received no formal offer to purchase the Transportation</p>	<p>When the Village continued to question many aspects of the bond proposal with little to no satisfaction from Authority responses, it felt it had no option but to seek to step into the shoes of the Authority, should that become necessary, and acquire the transportation assets from the seller.</p> <p>The Village agrees with this statement</p>

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	<p>System from the Village and Limited does not intend to engage in negotiations with the Village.”</p> <p>The Authority’s application to the LGC to approve the debt financing to purchase the Transportation System was scheduled to be heard on May 4, 2021.</p> <p>On April 23, 2021, the Village Council wrote NC Treasurer Dale Folwell and other LGC representatives requesting that the LGC defer consideration of the Authority’s application. The Village indicated, “In principle, the Village is not opposed to the Authority acquiring and operating the Transportation System (“the ‘Proposed Acquisition’”) provided its financial and operational planning for the transaction is sound and in the best interests of the users of the System....”</p> <p>The letter went on to explain financial questions raised by the proposed acquisition and stated, “Community support in favor of the Proposed Acquisition, as currently constituted, has not been documented.”</p> <p>On April 30, 2021, the Authority wrote the LGC and the NC Treasurer and responded in great detail to the questions raised by the Village Council.</p>	<p>The Village agrees with this statement</p> <p>The Village agrees with this statement</p> <p>The Village agrees with this statement</p> <p>The Village agrees with this statement</p>
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	<p>On May 4, 2021, the LGC met and discussed the financial issues and other issues raised. There was much discussion regarding the appraisals the Authority submitted. No decision was reached and matters were deferred.</p> <p>On May 21, 2021, the Village Council submitted questions it wanted the Authority to answer in order for the LGC to be able to consider properly the approval of the Authority's application.</p> <p>On June 11, 2021, the Bald Head Association held its regular monthly directors meeting and representatives of the Village Council (Mayor Sayre and Mayor Pro Tempore Brown), Limited (CEO Chad Paul) and the Authority (Dr. Rex Cowdry) appeared and answered questions, and provided information to all regarding the ongoing Transportation System issues.</p>	<p>This statement is misleading. The State Treasurer and State Auditor had very pointed questions about the appraisal, deferred capital and maintenance issues and transparency. The LGC asked key players to submit questions in an effort to organize and address them all.</p> <p>The Village agrees with this statement</p> <p>On June 1, the LGC directed staff to organize all questions into three categories: 1) questions in need of an answer; 2) questions the answers to which were nice to have; and 3) questions already answered or not in need of an answer and to submit the list of questions to the Authority to answer. The LGC also strongly encouraged a new and more complete appraisal of assets.</p> <p>The Village agrees with this statement</p>
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	<p>On June 16, 2021, the Authority held its regular public meeting and indicated it had hired a new appraiser to address the questions raised by the LGC regarding the appraisal method used. The Authority indicated it expected to have this new appraisal by July 15, 2021, and intends to discuss it at the July 13, 2021, meeting of the LGC.</p>	<p>The Village agrees with this statement, although it questions how, if the appraisal is not due until July 15, it will be discussed at the July 13 LGC meeting.</p>
<p>June 17, 2021</p>	<p>Village Council sent a letter to the LGC indicating its intent to seek approval of General Obligation Bonds in an amount not to exceed \$52,254,010 for the purpose of acquiring, expanding and improving the ferry and ground transportation assets and services used in the transportation of passengers, supplies and equipment (the "Ferry System") from the mainland to destinations on Bald Head Island, North Carolina.</p> <p>The Village Council expects the LGC to consider approval of the bonds at its meeting scheduled for August 3, 2021, or at such later meeting as the Village Council and LGC may determine is appropriate.</p> <p>Most significantly the Village Council stated in the letter: "The issuance of bonds would be subject to voter approval</p>	<p>The Village agrees with this statement</p> <p>The Village agrees with this statement</p> <p>The Village agrees it could have better explained its intent with regard to servicing the bonds. By stepping into the</p>

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	<p>at a bond referendum anticipated to be held on November 2, 2021. Subject to voter approval, the bonds would be secured by the full faith and credit and taxing power of the Village. The Village expects to pay the debt service on the bonds from revenues generated by operation of the Ferry System and from property taxes collected by the Village without restriction as to rate or amount.”</p> <p>This issue is important to understand for the Bald Head Association members who own real property at Bald Head Island and pay real estate taxes to Brunswick County each year. In order to buy the Ferry System, the Village Council wants to borrow \$52,254,010 by issuing General Obligation Bonds in that amount. The Village Council makes it clear it intends to pay off the bonds by funds it receives from the Ferry System and from property taxes it collects from Bald Head Island property owners.</p> <p>If the LGC approves the bond financing for the Village, it will not be effective unless the registered Bald Head Island</p>	<p>shoes of the Authority, should that become necessary, the Village has the flexibility to secure funding by paying less to issue the bonds on the front end AND by servicing the debt at a much lower interest rate. These two savings are substantial and put less strain on the revenue stream necessary to service the Authority’s proposed debt load. Consequently, only transportation revenues and not property taxes should be necessary to cover operating expenses and debt service obligations, while allowing for system improvements more quickly than as proposed by the Authority.</p> <p>See above.</p> <p>The Village agrees with the statement but <i>see above</i>.</p>
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	<p>voters also approve it on November 2, 2021. As you likely know, there are less than 300 registered voters on Bald Head Island. However, there are about 2,000 owners of real property on Bald Head Island. If the LGC approves the bonds for the Village, then less than 300 voters will decide whether or not to approve the bonds, and, if approved, this means the Village Council will have the power to increase real property taxes on all real property owners on Bald Head Island to pay off the bonds.</p>	
<p>June 18, 2021</p>	<p>Village Council issued a public notice - "This week, the Village Council submitted its Notice of Intent to Seek Approval for Issuance of General Obligation Bonds. The intent of this action is to have everything in place, should the Bald Head Island Transportation Authority and Bald Head Island Transportation be unable to reach an agreement on the purchase and sale of the transportation system in accordance with the Act that formed the Transportation Authority and LGC regulations. The Village steps are designed to avoid the transportation system being sold to a privately-owned third-party or broken into pieces and purchased by several parties, which has been suggested by the current owner, should acquisition by a public entity fail to go through. Letting the transportation</p>	<p>The Village agrees it could have better explained its intent with regard to servicing the bonds. By stepping into the shoes of the Authority, should that become necessary, the Village has the flexibility to secure funding by paying less to issue the bonds on the front end AND by servicing the debt at a much lower interest rate. These two savings are substantial and put less strain on the revenue stream necessary to service the Authority's proposed debt load. Consequently, only transportation revenues and not property taxes should be necessary to cover operating expenses and debt service obligations, while allowing for system improvements more quickly than as proposed by the Authority.</p>

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<p>system fall into the hands of third-party owners and investors would be the worst-case scenario for Bald Head Island....”</p> <p>The Village Council went on to discuss its “preliminary analysis” of the financial implications of its proposal. In that preliminary analysis, the Village indicates it intends to “fund the debt” through the operations, the ferry revenue and “not by increasing property taxes.”</p> <p>It is necessary to point out the above statement that the Village Council does not intend to pay the bond debt “by increasing property taxes” stands in sharp contrast to what the Village Council told the LGC just one day earlier:</p> <p>“The Village expects to pay the debt service on the bonds from revenues generated by operation of the Ferry System and from property taxes collected by the Village without restriction as to rate or amount.”</p> <p>One can reconcile the two by inferring that the Village Council is applying to the LGC for the approval to issue General Obligation Bonds that would give the Village Council the power and authority to increase real property taxes on homeowners to pay the bond debt but</p>	<p>The Village agrees with this statement</p> <p>The Village disagrees with this characterization of the typical language used in LGC financing requests. The Village was simply informing the LGC of the potential sources of repayment.</p> <p>The Village agrees it could have better explained its intent with regard servicing the bonds. By stepping into the shoes of the Authority, should that become necessary, the Village has the flexibility to secure funding by paying less to issue the bonds on the front end AND by servicing the debt at a much lower interest rate. These two savings are substantial and put less strain on the revenue stream necessary to service the Authority’s proposed debt load. Consequently, only transportation revenues and not property taxes should be necessary to</p>
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	<p>based on its pre- liminary financial analysis it does not intend to do that. But, it could do so in the future.</p> <p>The June 18, 2021, Village Council letter states that the Village Council believes that issuing a General Obligation Bond would reduce the interest rate by 50% compared to the Authority's Revenue Bond providing cash to enable an acceleration of capital improvement in comparison to the Authority's plan. The letter, however, does not provide details of the General Obligation Bond or any basis for why the Village Council believes it can achieve a 50% reduction.</p>	<p>cover operating expenses and debt service obligations while allowing for system improvements more quickly than as proposed by the Authority.</p> <p>The Village has secured bond counsel (Ed Lucas of Robinson, Bradshaw & Hinson) and a financial advisor (First Tryon Advisors) to assist with the preparation of the bond application which will specify up front savings estimated to be above \$4M and interest savings estimated to be in the 50% range as compared to the Authority's current proposal.</p>
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