



NEW ISSUE BOOK-ENTRY ONLY

RATINGS: Moody's: "A2" (Stable Outlook)

Fitch: "A" (Stable Outlook)

In the opinion of Foley & Lardner LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series 2018B Bonds is excluded from gross income for federal income taxes purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and is not an item of tax preference for purposes of the federal alternative minimum tax applicable to all tax payers; provided, however, that interest on the Series 2018B Bonds is included in "adjusted current earnings" for purposes of calculating the alternative minimum tax imposed on corporations. See "TAX MATTERS" herein.



\$42,345,000*

JACKSONVILLE PORT AUTHORITY

Revenue Bonds, Series 2018B (Non-AMT)

Dated: Date of Delivery

Due: November 1 as shown on the inside front cover

The Jacksonville Port Authority Revenue Bonds, Series 2018B (Non-AMT) (the "Series 2018B Bonds") are issuable in fully registered form without coupons initially in denominations of \$5,000 and integral multiples thereof. Interest on the Series 2018B Bonds will be payable each May 1 and November 1, commencing November 1, 2018. The Series 2018B Bonds will bear interest from their date of original delivery at the rates per annum, and mature on the dates and in the principal amounts, as set forth on the inside cover page of this Official Statement.

The principal of the Series 2018B Bonds is payable upon presentation and surrender of the Series 2018B Bonds when due at the office of the Paying Agent. Upon initial issuance, the Series 2018B Bonds will be registered in the name of and held by Cede & Co., as nominee for The Depository Trust Company ("DTC"), an automated depository for securities and a clearinghouse for securities transactions. As long as DTC, or its nominee, is the registered owner of the Series 2018B Bonds, payment of the principal of, premium, if any, and interest on the Series 2018B Bonds will be provided directly to DTC or its nominee, which is to remit such payments to the DTC Participants (as defined herein), which in turn are to remit such payments to Beneficial Owners (as defined herein) of the Series 2018B Bonds. See "DESCRIPTION OF THE SERIES 2018B Bonds-Book-Entry Only System" herein.

The Series 2018B Bonds, together with other available funds, will be used to (i) pay a part of the costs of the Series 2018B Project (as defined herein); (ii) repay the Authority's outstanding Line of Credit Revenue Note, No. 11 (Non-AMT), for amounts drawn upon to pay costs of the Series 2018B Project; (iii) fund the composite reserve subaccount of the Reserve Account to the extent required by the Bond Resolution to make the amount then on deposit meet the Reserve Requirement; and (iv) pay the costs of issuing the Series 2018B Bonds. The principal of, interest and premium, if any, on the Series 2018B Bonds shall be payable from (i) Net Revenues of the Marine Facilities, (ii) Interlocal Agreement Revenues, (iii) Swap Receipts, (iv) amounts on deposit in certain funds and accounts and investment income on the moneys in those funds and accounts and (v) proceeds of insurance and condemnation awards on the Marine Facilities, all as more particularly described herein. The Series 2018B Bonds are payable from the Pledged Funds on a parity, equally and ratably, with the Jacksonville Port Authority's outstanding Revenue Note, Series 2009; Taxable Revenue Note, Series 2009; Revenue Note, Series 2010; Revenue and Refunding Bonds, Series 2012; Revenue Refunding Note, Series 2017; Revenue Bonds, Series 2018A; and any Additional Parity Bonds which may be issued in the future, and all Swap Obligations and Reimbursement Obligations incurred by the Jacksonville Port Authority (the "Authority").

The Series 2018B Bonds will be subject to optional and mandatory redemption prior to maturity as described herein. See "DESCRIPTION OF THE SERIES 2018B Bonds - Redemption of Series 2018B Bonds."

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIPS ARE SET FORTH ON THE INSIDE COVER PAGE

The Series 2018B Bonds are special and limited obligations of the Authority, and shall not be or constitute general obligations or indebtedness of the Authority, the City of Jacksonville, Florida (the "City"), Duval County, Florida (the "County") or the State of Florida (the "State") within the meaning of the Florida Constitution. Neither the faith and credit nor any taxing power of the Authority, the City, the County or the State or any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or the interest on the Series 2018B Bonds and the owners thereof shall not have any right to compel any exercise of the taxing power of the City, the County or the State or any political subdivision thereof, to enforce such payment. The Series 2018B Bonds are not, and will not be, secured by any lien upon the property of the Authority, the City, the County or the State or any political subdivision thereof, except the sources specified in the Bond Resolution.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

The Series 2018B Bonds are offered, subject to prior sale, when, as, and if issued and received by the Underwriters, and subject to the approving legal opinion of Foley & Lardner LLP, Jacksonville, Florida, as Bond Counsel. Certain legal matters will be passed upon for the Authority by the Office of General Counsel to the City of Jacksonville and the Authority, and for the Underwriters by Greenberg Traurig, P.A., Miami, Florida. PFM Financial Advisors LLC, Orlando, Florida, is acting as municipal advisor to the Authority. Foley & Lardner LLP is acting as disclosure counsel to the Authority. It is expected that the Series 2018B Bonds in definitive form will be available for delivery in New York, New York on or about August __, 2018.

BofA Merrill Lynch

J.P. Morgan

Dated: _____, 2018

* Preliminary; subject to change.

\$42,345,000*
JACKSONVILLE PORT AUTHORITY
Revenue Bonds, Series 2018B (Non-AMT)

AMOUNTS, MATURITIES, INTEREST RATES, YIELDS, PRICES AND INITIAL CUSIPS

<u>Maturity</u> <u>(November 1)</u>	<u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP⁺</u>
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\$ _____ % Term Bond due November 1, 20__; Yield _____ % Price _____ CUSIP⁺: _____

* Preliminary; subject to change.

+ Copyright American Bankers Association. CUSIP dates herein are provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP numbers listed above are being provided solely for the convenience of Bondholders only at the time of issuance of the Series 2018B Bonds and the Authority does not make any representation with respect to such numbers or undertake any responsibility for their accuracy now or any time in the future.

JACKSONVILLE PORT AUTHORITY

Jacksonville, Florida

Members of the Governing Body

Ed Fleming, Chairman

John J. Falconetti, Vice Chairman

John Baker, Treasurer

J. Palmer Clarkston

Jamie Shelton, Secretary

Dr. John Allen Newman

Wendy Hamilton

Chief Executive Officer

Eric Green

Chief Operating Officer

Frederick Wong

Interim Chief Financial Officer

Beth McCague

Chief of Administration and Corporate Performance

Linda Williams

Chief Commercial Officer

Kristen DeMarco

Counsel to the Jacksonville Port Authority

Gil Feltel, Assistant General Counsel to the City of Jacksonville

Bond and Disclosure Counsel

Foley & Lardner LLP

Jacksonville, Florida

Municipal Advisor

PFM Financial Advisors LLC

Orlando, Florida

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REGARDING USE OF THIS OFFICIAL STATEMENT

IN CONNECTION WITH THE OFFERING OF THE SERIES 2018B BONDS, THE UNDERWRITERS MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE SERIES 2018B BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The Underwriters have provided the following sentence for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information. The information herein is subject to change without notice and neither the delivery hereof nor any sale hereunder at any time implies that information herein is correct as of any time subsequent to its date.

Any statements made in this Official Statement, including the Appendices, involving estimates, assumptions or matters of opinion, whether or not so expressly stated, are set forth as such and not as representations of fact. This Official Statement contains certain forward-looking statements and information that are based on the Authority's beliefs as well as assumptions made by and information currently available to the Authority. Such statements are subject to certain risks, uncertainties and assumptions. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated or expected.

The Series 2018B Bonds have not been registered under the Securities Act of 1933, as amended, nor has the Bond Resolution been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon exemptions contained in such Acts. The registration or qualification of the Series 2018B Bonds in accordance with applicable provisions of securities law of the states in which the Series 2018B Bonds have been registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof.

The Series 2018B Bonds have not been recommended by any federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement does not constitute an offer to sell the Series 2018B Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction. No dealer, sales representative or other person has been authorized by the Authority or the Underwriters to give any information or to make any representation other than that contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the Underwriters or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create the implication that there has been no change in the matters described herein since the date hereof.

Cautionary Note Regarding Forward-Looking Statements

Some of the statements in this Official Statement constitute forward-looking statements. These statements relate to future events or the Authority's future financial and operating performance, and are identified by terminology such as "forecast," "may," "will," "should," "anticipates," "believes," "plans," "expects," "future," "intends," "estimates," "scheduled" and "potential," and similar expressions. These statements are only predictions. Actual events or results may differ materially. In evaluating these

statements, you should specifically consider the information elsewhere in this Official Statement. The Authority's actual results may differ materially from any forward-looking statement.

Although management of the Authority believes that the expectations reflected in the forward-looking statements are reasonable on the date of this Official Statement, the Authority cannot guarantee future results, levels of activity, performance or achievements. Any forecast is subject to uncertainties and inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasted results and actual results and those differences may be material. Moreover, neither the Authority nor any other person assumes responsibility for the accuracy and completeness of such statements. The Authority is under no duty to update any of the forward-looking statements after the date of this Official Statement to conform such statements to actual results.

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OFFICIAL STATEMENT

Relating to

\$42,345,000*

**JACKSONVILLE PORT AUTHORITY
Revenue Bonds, Series 2018B (Non-AMT)**

INTRODUCTION

The purpose of this Official Statement is to furnish information concerning the Jacksonville Port Authority (the “**Authority**”), the marine facilities owned and operated by the Authority in Jacksonville, Florida (the “**City**” or “**Jacksonville**”), and other information in connection with the original issuance and sale of the Authority’s \$42,345,000* Revenue Bonds, Series 2018B (Non-AMT) (the “**Series 2018B Bonds**”).

Unless otherwise indicated, capitalized terms used in this Official Statement shall have the meanings established in the Bond Resolution (defined below). See “APPENDIX C- FORM OF COMPOSITE BOND RESOLUTION -- Definitions” hereto.

The proceeds of the Series 2018B Bonds, together with other available funds of the Authority, will be used to (i) pay a part of the costs of a harbor deepening project that will (a) involve a dredging project to increase the depth of an approximately 13-mile stretch of the St. Johns River central channel to 47 feet and (b) include the acquisition of fresh water mitigation land, the acquisition of salt water mitigation land and the Mile Point navigation project phase 2 (collectively, the “**Series 2018B Project**”); (ii) repay the Authority’s outstanding Line of Credit Revenue Note, No. 11 (Non-AMT), for amounts drawn upon to pay costs of the Series 2018B Project; (iii) fund the composite reserve subaccount of the Reserve Account to the extent required by the Bond Resolution to make the amount then on deposit meet the Reserve Requirement with respect to the Bonds secured thereby (as described herein); and (iv) pay the costs of issuing the Series 2018B Bonds. See “THE MARINE FACILITIES – Harbor Deepening” herein.

The Series 2018B Bonds will be payable solely from and secured by a lien upon and pledge of the Pledged Funds, which consist of (i) Net Revenues of the Marine Facilities, (ii) Interlocal Agreement Revenues, (iii) Swap Receipts, (iv) amounts on deposit in certain funds and accounts and investment income on the moneys in those funds and accounts and (v) proceeds of insurance and condemnation awards on the Marine Facilities (“**Insurance and Condemnation Proceeds**”). The Series 2018B Bonds are payable from the Pledged Funds on a parity, equally and ratably, with the Authority’s outstanding Revenue Note, Series 2009, dated November 2, 2009 (the “**Series 2009 Tax-Exempt Note**”); Taxable Revenue Note, Series 2009, dated December 15, 2009 (the “**Series 2009 Taxable Note**” and, with the Series 2009 Tax-Exempt Note, the “**Series 2009 Notes**”); Revenue Note, Series 2010, dated October 1, 2010 (the “**Series 2010 Note**”); Revenue and Refunding Bonds, Series 2012 (AMT), dated September 26, 2012 (the “**Series 2012 Bonds**”); Revenue Refunding Note, Series 2017, dated November 1, 2017 (the “**Series 2017 Note**”); the Series 2018A Bonds (defined below); any Additional Parity Bonds that may be issued in the future; Swap Obligations; and Reimbursement Obligations incurred by the Authority. The Series 2009 Notes, the Series 2010 Note, the Series 2012 Bonds, the Series 2017 Note, and the Series 2018A Bonds are hereinafter collectively referred to as the “**Outstanding Parity Bonds**.” The aggregate principal amount of Bonds Outstanding prior to the issuance of the Series 2018A Bonds and the Series 2018B Bonds will be approximately \$141,681,349. As of the date hereof, there are no Swap Obligations, except as described under the caption “SECURITY FOR THE SERIES 2018B BONDS – Outstanding Parity Bonds and Notes,” or Reimbursement Obligations outstanding.

* Preliminary; subject to change.

Concurrently with the issuance of the Series 2018B Bonds, the Authority expects to issue its Revenue Bonds, Series 2018A (AMT) (the “**Series 2018A Bonds**”), in an approximate principal amount of \$28,982,000 in order to, among other things, (i) pay a part of the costs of the acquisition, construction, improvement, extension and enlargement of certain capital improvements to the docks and wharves at the Authority’s existing Marine Facilities (as defined herein), including rehabilitation of berths 33 and 34 at Blount Island (as defined herein), wharf rehabilitation at Talleyrand (as defined herein), and other capital improvements with respect to the Authority’s Marine Facilities set forth in the Authority’s Capital Improvement Program for Fiscal Year 2018 (collectively, the “**Series 2018A Project**”); (ii) repay the Authority’s outstanding Line of Credit Revenue Note, No. 9 (AMT), for amounts drawn upon to pay costs of the Series 2018A Project; (iii) fund the composite reserve subaccount of the Reserve Account to the extent required by the Bond Resolution to make the amount then on deposit meet the Reserve Requirement with respect to the Bonds secured thereby (as described herein); and (iv) pay the costs of issuing the Series 2018A Bonds. The Series 2018A Bonds will be issued on a parity with the Series 2018B Bonds. The Series 2018A Bonds will be privately placed with JPMorgan Chase Bank, N.A. and are not being offered pursuant to this Official Statement.

AUTHORIZATION

The Series 2018B Bonds are to be issued pursuant to the authority contained in Chapter 2004-465, Laws of Florida, as amended, and other applicable provisions of law (the “**Act**”), and a resolution adopted by the Board on February 24, 2003 (which resolution amended and restated in its entirety the resolution adopted by the Jacksonville Port Authority on September 1, 1988, as amended and supplemented, which was assumed by the Jacksonville Seaport Authority (now known as the Authority) on October 1, 2001, pursuant to Chapter 2001-319, Laws of Florida, the “**Original Bond Resolution**”), as amended and supplemented, particularly as supplemented by a resolution adopted by the Board on June 4, 2018 (the “**Supplemental Bond Resolution**”). The Original Bond Resolution, as amended and supplemented from time to time is hereinafter referred to as the “**Bond Resolution**.” APPENDIX C hereto contains the Original Bond Resolution, as amended by resolutions of the Authority adopted on September 26, 2005, September 25, 2006, December 12, 2007, and July 23, 2012.

JACKSONVILLE PORT AUTHORITY

The Authority is a public body corporate and politic, created by the Act as part of the restructuring of the former Jacksonville Port Authority into two separate entities: The Jacksonville Seaport Authority and the Jacksonville Airport Authority. Formerly known as the Jacksonville Seaport Authority, the Authority was created as an independent agency to operate, maintain and develop the Marine Facilities. Historically, the Authority has received strong City, State of Florida (the “**State**” or “**Florida**”) and federal support for infrastructure improvements.

The Authority was created in 1963 by a special act of the Florida Legislature to develop, maintain, and market Jacksonville's seaport facilities. The Authority owns and operates three public marine terminals, one intermodal container transfer facility and one passenger cruise terminal in Jacksonville: the Blount Island Marine Terminal; the Talleyrand Marine Terminal; and the Dames Point Marine Terminal, which includes both the intermodal container transfer facility and the Authority's cruise terminal (collectively, the “**Marine Facilities**”). The Authority is a landlord port which generates revenues primarily through user fees and charges to its tenants and customers. The Authority's three terminals have a diverse mix of cargo including containers, automobiles, bulk, and cruise operations. Approximately two-thirds of revenues are generated by containers and autos. The remaining lines of businesses include breakbulk, drybulk, liquid cargo, and cruise. The Authority develops, manages and markets those publicly-owned facilities to promote the growth of maritime and related industries with a mission of creating jobs and opportunity by offering the most competitive environment for the movement of cargo and people.

The Authority has an unpaid, appointed seven-member Board of Directors (the “**Board**”) which provides policy guidance for the Authority. Four Board members are appointed by the Mayor of the City and three

members are appointed by the Governor of the State. Board members serve four-year terms or until their successor is appointed and confirmed. Any member appointed for two consecutive terms is not eligible for appointment for the immediately succeeding term.

The Board annually elects a chairman, a vice chair, a secretary and a treasurer from among its membership. The members of the Board are listed below:

<u>Name</u>	<u>Office</u>	<u>Occupation</u>	<u>Term Expires (September 30)</u>
Ed Fleming	Chairman	Retired CEO/President of Atlantic Marine Holding Co., LLC	2019
John J. Falconetti	Vice Chairman	President, Drummond Press	2019
John Baker	Treasurer	Executive Chairman of FRP Holdings, Inc.	2021
Jamie Shelton	Secretary	President, BestBet Jacksonville	2019
Dr. John Allen Newman	Member	Senior Pastor, The Sanctuary at Mt. Calvary	2019
J. Palmer Clarkson	Member	President & CEO, Bridgestone Hose Power	2021
Wendy Hamilton	Member	President, Eventide Investments of Florida, Inc.	2021

The Chief Executive Officer of the Authority is appointed by the Board. The Chief Financial Officer is appointed by the Chief Executive Officer and is responsible for managing various aspects of the Authority's operations. Following are brief descriptions of the current management of the Authority:

Eric Green, Chief Executive Officer

Eric Green was named the Chief Executive Officer of the Authority in September 2017. Most recently, Mr. Green led the successful effort to gain authorization and funding to start the \$484.6 million Harbor Deepening. Under Mr. Green's leadership, the Authority has experienced 8 percent growth in overall volumes while Asian container numbers for the Authority have grown by more than 16 percent. Mr. Green joined the Authority in 2005 as Director of Government Relations and was promoted to Senior Director the following year, responsible for the port's government affairs, community outreach, grant application and environmental advocacy programs. Prior to joining the Authority, Mr. Green served in numerous leadership roles for the City of Jacksonville, including Deputy Chief Administrative Officer. In this position, Mr. Green managed several city departments and was instrumental in the successful development, passage and implementation of the \$2 billion Better Jacksonville Plan. Mr. Green is a member of the Board of Directors of the Jacksonville Chamber of Commerce and the Florida Chamber of Commerce, and is an alumnus of both Leadership Jacksonville and Leadership Florida. He is active with youth programs at Bethel Baptist Institutional Church. Mr. Green holds a Bachelor of Arts degree in Political Science from Saint Andrews Presbyterian College.

Beth McCague, Interim Chief Financial Officer

Beth McCague is Interim Chief Financial Officer, responsible for the Authority's budget and accounting, treasury, payroll, procurement, economic forecasting/planning and external auditing functions. In addition, she oversees the Authority's operating & capital program and serves as the port's primary liaison with bondholders, lenders and credit rating agencies. Ms. McCague began providing consulting services to the Authority in November 2017 and became the Interim Chief Financial Officer in May 2018. Prior to joining the Authority, Ms. McCague managed the \$1.6 billion Jacksonville Police & Fire Pension Fund through a transition in leadership, stabilizing and modernizing the organization. She is a current corporate board member of Ameris Bancorp and has served in many high level positions with major banking and investment firms. Ms. McCague is a member of the UF Health Jacksonville Board of Directors, and is currently finance committee chairperson. Ms. McCague

holds a Master of Business Administration degree from Jacksonville University and a Bachelor of Science in Business Administration with a concentration in Finance from the University of Florida.

Frederick Wong Jr., Chief Operating Officer

Frederick Wong Jr. joined the Authority as Chief Operating Officer in early 2018. He was instrumental in the securing of the Authority's first ever multi-year contract with Carnival Cruise Line. Mr. Wong oversees the Authority's terminal operations, public safety and engineering departments. Among the Authority's major initiatives within his area of responsibility are the deepening of the Jacksonville harbor and expansion of the Authority's auto handling capacity. Mr. Wong has more than 20 years of experience in all facets of port operations and previously served as Assistant Port Director at PortMiami, responsible for all cruise, cargo and security operations. Prior to that, Mr. Wong held positions of increasing responsibility from Seaport Harbormaster to Seaport Operations Manager. He began his career as PortMiami's Cruise Operations Superintendent in 1997. Mr. Wong holds a Bachelor of Business Administration degree with concentrations in Management and Marketing from Florida Atlantic University.

Kristen DeMarco, Chief Commercial Officer

Kristen DeMarco is the Chief Commercial Officer, responsible for leading the Authority's international cargo sales and marketing initiatives as well as tracking trends and issues related to maximizing the port's business potential. Ms. DeMarco has nearly two decades of business development experience in the logistics industry, which includes negotiating multi-million dollar deals and building relationships with decision-makers from some of the world's largest companies. Prior to joining the Authority, she served as Vice President of Ocean Business Development – North America for CEVA Logistics, leading the division's ocean product sales efforts during a time of double-digit revenue growth. She has also served in business development roles of increasing responsibility for shipping lines owned by A.P. Moller – Maersk. Ms. DeMarco holds a Bachelor of Science degree in Business Administration from Kennesaw State University.

Robert Peek, Director & General Manager, Business Development

Robert Peek joined the Authority in 1995 and currently serves as Director and General Manager, Business Development. He is responsible for leading the port's marketing division in support of cargo sales, market research and prospect analysis to identify and qualify sales leads. During his tenure in marketing, the Authority has achieved record volumes in containers and vehicles, and continues to expand capacity and options for international shippers in every sector. Prior to joining the Authority's marketing team in 2007, Mr. Peek led the port's communications, public relations and community outreach efforts. Mr. Peek holds a Bachelor of Arts in Journalism from Colorado State University and a Master of Public Administration from the University of North Florida. He also holds a Certification in Transportation and Logistics from the American Society of Transportation and Logistics. Mr. Peek is the immediate-past president of Jacksonville Sister Cities Association, a local nonprofit organization which coordinates business, educational and cultural exchanges between citizens in Jacksonville and those in eight "Sister" and three "Friendship" cities around the world. He is also involved in several educational initiatives aimed at attracting young people to careers in the maritime and transportation industries.

Linda Williams Chief, Administration and Corporate Performance

Linda Williams is Chief, Administration and Corporate Performance for the Authority, responsible for corporate performance, employee relations, audit and compliance, and ethics. In 2016, Ms. Williams assumed the additional responsibility of directing the Authority's Human Resources programs, including employee compensation, benefits and labor relations. During her career at the Authority, Ms. Williams has overseen the execution of numerous multi-million dollar contracts with corporations and tenants from around the world. Ms. Williams has been with the Authority for more than 25 years and also serves as the Authority's Ethics Officer in

support of the City of Jacksonville's ethics ordinance. Ms. Williams holds certifications in Transportation and Logistics, Corporate Compliance and Ethics and Green Belt Six Sigma. She is also a certified Florida Public Sector Labor Relations Professional and is a member of the Society of Corporate Compliance and Ethics as well as the Society for Human Resource Management. Ms. Williams was inducted into Delta Mu Delta, the International Honor Society for Business in 2014. Ms. Williams holds both a Bachelor of Science in Business and a Master of Business Administration from the University of Phoenix.

PLAN OF FINANCE

The proceeds of the Series 2018B Bonds, together with other available funds of the Authority, will be used to (i) pay a part of the costs of the Series 2018B Project; (ii) repay the Authority's outstanding Line of Credit Revenue Note, No. 11 (Non-AMT), to the extent drawn upon to pay costs of the Series 2018B Project; (iii) fund the composite reserve subaccount of the Reserve Account to the extent required by the Bond Resolution to make the amount then on deposit meet the Reserve Requirement with respect to the Bonds secured thereby (as described herein); and (iv) pay the costs of issuing the Series 2018B Bonds. See "ESTIMATED SOURCES AND USES OF FUNDS" and "THE MARINE FACILITIES – Harbor Deepening" herein.

DESCRIPTION OF THE SERIES 2018B BONDS

General Terms

The Series 2018B Bonds will be dated the date of delivery, will bear interest at the rates set forth on the inside cover page hereof (calculated on the basis of a 360-day year of twelve 30-day months), payable semiannually on May 1 and November 1 of each year, commencing November 1, 2018, and will mature on November 1 in the years and in the principal amounts set forth on the inside cover page hereof.

Principal of the Series 2018B Bonds will be payable at the designated corporate trust office of Wells Fargo Bank, National Association, Jacksonville, Florida, as Paying Agent or any successor thereto (the "***Paying Agent***"). Interest on the Series 2018B Bonds will be payable to Bondowners registered at the close of business on the fifteenth day of the calendar month immediately preceding the interest payment date (the "Record Date"). Ownership interests in the Series 2018B Bonds will be available in denominations of \$5,000 and integral multiples thereof ("***Authorized Denominations***").

The Series 2018B Bonds, when issued, will be registered in the name of Cede & Co., as nominee for DTC, and no beneficial owner will receive certificates representing its interest in the Series 2018B Bonds, except in the event the Paying Agent issues replacement bonds as provided in the Bond Resolution. Payment of the principal of, premium, if any, and interest on each Series 2018B Bond will be made and notices and other communications to Bondowners will be given, directly to DTC or its nominee, Cede & Co., by the Paying Agent. See "APPENDIX G – Book Entry-Only System" hereto.

Transfer and Exchange of Series 2018B Bonds; Persons Treated as Owners

The person in whose name any Series 2018B Bond is registered will be deemed and regarded as the absolute owner thereof for all purposes, except as provided in the next paragraph, and payment of principal of or interest thereon will be made only to or upon the order of the registered owner thereof or his or her legal representative. All such payments will be valid and effectual to satisfy and discharge the liability upon that Series 2018B Bond to the extent of the sum or sums so paid.

So long as the Series 2018B Bonds are held in book-entry form, transfers of the Series 2018B Bonds by Beneficial Owners may only be made as described in "APPENDIX G – Book Entry-Only System" hereto. At any other time, any Series 2018B Bond may be transferred or exchanged only upon the books kept for the registration and transfer of Series 2018B Bonds as provided in the Bond Resolution.

Redemption of Series 2018B Bonds

Optional Redemption. The Series 2018B Bonds maturing on or after November 1, 20__ may be redeemed prior to maturity at the option of the Authority, as a whole or in part on November 1, 20__, or on any date thereafter (if in part, from such maturity or maturities as the Authority shall designate and by lot within a maturity), at a redemption price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date.

Mandatory Redemption.

Sinking Fund Redemption. The Series 2018B Bonds maturing on November 1, 20__ are subject to mandatory redemption prior to maturity, by lot, at the redemption price equal to 100% of the principal amount of such Series 2018B Bonds to be redeemed, plus accrued interest to the date of redemption, on November 1 in each of the years and in the amounts set forth below.

Series 2018B Bond maturing November 1, 20__	
<u>Year</u>	<u>Principal Amount</u>

*

*Final Maturity

Credits Against Scheduled Mandatory Redemption Obligations. At the option of the Authority, to be exercised by delivery of a written certificate to the Paying Agent on or before the 45th day next preceding any scheduled mandatory redemption date, the Authority may (1) deliver to the Paying Agent for cancellation Series 2018B Bonds subject to scheduled mandatory redemption on that date or portions thereof in Authorized Denominations or (2) specify a principal amount of Series 2018B Bonds or portions thereof in Authorized Denominations which prior to said date have been purchased or redeemed (otherwise than pursuant to this Section) and cancelled by the Paying Agent at the request of the Authority and not theretofore applied as a credit against any scheduled mandatory redemption payment. Each Series 2018B Bond or portion thereof so delivered or previously redeemed shall be credited by the Paying Agent at the principal amount thereof against the obligation of the Authority to redeem Series 2018B Bonds on the scheduled mandatory redemption date or dates designated in writing to the Paying Agent by the Authority Representative occurring at least 45 days after delivery of such designation to the Paying Agent, provided that if no such designation is made, such credit shall not be credited against such obligation.

Selection of Series 2018B Bonds to be Redeemed. Series 2018B Bonds shall be redeemed only in Authorized Denominations. If less than all of the Series 2018B Bonds are to be redeemed and paid prior to maturity, subject to DTC’s procedures described in See “APPENDIX G – Book Entry-Only System” hereto, such Series 2018B Bonds shall be selected by the Paying Agent by such method as the Paying Agent shall deem fair and appropriate. In the case of a partial redemption of Series 2018B Bonds when Series 2018B Bonds of denominations greater than the minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each principal amount equal to the minimum Authorized Denomination shall be treated as though it was a separate Series 2018B Bond of minimum Authorized Denomination. If the Owner of any Series 2018B Bond shall fail to present such Series 2018B Bond to the Paying Agent for payment and exchange as aforesaid, said Series 2018B Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption.

Notice and Effect of Call for Redemption. Official notice of any redemption shall be given by the Paying Agent on behalf of the Authority by mailing a copy of an official redemption notice by first-class mail at least 30 days and not more than 60 days prior to the redemption date to each Owner of the Series 2018B Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Owner to the Paying Agent. Any notice of optional redemption or extraordinary optional redemption of Series 2018B Bonds may specify that the redemption is contingent upon the deposit of monies with the Paying Agent in an amount sufficient to pay the redemption price of all the Series 2018B Bonds or portions of Series 2018B Bonds which are to be redeemed on that date. Official notice of redemption having been given as aforesaid, the Series 2018B Bonds or portions of Series 2018B Bonds so to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and from and after such date (unless the Authority shall default in the payment of the redemption price) such Series 2018B Bonds or portions of Series 2018B Bonds shall cease to bear interest. A second notice of redemption shall be given within 60 days after the redemption date to the registered owners of redeemed Series 2018B Bonds which have not been presented for payment within 30 days after the redemption date.

In addition to the foregoing notices, further notice shall be given by the Paying Agent on behalf of the Authority at least 30 days before the redemption date by registered or certified mail, overnight delivery service or facsimile to all registered securities depositories then in the business of holding substantial amounts of obligations of types comprising the Series 2018B Bonds and to one or more national information services that disseminate notices of redemption of obligations such as the Series 2018B Bonds. Failure to give any notice to any registered owner, or any defect therein, shall not affect the validity of any proceedings for the redemption of any other Series 2018B Bonds. Any notice mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any registered owner received the notice.

For so long as DTC is effecting book-entry transfers of the Series 2018B Bonds, the Paying Agent will provide the redemption notice described above to DTC. It is expected that DTC will, in turn, notify its participants, and that the participants, in turn, will notify or cause to be notified the Beneficial Owners of the Series 2018B Bonds to be redeemed. The Authority and the Paying Agent will have no responsibility or liability in connection with any failure on the part of DTC or a participant, or failure on the part of a nominee of a Beneficial Owner of a Series 2018B Bond, to notify the Beneficial Owner of the Series 2018B Bond so affected, and such failure shall not affect the validity of the redemption of such Series 2018B Bond. See “APPENDIX G – Book Entry-Only System” hereto.

SECURITY FOR THE SERIES 2018B BONDS

Source of Payment

The Series 2018B Bonds will be payable solely from and secured by a lien upon and pledge of the **Pledged Funds**, which consist of (i) Net Revenues of the Marine Facilities, (ii) Interlocal Agreement Revenues, (iii) Swap Receipts, (iv) amounts on deposit in certain funds and accounts and investment income on the moneys in those funds and accounts, and (v) insurance and condemnation proceeds. Insurance and condemnation proceeds are pledged as security for the Bonds unless and until such proceeds are used to remedy the loss or damage for which such proceeds are received. The Series 2018B Bonds are payable from the Pledged Funds on a parity, equally and ratably, with the Outstanding Parity Bonds, any Additional Parity Bonds which may be issued in the future, and all Swap Obligations or Reimbursement Obligations incurred by the Authority.

“**Net Revenues**” of the Marine Facilities (as defined in the Bond Resolution) are defined to include all “**Gross Revenues**,” which include all rents, fees, charges and other income from any source received by or accrued to the Authority from its Marine Facilities other than Special Purpose Rent (as defined in the Bond Resolution), and all parts thereof, including all operating revenues as determined in accordance with generally accepted accounting principles and, in addition, all investment income on funds related to the Marine Facilities except investment income earned on moneys in the Construction Funds, after deduction of “**Operating Expenses**,” which are defined to include the current expenses, paid or accrued, of operation, maintenance and

current repair of the Marine Facilities, determined in accordance with generally accepted accounting principles. “Gross Revenues” do not include any Interlocal Agreement Revenues. Please refer to the table on page 28 showing historical Net Revenues and Interlocal Agreement Revenues of the Authority for the period of Fiscal Years 2013 through 2017, and the six months ended March 31, 2017 and March 31, 2018. The Authority’s Fiscal Year consists of each period from October 1 to the next succeeding September 30 (each a “**Fiscal Year**”).

“**Interlocal Agreement Revenues**” are comprised of certain moneys received by the Authority pursuant to a certain Second Amended and Restated Interlocal Agreement between the City and the Authority dated as of December 12, 2007 (the “**Interlocal Agreement**”). Interlocal Agreement Revenues consist of the excess of “Gross Interlocal Revenues” after providing for payment of the accrued debt service on any outstanding ETR Bonds (as defined in APPENDIX D hereto), and shall be paid by the City to the Authority monthly. Gross Interlocal Revenues are comprised of three separate sources of revenues: (1) an annual appropriation of \$800,000 to be remitted by the City to Authority pursuant to Section 5 of the Act; (2) a portion of the annual contribution made by JEA (formerly known as the Jacksonville Electric Authority) to the City equal to one-quarter of one mill (\$0.00025) multiplied by revenue generated from the gross kilowatt hours delivered by the JEA during the twelve month period ending April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such calculation is made; and (3) a percentage of the increase in the communications services tax revenues received by the City over a base amount of public services taxes on local telephone services collected in Fiscal Year 1991-1992, which base is increased annually by an index (such amounts, collectively, the “**Gross Interlocal Revenues**”). The City has covenanted in the Interlocal Agreement to allocate and apply the Interlocal Agreement Revenues in accordance with the Interlocal Agreement. Interlocal Agreement Revenues may be applied by the Authority to pay costs of improvements to its Marine Facilities, to pay debt service on any outstanding Bonds and to make payments with respect to related hedging transactions, and to pay other costs associated with the issuance of the Bonds, or for any other lawful purpose. In the Interlocal Agreement, the City and the Authority have agreed that (A) neither party will, directly or indirectly, initiate or take any action which may have the effect, directly or indirectly, of impairing the right of the Authority to receive Gross Interlocal Revenues under the Interlocal Agreement; (B) the City and the Authority shall exercise each and every right and remedy available under the Interlocal Agreement and at law to collect all Gross Interlocal Revenues due to the Authority thereunder; and (C) neither the City nor the Authority will take any action, and each party will use its best reasonable efforts not to permit any action to be taken by others, that (a) would release any person from any of such person’s covenants or obligations under the Interlocal Agreement or (b) would result in the termination or discharge of, or impair the validity or effectiveness of, the Interlocal Agreement or waive timely performance or observance under such agreement. The Interlocal Agreement remains in effect so long as any obligations of the Authority payable from Interlocal Agreement Revenues remain outstanding including the 2018B Bonds. As of March 31, 2018, the only ETR Bonds outstanding are the City of Jacksonville, Florida Taxable Special Revenue Refunding Bonds, Series 2012E (the “Series 2012 Special Revenue Bonds”) in the aggregate principal amount of \$22,395,000. The City has agreed in the Interlocal Agreement not to issue any additional ETR Bonds, other than bonds to refund outstanding ETR Bonds; provided that the resulting annual debt service on all ETR Bonds shall not increase as a result of the issuance of such refunding ETR Bonds. The City has recently explored the potential privatization of JEA; however, any privatization would be subject to the non-impairment covenant pursuant to the Interlocal Agreement as set forth above. For more information regarding Interlocal Agreement Revenues and the Interlocal Agreement, see APPENDIX D – SUMMARY OF THE INTERLOCAL AGREEMENT and the “Notes to Financial Statements” contained in APPENDIX A – Financial Statements of the Authority hereto.

“**Swap Receipts**” consist of the net payments received by the Authority from a counterparty under a Qualified Derivative Agreement, as defined in the Bond Resolution. See the definition of “Qualified Derivative Agreement” in FORM OF COMPOSITE BOND RESOLUTION, Section 1.01 – “Qualified Derivative Agreement” in APPENDIX C hereto. It is the Authority’s policy to enter into Qualified Derivative Agreements in order to hedge interest rate fluctuation of its outstanding debt and not as an investment.

Special and Limited Obligations

The Series 2018B Bonds shall be payable solely from the sources provided in the Bond Resolution. The Series 2018B Bonds are special and limited obligations of the Authority, and shall not be or constitute general obligations or indebtedness of the Authority, the County, or the City within the meaning of the Florida Constitution. Neither the faith and credit nor any taxing power of the Authority, the County, the City or the State or any political subdivision thereof, is pledged to the payment of the principal of or the interest or premium, if any, on the Series 2018B Bonds and the owners thereof shall not have any right to compel any exercise of the taxing power of the Authority, the County, the City or the State or of any political subdivision thereof, to enforce such payment. The Series 2018B Bonds are not, and will not be, secured by any lien upon the property of the Authority, the County, the City or the State or of any political subdivision thereof, except the Pledged Funds.

The Bond Resolution provides for subaccounts in the Reserve Account in the Sinking Fund to be held for the benefit of and to secure the Bonds to the extent and as provided in the Bond Resolution. The Series 2018B Bonds will be Composite Reserve Secured Bonds secured by the Composite Subaccount in the Reserve Account. See “**Reserve Account**” below.

Rate Covenant

The Authority has covenanted in the Bond Resolution to fix, establish, maintain and collect such rates, fees, rentals and other charges for the use and services of the Marine Facilities and revise the same from time to time whenever necessary, as will (1) always provide Net Revenues, which together with Interlocal Agreement Revenues, be sufficient to pay one hundred twenty-five per cent (125%) of the then current Annual Debt Service Requirement on the Bonds then outstanding in any Fiscal Year and (2) always provide Gross Revenues which, together with Interlocal Agreement Revenues, in any Fiscal Year be sufficient to pay all reserve and other payments provided for in the Bond Resolution, and also sufficient to pay all other obligations and indebtedness payable out of the revenues of such Marine Facilities, and that such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide adequate funds for such purposes.

Additional Parity Bonds

The Authority has covenanted in the Bond Resolution to issue no obligations senior to or payable prior to the Bonds. The Authority has further covenanted to issue no obligations payable on a parity with Outstanding Parity Bonds and Additional Parity Bonds unless various requirements contained in the Bond Resolution have been complied with. These requirements include showing that (i) the aggregate amount of Net Revenues plus Interlocal Agreement Revenues during each of the immediately preceding two Fiscal Years for which audited financial statements are available have equaled at least 1.50 times the Maximum Annual Debt Service Requirement on the outstanding Bonds and proposed Additional Parity Bonds (the “**Historical Additional Bonds Test**”), or (ii) (A) from the date of issuance of the proposed Additional Parity Bonds until the end of the Fiscal Year in which the project to be financed by the proposed Additional Parity Bonds is estimated to be completed, the estimated aggregate amount of Net Revenues plus Interlocal Agreement Revenues and the estimated aggregate amount of Gross Revenues plus Interlocal Agreement Revenues will be sufficient to comply with the rate covenants of the Bond Resolution and (B) the estimated aggregate amount of Net Revenues plus Interlocal Agreement Revenues during each full Fiscal Year following the date of estimated completion of the project to be financed from the proceeds of the proposed Additional Parity Bonds through five full Fiscal Years after estimated completion of the project to be financed from the proceeds of such Additional Parity Bonds will at least equal 1.25 times the Maximum Annual Debt Service Requirement on the outstanding Bonds and the proposed Additional Parity Bonds to be outstanding in each such Fiscal Year (the “**Projected Additional Bonds Test**”). In addition, Additional Parity Bonds may be issued to refund the Series 2018B Bonds (and any other Outstanding Bonds) or any portion thereof if the Maximum Annual Debt Service Requirement in any Fiscal Year following the refunding is not increased during the life of any series of Additional Parity Bonds issued prior to such refunding (excluding Bonds refunded thereby).

The Series 2018B Bonds are being issued pursuant to the Historical Additional Bonds Test described in (i) above. The Authority will satisfy the Historical Additional Bonds Test; i.e., that the aggregate amount of Net Revenues plus Interlocal Agreement Revenues during each of the immediately preceding two Fiscal Years equaled at least 1.50 times the Maximum Annual Debt Service Requirement on the Bonds, including the Series 2018B Bonds, outstanding in each such Fiscal Year.

Application of Gross Revenues and Interlocal Agreement Revenues

The Bond Resolution creates the Revenue Fund into which the Authority is required to set aside and deposit all Gross Revenues upon receipt thereof. The Bond Resolution also requires the Authority to deposit all Interlocal Agreement Revenues and Swap Receipts upon receipt thereof into the Sinking Fund. Moneys on deposit in the Revenue Fund and the Sinking Fund shall be applied solely at such times and in accordance with the priorities established by the Bond Resolution.

In addition to the Revenue Fund, the Bond Resolution and Supplemental Resolution create the following funds and accounts:

- | | |
|--|--|
| - Operation and Maintenance Fund | - Renewal and Replacement Fund |
| - Sinking Fund | - Series 2018A Costs of Issuance Account |
| Series 2009 Principal and Interest Account | - 2018A Revenue Bonds Construction Fund |
| Series 2009 Taxable Principal and Interest Account | - Series 2018B Costs of Issuance Account |
| Series 2010 Principal and Interest Account | - 2018B Revenue Bonds Construction Fund |
| Series 2012 Principal and Interest Account | |
| Series 2018A Principal and Interest Account | |
| Series 2018A Bond Amortization Account | |
| Series 2018B Principal and Interest Account | |
| Series 2018B Bond Amortization Account | |
| Composite Subaccount in the Reserve Account | |

Moneys held in the funds and accounts created by the Bond Resolution shall be administered by the Authority or its designated agent; provided that the Authority has appointed Wells Fargo Bank, National Association, Jacksonville, Florida, to act as Funds Trustee for moneys held in the Series 2018B Accounts of the Sinking Fund, the 2018B Revenue Bonds Construction Fund and the Series 2018B Cost of Issuance Account.

All Gross Revenues shall be deposited in the Revenue Fund. Moneys in the Revenue Fund are required by the Bond Resolution to be transferred and credited to the following funds and accounts on a monthly basis in the following manner and order of priority:

- First, to pay the monthly Operating Expenses of the Marine Facilities;
- Next, the Net Revenues, Swap Receipts and Interlocal Agreement Revenues shall be deposited to the Sinking Fund and the Principal and Interest Accounts therein, amounts sufficient to pay one-sixth of all interest becoming due on all outstanding Bonds on the next semi-annual interest payment dates and any Swap Obligations and any Reimbursement Obligations;
- Next, Pledged Funds shall be deposited to the Sinking Fund (1) in the Principal and Interest Accounts therein, one-twelfth of all principal maturing on any Bonds that are serial Bonds, on the maturity dates occurring within the next ensuing twelve months, and to pay the fees and charges of the Paying Agent and (2) in the Bond Amortization Accounts therein, one-twelfth of the amount of the Amortization Installment for any Bonds that are Term Bonds, which shall become due and payable within the next ensuing twelve months;

- Next, with respect to any Bonds bearing interest at a Variable Rate (or Qualified Derivative Agreement requiring payments from the Authority based on a variable index or formula) and/or payable other than semiannually, the amount of Pledged Funds specified for the payment of interest (or Swap Obligations or Reimbursement Obligations) shall be that amount necessary to provide substantially equal monthly payments for the payment of such interest (or Swap Obligations or Reimbursement Obligations) on the payment dates thereof, assuming a constant rate of interest equal to the Revenue Bond Index published in The Bond Buyer at the end of each twelve months immediately preceding the first day of the month in which the payment is to be made;

- Next, to each subaccount in the Reserve Account on a pro rata basis, based upon the respective Reserve Requirements for the various subaccounts in the Reserve Account, so as to maintain in each subaccount, an amount equal to the Reserve Requirement for such subaccount;

- Next, only if and to the extent Pledged Funds are available, to any obligations or indebtedness of the Authority payable from the Pledged Funds junior and subordinate to the payments above, in the manner and upon such priority of payment as may be provided by resolution of the Authority; provided, however, that the insufficiency of the Pledged Funds to make any required payments under this paragraph shall not constitute a default under the Bond Resolution;

- Next, to the Renewal and Replacement Fund, in an amount equal to one-twelfth (1/12) of five per cent (5%) of the Gross Revenues for the preceding Fiscal Year. Such payments shall continue to be made by the Authority into the Renewal and Replacement Fund until there is on deposit therein an amount equal to the greater of \$300,000 or five per cent (5%) of the previous Fiscal Year's Gross Revenues. The moneys on deposit in the Renewal and Replacement Fund may be used only for the purpose of paying the cost of extensions, improvements or additions to, or the replacement of, capital assets of the Marine Facilities or any part thereof, including extraordinary repairs; provided, however that if at any time moneys in the Revenue Fund are insufficient to make the deposits required by the paragraphs above, moneys on deposit in the Renewal and Replacement Fund shall be withdrawn and deposited by the Authority in the Sinking Fund to the extent of any deficiencies therein.

- Next, any amounts due under an insurance or reimbursement agreement with an insurer other than amounts relating to the principal of and interest due on the Bonds insured by such insurer; and

- Next, Swap Charges due and payable to a Counterparty pursuant to a Qualified Derivative Agreement but only if and to the extent that after payment of such Swap Charges, the Revenue Fund shall have sufficient funds to make principal and interest payments and Amortization Installments on all Senior Obligations for the next twelve months (the "**Swap Charge Payment Condition**"); provided that if such payment may not be made due to failure to satisfy the Swap Charge Payment Condition, then such nonpayment shall not constitute an event of default under the Bond Resolution.

If on any monthly payment date, the Gross Revenues plus Interlocal Agreement Revenues and Swap Receipts are insufficient to place the required amount in any of the Accounts or Funds above provided, the deficiencies shall be made up on the subsequent payment dates in addition to the payments which would otherwise be required to be made into such Accounts or Funds on the subsequent payment dates; provided however, that with respect to payments of Swap Charges, the deficiencies may only be paid on subsequent payment dates if and to the extent that the Swap Charge Payment Condition would be met after giving effect to the deficiencies and the payments which would otherwise be due on the subsequent payment dates. If any moneys remain after the payments called for above, such moneys shall be available for the Authority to use for any lawful purpose, subject to the applicable provisions of the Interlocal Agreement.

Reserve Account

Amounts in the subaccounts of the Reserve Account are available to make any payments of principal of or interest on, or maturing Amortization Installments, or Reimbursement Obligations or Swap Obligations, when due for the Bonds secured by such subaccount, when the other monies allocated to the Sinking Fund for such Bonds are insufficient to make such payments. Withdrawals from the subaccounts of the Reserve Account must be subsequently restored pro rata from the first receipts of Gross Revenues after all current monthly payments of Operating Expenses and current applications and allocations to the Sinking Fund, including all deficiencies for prior payments. As of the date hereof, a single subaccount in the Reserve Account (hereinafter, the “**Composite Subaccount**”) secures all Outstanding Parity Bonds. The Series 2018A Bonds and the Series 2018B Bonds will also be secured by the Composite Subaccount. Upon issuance of the Series 2018B Bonds and the Series 2018A Bonds (which is expected to occur simultaneously with the issuance of the Series 2018B Bonds), proceeds of the Series 2018A Bonds and the Series 2018B Bonds in the amount equal the difference between the Reserve Requirement for all Outstanding Parity Bonds, the Series 2018A Bonds and the Series 2018B Bonds (collectively, the “**Composite Reserve Secured Bonds**”) and the amount on deposit in the Reserve Account, will be deposited into the Reserve Account for the benefit of the owners of the Composite Reserve Secured Bonds. Prior to the issuance of any Additional Parity Bonds, the Issuer may elect in a supplemental resolution to designate that such Bonds also will be secured by the Composite Subaccount on a parity basis or a separate account or that such Bonds will not be secured by any subaccount in the Reserve Account, and shall specify the Reserve Requirement applicable to such Bonds.

The Reserve Requirement for the Composite Reserve Secured Bonds is the least of the following: (i) the Maximum Annual Debt Service Requirement for the Composite Reserve Secured Bonds, (ii) an amount equal to 10% of the proceeds of the Composite Reserve Secured Bonds then outstanding, or (iii) an amount equal to 125% of the average Annual Debt Service Requirements for the Composite Reserve Secured Bonds. In connection with the issuance of the Series 2018A Bonds and the Series 2018B Bonds, the Composite Subaccount will be funded in the amount of \$_____, which is 125% of the average Annual Debt Service Requirements for the Composite Reserve Secured Bonds.

Investment Income on Funds

All moneys on deposit in the funds pledged for the security of the Series 2018B Bonds will be invested in Authorized Investments. Any and all income received by the Authority from all such investments except the Construction Fund shall be deposited in the Revenue Fund. Income received by the Authority from investments of moneys in the Construction Fund shall be deposited in the Construction Fund.

Investments made with moneys in the Sinking Fund (except the Reserve Account and Bond Amortization Accounts therein), the Renewal and Replacement Fund and the Construction Fund must mature not later than the date that such moneys will be needed or, in the case of the Renewal and Replacement Fund, not later than 10 years from the date of investment. Investments made with moneys in the Bond Amortization Accounts must mature not later than the stated date of maturity of the Term Bonds to be retired from the account from which the investment is made. Investments made with moneys in the Reserve Account must mature not later than five years from the date of the investment.

In computing the amount in any fund or account, Authorized Investments are valued at the lower of the cost or the market price, exclusive of accrued interest, except investments in the Reserve Account, which are valued at fair market value. With respect to all funds and accounts, valuation shall occur annually except in the event of a withdrawal from the Reserve Account, whereupon securities shall be valued immediately after such withdrawal. If amounts on deposit in the Reserve Account shall, at any time, be less than the applicable Reserve Requirement, the deficiency shall be made up from the first moneys available after the required deposits to the Sinking Fund have been made (i) over a period of not more than four months, in four substantially equal payments, in the event the deficiency results from a decrease in the market value of the Authorized Investments

on deposit in the Reserve Account and (ii) over a period of not more than 12 months, in 12 substantially equal payments, in the event the deficiency results from a withdrawal from the Reserve Account.

Outstanding Parity Bonds and Notes

Immediately prior to the issuance of the Series 2018A Bonds and Series 2018B Bonds, the Authority will have approximately \$141,681,349 of parity obligations outstanding. See “DEBT SERVICE REQUIREMENTS” below for a summary of aggregate senior debt service payable following issuance of the Series 2018B Bonds. The Series 2009 Tax-Exempt Revenue Note was originally issued in the principal amount of \$52,090,000, and as of March 31, 2018, the outstanding balance was \$10,855,833. The Series 2009 Taxable Revenue Note was originally issued in the principal amount of \$6,420,000 and as of March 31, 2018, the outstanding balance was \$1,318,239. The Series 2009 Notes mature on October 1, 2019, unless earlier redeemed. The Series 2009 Notes each bear interest at a variable rate and in December 2009 the Authority entered into two interest rate swaps with Compass Bank, an affiliate of the holders of the Series 2009 Notes, that results in synthetic fixed rates for the two series of the Series 2009 Notes through November 1, 2018. The Authority pays variable rates to the holders of the Series 2009 Notes that are exactly equivalent to the variable rates received by the Authority under the two interest rate swaps with Compass Bank, and the Authority pays Compass Bank, as swap counterparty, fixed rates of 3.77% allocable to the notional amount of the Outstanding Series 2009 Tax-Exempt Revenue Note and 5.68% allocable to the notional amount of the Outstanding 2009 Taxable Revenue Note. The mark to market values of the respective swaps for the tax exempt note and the taxable note as of March 31, 2018, were (\$63,694) and (\$10,828), respectively. The Series 2010 Revenue Note was originally issued to Regions Bank in the principal amount of \$18,976,000, all of which remained outstanding as of March 31, 2018. The Series 2010 Revenue Note was reissued in 2015, and bears interest at a fixed rate of 2.69%. The Series 2010 Note matures on November 1, 2030, unless earlier redeemed (initial optional redemption date of September 10, 2020). The Series 2012 Bonds were originally issued in the principal amount of \$87,410,000 and as of March 31, 2018, all remained outstanding. The final maturity of the Series 2012 Bonds is November 1, 2038, unless earlier redeemed (initial optional redemption date of November 1, 2022 for the Series 2012 Bonds maturing on or after November 1, 2023). The Series 2017 Note was originally issued in the principal amount of \$23,120,000, and as of March 31, 2018, all remained outstanding. The Series 2017 Note bears interest at a fixed rate of 2.25% per annum. The final maturity of the Series 2017 Note is November 1, 2028, unless earlier redeemed (initial optional redemption date of November 1, 2022).

Subordinate Obligations

The Authority may from time to time issue subordinate lien obligations payable from the Pledged Revenues (“***Subordinate Obligations***”) for the purpose of financing and refinancing capital improvements to the Marine Facilities in accordance with the terms of the Bond Resolution and a resolution adopted by the Authority on May 23, 2005, as amended and supplemented (the “***Master Subordinate Obligations Resolution***”). Pursuant to the Master Subordinate Obligations Resolution, payment of the Subordinate Obligations (and Subordinate Swap Obligations and Reimbursement Obligations, if any) from the Pledged Revenues shall be on a parity, equally and ratably, with all other outstanding Subordinate Obligations issued pursuant thereto, but shall be junior and subordinate in all respects to the payment of the Bonds, Swap Obligations and Reimbursement Obligations, in accordance with the terms of the Bond Resolution. Current outstanding Subordinate Obligations include the following: (i) Jacksonville Port Authority State Infrastructure Bank Loan Agreement between the Authority and the State of Florida Department of Transportation (“***FDOT***”), pursuant to which FDOT has loaned \$50,000,000 (the “***SIB Loan***”) to reimburse the Authority for certain costs of the MOL/TraPac Terminal (hereinafter defined) of which \$4,303,145 was outstanding as of March 31, 2018 (See “***MOL Special Purpose Bonds***” below); and (ii) the Authority’s Schedule of Property No. 1 to Master Equipment Lease/Purchase Agreement, dated September 12, 2014 (the “***Crane Lease***”) with SunTrust Equipment Finance and Leasing Corp. (“***SunTrust***”) pursuant to which SunTrust loaned \$25,000,000 to the Authority for the acquisition of three (3) 65-ton, cantilever boom, gantry type container handling cranes, and cost for ancillary equipment and related engineering, of which \$20,983,528 was outstanding as of March 31, 2018; (iii) Line of Credit Revenue Note, No. 9 (AMT), dated December 12, 2017, of

which \$13,390,544 is expected to be outstanding immediately prior to the issuance of the Series 2018B Bonds, and of which approximately \$12,135,139 is expected to be repaid with Series 2018A Bond proceeds to refinance a portion of the Series 2018A Project; (iv) Line of Credit Revenue Note, No. 10 (Taxable), dated December 12, 2017, of which \$0.00 is expected to be outstanding on the date of issuance of the Series 2018B Bonds, and (v) Line of Credit Revenue Note, No. 11 (Non-AMT), dated February 28, 2018, of which \$11,205,419 is expected to be outstanding immediately prior to the issuance of the Series 2018B Bonds, and of which approximately \$5,134,303 is expected to be repaid with Series 2018B Bond proceeds to refinance a portion of the Series 2018B Project. The Crane Lease may be prepaid by the Authority, subject to a 1.0% prepayment premium to and including September 12, 2018, a 0.5% prepayment premium to and including September 12, 2021, and without a prepayment premium thereafter.

MOL Special Purpose Bonds

On April 11, 2007, the Authority issued its Special Purpose Facilities Revenue Bonds (Mitsui O.S.K. Lines, Ltd. Project), Series 2007 in the aggregate principal amount of \$100,000,000 (the “**MOL Special Purpose Bonds**”). The proceeds of the MOL Special Purpose Bonds (net of issuance costs) were applied to pay a portion of the costs of the acquisition, construction and installation of a container terminal and related capital improvements (the “**MOL/TraPac Terminal**”) located on approximately 160 acres of land at the Authority’s Dames Point Marine Terminal facilities. The MOL Special Purpose Bonds are not issued under the Bond Resolution or the Subordinate Obligations Resolution and are special, limited obligations of the Authority, payable solely from certain rent Special Purpose Rent payments to be made by TraPac, Inc. (“**TraPac**”), as assignee of Mitsui O.S.K. Lines, Ltd. (“**MOL**”), under an Operating and Lease Agreement dated August 3, 2005, as supplemented and amended (the “**MOL Agreement**”) between the Authority and MOL, relating to the MOL/TraPac Terminal, which MOL Agreement was assigned to TraPac pursuant to an Assignment and Assumption Agreement dated April 11, 2007 among the Authority, MOL, as assignor, and TraPac, as assignee. MOL has entered into a Guaranty Agreement dated April 11, 2007 (the “**MOL Guaranty**”) pursuant to which MOL has guaranteed the obligations of TraPac under the MOL Agreement, including without limitation the obligation to pay Special Purpose Rent when due. The MOL Special Purpose Bonds are multi-modal, variable rate bonds, and are secured by and payable from a direct pay letter of credit.

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ESTIMATED SOURCES AND USES OF FUNDS

The following table describes the estimated sources and uses of proceeds of the Series 2018B Bonds:

Sources of Funds

Principal Amount of Series 2018B Bonds

[Net Original Issue Discount/Premium]

Total Sources of Funds

Uses of Funds

Deposit to 2018B Construction Fund ¹

Repay Line of Credit Revenue Note, No. 11

Deposit to Composite Subaccount in the Reserve
Account

Issuance Costs²

Total Uses of Funds

⁽¹⁾ For total cost and sources of payment for the Series 2018B Project, see “THE MARINE FACILITIES – Harbor Deepening” herein.

⁽²⁾ Represents legal fees, accountant’s fees, Underwriters’ discount and other fees associated with the issuance of the Series 2018B Bonds.

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DEBT SERVICE REQUIREMENTS

The following table describes the debt service requirements on the Bonds expected to be outstanding following the issuance of the Series 2018B Bonds.

Fiscal Year Ending Sept. 30 ⁽¹⁾	Series 2018B Bonds			Series 2018A Bonds Annual Debt Service	Outstanding Parity Bonds Annual Debt Service ²	Aggregate Debt Service
	Principal	Interest	Annual Debt Service			
2018					\$12,632,279 ⁽³⁾	
2019				\$ 608,087	12,797,546	
2020				832,363	8,352,179	
2021				2,513,865	9,419,115	
2022				2,514,151	9,432,759	
2023				2,513,986	9,451,079	
2024				2,514,328	9,470,557	
2025				2,514,133	9,486,533	
2026				2,514,359	9,513,863	
2027				2,513,962	9,533,522	
2028				2,513,899	9,555,791	
2029				2,514,113	9,577,950	
2030				2,513,561	10,303,903	
2031				2,514,185	10,330,297	
2032				2,513,928	10,343,700	
2033				2,513,747	10,342,275	
2034				2,513,584	10,345,550	
2035					10,341,750	
2036					10,343,125	
2037					10,342,750	
2038					10,344,500	
2039					10,342,250	
2040						
2041						
2042						
2043						
2044						
2045						
2046						
2047						
2048						
2049						
Total ⁽⁴⁾				\$36,636,252	\$222,603,274	

⁽¹⁾ Debt service shown is for the period for which debt service is paid.

⁽²⁾ Calculated as if the Series 2009 Tax-Exempt Note bears interest at a fixed rate of 3.765% and the Series 2009 Taxable Note bears interest at fixed rate of 5.68% based upon debt service Swap Payments, assuming that the related variable rates on the Series 2009 Notes match the Swap Payments received by the Authority from Compass Bank.

⁽³⁾ Fiscal Year 2018 debt service includes principal and interest paid October 1, 2017 through September 30, 2018.

⁽⁴⁾ Totals may not foot due to rounding.

THE MARINE FACILITIES

General

The Marine Facilities (as defined above) are located in the southeastern United States, in the City, Duval County, Florida. Florida is a “right to work” state with multiple choices of union and nonunion labor, and a long history of positive relationships among local port labor. Florida is the nation’s third most populous state and more than 71 million consumers in the Southeast are within a one-day truck drive of the Marine Facilities. On average, more than one million containers move through the public and private marine terminals located in the City, including the Marine Facilities. The City is situated at the crossroads of the nation's rail and highway network. Three railroads with 40 daily train departures (CSX, Norfolk Southern and Florida East Coast Railway) operate in Northeast Florida, and two interstate highways (I-10 and I-95) provide fast access to major markets throughout the United States. In addition, another interstate highway, I-75, is within a one-hour drive of the Marine Facilities. Foreign Trade Zone No. 64 (“**FTZ No. 64**”) spans eight counties across northeast Florida and streamlines the customs clearance process for shippers.

As noted in the Report (hereinafter defined) attached hereto as Appendix B, with its location, the Authority has logistical advantages over ports located in Savannah, Georgia and south Florida. The Authority can more cost effectively serve key central and northeastern Florida counties, extending south to Tampa, Orlando and Brevard County, Florida, which is an area representing 51% of the Florida population (or 10,462,521 consumers) and includes key central Florida distribution center developments concentrated in the I-4 corridor. The Authority enjoys trucking cost advantage, with a greater number of empty trucks leaving Florida, providing excellent backhaul rates.

Northeast Florida has more than 127 million square feet of large warehouse and distribution space, with land available for industrial development within close proximity to the Marine Facilities.

Physical Facilities

The Authority owns and operates one cruise terminal, one intermodal container transfer facility and three public marine terminals that handle containerized, roll-on/roll-off (“**Ro/Ro**”), liquid and dry bulk and breakbulk cargo: Blount Island Marine Terminal, Talleyrand Marine Terminal and Dames Point Marine Terminal. The Authority’s terminals are located on the St. Johns River, all within 9 - 20 nautical miles (14.5 - 32 km) from the Atlantic Ocean. Only one bridge, with a vertical clearance of 175 feet above mean high water, spans the river from its mouth to the most distant of the Marine Facilities.

Collectively, these three cargo terminals handled a port record 9.3 million metric tons of cargo (imports combined with exports) in Fiscal Year 2017, with a diversified mix of cargo types including containers, breakbulk, vehicles, and liquid and dry bulk cargoes.

Blount Island. The Authority’s largest marine terminal, Blount Island Marine Terminal (“**Blount Island**”), is located only nine nautical miles (14.5km) from the Atlantic Ocean. Blount Island has 6,600 linear feet (2,012m) of 40 feet (12.2m) deep water berths. A newly-built heavy lift cargo berth at this terminal can accommodate up to 1,800 pounds per square foot. This 754-acre terminal is the Authority's largest marine facility and one of the largest vehicle import/export centers in the United States. The terminal is equipped with eight container cranes; three 65-ton electric cranes (Post-Panamax), three 50-ton cranes, one 45-ton crane, and one 40-ton crane. The Blount Island terminal also offers 240,000 square-feet of transit shed space and a 90,000 square-foot container freight station for cross-dock efficiency. The Blount Island terminal handles Ro/Ro, heavy lift, break bulk and liquid bulk cargoes. Major highways easily accessible from Blount Island are I-295 (less than one mile away), I-95 (only minutes away) and I-10. In addition, I-75 is approximately a one-hour drive west. Blount Island is covered under FTZ No. 64, which can be activated for qualified users.

Dames Point. The Dames Point Marine Terminal (“**Dames Point**”) spans 585 acres, and is located 12 nautical miles (19km) from the Atlantic Ocean. Dames Point is home to the 158-acre MOL/Trapac Terminal, where vessels for Tokyo-based MOL, and other carriers offer direct containership service between Jacksonville and ports throughout Asia, as well as certain South America trade lanes. The MOL/Trapac Terminal features include roadways, terminal buildings, two 1,200-foot berths and six Post-Panamax container cranes (four 40-ton cranes and two 50-ton cranes).

In 2018, the Authority began further development of Dames Point, adding 18.2 acres of a newly paved parking to the terminal area for the expansion of automotive (Ro/Ro) processing capacity. This expansion allows for the relocation of certain auto business from Blount Island, which concurrently creates additional capacity for containers at Blount Island. The Dames Point paving project is also the “first phase” of a future 40-acre automobile processing facility development at the terminal. Other cargoes serviced at Dames Point include bulk aggregate material on sites that total approximately 40 acres.

Talleyrand. Talleyrand Marine Terminal (“**Talleyrand**”) is located 20 miles (32km) from the Atlantic Ocean on the St. Johns River. This 173-acre terminal has 4,780 linear feet (1,457m) of berthing space on 40 feet (12.2m) of deep water. The terminal handles containerized and breakbulk cargoes, imported automobiles, and liquid bulk commodities such as caustic soda and sulfuric acid. Breakbulk cargoes include steel, lumber, wood pulp, paper and fertilizer. Talleyrand is equipped with six container cranes (three 50-ton cranes, two 45-ton cranes and one 40-ton crane) and on-dock rail. On site storage includes 160,000 square feet of transit shed space and a 553,000-square foot warehouse, which stores a variety of cargoes, including rolls of fine and specialty papers, magazine papers and newsprint. The Talleyrand terminal also offers two 50-LT capacity rubber tired gantry cranes, both of which straddle four rail spurs totaling 4,800 linear feet (1,463m). Talleyrand's on-dock rail facilities are run by Jacksonville Port Terminal Railroad, L.L.C., which provides direct switching service for Norfolk Southern and CSX rail lines. The terminal is only 25 minutes from Florida East Coast Railroad's intermodal ramp, and is located within minutes of interstates I-95 and I-10. Talleyrand is covered under FTZ No. 64.

The Authority's Cruise Terminal (the “**Cruise Terminal**”) is located at the Dames Point Marine Terminal, about one mile west of the intersection of Heckscher Drive (Zoo Parkway) and Interstate 295. The award-winning 63,000 square foot facility currently services as the home port for Carnival Cruise Lines' *Elation*. Carnival and its affiliated companies staff their offices and operations within the cruise terminal building. See also “MARINE FACILITIES - Cruise Line Industry Activity” herein.

All of the terminals are within close proximity to limited access roadways leading to Interstate 95 (north-south) and Interstate 10 (east-west). Interstate 75 (north-south) is approximately one hour away. Jacksonville is a major terminal location for many trucking lines which serve all regions of the United States. Rail facilities serve each of the terminals, including most of the wharves (shipside) and warehouses (rail platforms). The Authority owns all trackage serving its terminals. The Authority provides switching services to the Talleyrand facilities for CSX Corporation, Norfolk Southern and Florida East Coast Railroads through a third party switching company. CSX Corporation provides switching services for the Blount Island terminal.

Intermodal Container Transfer Facility. Located at Dames Point, a newly built Intermodal Container Transfer Facility (“**ICTF**”) allows for the direct transfer of containers between vessels and trains. The ICTF processes from both Dames Point and Blount Island. The ICTF is in year two of its operation with over 18,000 units moving through in its first year of operations.

Liquefied Natural Gas Capabilities. The Authority and its private partners provide liquefied natural gas (“**LNG**”) as a preferred, environmentally friendly fuel source for the maritime industry. The Authority serves vessels powered by LNG with on-dock and near-dock fueling capabilities, which, according to an independent third party source, is the only port on the East Coast to do so. Crowley Maritime Corporation's two new LNG-powered, combination container roll-on-roll-off (Con-Ro) ships will be based at Talleyrand. TOTE Maritime operates two 3,100 TEU LNG-powered container ships out of Blount Island. The ships are the world's first LNG

powered containerships. In addition two private companies have built liquefaction plants and LNG storage facilities adjacent to or nearby the Marine Facilities located at Blount Island and Dames Point.

Military Significance. The Authority is one of seventeen U.S. Strategic Seaports on-call to move military cargo for national defense, foreign humanitarian assistance and disaster relief, and the only port in Florida with this designation.

Rates, Tariffs and Contracts for Services

The Authority sets the rates and tariffs for use of its Marine Facilities. The Authority is not subject to regulation as to the level of rates and tariffs by any other governmental body, although the Federal Maritime Commission prescribes the forms of rates and tariffs. The rates and tariffs are under continual review by the Authority and are adjusted from time to time based upon the cost of providing service and the rates and tariffs charged by other competing ports.

The Authority serves as a landlord port with more than half of its operating revenues derived from long-term leases with minimum annual guaranty (MAGs) terms from a diverse group of tenants. Lease terms vary from 5 to 30 years with many containing options to renew at 5 or 10 year intervals. The average original lease term is 15 years 10 months while the average remaining life of current leases based on next maturity is 9 years 5 months. Assuming all options are exercised, the average remaining life of current leases is 15 years 8 months. Contract pricing and rates are specific to the individual tenant arrangement and cargo types. Contract terms are diverse depending upon berth space requirements, equipment rental requirements, throughput volumes, and cargo types. The Authority maintains positive relationships with its tenants and customers. In 2016, Logistics Management Magazine rated the Authority No. 1 in customer satisfaction, and in 2017, Automotive Global Awards named the Authority the Terminal and Ports Operator of the Year.

Leasing of Port Facilities

The Authority operates as a landlord, managing the upkeep, improvement and expansion of the Marine Facilities and coordinates their use by private companies. Shipping companies, shipping agents, freight forwarding companies, stevedoring companies, railroads, and trucking companies each schedule and conduct the movement of cargo through the Port. As a landlord, the Authority charges users of the Marine Facilities for use of dock and wharf space; terminal use; equipment use (principally cranes); use of storage areas, warehouses, and electrical connections for refrigerated containers; and use of the railroad. Authority-owned storage areas are either rented by the acre for periods of actual use or are leased to individual companies for their exclusive use over extended periods. Certain leases with the Authority also contain minimum annual guarantees sufficient to materially assist in amortizing the costs incurred by the Authority to improve the Marine Facilities and increase Net Revenues of the Authority. In Fiscal Year 2017, the top ten tenants of the Marine Facilities accounted for 82% of the total revenues of the Authority. The top ten tenants of the Marine Facilities for Fiscal Year 2017 are as follows:

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Top 10 Tenants (by Revenue)

Fiscal Year 2017

	<u>Tenant</u>	<u>Terminal</u>	<u>Revenue</u>	<u>%</u>
1	TraPac	Dames Point	\$8,690,750	15%
2	Tote	Blount Island	8,266,342	14
3	AmPorts	Blount Island	7,069,620	12
4	SSA	Blount Island	5,828,340	10
5	Carnival	Dames Point	4,611,020	8
6	WWL	Blount Island	4,533,859	8
7	Seaonus	Talleyrand	2,747,038	5
8	Trailer Bridge	Blount Island	2,286,732	4
9	JM Family Enterprises, Inc.	Talleyrand	2,286,117	4
10	Crowley	Talleyrand	2,018,088	3
	All Other		10,687,339	18
	Total		\$59,025,244	100%

Source: Jacksonville Port Authority

The Authority anticipates that Jacksonville-based Crowley Maritime, one of the largest U.S. shipping lines, will substantially increase its operations at the Authority during 2018 by shifting much of its Jacksonville cargo operations from its private terminal in the harbor to the Authority's facility at Talleyrand. Crowley cargoes at Talleyrand will be shipped to and from Central America, Puerto Rico and other Caribbean islands. The shift in terminal location alone will likely increase the Authority's container throughput by more than 10 percent annually, and it coincides with Crowley's launch of two new vessels to be homeported at the Talleyrand terminal. See Physical Facilities – *Liquefied Natural Gas Capabilities* above.

Trading Partners and Trade Lanes

The following table shows the top 10 countries that imported and exported cargo through the Marine Facilities during the Fiscal Year ended September 30, 2017:

Export and Import Trading Partners

(Includes both Public and Private Terminals)

<u>Export Country</u>	<u>Metric Tons</u>	<u>Percentage</u>	<u>Import Country</u>	<u>Metric Tons</u>	<u>Percentage</u>
Puerto Rico	2,467,449	57.9%	Colombia	2,556,607	29.1%
Peoples Rep of China	341,868	8.0%	Mexico	796,449	9.1%
Turkey	266,947	6.3%	Bahamas	766,004	8.7%
Brazil	252,149	5.9%	Puerto Rico	488,096	5.6%
Republic of Korea	116,577	2.7%	Japan	477,471	5.4%
Singapore	89,952	2.1%	Peoples Rep of China	446,408	5.1%
Hong Kong	81,560	1.9%	Finland	439,617	5.0%
Argentina	75,829	1.8%	Brazil	433,899	4.9%
Japan	54,790	1.3%	Canada	351,910	4.0%
United Arab Emirates	52,479	1.2%	Netherlands	229,670	2.6%
Total for Top 10	3,799,599	89.2%	Total for Top 10	6,986,130	79.6%
Others	460,309	10.8%	Others	1,786,986	20.4%
Total Export	<u>4,259,909</u>	<u>100.0%</u>	Total Import	<u>8,773,116</u>	<u>100.0%</u>

Source: Journal of Commerce / PIERS

Historically, Puerto Rico has been one of the Authority's most important trading partners. In 2018, the Authority benefitted from the relief and recovery efforts for Puerto Rico following Hurricane Maria. Three tenants (ocean carriers) of the Authority serving this trade lane anticipate the recovery efforts will continue for the next several years as the island rebuilds its infrastructure systems. The Authority has been intentionally diversifying its business as trade with Asian countries has grown rapidly. In FY 2007, the Authority handled 700,000 twenty-foot equivalent units (TEUs) of containers with volumes allocated as follows: 76% Puerto Rico, 19% S. America/Caribbean, 2% Asia and 3% other countries. By comparison, in FY 2017, the Authority handled 1 million TEUs of containers with volumes allocated as follows: 52% Puerto Rico, 39% Asia, 6% S. America/Caribbean and 3% other countries. Significant additional growth opportunities exist in additional Asian business as well as European, Indian Central and South American trade lanes. Once the main channel is dredged to forty-seven feet the Authority will be positioned to further diversify to these global markets, in order to accommodate larger ships coming through both the Panama and Suez Canals and lessening reliance on any single trading partner. The significant tenants mentioned above who focus on Puerto Rico trade are also diversifying their markets within the Caribbean.

The following chart shows the percentage of trade conducted through the Port of Jacksonville by major international trade lanes for the Fiscal Years ended September 30, 2017 and September 30, 2013:

Export and Import Trading Lanes

(Includes both Public and Private Terminals)

<u>Trade Lane</u>	<u>Percentage of Tonnage FY 2017</u>	<u>Percentage of Tonnage FY 2013</u>
Caribbean	29%	33%
South America	28	27
Asia	17	13
Europe	14	15
Central America	8	5
North America	3	6
Africa	1	2
Other	--	2

Source: Journal of Commerce / PIERs

The primary type of cargo handled at the Authority is "containerized," large boxes carrying consumer goods shipped to and from world markets, particularly to and from Asia, the Caribbean and South America, as well as manufactured products and materials originating in and destined for Florida and the broader Southeastern United States. In FY 2017, the Authority surpassed the 1 million TEU (Twenty Foot Equivalent Unit) mark for container handling, a port record for throughput for this cargo type. Much of this increase is attributable to growth in the Authority's trade with Asian countries, led by China. In order to attract Asian trade, in 2009 the Authority entered into a long-term lease agreement with TraPac to establish a 158-acre Asian cargo terminal at Dames Point. Since 2009, Asian cargo trade has increased significantly each year. It now represents the Authority's fastest growing business line. Asian container volumes at the Authority have nearly doubled since FY 2012 (205,000 TEUs), growing to nearly 400,000 TEUs in FY 2017. In 2017, Asian container trade represented 39% of the Authority's container volumes. The Authority projects continued growth in this important trade lane. To accommodate projected increases in these volumes, the Authority is planning for at least one large new international container terminal to be developed at its Blount Island Marine Terminal. See "- Strategic Priorities – Blount Island Terminal Expansion and Development" herein.

Annual Tonnage

The following table shows the annual tonnage handled by the Marine Facilities for each of the Fiscal Years ended September 30, 2013 through September 30, 2017:

<u>Annual Tonnage</u>					
	Fiscal Year Ended September 30,				
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General Cargo					
Import					
Autos	507,017	538,858	740,551	894,340	1,012,843
Paper Products	717,709	608,634	542,021	611,380	685,853
Steel	91,044	70,401	45,200	50,950	84,634
Other	25,424	35,065	39,701	198,994	122,570
Import Total	1,341,194	1,252,958	1,367,473	1,755,664	1,905,900
Export					
Autos	789,451	713,159	584,815	349,995	367,441
Poultry	50,443	26,078	38,481	9,980	0
Other	57,363	52,166	60,839	16,574	9,670
Export Total	897,257	791,403	684,135	376,550	377,111
Total General Cargo	2,238,451	2,044,361	2,051,608	2,132,214	2,283,011
Containerized Cargo					
Import	1,742,678	1,965,125	2,006,377	2,175,763	2,370,596
Export	3,152,533	3,097,844	3,028,708	3,385,598	3,507,572
Total Containerized Cargo	4,895,211	5,062,969	5,035,085	5,561,361	5,878,168
Bulk Cargo					
Import					
Bulk Liquid	227,057	286,253	234,828	225,392	222,863
Bulk Dry	691,777	797,913	768,765	712,768	862,338
Import Total	918,834	1,084,166	1,003,593	938,159	1,085,201
Export					
Bulk Liquid	126,359	120,669	91,602	88,071	83,886
Export Total	126,359	120,669	91,602	88,071	83,886
Total Bulk Cargo	1,045,193	1,204,835	1,095,195	1,026,230	1,169,087
Total Tonnage	8,178,855	8,312,165	8,181,888	8,719,805	9,330,266

Source: Jacksonville Port Authority

Cruise Line Industry Activity

In 2003, the Authority opened the Cruise Terminal at Dames Point, offering service to cruise ships calling on the City. Carnival Cruise Lines initiated year-round service aboard its vessel *Celebration*, which offered four and five-day cruises to Key West and the Bahamas. In 2008, Carnival replaced the *Celebration* with the *Fascination*, representing a 38 percent increase in capacity.

Currently, the Carnival *Elation* offers year-round cruise service from Jacksonville. In 2019, *Elation* will be replaced by the newly renovated *Ecstasy*, which carries 2,056 passengers. In addition, the Cruise Terminal regularly offers as-needed “port of call” visits to cruise lines and tourists from all over the world.

In Fiscal Year 2017, a total of 177,417 passengers embarked on 74 voyages departing the Cruise Terminal. In all, the Cruise Terminal has served more than 2.3 million passengers since opening. In May 2018, Carnival and the Authority entered into a long-term contract aimed at providing passenger cruise service through at least 2027.

A recent economic impact report found the Authority's cruise business created more than 460 jobs in northeast Florida and had a \$67 million annual economic impact on the northeast Florida region.

Strategic Priorities

Overview. In the early 2000's, the Authority began implementing plans to diversify its business activities and formulate a strategic master plan for (1) rebuilding terminal infrastructure, (2) diversification of trade lanes, and (3) planning for Post-Panamax harbor deepening to forty-seven feet (the "**Harbor Deepening**"). Historically, the Authority focused on ocean carriers shipping to and from Puerto Rico, breakbulk, liquid bulk and auto processing. While these business lines produced a steady stream of revenues, the Authority desired to diversify its trade lines and revenues by expanding its operations and seeking new opportunities in the growing, global marketplace. The Authority's long-term plan is to grow its cargo volumes and operating revenues, driven by marketing strategies based on the Authority's strategic master plan to diversify the types of cargo it handles as well as the countries and trading partners with which it does business.

In 2015, the Authority commenced the implementation of a Strategic Master Plan adopted in 2014 for infrastructure upgrades necessary to accommodate Post-Panamax vessels calling on the East Coast. In the past five years the Authority and partners have invested \$275 million in infrastructure improvements. Significant improvements to date include:

- Improvements by United States Army Corps of Engineers ("**USACE**") to the navigation channel at Mile Point (located at the convergence of the Intracoastal Waterway and the St. Johns River), which eliminated deep draft vessel restrictions during certain time periods ("**Mile Point Improvements**");
- Construction of an Intermodal Container Transfer Facility at Dames Point, providing efficient movement of containers from both the Dames Point and Blount Island terminals to the CSX rail network;
- Reconstruction of berth 35 on Blount Island to accommodate 100-gauge cranes;
- Purchase and installation of three 100-gauge electric cranes at Blount Island (to efficiently load/unload containers from Post-Panamax vessels);
- Relocation of Crowley Maritimes to Talleyrand including movement of two 50-gauge cranes and the concurrent relocation of Hamburg Sud to Dames Point; and
- Build out of additional auto processing space at Dames Point increasing auto processing capacity.

These improvements were funded by the federal government, and the Florida Department of Transportation as well as Authority operating revenue and debt proceeds. Additional work set forth in the Strategic Master Plan is ongoing. Excluding Harbor Deepening, over the next five years approximately \$242.6 million of additional capital projects are planned with federal, state and tenant contributions expected to provide the majority of the funds.

Harbor Deepening. Although the Authority's shipping channel is wide enough for two ships to pass at the same time, the Authority recognized the need to develop a plan for the Harbor Deepening. In the early 2000's, the Authority began evaluating deepening the channel from forty feet to forty-seven feet in an environmentally safe manner.

On June 10, 2014, Congress authorized the channel deepening for a distance of 13 miles from the Atlantic Ocean to the westernmost Authority container terminal, Dames Point. The channel dredging plan provides for a eight-year work plan accomplished through four separate contracts:

- Contract A will dredge approximately the first 3 miles;
- Contract B will dredge approximately the next 5 miles; and
- Contract C will dredge approximately the 3 mile distance to deepen the harbor up to Blount Island Terminal; and

- Contract D will dredge approximately the final 2 mile distance to Dames Point.

Dredging under Contract A began in February 2018 and is on schedule for completion in March 2019. Contract B (Phase 1) will be entered into in August 2018. Dredging under Contract B (Phase 1) will commence while Contract A is in progress, with a 505-day project period. Contract B (Phase 2) is expected to commence fall 2019 with a 420-day project period. Contract C is expected to be entered into in 2021 with a 2,081-day project period. While Contract D has been authorized, the timing for Contract D has not been determined.

The Authority expects to continue receiving federal funding for the Harbor Deepening but has developed a funding plan to keep the project on schedule even if no additional federal funds are received after 2018. The Harbor Deepening is estimated to cost \$484.6 million, to be funded through 2025 with investment from five sources: (1) funding from the State of Florida Department of Transportation (“**FDOT**”); (2) federal funding; (3) Series 2018B Bond proceeds; (4) Authority tenant contributions; and (5) City contributions, as shown in the table below. Federal funding is expected to total \$242.3 million. On June 11, 2018 the Army Corps of Engineers awarded an additional \$32.4 million for the Harbor Deepening. The Authority was one of only four ports to receive USACE funding and the latest funding commitment comes on top of the \$21.5 million USACE devoted to the project last year. FDOT contributions thus far have totaled \$20.6 million. Additionally, \$15.6 million has been approved and obligated by FDOT for Contract B, which will be paid by FDOT at the time Contract B is awarded. In total, FDOT has agreed to fund up to ½ of amounts not funded federally and has included \$215.4 million potential share of the Harbor Deepening in its five-year plan. City contributions could total between \$43.5 and \$133.7 million, depending upon the level of federal support. City leadership understands the importance of the Authority to the local economy and has historically and consistently supported port initiatives through the Interlocal Agreement. Tenant contribution negotiations are underway with two current tenants to make prepayments of \$23.4 million in 2019 and \$15.9 million in 2020 for the use of three 100-gauge cranes, currently operating at Blount Island, over the life of the tenants’ lease. These payments will be used to fund their share of the Harbor Deepening project. If additional federal funds are received, the contributions from FDOT and the City would be reduced on a pro rata basis.

Sources of Funding for Harbor Deepening
(in millions)

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>TOTAL</u>
Authority Contribution	\$6.8	\$29.4	--	--	--	--	--	--	\$6.0	\$42.2
Tenant Contribution	--	--	\$23.5	\$15.9	--	--	--	--	--	39.4
Federal Funding ¹	21.5	32.4	--	--	--	--	--	--	--	53.9
City Contribution	--	--	--	--	\$42.0	\$24.7	\$30.8	\$36.1	0.1	133.7
FDOT Contribution ²	20.6	15.6	23.5	18.7	39.2	24.7	30.8	36.1	6.2	215.4
TOTAL COSTS	\$48.9	\$77.4	\$47.0	\$34.6	\$81.2	\$49.4	\$61.6	\$72.2	\$12.3	\$484.6

⁽¹⁾ In the event no additional federal funding is allocated by Congress for the Harbor Deepening, the City’s share would be \$133.7 million payable annually during the period from 2021-2025.

⁽²⁾ FDOT has included the Harbor Deepening in its current five-year plan work plan. Funding may be on a cost reimbursement basis.

Blount Island Terminal Expansion and Development. The Authority is negotiating with two significant tenants to fully build out the International “SuperTerminal” on Blount Island. These tenants sought and received approval from the Maritime Commission to negotiate jointly with the Authority. The intention is to begin build out in 2019, ultimately creating 120 acres of container grade asphalt, additional 100-gauge cranes and other improvements necessary to take full advantage of the forty-seven foot channel depth. As a part of these negotiations, it is expected that the tenants will partially fund the buildout of the Blount Island terminal, with additional funding from the Authority and FDOT. As previously stated, in addition, the tenants are also expected to make prepayments of \$39.4 million for use of three 100-gauge cranes currently operating at Blount Island. This

prepayment represents the tenant portion of the Harbor Deepening funding plan expected in 2019 and 2020 set forth in the table above.

Capital Improvement Program. The Authority is required to maintain its facilities in good condition pursuant to the Bond Resolution. To that end, the Authority annually retains independent consulting engineers to conduct inspections of its facilities, so that all of its facilities are inspected at least once every three years, generally on a rotating basis. After the most recent inspections, in the opinion of the independent consulting engineers, the Authority's facilities were satisfactorily maintained. Any items/deficiencies identified from the routine inspections are addressed through maintenance programs or capital projects as needed. In addition to addressing ongoing maintenance and preservation of the Marine Facilities, the Authority's Capital Improvement Program ("**CIP**") includes the specific projects described in this section entitled "-Strategic Priorities." The expected aggregate sources and uses for the CIP over the next seven years is set forth in the table below:

Estimated Aggregate Sources and Uses
(in millions)

	<u>Authority</u>	<u>Tenant</u>	<u>City of Jacksonville</u>	<u>State</u>	<u>Federal</u>	<u>Total</u>
<u>Sources</u>						
Authority Bond Proceeds	\$ 77.0	\$ -	\$ -	\$ -	\$ -	\$ 77.0
Authority PAYGO	46.1	-	-	-	-	46.1
Tenant Contribution	-	126.5	-	-	-	126.5
City Contribution	-	-	133.7	-	-	133.7
FDOT Contribution	-	-	-	309.4	-	309.4
Federal Funding	-	-	-	-	56.8	56.8
Total	\$123.1	126.5	133.7	\$309.4	\$56.8	\$749.4
<u>Uses</u>						
Project Costs						
Harbor Deepening	\$42.2	\$39.4	\$133.7	\$215.4	\$53.9	\$484.6
All Other CIP*	58.6	87.1	-	94.0	2.9	242.6
LOC Payoff & FY 2018 CIP	20.5	-	-	-	-	20.5
Reserve and Financing Costs	1.8	-	-	-	-	1.8
Total	\$123.1	\$126.5	\$133.7	\$309.4	\$56.8	\$749.4

* Includes other projects at Blount Island in the approximate amount of \$205.3 million, at Dames Point in the approximate amount of \$5.2 million, at Talleyrand in the approximate amount of \$22.7 million and other projects in the approximate amount of \$9.4 million. Excludes future projects dependent on tenant funding or other third party financing. Note: totals may not add due to rounding.

Security Measures

The Authority is subject to the Seaport Security Act, Section 311.12, Florida Statutes (the "**Seaport Security Act**") as well as the Federal Maritime Transportation Security Act ("**MTSA**"). Combined, the Seaport Security Act and the MTSA establish a framework to protect against criminal activity and acts of terrorism through a process of formal risk assessments, as well as development and implementation of risk mitigation strategies through all-hazards planning. The Authority has been in compliance with these statutory and regulatory requirements since they were implemented.

To this end, the MTSA also established a federal grant program designed to help ports make security enhancements in a timely and effective manner. The Authority has received awards of approximately \$6.8 million in the past five years, largely funded by federal grants.

In addition to capital costs for security enhancements, the Authority continues to incur operational costs for general and cruise line security necessary to mitigate inherent risk and achieve compliance with the day-to-day security requirements imposed by law. Such operational costs average \$4 to \$5 million per year.

The Authority is working in partnership with the U.S. Coast Guard (“*USCG*”), Customs and Border Protection (“*CBP*”), Florida Department of Law Enforcement (“*FDLE*”), Transportation Security Administration (“*TSA*”) and the Jacksonville Sheriff’s Office to assure a coordinated approach to seaport security. The Authority’s current organizational structure includes the positions of Director of Public Safety, Security and Emergency Preparedness, Manager of Public Safety Operations, Manager of Public Safety Administration, Physical Security Project Assistant Manager, Public Safety Operations Assistant Manager and Public Safety Compliance Officers; and a Access Control Manager to develop an organization capable of carrying-out a myriad of security requirements on a 24/7 basis. In addition, the Authority has taken the following actions: (i) installed contiguous fencing around all Secure Restricted Access Areas as required in support of access control by statutory and regulatory requirements; (ii) constructed a Security Operations Center that provides interoperable communications for all the Authority maritime seaport terminal security personnel, stakeholders, and river partners, providing a 24/7 maritime security watch center responsible for monitoring various technologies, such as closed circuit television (CCTV), radiation, fire, and weather threats; (iii) established an access control center to process badging and business affiliation for over 42,000 of the Authority’s stakeholders necessary to provide day-to-day access; (iv) redefined security contract positions with advanced training and certifications; and (v) established a Seaport Security Marine Unit operation supported by the MTSA. The Authority currently operates three boats purchased under the Authority security grant program. The Authority remains committed to identifying and implementing safeguards designed to increase security measures and promote public safety.

Insurance

Under Florida Statute 768.28, the Authority is protected by limited sovereign immunity for third party general liability and automobile liability claims. This statute provides that Florida state agencies or subdivisions shall not be liable to pay a claim or a judgment by any one person which exceeds the sum of \$200,000 or any one incident or occurrence which exceeds the sum of \$300,000 unless the State Legislature passes a claims bill for a particular claim or incident.

In addition, the Authority procures a \$25,000,000 each occurrence Marine General Liability insurance policy with a \$100,000 deductible which provides coverage for property damage or bodily injuries sustained by a third party on our terminal or rail and a \$1,000,000 each occurrence law enforcement liability policy with a \$10,000 deductible.

The Authority participates in the City of Jacksonville's experience rated self-insurance plan. The self-insurance plan includes coverage for Automobile Liability, Comprehensive General Liability, Errors and Omissions and Workers Compensation coverage. The City purchases, and the Authority is covered by, a Public Entity Excess Liability Policy. The Authority has a \$1,500,000 self-retention for commercial general liability, auto liability, and errors and omissions coverage with excess limits of \$1,000,000 for auto and errors and omissions and \$5,000,000 excess coverage for commercial general liability. The Authority’s Workers Compensation program has a self-insured retention of \$250,000. The Public Entity Excess Liability Policy covers Workers Compensation claims in excess of \$250,000.

The Authority's expense is the premium charged by the City's self-insurance plan. Liability for claims incurred are the responsibility of, and are recorded in, the City's self-insurance plan. The premiums may be calculated on a retrospective or prospective basis depending on the claims experience of the Authority and other participants in the City's self-insurance programs. The Authority is also a participant in the City's property insurance program. This allows the Authority to receive the best available property insurance rates. The City's property insurance program currently has a limit of \$400,000,000 per occurrence including windstorm. The policy contains a \$32,000,000 per occurrence sublimit for business interruption. The Authority insures its fixed assets to ensure each asset is insured for its full replacement value.

Competition

For information regarding competition, see the Report (defined below) in APPENDIX B hereto.

MARKET DEMAND REPORT

The Authority has retained the firm of Martin Associates (the “Port Consultant”), as internationally recognized experts in their field, to prepare a report consisting of the current markets handled at the Authority, the factors affecting the historical levels of the specific cargoes, the factors that will drive the future levels of specific commodities, and the development of cargo projections of the key commodity markets served by the Authority through 2045. The Market Assessment and Cargo Projections Report prepared by Martin Associates, dated June 15, 2018 (the “Report”) is included in its entirety as APPENDIX B. This Report should be read in its entirety for an explanation of the assumptions and methodology used therein.

The Port Consultant is a recognized economic and transportation consulting firm founded in 1986, with expertise in cargo economic and market analysis; ocean carrier logistics cost analysis; intermodal cost analysis; development of overall strategic plans for ports as well as terminal operators; terminal financial analysis; and competitive ports analysis (focusing on markets, leases, terminal charges and operating metrics, such as ocean carrier logistics and terminal operations).

In preparation of the forecasts in its Report, the Port Consultant has made certain assumptions with respect to conditions that may occur and the course of action management expects to take during the forecast period. While the Authority and the Port Consultant believe these assumptions to be reasonable for the purpose of the forecasts, they are dependent upon future events, and actual conditions may differ from those assumed in the analysis. To the extent actual future factors differ from those assumed by the Port Consultant or provided to the Port Consultant by others, the actual results could vary materially from those forecast. The Port Consultant has no responsibility to update its Report for events and circumstances occurring after the date of its Report. The forecast is based on assumptions that may not be realized and actual results may differ materially from the forecast. See “INVESTMENT CONSIDERATIONS – Uncertainty of Cargo Volume” and “FORWARD LOOKING STATEMENTS” herein.

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FINANCIAL INFORMATION

Historical Pledged Revenue and Debt Service Coverage

The following table sets forth the Net Revenues and Interlocal Agreement Revenues historical debt service coverage ratio for the Fiscal Years ended September 30, 2013 through September 30, 2017 and the six months ended March 31, 2017 and March 31, 2018 (unaudited). Amounts have been calculated in accordance with the terms of the Bond Resolution and, as a result, may not conform to the audited financial statements of the Authority.

Historical Pledged Revenue and Debt Service of Coverage ⁽¹⁾

	Fiscal Year Ended September 30,					Six Month Ended March 31,	
	2013	2014	2015	2016	2017	2017	2018
Operating Revenue							
Containers	\$23,807,695	\$24,707,535	\$24,620,197	\$26,847,197	\$26,440,273	\$13,301,295	\$16,937,125
Automobiles	16,132,579	15,749,068	16,841,700	17,299,120	17,522,413	8,803,260	8,523,104
Break Bulk	3,941,067	3,798,077	3,942,338	4,278,917	4,432,923	1,896,725	1,982,559
Liquid Bulk	1,055,332	1,254,713	1,160,093	1,143,213	1,166,469	636,485	643,184
Dry Bulk	1,859,929	1,804,905	1,822,932	1,787,115	1,936,549	992,903	992,644
Cruise	4,286,017	4,403,161	4,572,501	5,068,038	4,764,411	2,257,818	2,451,119
Other Operating Revenues	2,991,960	2,577,509	3,385,721	3,242,154	2,762,206	960,553	2,009,616
Total Operating Revenue	\$54,074,579	\$54,294,968	\$56,345,482	\$59,665,754	\$59,025,244	\$28,849,040	\$33,539,352
Recurrent Non-Operating Revenues & Interest Income ⁽²⁾	91,523	83,673	123,688	138,548	158,831	109,418	125,365
Gross Revenue	54,166,102	54,378,641	56,469,170	59,804,302	59,184,075	28,958,458	33,64,987
Less Operating Expenses (excluding amortization and depreciation) ⁽³⁾	28,066,010	29,748,347	30,085,037	30,312,672	31,142,340	15,371,013	18,573,712
Net Operating Revenue	26,100,092	24,630,294	26,384,133	29,491,630	28,041,735	13,587,445	15,091,275
Interlocal Agreement Revenue	6,500,808	5,623,397	5,335,418	4,828,823	2,626,014	1,273,003	1,443,733
Pledged Revenue	32,600,900	30,253,691	31,719,551	34,320,453	30,667,749	14,860,448	16,535,008
Debt Service – Senior Obligations ⁽⁴⁾							
Series 2008 Bonds	\$2,736,750	\$1,436,350	\$1,436,350	\$1,436,350	\$1,436,350	\$ 718,175	\$ 359,088
Series 2009 Revenue Notes	7,137,248	7,233,656	7,330,096	7,436,840	7,540,321	3,770,161	3,831,266
Series 2010 Revenue Notes	775,254	775,354	1,055,756	331,795	517,544	258,772	258,772
Series 2012 Revenue Bonds	2,503,675	4,192,200	4,192,200	4,192,200	4,192,200	2,096,100	2,096,100
Total Debt Services – Senior Obligations	\$13,152,927	\$13,637,560	\$14,014,402	\$13,397,185	\$13,686,415	\$6,843,208	\$6,545,226
Debt Service Coverage Ratio	2.48	2.22	2.26	2.56	2.24	2.17	2.53
Debt Service - Subordinate Obligations:							
1999 Crane Lease Bank Note	1,196,531	1,060,449					
2014 Crane Lease Bank Note			483,444	1,708,819	1,708,819	854,410	854,410
2007 State Infrastructure Bank Loan	4,900,000	4,900,000	4,900,000	4,900,000	4,900,000	2,450,000	2,450,000
Bank Line of Credit	562,846	304,464	335,903	283,052	197,661	111,810	295,022
Total Debt Service – Subordinate Obligations	\$6,659,377	\$6,264,913	\$5,719,347	\$6,891,871	\$6,806,480	\$3,416,220	\$3,599,432
Total Debt Service	\$19,812,304	\$19,902,473	\$19,733,749	\$20,289,056	\$20,492,895	\$10,259,427	\$10,144,658
Debt Service Coverage Ratio - Total	1.65	1.52	1.61	1.69	1.50	1.45	1.63

(1) Calculated in accordance with Bond Resolution. Amounts are not intended to conform to generally accepted accounting principles.

(2) Includes recurring revenues primarily from income derived on investments, and operating grants.

(3) Less Operating Expenses excluding incremental Pension Expense accounted for under GASB68 (noncash obligation).

(4) Debt service obligation does not include capitalization of interest, payments from bond reserves, nor amortized issue costs and discounts.

Management's Discussion of Historical Operating Results

The Authority's business activity diversification plans have resulted in increase in total operating revenues with a compound annual growth rate of 1.8% over the past five years (FY 2013 to FY 2017) broken down as follows: container 2.1%, automobiles 2.8%, break bulk 2.4%, liquid bulk 2.0%, dry bulk 0.8%, cruise 2.1%, other (1.6%). While operating expenses have also increased over this time period, operating expenses when viewed over a longer time period, since FY2009, have actually decreased. In fact, since FY2009, gross revenues have increased approximately 21% (\$48.8 million in FY2009 to \$59.2 million in FY2017) while operating expenses have decreased almost 6% (\$33.0 million in FY2009 to \$31.1 million in FY2017). The decrease in operating expenses has been due, in part, to strict expense management control which has included keeping staffing levels relatively static, efficient, experienced in-house maintenance and repair crew and partnering with JEA on energy saving improvements. A discussion of operating results for the most recent fiscal years ending September 30, 2017 and 2016 follows.

Fiscal Years Ending September 30, 2017 and 2016

In Fiscal Year 2017, the Authority moved a record 1,033,068 twenty-foot equivalent units (TEUs), exceeding the previous record of 968,279 TEUs in Fiscal Year 2016. Total tonnage was up 7% to 9,330,266 tons, also record volumes. When combined with containers handled through private users of the harbor, these volumes make Jacksonville the largest container port complex in the State. The Authority also moved 693,248 vehicles in FY 2017. This record-setting volume maintains the Authority's ranking as the nation's second busiest vehicle-handling port. The Asian container trade continues to be the fastest growing segment of the Authority's container cargo business, now accounting for 39 percent of total container cargo volume, up from just 24 percent in 2016. The growth of existing cargo volumes, as well as additions of new shipping lines contributed to this growth.

Total revenues in Fiscal Year 2017 were \$59,025,244 compared to \$59,665,754 in Fiscal Year 2016. All cargo revenue line items experienced increased tonnage, recording total record volumes of 9,330,266 tons, up 7% compared to 8,716,805 tons in 2016. Container revenues in dollars in 2017 were down slightly, impacted by a planned shifting of tenants and cargo between terminal locations, designed to positively benefit total cargo volumes in future periods. As noted above, the Authority continues to diversify its trade lanes, with 39% of container volumes attributable to Asian business, up from 35% in 2016. Total TEU units in 2017 were 1,033,068 compared to 968,279 in 2016. Auto volumes were up 9% in 2017, to a record 693,248 units. Total Auto revenues were up 2%. Other cargo revenues were up year-over-year, including breakbulk up 4%, and dry bulk up 8%. Cruise operations were negatively impacted by a one-month dry dock (out of service) event in 2017, however the Cruise business is strong with average occupancy (based on 2-persons per room) per cruise rate of 120%. In 2017, total cruise revenues were \$4,764,411, compared to \$5,068,038 in 2016.

Total operating expenses before depreciation for 2017 were \$31,142,340, an increase of \$829,668 over prior year expenses before depreciation of \$30,312,672. Salaries and benefits were up \$328,584. Increases in services and supplies expense of \$657,362 were related to expenses associated with a new railyard terminal operation in 2017 of \$513,333. Maintenance dredging costs declined \$282,248 year-over-year to \$2,265,402.

Net non-operating expenses for 2017 totaled \$14,909,399. Significant non-operating expenses included debt service interest cost of \$8,780,764 and tenant contributions of \$2,866,065 (whereby certain capital grant commitments are utilized as indirect offsets to some of these expenditures). Additionally, loss on sale/disposition of assets included \$4,948,000 in asset write-offs for aged berth improvements disposed of in conjunction with new berth rehabilitation. Shared revenue from primary government in 2017 was \$2,626,014 compared to \$4,829,823 in 2016, a result of timing of debt service obligations first applied to this shared revenue source. Additionally, one time reductions (for prior year corrections to the tax revenue source) impacted the Authority's share of these governmental revenues.

Capital contributions (state and federal grants) in 2017 were \$30,701,220 compared to \$33,459,451 in 2016. Significant capital contributions in 2017 were for \$20.6 million for harbor deepening, and \$6 million for wharf reconstruction.

At the close of Fiscal Year 2017, the Authority had a net position of \$396,403,000, an increase of \$10,934,000 compared to prior year net position of \$385,469,000.

Six Months Ending March 31, 2018 and 2017

For the six months ended March 31, 2018, the Authority reported total revenues of \$33,539,352 compared to \$28,849,040 for the same period in 2017, an increase of 16%. Most notable is growth in container revenue, \$16,937,125 through six months 2018, compared to \$13,301,295 for the same period in 2017, an increase of 27%. Total TEU through six months are 634,460, compared to 500,972 for the same period in 2017. Asia related trade TEUs were 209,803 through six months, compared to 180,308 TEU for the same period in 2017, up 16%. Auto revenues were \$8,523,104 through six month FY 2018, compared to \$8,803,260 compared to in 2017, down slightly, but volumes are still on track for another strong year of auto volumes in the 650,000 to 660,000 range. All other revenue line items are tracking slightly above 2017.

Operating expenses for the first six months through March 31, 2018 were \$18,573,712 up \$3,202,699 compared to \$15,371,013 for the same period in 2017. Most significant is maintenance dredging, which is up \$2,444,148 over the same period in 2017, largely attributable to the impacts of Irma (Sept 2017) on the St. John River. Services and Supplies through six months 2018 were \$2,426,101, up \$376,482 over the same period in 2017, largely diesel fuel expense increases related to container volumes. Security Services increased to \$2,426,101, up \$376,482 over prior year, reflecting additional access control services for our tenants, 100% funded by tariff charges for these access services.

Total Net Revenues including Interlocal Agreement Revenues totaled \$16,535,008, compared to \$14,860,448 for the same period in 2017, an increase of \$1,674,560.

Projected Pledged Revenue and Debt Service Coverage

The following table sets forth the projected Net Revenues and Interlocal Agreement Revenues and projected debt service coverage for the Fiscal Years ended September 30, 2018 through September 30, 2023. Amounts have been calculated in accordance with the terms of the Bond Resolution and, as a result, may not conform to the audited financial statements of the Authority.

The following table was prepared by staff of the Authority and has not been prepared by an independent third party. However, by letter dated June 25, 2018, John C. Martin, PhD., Manager, Martin Associates, the Port Consultant (see “MARKET DEMAND REPORT” herein) stated that he had reviewed (i) the operating revenue forecasts prepared by staff of the Authority for Fiscal Years ended September 30, 2018 through September 30, 2023, (ii) in support of such revenue projections, he had prepared a detailed cargo market and projection analysis for the Authority for the period 2018 through 2045, (iii) for each of the revenue projections developed by the Authority, the revenue projections are lower than the Port Consultant’s projected growth rates for the respective commodities, and (iv) in his opinion, each of the revenue projections is conservative.

The following table constitutes “forward-looking statements” within the meaning of the federal securities laws, and such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. See “FORWARD-LOOKING STATEMENTS” herein. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to the following table to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on any which such statement is based.

The following table will not be updated or revised pursuant to the Continuing Disclosure Certificate or otherwise. See “CONTINUING DISCLOSURE” herein.

Projected Pledged Revenue and Debt Service Coverage ⁽¹⁾⁽²⁾⁽³⁾

	Fiscal Year Ended September 30,					
	2018	2019	2020	2021	2022	2023
Total Operating Revenue ⁽⁴⁾	\$65,539,092	\$67,698,472	\$64,976,613	\$68,412,001	\$70,535,839	\$69,929,228
Recurrent Non-Operating Revenues & Interest Income	260,463	355,398	355,398	355,398	355,398	355,398
Gross Revenue	65,799,555	68,053,870	65,332,011	68,767,399	70,891,237	70,284,626
Less: Operating Expenses (excluding amortization and depreciation) ⁽⁵⁾	35,346,845	36,678,459	36,000,000	36,720,000	37,454,400	38,203,488
Net Operating Revenue	30,452,710	31,375,411	29,332,011	32,047,399	33,436,837	32,081,138
Interlocal Agreement Revenue ⁽⁶⁾	2,913,876	2,791,867	2,469,850	10,300,000	10,300,000	10,300,000
Projected Pledged Revenue	33,366,586	34,167,278	31,801,861	42,347,399	43,736,837	42,381,138
Debt Service - Senior Obligations						
Series 2009 Revenue Notes	7,662,435	7,074,365	579,747			
Series 2010 Revenue Notes	517,544	1,010,782	998,488	1,794,946	1,815,128	1,827,435
Series 2012 Revenue Bonds	4,192,200	4,192,200	4,192,200	5,039,900	5,041,850	5,037,475
Series 2017 Revenue Notes	260,100	520,200	2,581,744	2,584,269	2,575,781	2,586,169
Series 2018A Revenue Bonds		608,087	832,363	2,513,865	2,514,151	2,513,986
Series 2018B Revenue Bonds ⁽⁷⁾		1,546,769	2,117,250	2,117,250	2,117,250	2,117,250
Total Debt Service - Senior Obligations	12,632,279	14,952,402	11,301,792	14,050,230	14,064,160	14,082,315
Debt Service Coverage Ratio	2.64	2.29	2.81	3.01	3.11	3.01

- (1) Projections calculated in accordance with Bond Resolution. Amounts are not intended to conform to generally accepted accounting principles. The projections set forth in this table are projections of the Authority and not of any independent third-party; but comfort regarding the operating revenue forecasts was obtained from the Port Consultant as described in the text preceding this table.
- (2) This table constitutes “forward-looking statements” within the meaning of the federal securities laws. See “FORWARD-LOOKING STATEMENTS” herein.
- (3) This table will not be updated or revised pursuant to the Continuing Disclosure Certificate or otherwise. See “CONTINUING DISCLOSURE” and “FORWARD-LOOKING STATEMENTS” herein.
- (4) Projections incorporate anticipated impacts of the Blount Island terminal expansion and development and the implementation of other anticipated strategic business changes. Operating Revenues are projected to decrease in 2020 due to a reduction in contracted rent payments. Reduction was planned at contract creation and reflects the tenant satisfying an obligation to repay the Port for financing done on the tenant’s behalf. Operating Revenues are projected to decrease slightly in 2023 as the Blount Island terminal expansion is made operational. Revenue streams not impacted assumes 2.0% annual growth.
- (5) Assumes 2.0% annual growth, based on historical ten-year trend analysis, beginning in FY 2021.
- (6) Interlocal Agreement Revenue is assumed to remain flat at \$10,300,000 annually beginning in FY 2021.
- (7) Preliminary; subject to change.

Investment Policy

Funds held pursuant to the Bond Resolution are required to be invested in Authorized Investments (as defined in the Bond Resolution). The Authority has a detailed written investment policy, updated January 1, 2015 (the “**Investment Policy**”). The Investment Policy applies to all financial assets held or controlled by the Authority, except for funds from the issuance of debt which are governed by the resolutions in effect for such funds. Funds held for the Authority by other State agencies are not subject to the provisions of this policy. The Investment Policy’s primary objective is safety of principal of the funds within the portfolio. The policy provides that, to the extent possible, an attempt will be made to match investment maturities with known cash needs and anticipated cash flow requirements.

The Investment Policy provides that a return on investment will be obtained throughout budgetary and economic cycles, taking into account the Authority’s investment risk constraints and liquidity needs. Authorized investments are limited to the Florida PRIME Fund, securities issued or guaranteed by U.S. Government and certain U.S. Government agencies and certain other specified classes of securities with minimum specified

investment ratings. Under the Investment Policy, the Authority must limit the percentage of available funds that may be invested in specified classes of investments in order to guard against concentration risk. Investments may only be purchased through (1) institutions qualified to provide banking and investment services to Qualified Public Depositories (as designated by the Treasurer of the State of Florida), (2) firms that deal directly with the Federal Reserve and have met its capital, market share and management standards, (3) regional brokers acting in the capacity of agent for firms described in (2) above, and (4) direct issuers of commercial paper and bankers' acceptances.

The Investment Policy is administered by the Chief Financial Officer of the Authority and managed by the Director of Finance. The Investment Policy attempts to maintain a weighted average portfolio duration of not to exceed three years. The Authority's investment portfolio is measured by a performance index, which index is periodically reviewed by the Chief Financial Officer to ensure that the index is an adequate measure of the Authority's investment objectives.

INVESTMENT CONSIDERATIONS

The Authority's ability to derive Gross Revenues from its operation of the Marine Facilities in amounts sufficient to pay the debt service on the Outstanding Parity Bonds, the Series 2018B Bonds and any Additional Parity Bonds hereafter issued under the Bond Resolution depends upon several factors which are beyond the control of the Authority. These factors include the financial strength of the shipping industry and other industrial users in general, and of the firms within those industries that operate at the Marine Facilities, in particular. In addition, a worsening of general, national and local economic conditions, including inflation or deflation, general cost increases, security cost increases, international trade relations, or continued trade deficits, among other factors, could adversely affect the Authority's operations. Described below are certain factors that could affect future operations of the Authority and other related matters.

Limited Obligations

The Series 2018B Bonds shall not be or constitute general obligations or indebtedness of the Authority, the County, the City or the State within the Florida Constitution, but shall be payable solely from and secured by a lien upon and a pledge of the Pledged Funds. No bondholder shall ever have the right to compel the exercise of ad valorem taxing power of the Authority, the County, the City or the State, or taxation in any form on any real or personal property to pay the Series 2018B Bonds or interest thereon, nor shall any bondholder be entitled to the payment of such principal and interest from any other funds of the Authority other than the Pledged Funds in the manner and to the extent provided in the Bond Resolution. In addition, no recourse shall be had for the payment of the principal or interest on the Series 2018B Bonds or for any claim based thereon or the Bond Resolution against any member of the Authority as defined herein or officer of the Authority or any person executing the Series 2018B Bonds. Therefore, the security for the punctual payment of the principal of and interest on the Series 2018B Bonds is dependent on the Authority's ability to generate such Pledged Funds in an amount sufficient to meet the debt service requirements of the Series 2018B Bonds and all other parity obligations.

Competition

The Authority faces competition in the operations of the Marine Facilities from other ports, principally those located on the east coast of the United States, as well as with ports in other parts of the United States and in Canada and Mexico. Factors such as the total delivered cost for goods, harbor and shipping channel depth, service reliability, available distribution and transload facilities and transit time affect carrier decisions (and sometimes shipper directions) about which port to use. These factors may be affected by developments outside the Authority's control. The revenues of the Authority may be adversely impacted by increased competition, additions to marine facilities at other ports, and pricing decisions by other port facilities; the Authority cannot predict the scope of any such impact at this time. An adverse impact on the revenues of the Authority would result in a decrease in Pledged Revenues, which would have a detrimental impact on the Authority's ability to satisfy its debt service obligations on the Bonds.

Import Restrictions and Tariffs

In April 2017, President Trump requested the United States Department of Commerce to investigate steel imports under Section 232 of the Trade Expansion Act of 1962, which allows the Executive Branch of the United States (the “*Executive Branch*”) to place import restrictions or tariffs on steel for national security reasons. In March 2018, the Executive Branch announced a 25% tariff on steel and 10% tariff on aluminum immediately in effect for certain countries, including China and Russia and extending to other countries, including the European Union, Canada and Mexico on June 1. On July 6, 2018, the U.S. initiated a round of 25 percent levies on \$34 billion worth of Chinese goods, and China soon after implemented retaliatory tariffs on its own list of \$34 billion worth of American goods. Increased tariffs on other products, including vehicles, are under consideration. In management’s view, tariffs on steel and aluminum are likely to have minimal impact, if any, on the Authority’s operations, as such imports comprise only a small portion of total imports. The potential impact of future tariff impositions is unknown. However, in the event that tariffs are significantly increased with respect to automobiles, the revenues of the Authority could be adversely affected.

Changes in Federal and State Tax Law

From time to time, there are legislative proposals in Congress and in the states, including some that carry retroactive dates that, if enacted, could alter or amend the federal and state tax matters referred to herein. In addition, such legislation (whether currently proposed, proposed in the future or enacted) could affect the market value or marketability of the Series 2018B Bonds or future borrowings.

For example, the Tax Cuts and Jobs Act (the “*Tax Act*”) passed by both houses of Congress and signed into law on December 22, 2017, among other things eliminated the exemption for interest on advance refunding bonds. A previous version of tax reform legislation proposed to eliminate the federal tax exemption of private activity bonds issued after December 31, 2017, including bonds such as the Series 2018A Bonds. The Tax Act did not contain this provision, but future tax reform legislation of a similar nature may materially impact the cost and/or availability of borrowed funds, the market price or marketability of bonds in the secondary market, and the operations, financial position and cash flows of the Authority.

Additionally, negotiations between the Executive and Legislative Branches of the United States government regarding the federal budget may result in the enactment of legislation that could significantly reduce the benefit of, or otherwise affect, the exclusion of gross income for federal income tax of interest on all state and local obligations, including the Series 2018B Bonds. It cannot be predicted whether or in what form any such proposals might ultimately be enacted or whether if enacted such proposals would apply to bonds issued prior to enactment. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Series 2018B Bonds or the market value thereof would be impacted thereby. Prospective purchasers of the Series 2018B Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation.

As described under “TAX EXEMPTION” herein, non-compliance with certain requirements of the Code could cause interest on the Series 2018B Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Series 2018B Bonds. The Series 2018B Bonds are not required to be redeemed, and the interest rates on the Series 2018B Bonds will not be changed, in the event interest thereon is determined to be includable in gross income for federal income tax purposes. No provision has been made to compensate owners of the Series 2018B Bonds for federal income taxes, interest and/or penalties which may be assessed in connection with any such tax liability or such determination or for any other loss or any diminution of gain which may occur.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Series 2018B Bonds, and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending or proposed federal or state tax legislation, regulations or litigation.

THE FOREGOING DISCUSSION OF CERTAIN FEDERAL AND STATE INCOME TAX CONSEQUENCES IS PROVIDED FOR GENERAL INFORMATION ONLY. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE TAX CONSEQUENCES TO THEM IN LIGHT OF THEIR OWN PARTICULAR INCOME TAX POSITION, OF ACQUIRING, HOLDING OR DISPOSING OF THE SERIES 2018B BONDS.

Difficulties in Enforcing Remedies

The remedies available to the owners of the Series 2018B Bonds upon an event of default under the Bond Resolution are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically in the United States Bankruptcy Code, 11 U.S.C. §101 et seq. (the “*Bankruptcy Code*”), the remedies provided in the Resolution may not be readily available or may be limited. The various legal opinions delivered concurrently with the delivery of the Series 2018B Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by general principles of equity, by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors generally, by the exercise by the United States of America of the powers delegated to it by the federal Constitution, and by the exercise of the sovereign police powers of the State or its governmental bodies.

The enforceability of the rights and remedies of the owners of the Series 2018B Bonds, the obligations incurred by the Authority in issuing the Series 2018B Bonds and the Authority’s obligations under the Loan Agreement, are subject to the Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect to the extent constitutionally applicable; equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the exercise of the sovereign police powers of the State or its governmental bodies. Consistent with the contracts clauses of the State and United States Constitutions, in a bankruptcy proceeding or due to the exercise of powers by the federal or State government, bondowners could be subject to judicial discretion and the interpretation of their rights in bankruptcy or otherwise, which consequently may entail risks of delay, limitation, or modification of their rights.

The obligations of the Authority under the Bond Resolution may be secured on a parity with other obligations of the Authority so that any proceeds that might be derived from the exercise of remedies would be required to be shared among the owners of the Series 2018B Bonds and the holders of any additional Bonds. The pledge of the Authority by the Authority to secure its obligations with respect to the Series 2018B Bonds may be ineffective as to certain revenues or under certain circumstances.

Financial Information

Certain financial information relating to the Authority is set forth herein and in the appendices hereto. There can be no assurance that the financial results achieved by the Authority in the future (including, but not limited to, the amount of Net Revenues collected by the Authority) will be similar to historical results, and such future results and actual variations may be material.

Project Delays and Completion Risks

Certain funds available to the Authority and a portion of the proceeds of the Series 2018B Bonds will be used for the purpose of financing the costs of the Series 2018B Project. The total cost of the Series 2018B Project could exceed available funds of the Authority, including proceeds of the Series 2018B Bonds available for such purpose. For example, contingencies generally involved in the construction of any facility or project, such as fire, delays, labor difficulties and difficulties in obtaining materials, may cause the actual cost of completion to exceed available funds. See “PLAN OF FINANCING RELATED TO THE SERIES 2018B BONDS,” “SECURITY FOR THE SERIES 2018B BONDS” and “HARBOR DEEPENING” herein.

Certain risks are inherent in construction projects. These risks include: unavailability of materials, labor and supplies, calamities, natural disasters, strikes and other risks typically associated with construction which may delay completion of the improvements and/or increase costs. The Authority must obtain all necessary governmental approvals, including environmental permits, if any, needed for the Harbor Deepening, and timely completion of the Harbor Deepening is contingent upon timely completion of this process.

An environmental advocacy group, St. Johns Riverkeeper, Inc. (“Riverkeeper”), filed a lawsuit in the United States District Court for the Middle District of Florida, Jacksonville Division against USACE (Case No. 3:17-cv-00398-MMH-MCR) (the “Action”). The Action alleges that USACE, in issuing the harbor deepening permit, failed to comply with certain requirements of the National Environmental Policy Act (the “NEPA”) and the Administrative Procedure Act (the “APA”). Prior to filing the Action, Riverkeeper made similar allegations in a state court proceeding challenging the permit process. That action was voluntarily dismissed by Riverkeeper prior to reaching the merits of the case. Riverkeeper’s current allegations generally attack USACE’s permitting analysis and decision-making. The court’s review of agency action such as the USACE permit is exceedingly deferential to the agency’s decision and a court will set aside that decision only if, based on the record available to the agency, its permitting decision was arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.

After Riverkeeper filed the Action, the Authority intervened as a party and, along with USACE, has vigorously defended against Riverkeeper’s allegations. In November 2017, Riverkeeper amended their complaint and filed a motion for injunction asking the court to bar the start of dredging. The Authority and USACE prevailed and defeated the Riverkeeper’s injunction motion with the court finding, amongst other items, that Riverkeeper failed to demonstrate a substantial likelihood of success on the merits on the matters raised in its injunction motion. After that ruling, dredging commenced. If, at the conclusion of the action, the court were to find in Riverkeeper’s favor, the remedy, except in rare circumstances, would be to remand to USACE for additional investigation or explanation, which might cause delays with the Harbor Deepening. In such an event, Riverkeeper may also be entitled to reimbursement of its reasonable attorneys’ fees, costs, expenses, and disbursements.

The revenues of the Authority may be adversely impacted by delays in the Harbor Deepening, including as a result of the Action. The Authority cannot predict the scope of any such impact at this time. An adverse impact on the revenues of the Authority would result in a decrease in Pledged Revenues, which could have a detrimental impact on the Authority’s ability to timely pay its debt service obligations on the Bonds.

Additionally, no assurance can be given that the proceeds of the Series 2018B Bonds allocated to the Series 2018B Project, together with the other anticipated sources of revenue for the Series 2018B Project, will be sufficient to complete the Series 2018B Project. In the event that such sources of funds are not available or are otherwise insufficient for such purpose, the Authority intends to use other available funds to complete the Projects. In the event additional funds are not so available, no assurance can be given that additional debt obligations may be issued by the Authority to complete the Series 2018B Project. See “SECURITY FOR THE SERIES 2018B BONDS – Subordinate Obligations” herein.

Increased Security Costs

The Authority currently expends an average of \$4 to \$5 million annually for maintaining, upgrading and enhancing its security to comply with federal and state-mandated security measures. See “MARINE FACILITIES—Security Measures” herein. To the extent that additional federal or state requirements related to security or anti-terrorist measures are imposed upon the Authority and grant money or other federal or state financial assistance is not available, the Authority may be forced to absorb additional security-related expenditures into its operating budget, which may reduce Net Revenues, which will, in turn, have an adverse impact on the Authority’s ability to satisfy its debt service obligations on the Bonds. See “MARINE FACILITIES—Security Measures” herein.

Environmental Risks

Any owner or operator of real estate may be adversely impacted by legislative, regulatory administrative and enforcement action involving environmental laws and regulations. Users of the Marine Facilities may transport hazardous materials through the Marine Facilities, the handling of which may pose environmental threats. In recent years, environmental regulations have placed greater scrutiny on all owners of property, and in future years, such regulations could be modified to include types of materials not currently identified as hazardous, all of which could result in additional expense to the Authority. Operation of the Marine Facilities is also subject to federal, state and local laws and regulations governing, among other things, emissions to air, discharge to waters and the generation, handling, storage, transportation, treatment and disposal of waste and other materials as well as laws relating to occupational health and safety. Certain portions of the Marine Facilities may constitute, or may encroach upon, areas that are designated as wetlands under federal law. The Authority's ability to develop, expand or improve portions, if any, of the Marine Facilities that comprise or are located in, at, upon, or adjacent to wetlands may be limited. The Authority intends to operate the Marine Facilities in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. However, the operation of facilities such as the Marine Facilities entails risks in these areas, and there can be no assurance that the Authority will not incur material costs or liabilities in this regard. In addition, potentially significant expenditures could be required to comply with environmental, health and safety laws, regulations and requirements that may be adopted, amended or imposed in the future. The Authority may be forced to expend significant resources with regard to compliance with state and federal requirements, which expenses, to the extent that they exceed budgeted amounts, would decrease Net Revenues and have an adverse impact on the Authority's ability to satisfy its debt service obligations on the Bonds.

Risk of Loss, Damage or Destruction

The Authority has covenanted in the Bond Resolution that it will cause the Marine Facilities at all times to be insured against such risks as are customarily insured against in connection with the operation of marine terminal facilities of a type and size comparable to the Marine Facilities. The Authority has further covenanted that it shall promptly replace, repair, rebuild or restore, or cause to be replaced, repaired, rebuilt or restored, any part of the Marine Facilities that is destroyed or damaged by fire or other casualty. There can be no assurance that the proceeds of insurance or other sources of funds available to the Authority for purposes of replacing, repairing, rebuilding, or restoring all or any portion of the Marine Facilities that may be damaged or destroyed will be sufficient for such replacement, repair, rebuilding or restoration, nor can there be any assurance that such proceeds or other sources of funds will be equal to or greater than the outstanding principal amount of the Bonds so as to allow the Authority to retire outstanding principal amount of, interest and premium, if any, on the Bonds in the event that the Authority is unable to replace, repair, rebuild or restore the Marine Facilities in the event of loss, damage or destruction of such facilities.

Termination or Expiration of Material Contracts

Although the Authority has no reason to believe that current tenants of the Marine Facilities will prematurely terminate existing leases or similar agreements entered into with the Authority (the "**Agreements**") or choose not to renew such Agreements at their stated expiration, there can be no assurance that such source of revenues to the Authority currently derived from the Agreements will be available in future years and a loss of such revenues could adversely impact the ability of the Authority to pay its debt service obligations on the Bonds.

Hurricanes and Other Weather-Related Catastrophes

The State is generally susceptible to hurricanes and similar storms in which winds and tidal surges are powerful enough to cause severe destruction. Fortunately, the Marine Facilities did not suffer any significant damage from the hurricanes that hit Florida in recent years. The Authority has adopted a hurricane plan in an effort to, among other things, establish protective measures to be effected in the Marine Facilities and to make its

facilities safer in case of a hurricane strike. To the extent that the Marine Facilities are damaged, or the Authority's operations are interrupted for any material period of time or cargo is directed to other ports due to hurricane or other weather-related catastrophe, such damage or interruption could reduce the amount of Gross Revenues of the Authority, which would have an adverse impact on the Authority's ability to satisfy its debt service obligations on the Bonds. See "MARINE FACILITIES—Insurance" herein for a description of the current insurance coverage maintained by the Authority.

Other Force Majeure Events

Operation of the Marine Facilities is also at risk from other events of force majeure, such as damaging storms, winds and floods, fires and explosions, spills of hazardous substances, collisions involving maritime vessels, strikes and lockouts, sabotage, wars, acts of terrorism, blockades and riots. The Authority cannot predict the potential impact of such events on the financial condition of the Authority's ability to pay the principal of and interest on the Series 2018B Bonds.

Uncertainties of Cargo Volume

The Authority's ability to derive fees and charges from its operation of the Marine Facilities depends in part upon cargo utilization of Marine Facilities, which in turn depends upon the financial health of the shipping industry, including the financial condition of carriers and their customers and of Marine Facilities tenants and service providers. It must also be noted that the Panama Canal effect on ship size and call frequencies for Gulf and East Coast ports has also increased the threat for containerized imports. The accelerated investment by other ports in both infrastructure and cargo generating enterprises such as distribution centers and manufacturing facilities creates new trade flows and new ports of entry. Also, as the new mega alliances continually upsize their vessels, port productivity and efficiency will factor into many carriers' decisions regarding port calls. The Authority's long-term plan is to grow its cargo volumes and operating revenues, driven by marketing strategies based on the Authority's strategic master plan to diversify the types of cargo it handles as well as the countries and trading partners with which it does business. See also "MARINE FACILITIES – Strategic Priorities" herein.

Regulation

The Authority is subject to the general requirements of State and Federal environmental legislation, including the regulations of the Florida Department of Environmental Protection ("**DEP**"). Projects involving dredging, such as the Harbor Deepening, require the approval of the USACE, which has been obtained.

To the knowledge of the Authority, no regulatory action has been taken or is threatened and no regulatory approval is required and outstanding which could materially affect the Gross Revenues of the Authority or the ability of the Authority to complete any planned construction program, other than the Action as described in "-Project Delays and Completion Risk." Nevertheless, actions in any of these areas could result in a reduction in Gross Revenues, or the loss of the ability of the Authority to operate all or a portion of the Marine Facilities, and consequently, could adversely affect the ability of the Authority to make payments on the Bonds.

Labor Relations

Certain operations of the Authority are dependent on good labor relations among the stevedoring firms, shipping lines and other tenants and franchises operating at the Marine Facilities and the longshoremen, cargo checkers and other workers. The current collective bargaining agreement with the International Longshoreman's Association (the "**ILA**"), to which the Authority is not a party, expires on September 30, 2019. Negotiations between the ILA and the other parties to the agreement are ongoing. The Marine Facilities are open to both union and nonunion workers. In the opinion of the Authority's management, the Authority and its lessees enjoy good labor relations. However, there can be no assurance that strikes or other labor disruptions will not occur in the future.

Cruise/Tourist Industry Subject to Fluctuation

The Authority derived approximately 8% of its operating revenue in Fiscal Year 2017 from the cruise passenger industry, which is a component of the tourist industry. The cruise/tourist industry is subject to economic fluctuation due to any one or more of many factors, including fuel prices, the health of the economy in general, the threat of terrorism and alternate competitive opportunities, which may result in an indeterminate adverse impact on Gross Revenues.

LITIGATION

There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending or, to the knowledge of the Authority, threatened against or affecting the Authority or, to its knowledge, any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated by this Official Statement or the validity of the Series 2018B Bonds, the Bond Resolution or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the transactions contemplated by this Official Statement, or which would have a material adverse effect upon the Pledged Funds or the financial condition or operations of the Authority, except for lawsuit relating to the Harbor Deepening as described under “INVESTMENT CONSIDERATIONS – Project Delays and Completion Risks” herein.

UNDERWRITING

The Series 2018B Bonds are being purchased by Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Senior Managing Underwriter and J.P. Morgan Securities LLC, as Co-Manager (collectively, the “*Underwriters*”), from the Authority at a purchase price of \$_____ (which is the par amount of the Series 2018B Bonds, plus/less net original issue premium/discount of \$_____, less an Underwriters’ discount of \$_____), subject to the terms of a Bond Purchase Agreement between the Authority and the Underwriters. The Bond Purchase Agreement provides that the Underwriters shall purchase all of the Series 2018B Bonds if any are purchased, and that the obligation to make such purchase is subject to the terms and conditions set forth in the Bond Purchase Agreement, the approval of certain legal matters by counsel, and certain other conditions. The initial public offering price set forth on the inside cover page hereof may be changed from time to time by the Underwriters. The Underwriters may offer and sell the Series 2018B Bonds into unit investment trusts or money market funds at prices lower than the public offering price stated on the cover hereof.

J.P. Morgan Securities LLC (“*JPMS*”), one of the Underwriters of the Series 2018B Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”), with each of Charles Schwab & Co., Inc. (“*CS&Co.*”) and LPL Financial LLC (“*LPL*”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series 2018B Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series 2018 Bond that such firm sells.

JPMorgan Chase Bank, N.A., a related party to JPMS, was selected by the Authority pursuant to a competitive request for proposal process to purchase the Series 2018A Bonds in a direct placement transaction. The Series 2018A Bonds are expected to be issued by the Authority concurrently with the issuance of the Series 2018B Bonds.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriters and their respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the Authority, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Authority.

RATINGS

Moody's and Fitch have assigned ratings of "A2" (Stable Outlook) and "A" (Stable Outlook), respectively, to the Series 2018B Bonds. No application has been made to any other rating agency for the purpose of obtaining an additional rating on the Series 2018B Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007 and Fitch, 33 Whitehall Street, New York, New York 10004. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either or both of the rating agencies, if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2018B Bonds. The Authority and the Underwriters have undertaken no responsibility either to bring to the attention of the owners of the Series 2018B Bonds any proposed change in or withdrawal of such ratings or to oppose any such revision or withdrawal.

TAX MATTERS

In the opinion of Foley & Lardner LLP, Bond Counsel, based on existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, as described herein, interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "*Code*"). Interest on the Series 2018B Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, it should be noted that with respect to certain corporations, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax. Bond Counsel observes that federal tax legislation enacted in December 2017 repeals the federal corporate alternative minimum tax for tax years beginning after 2017. A copy of the proposed form of the opinion of Foley & Lardner LLP, as Bond Counsel, is set forth in APPENDIX E.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series 2018B Bonds. The Authority has covenanted to comply with certain restrictions and requirements designed to assure that the interest on the Series 2018B Bonds will not be included in gross income for federal income tax purposes. Failure to comply with these covenants may result in such interest being included in gross income for federal income tax purposes, possibly from the original issuance date of the Series 2018B Bonds. The opinion of Foley & Lardner LLP, as Bond Counsel, assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the issuance of the Series 2018B Bonds may adversely affect the tax status of the interest on the Series 2018B Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

The opinion of Bond Counsel relies on factual representations made by the Authority and other persons. These factual representations include but are not limited to certifications by the Authority regarding its reasonable expectations regarding the use and investment of bond proceeds. Bond Counsel has not verified these representations by independent investigation. Bond Counsel does not purport to be an expert in asset valuation and appraisal, financial analysis, financial projections or similar disciplines. Failure of any of these factual

representations to be correct may result in interest on the Series 2018B Bonds being included in gross income for federal income tax purposes, possibly from the original issuance date of the Series 2018B Bonds.

Although Bond Counsel is of the opinion that interest on the Series 2018B Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, the Series 2018B Bonds may otherwise affect a Beneficial Owner's federal tax liability. The nature and extent of these other tax consequences will depend upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code, or court decisions may cause interest on the Series 2018B Bonds to be subject, directly or indirectly, to federal income taxation or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of such interest. proposed federal or state legislation, regulations or litigation, and regarding the impact of future legislation, regulations or litigations, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel speaks only as of its date and is based on current legal authorities, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment regarding the proper treatment of the Series 2018B Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (the "**IRS**") or the courts, and it is not a guarantee of result. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or about the effect of changes to the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority has covenanted, however, to comply with the applicable requirements of the Code.

Bond Counsel is not obligated to defend the Authority regarding the tax-exempt status of the Series 2018B Bonds in the event of an examination by the IRS. Under current IRS procedures, the Beneficial Owners and parties other than the Authority would have little, if any, right to participate in an IRS examination of the Series 2018B Bonds. Moreover, because obtaining judicial review in connection with an IRS examination of tax-exempt bonds is difficult, obtaining independent review of IRS positions with which the Authority legitimately disagrees may not be practicable. Any action of the IRS, including but not limited to selection of the Series 2018B Bonds for examination, or the course or result of such an examination, or an examination of bonds presenting similar tax issues may affect the market price, or the marketability, of the Series 2018B Bonds, and may cause the Authority or the Beneficial Owners to incur significant expense.

Payments of interest on tax-exempt obligations, including the Series 2018B Bonds, are generally subject to IRS Form 1099-INT information reporting requirements. If a Beneficial Owner of a 2018B Bond is subject to backup withholding under those requirements, then payments of interest will also be subject to backup withholding. Those requirements do not affect the exclusion of such interest from gross income for federal income tax purposes.

Original Issue Discount

In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Series 2018B Bond maturing in the years 20__ through 20__ (the "**Discount Bonds**"), to the extent properly allocable to each owner of a Discount Bond, is excluded from gross income for federal income tax purposes to the same extent that any interest payable on such Discount Bond is or would be excluded from gross income for federal income tax purposes. The original issue discount is the excess of the stated redemption price at maturity of such Discount Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discount Bonds were sold (the "**issue price**").

Under Section 1288 of the Code, original issue discount on tax-exempt bonds accrues on a compound interest basis. The amount of original issue discount that accrues to an owner of a Discount Bond during any accrual period generally equals (i) the issue price of such Discount Bond plus the amount of original issue

discount accrued in all prior accrual periods multiplied by (ii) the yield to maturity of such Discount Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of each accrual period), less (iii) any interest payable on such Discount Bond during such accrual period.

The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, and will increase the owner's tax basis in such Discount Bond. The adjusted tax basis in a Discount Bond will be used to determine taxable gain or loss upon a disposition (e.g., upon a sale, exchange, redemption or payment at maturity) of such Discount Bond.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued original issue discount, the amount of original issue discount that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of such Discount Bond.

As described above regarding tax-exempt interest, a portion of the original issue discount that accrues in each year to an owner of a Discount Bond may result in certain collateral federal income tax consequences. In the case of a corporation, such portion of the original issue discount will be included in the calculation of the corporation's alternative minimum tax liability and the branch profits tax liability. Corporate owners of any Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability or a branch profits tax liability although the owners of such Discount Bonds will not receive a corresponding cash payment until a later year.

Owners of Discount Bonds who did not purchase such Discount Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Discount Bonds.

Owners of Discount Bonds should consult their own tax advisors with respect to the state and local tax consequences of the Discount Bonds. It is possible that under the applicable provisions governing the determination of state and local income taxes, accrued original issue discount on the Discount Bonds may be deemed to be received in the year of accrual, even though there will not be a corresponding cash payment until a later year.

Original Issue Premium

The Series 2018B Bonds maturing in the years 20__ through 20__ (collectively, the "**Premium Bonds**") were offered and sold to the public at an issue price in excess of their stated redemption price at maturity. That excess constitutes bond premium. For federal income tax purposes, bond premium is amortized over the period to maturity of a Premium Bond, based on the yield to maturity of such Premium Bond, compounded semiannually. No portion of that bond premium is deductible by the owner of a Premium Bond. For purposes of determining the owner's gain or loss on the sale, redemption (including redemption at maturity) or other disposition of a Premium Bond, the owner's tax basis in the Premium Bond is reduced by the amount of bond premium that accrues during the period of ownership. As a result, an owner may realize taxable gain for federal income tax purposes upon the sale or other disposition of a Premium Bond for an amount equal to or less than the amount paid by that owner for the Premium Bond. A purchaser of a Premium Bond at its issue price in the initial public offering who holds that Bond to maturity will realize no gain or loss upon the retirement of that Premium Bond.

Owners of Premium Bonds should consult their own tax advisors with respect to the determination for federal income tax purposes of the amount of bond premium properly accruable in any period with respect to the Premium Bonds and as to other federal tax consequences and state and local tax consequences of the Premium Bonds.

CONTINUING DISCLOSURE

The Authority has covenanted, for the benefit of Registered Owners of the Series 2018B Bonds, in a Continuing Disclosure Certificate (the “*Continuing Disclosure Certificate*”) to annually provide certain financial information relating to the Authority, and to provide notices of the occurrence of certain enumerated material events. Annual financial information and operating data of the Authority and the audited financial statements of the Authority will be filed with Municipal Securities Rulemaking Board’s Electronic Municipal Market Access (“*EMMA*”) portal. The notices of material events, when and if they occur, shall be timely filed by the Authority with the Municipal Securities Rulemaking Board through EMMA.

The specific nature of the financial information, operating data, and the type of events which trigger a disclosure obligation, and other details of the undertakings are described in the form of Continuing Disclosure Certificate attached hereto as APPENDIX F. The Continuing Disclosure Certificate shall be executed by the Authority prior to the issuance of the Series 2018B Bonds. These covenants have been made in order to assist the Underwriters in complying with the continuing disclosure requirements of Rule 15c2-12 promulgated by the SEC (the “*Rule*”). The table contained herein under the caption “FINANCIAL INFORMATION – Projected Pledged Revenue and Debt Service Coverage” will not be updated or revised by the Authority pursuant to the Continuing Disclosure Certificate or otherwise. See the information set forth under such caption and “FORWARD-LOOKING STATEMENTS” herein.

The Authority has entered into prior undertakings (the “*Prior Undertakings*”) for the benefit of the owners of the Series 2012 Bonds. The Prior Undertakings require the Authority to provide certain financial information and operating data annually and upon the occurrence of certain listed events, notice of certain listed events, in each case with the MSRB electronically through EMMA.

During the five (5) years preceding the date of this Official Statement, the Authority has not failed to comply with any Prior Undertakings to provide continuing disclosure information pursuant to the Rule, except as described in (A) and (B) of this paragraph. (A) Under its prior Continuing Disclosure Certificate the Authority is required to file Annual Financial Information and Audited Financial Statements by March 31 of the following year; if audited statements are not available, then the Authority is required to file unaudited statements by such deadline, and Audited Financial Statements when available. The Authority filed its Annual Financial Information and Unaudited Financial Statements for Fiscal Year 2016 on a timely basis on March 29, 2017. Audited Financial Statements were received on March 31, 2017, but were not posted to EMMA until April 19, 2017. (B) In its prior Continuing Disclosure Certificate the Authority agreed to provide annually an updated description of the physical facilities of the Marine Facilities described under the caption “THE MARINE FACILITIES – Physical Facilities,” but such information has not been included in subsequent annual filings. The Authority filed such information with EMMA on July 10, 2018.

Additionally, the Authority recently discovered that its unaudited financial statements for the Fiscal Years ended September 30, 2015 and 2016, which were timely filed by the Authority on EMMA, were inadvertently archived (but still included on EMMA) and replaced by, rather than supplemented by, audited financial statements for such years (the release of which were delayed due to reporting delays by the State relating to the State of Florida Retirement System). Also, at the time of filing the audited financial statements for the year ended September 30, 2015, the Authority inadvertently replaced the audited financial statements for the Fiscal Year ended September 30, 2014. The originally filed unaudited financial statements for Fiscal Years 2015 and 2016 and the audited financial statements for Fiscal Year 2014 have been located in the archived files of EMMA at all times since their replacement.

The Authority has retained Digital Assurance Certification, L.L.C. (“*DAC*”) as its dissemination agent and has implemented continuing disclosure policies and procedures to ensure compliance with its continuing disclosure obligations.

DISCLOSURE REQUIRED BY FLORIDA BLUE SKY REGULATION

Florida law provides for the exemption from registration of certain government securities (including the Series 2018B Bonds), provided that, if the issuer thereof has been in default at any time after December 31, 1975 as to principal or interest on any obligation, its securities may not be offered or sold in Florida pursuant to this exemption except by means of an offering circular containing a full and fair disclosure of such defaults, as prescribed by rules of the Florida Department of Banking and Finance (the “*Department*”). Under the rules of the Department, the prescribed disclosure is not required if the information is not an appropriate disclosure because such information would not be considered material by a reasonable investor.

The Authority has not defaulted in any payment of principal or interest on any bonds for which the Authority is obligated. In addition to bonds for which the Authority is obligated, the Authority also has the power to issue bonds for the purpose of making loans to borrowers to finance other projects. Those bonds are payable from the revenue of the particular project or borrower. Revenue bonds issued by the Authority for other projects may be in default as to principal and interest. However, the source of payment for any such defaulted bond is separate and distinct from the source of payment for the Series 2018B Bonds and, therefore, any default on such bonds would not, in the judgment of the Authority, be considered material by a potential purchaser of the Series 2018B Bonds.

LEGAL COUNSEL

All legal matters incident to the legality of the Series 2018B Bonds, including the authorization, issuance and sale by the Authority, are subject to the approval of Foley & Lardner LLP, Jacksonville, Florida, Bond Counsel. A form of the approving opinion of Bond Counsel is included in this Official Statement as APPENDIX E. Foley & Lardner LLP also serves as Disclosure Counsel to the Authority. Certain legal matters will be passed upon for the Authority by the Office of General Counsel to the City and the Authority, and for the Underwriters by Greenberg Traurig, P.A., Miami, Florida.

MUNICIPAL ADVISOR

The Authority has retained PFM Financial Advisors LLC, Orlando, Florida, an independent registered municipal advisor (the “*Municipal Advisor*”) in connection with the issuance of the Series 2018B Bonds. In such capacity the Municipal Advisor has provided recommendations and other financial guidance to the Authority with respect to the preparation of the documents, the preparation and sale of the Series 2018B Bonds and at the time of the sale, tax-exempt bond market conditions and other factors related to the sale of said Series 2018 Bonds. Although the Municipal Advisor performed an active role in the drafting of this Official Statement, it has not independently verified any of the information of the information set forth herein. The Financial Advisor is not obligated to undertake, and has not undertaken, to make an independent verification or to assume responsibility for, the accuracy, completeness or fairness of the information contained in this Official Statement.

INDEPENDENT AUDITORS

The financial statements of the Authority as of September 30, 2017, and for the year then ended, included in APPENDIX A to this Official Statement, have been audited by RSM US, LLP, independent auditors, as stated in their report appearing herein.

CONTINGENT FEES

The Authority has retained Bond Counsel, Disclosure Counsel and the Municipal Advisor in connection with the authorization, sale, execution and delivery of the Series 2018B Bonds. Payment of the fees of such professionals and the discount to the Underwriters, which includes the fees of Underwriter’s counsel, is contingent upon the issuance of the Series 2018B Bonds.

FORWARD-LOOKING STATEMENTS

This Official Statement contains “forward-looking statements” within the meaning of the federal securities laws in the sections hereof entitled “FINANCIAL INFORMATION – Projected Revenue and Debt Service Coverage,” “MARKET DEMAND REPORT” and in APPENDIX B – “MARKET DEMAND REPORT”. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties that could cause actual results to differ materially from those projected. Such risks and uncertainties include, among others, general economic and business conditions, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, litigation and various other events, conditions and circumstances affecting ports and the maritime industry, many of which are beyond the control of the Authority. These forward-looking statements speak only as of the date of this Official Statement. The Authority disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the Authority’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

MISCELLANEOUS

This Official Statement has been duly authorized, executed and delivered by the Authority.

The summaries and descriptions of provisions of the Bond Resolution and all references to other materials not purporting to be quoted in full are qualified in their entirety by reference to the complete provisions of the documents and other materials summarized or described. Copies of the Bond Resolution may be obtained from the Authority at 2831 Talleyrand Avenue, Jacksonville, Florida 32206-3496, or, during the offering period, from Merrill Lynch, Pierce, Fenner & Smith Incorporated, at One Bryant Park, 12th Floor, New York, New York 10036.

So far as any statements made in this Official Statement involve matters of opinion, projections or estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of the opinions, estimates or projections will be realized.

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The Appendices are integral parts of this Official Statement and must be read together with all other parts of this Official Statement.

JACKSONVILLE PORT AUTHORITY

By: _____
Eric Green, Chief Executive Officer

By: _____
Beth McCague, Interim Chief Financial Officer

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APPENDIX A

AUDITED FINANCIAL STATEMENTS OF THE AUTHORITY

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Jacksonville Port Authority A Component Unit of the City of Jacksonville, Florida

Annual Financial Report
For the Year Ended September 30, 2017

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February 28, 2018

To the Board of Directors of the
Jacksonville Port Authority:

We present the Annual Financial Report of the Jacksonville Port Authority (the Authority or JAXPORT) for the fiscal year ended September 30, 2017. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the Authority. To the best of our knowledge and belief, this report fairly presents and fully discloses the Authority's financial position, changes in financial position, and cash flows in accordance with accounting principles generally accepted in the United States of America. Please refer to the Management Discussion and Analysis (MD&A) for additional information about the financial position of the Authority.

Reporting Entity and Governance

The Jacksonville Port Authority, a public body corporate and politic, was created in 1963 by Chapter 63-1447 of the Laws of Florida to own and operate marine facilities in Duval County, Florida.

JAXPORT is comprised of three separate terminal locations in Jacksonville, with a diverse mix of cargo including containers, automobiles, bulk, and cruise operations. Approximately two-thirds of revenues are generated by containers and autos. The remaining lines of business include breakbulk, drybulk, liquid cargo, and cruise.

A seven member Board of Directors presently governs the Authority. The Board of Directors establishes Authority policy and appoints an Executive Director to implement it. The Board of Directors annually elects a Chairman, Vice-Chairman, Secretary, and Treasurer. Directors serve a four year term. The Board of Directors appoints an Executive Director who serves at its pleasure.

The Executive Director/CEO of the Authority plans and directs all the programs and activities of the Authority, focusing on the future and the development of long-term business strategies.

2017 Financial Highlights and looking ahead

JAXPORT moved a record 1,033,068 twenty-foot equivalent units (TEUs), exceeding the previous record of 968,279 TEUs set last year. Total tonnage was up 7% to 9,330,266 tons, also record volumes. When combined with containers handled through private users of the harbor, these volumes make Jacksonville the largest container port complex in the State of Florida.

JAXPORT also moved 693,248 vehicles in FY17. This record-setting volume maintains JAXPORT's ranking as the nation's second busiest vehicle-handling port.

The Asian container trade continues to be the fastest growing segment of JAXPORT's container cargo business, now accounting for nearly 40 percent of JAXPORT's total container cargo volume up from just 24 percent in 2013. The growth of existing cargo volumes, as well as, additions of new shipping lines contributed to this growth.

Significant areas of growth included:

Dry bulk cargoes (non-containerized commodities such as limestone and gravel) increased 21 percent over 2016, with 862,338 tons shipped through JAXPORT.

JAXPORT's Puerto Rican business grew 10 percent in the fiscal year ending Sept. 30, 2017. As the primary U.S. port for trade with Puerto Rico, JAXPORT has been on the front lines of relief aid supply to the island following the devastation of Hurricane Maria in late September.

Northeast Florida continued to be a leader in the use of Liquefied Natural Gas (LNG) as fuel for the maritime industry with the successful fueling and operations of the world's first LNG-powered container ships and the growing investments in new LNG manufacturing facilities in the region. These investments position JAXPORT to take advantage of export opportunities as the use of LNG expands.

As exhibited in the attached financial statements, JAXPORT continues to strive for disciplined fiscal stewardship focused on maintaining strong cash balances while continuing to pay down existing debt.

Independent Audit

A firm of independent certified public accountants is retained each year to conduct an audit of the financial statements of the Authority in accordance with auditing standards generally accepted in the United States and to meet the requirements of the Federal Single Audit Act of 1984, as amended and Chapter 10.550, Rules of the Florida Auditor General. The Authority selected the firm of RSM US LLP to perform these services. Their opinion is presented with this report. The reports required under the Single Audit Act are presented under separate cover. Each year, the independent certified public accountants meet with the Audit Committee of the Board of Directors to review the results of the audit.

The Authority's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, using the accrual basis of accounting. The Authority is a local government proprietary fund, and therefore the activities are reported in conformity with governmental accounting and financial reporting principles issued by the Governmental Accounting Standards Board (GASB).

Acknowledgement

I would like to recognize the Finance Team in the preparation and presentation of JAXPORT's financial statements and commentary.

I would also like to thank the Board of Directors for their direction, oversight, and strong corporate governance in the financial and operational matters of the port.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'E. Green', with a stylized flourish extending to the right.

Eric Green, CEO

Independent Auditor's Report

To the Members of the Board of Directors
Jacksonville Port Authority
Jacksonville, Florida

We have audited the accompanying financial statements of the Jacksonville Port Authority, (the Authority), as of and for the year ended September 30, 2017 and 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of September 30, 2017 and 2016, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), the schedule of funding progress – other post-employment benefits plan, the schedules of the Authority's proportionate share of the net pension liability, and the schedules of Authority contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The revenue recognition – GAAP to budgetary basis reconciliation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The revenue recognition – GAAP to budgetary basis reconciliation was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the revenue recognition – GAAP to budgetary basis reconciliation is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

RSM US LLP

Jacksonville, Florida
February 28, 2018

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

This section of the Jacksonville Port Authority's (the Authority or JAXPORT) annual financial report presents a narrative overview and analysis of the Authority's financial performance during its most recent fiscal year which ended September 30, 2017 and for fiscal year 2016. The discussion is intended to assist the readers in focusing on the significant financial issues and activities of the Authority and to identify any significant changes in financial position. We encourage readers to consider the information contained in this discussion in conjunction with the Authority's financial statements.

FINANCIAL STATEMENTS PRESENTATION

The Authority is considered a special purpose governmental entity engaged in a single business-type activity. JAXPORT is a landlord port and generates revenues primarily through user fees and charges to its tenants and customers. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the statements of net position, statements of revenues, expenses and changes in net position, and statements of cash flows.

The statement of net position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. The statement of revenues, expenses and changes in net position shows how the Authority's net position changed during the fiscal year. The statement of cash flows represents cash and cash equivalent activity for the fiscal year resulting from operating, non-capital financing, capital financing and investing activities. Collectively, these financial statements provide an assessment of the overall financial condition of the Authority.

FINANCIAL ANALYSIS OF THE AUTHORITY

A condensed overview of the Authority's net position is provided below. The statement of net position serves as a useful indicator of assessing the entity's financial position and relative components of assets and liabilities. It identifies these assets and liabilities for their expected use both for current operations and long-term purposes, and identifies trends and allocation of resources.

As the Authority operates in a capital intensive environment, capital assets are by far the largest component. They are primary to seaport operations, providing land assets, buildings and equipment, and other capital assets to its tenants and customers. These capital assets are largely funded by bonds and notes outstanding (debt). Repayment of this debt is provided annually from operations, as well as funds maintained by the Authority restricted for ongoing scheduled and certain future debt payments. The Authority's capital spending program is also supported by funding from its primary government, the City of Jacksonville, as well as state and federal grants. In addition to long-term assets and liabilities, the Authority holds current assets, including operating cash balances, to meet current liabilities.

Monetary amounts are presented in the thousands (000's), unless noted otherwise.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

Net Position

At September 30, 2017, the Authority's net position grew to \$396 million. Revenues of \$58.1 million were essentially level year over year, partly attributable to a planned shifting and realignment of tenants and cargo in 2017. While revenues were level, both tonnage and container TEU volumes were up 7% year over year, and auto units were up 9%. All of which reflected record volumes for the Authority. Operating expenses before depreciation in 2017 were \$32.5 million, compared to \$31.1 million in prior year. Included in 2017 operating expenses was pension expense of \$2.6 million compared to \$2.0 million in 2016. Included in this amount is \$1.4 million accrued in accordance with governmental accounting standards (see note G), compared to \$.9 million in 2016. As a result of the above, net operating income before depreciation was \$25.5 million, compared to \$27.3 million in 2016. Depreciation expense in 2017 was \$30.4 million, up \$2.3 million, as impacted by recent berth rehabilitations and new cranes added in 2017. The Authority's operations are also supported by funding from both the primary government (City of Jacksonville) of \$2.6 million, and state and federal grants in aid of construction of \$31 million in fiscal year 2017. Operating cash balances on hand improved to \$16 million at year end.

(In thousands of dollars)

	2017	2016	2015
NET POSITION			
Current assets	\$ 32,355	\$ 31,901	\$ 50,234
Noncurrent assets (excluding capital assets)	20,024	29,007	42,040
Capital assets	699,347	675,581	646,339
Deferred outflows	9,348	11,541	9,897
Total assets and deferred outflows	761,074	748,030	748,510
Current liabilities	28,545	27,604	33,414
Bonds and notes outstanding (net of current portion)	169,470	182,478	194,928
Other noncurrent liabilities and deferred inflows	166,656	152,479	158,934
Total liabilities and deferred inflows	364,671	362,561	387,276
Net position			
Net investment in capital assets	366,820	346,753	304,571
Restricted for capital projects	-	7,775	6,428
Restricted for debt service	19,145	18,993	18,930
Restricted – other	2,948	2,770	2,709
Unrestricted	7,490	9,178	28,596
Total net position	\$ 396,403	\$ 385,469	\$ 361,234

Total assets and deferred outflows at year end 2017 were \$761,074. Noteworthy is capital assets net increases of \$23,766 which was due to work on significant projects as further explained under Capital Assets in this letter. Current assets, primarily comprised of cash, trade and grants receivables were fairly constant year over year. Noncurrent assets (excluding capital assets) declined \$8,983, primarily from collection of grants receivables of \$7,775 and the utilization of cash restricted for capital projects.

Total liabilities and deferred inflows were \$364,671 at year end 2017, which includes unearned revenue and debt outstandings, and was relatively flat year to year.

Total net position at year end 2017 was \$396,403; most significant was net investment in capital assets of \$366,820, up \$20,067 over prior year, reflective of continued investment in port infrastructure. All other components of net position were relatively constant year over year.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

Revenue, Expenses and Changes in Net Position *(in thousands of dollars)*

	2017	2016	2015
CHANGES IN NET POSITION			
Operating revenue	\$ 58,052	\$ 58,439	\$ 55,231
Operating expenses			
Salaries and benefits	17,596	16,762	15,171
Services and supplies	4,366	3,709	4,152
Security services	4,177	4,142	3,754
Business travel and training	316	400	398
Promotion, advertising, dues and memberships	874	977	1,044
Utility services	967	904	1,040
Repairs and maintenance	1,643	1,581	1,461
Maintenance dredging	2,266	2,548	2,674
Miscellaneous	308	155	198
Total operating expenses	32,513	31,178	29,892
Operating income before depreciation	25,539	27,261	25,339
Depreciation	30,395	28,095	26,393
Operating gain / (loss)	(4,856)	(834)	(1,054)
Non-operating revenue (expense)			
Interest expense	(8,781)	(9,145)	(9,339)
Shared revenue from primary government	2,626	4,829	5,335
Loss on sale/disposition of assets	(5,755)	(365)	(2,335)
Capital contributions to other government agencies	-	(2,000)	(42,981)
Contribution to tenants	(2,866)	(1,699)	(977)
Net claims and recoveries	-	(65)	7,662
Other non-operating	(135)	55	1,081
Total non-operating revenue (expense)	(14,911)	(8,390)	(41,554)
Loss before capital contributions	(19,767)	(9,224)	(42,608)
Capital contributions	30,701	33,459	87,169
Changes in net positions	10,934	24,235	44,561
NET POSITION			
Beginning of year, as restated	385,469	361,234	316,673
End of year	\$ 396,403	\$ 385,469	\$ 361,234

Revenue, Expenses and Changes in Net Position – 2017 vs. 2016

Total operating revenues for 2017 were \$58,052, compared to \$58,439 in 2016. All cargo revenue line items experienced increased tonnage, recording total record volumes of 9,330,266 tons, up 7% compared to 8,716,805 tons in 2016. Container revenues in dollars in 2017 were flat (down .6%), impacted by a planned shifting of tenants and cargo between terminal locations, designed to positively benefit total cargo volumes in future periods. The Authority continues to diversify its trade lanes, with 39% of container volumes attributable to Asian business, up from 35% in 2016. Total TEU units in 2017 were 1,033,068 compared to 968,279 in 2016. Auto volumes were up 9% in 2017, to a record 693,248 units. Total Auto revenues were up 2%. Other cargo revenues were up year over year, including Breakbulk up 4%, and Dry Bulk up 8%. Cruise operations were negatively impacted by a one-month dry dock (out of service) event in 2017, however the cruise business is strong with average occupancy per cruise rate of 120% in 2017, and added \$4,764 to total revenues in 2017, compared to \$5,068 a year ago.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

Total operating expenses before depreciation for 2017 were \$32,513, an increase of \$1,335 over prior year expenses before depreciation of \$31,178. Salaries and benefits were up \$835, and include 2017 pension accruals of \$1,371 recorded in accordance with governmental accounting standards (GASB 68), compared to \$865 in 2016. Increases in services and supplies expense of \$657 were related to expenses associated with a new railyard terminal operation in 2017 of \$523. Maintenance dredging costs declined \$282 year over year to \$2,266.

Net non-operating expenses for 2017 totaled \$14,911. Significant non-operating expenses included debt service interest cost of \$8,781, and tenant contributions of \$2,866 (whereby certain capital grant commitments are utilized as indirect offsets to some of these expenditures). Additionally, loss on sale/disposition of assets included \$4,948 in asset write-offs for aged berth improvements disposed of in conjunction with new berth rehabilitation. Shared revenue from primary government in 2017 was \$2,626 compared to \$4,829 in 2016, a result of timing of debt service obligations first applied to this shared revenue source. Additionally, one time reductions (for prior year corrections to the tax revenue source) impacted the Authority's share of these governmental revenues.

Capital contributions (state and federal grants) in 2017 were \$30,701, compared to \$33,459 in 2016. Significant capital contributions in 2017 were for \$20.6 million for harbor deepening, and \$6 million for wharf reconstruction.

At the close of fiscal year 2017, the Authority had a net position of \$396,403, an increase of \$10,934 compared to prior year net position of \$385,469.

Revenue, Expenses and Changes in Net Position – 2016 vs. 2015

Total operating revenues for 2016 were \$58,439, a 5.8% increase over prior year revenues of \$55,231. Most significant was container revenue of \$25,620, up 9% over 2015, container TEUs (20 foot equivalents) totaled 968,279 TEU compared to 915,292 TEU a year ago. Auto revenue was \$17,299, up 2.7% from prior year. Containers and autos account for almost 75% of the Authority's revenues. Additionally, Break Bulk (i.e. paper, steel, wood pulp) revenues grew to \$4,279, an 8.5% increase, and reflect an increase in tonnage of 887,878 tons from 726,242 tons in 2015. Cruise business also exceeded prior year revenues by 11%, at \$5,068, with total cruise passengers of 197,295 compared to 183,192 a year ago.

Total operating expenses for 2016 were \$31,178, an increase of \$1,286 over prior year expenses of \$29,892. A large portion of this increase relates to increased pension expense of \$1,056 is directly related to the increase in the net pension liability. Without the GASB 68 pension accounting impacts, overall operating expenses were essentially flat year to year, as increases in personnel costs and contract security costs were offset by savings in services and supplies (primarily fuel savings) and utility services. Net non-operating expenses for 2016 totaled \$8,390. Expenses were comprised of debt service interest cost of \$9,145, and ongoing tenant contributions of \$1,699 (whereby certain capital grant commitments are intended as indirect offsets to these expenditures). Partly offsetting these expenses was investment income of \$139, and shared revenue from primary government of \$4,829. Also in 2016, the Authority incurred an additional \$2,000 final contribution to the US Army Corps of Engineers (a project specific state grant-funded project) for improvements at the Jacksonville Harbor; this is in addition to the \$42,981 transferred in 2015.

Capital contributions (state and federal grants) in 2016 were \$33,459, compared to \$87,169 in 2015. Significant capital contributions in 2016 were for wharf reconstruction \$14 million, an intermodal container transfer facility \$8 million, and \$7.4 million for new cranes.

At the close of fiscal year 2016, the Authority had a net position of \$385,469, an increase of \$24,235 compared to prior year net position of \$361,234.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

Cash Flows

2017 vs. 2016

Cash flows from operating activities in 2017 were \$28,828, compared to \$30,801 in 2016, a decrease of \$1,973. Receipts from customers were down \$1,168, payment for services and supplies increased \$176, and payments to employees increased \$629.

Cash flows from noncapital financing activities were \$2,626 compared to \$5,038 in 2016. Receipts from primary government declined \$2,203, attributable to increased debt service amortization payments (timing) and a one-time (prior years) adjustment to the communication service tax revenue inflows.

Cash flows from capital and related financing activities in 2017 were (\$32,726). Acquisition and construction of capital assets of (\$59,137) accounted for the largest outlay in a year of heavy construction activity. Partly offsetting and supporting these capital outlays were contributions-in-aid of constructions of \$38,114. Principal and interest payments on capital debt in 2017 were (\$20,494), compared to (\$20,289) in 2016. Other capital and financing and related financing activities include (\$3,159) for contributions to tenants and crane relocation costs of (\$681).

Cash flows from investing activities totaled \$238.

The overall net decrease in cash and cash equivalents of (\$1,034) reflects the reduction of cash restricted for capital projects in the amount of (\$1,433), partly offset by increases on other non-current restricted cash of \$328.

Cash and cash equivalents at the end of 2017 were \$37,751, compared to \$38,785 in 2016. The cash balance of \$37,751 at September 30, 2017 is comprised of \$15,963 in unrestricted cash, \$2,083 in construction funds, \$9,040 in restricted debt service and reserve funds, and \$2,948 for renewal and replacement funds. Investment balances of \$5,813 are also restricted for debt service.

2016 vs. 2015

Cash flows from operating activities in 2016 were \$30,801, compared to \$25,109 in 2015, an increase of \$5,692. Receipts from customers were up \$4,240, consistent with revenue growth year to year, payment for services and supplies declined \$2,015, and payments to employees increased \$563.

Cash flows from noncapital financing activities were \$5,038 compared to \$4,877 in 2015. Most of the increase is attributable to operating grants receipts in 2016 of \$209.

Cash flows from capital and related financing activities in 2016 were (\$49,997), and reflect no new debt issues in 2016. Acquisition and construction of capital assets of (\$67,003) accounted for the largest outlay in a year of heavy construction activity. Partly offsetting and supporting these capital outlays were contributions-in-aid of constructions of \$40,364. In 2016, the Authority received final settlement amounts (claims against contractor) for \$9,650 (\$9,228 after final legal costs), largely used to reduce the line of credit in amount of (\$10,900) along with other cash available for pay down on the line. Principal and interest payments on capital debt in 2016 were \$20,289, compared to \$19,734 in 2015. Other capital and financing and related financing activities include (\$1,962) for contributions to tenants and proceeds from sales of assets of net \$655.

Cash flows from investing activities include the purchase of investment securities of (\$5,961) and investment income of \$208.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

The overall net decrease in cash and cash equivalents of (\$19,911) reflects the reduction of cash restricted for capital projects (bond funds) in the amount of (\$14,412), and the purchase of investment securities of (\$5,892).

Cash and cash equivalents at the end of 2016 were \$38,785, compared to \$58,696 in 2015. The cash balance of \$38,785 at September 30, 2016 is comprised of \$15,901 in unrestricted cash, \$3,516 in construction cash, \$16,598 in restricted debt service and reserve funds, and \$2,770 for renewal and replacement funds. Investment balances of \$5,892 are also restricted for debt service.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include land, land improvements, port dredging and related costs, buildings and building improvements and equipment. At September 30, 2017, the Authority had commitments for future construction work of approximately \$6,104. Additional information can be found in the accompanying notes to the financial statements.

2017 vs. 2016

At September 30, 2017, the Authority's capital assets, net of depreciation, grew to \$699,347, compared to prior year net capital assets of \$675,581. Capital project additions for 2017 were \$59,784; major projects included harbor deepening and related land purchases \$32,284, wharf rehabilitation \$6,878, and several large projects related to tenant improvements totaling \$5,053. Capital spending was partly funded by state and federal grants totaling \$30,701 in 2017. Depreciation expense for 2017 was \$30,395, compared to \$28,095 in 2016.

2016 vs. 2015

At September 30, 2016, the Authority's capital assets, net of depreciation, grew to \$675,581, compared to prior year net capital assets of \$646,339. Capital spending for 2016 was \$57,337, major projects in process or completed include wharf rehabilitation \$28,101, progress payments on three new cranes nearing completion \$15,387, and progress payments for a new intermodal container transfer facility also nearing completion at the end of 2016, of \$7,484. Capital spending was partly funded by state and federal grants totaling \$33,459 in 2016. Additionally in 2016, capital assets of \$2,000 were added and concurrently contributed to other government agencies for harbor improvements. Depreciation expense for 2016 was \$28,095, compared to \$26,393 in 2015.

Long-Term Debt

2017 vs. 2016

At September 30, 2017, the Authority had outstanding bonds and notes payable of \$182,269, a decrease of \$12,450 from \$194,719 at end of fiscal year 2016 (both net of unamortized bond discounts and premiums). Additionally, the Authority added \$12,896 to its line of credit note balance in 2017, primarily for harbor deepening and other land acquisition. The line of credit balance outstanding at September 30, 2017 was \$21,571, compared to \$8,675 at prior year end. The line of credit note (5-year term) is primarily used for funding certain capital projects to be paid down by future grant funding or long-term port financing.

Jacksonville Port Authority

Management's Discussion and Analysis (unaudited)

2016 vs. 2015

At September 30, 2016, the Authority had outstanding bonds and notes payable of \$194,719, a decrease of \$11,910 from \$206,629 at end of fiscal year 2015 (both net of unamortized bond discounts and premiums). Additionally, the Authority reduced its outstanding line of credit balance \$10,900 in fiscal year 2016. The line of credit balance outstanding at September 30, 2016 was \$8,675, compared to \$19,575 at prior year end.

The Authority exceeded its required minimum debt service coverage ratio for the 2017 fiscal year.

Budgetary Highlights

The City Council of the City of Jacksonville, Florida approves and adopts the Authority's annual operating and capital budget. The Authority did not experience any budgetary stress during the fiscal years ended September 30, 2017 and 2016.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability to each of those groups. Questions concerning any information included in this report or any request for additional information should be addressed to the Chief Financial Officer, Jacksonville Port Authority, P.O. Box 3005, Jacksonville, FL 32206-0005.

Jacksonville Port Authority

Statements of Net Position
September 30, 2017 and 2016

(In thousands of dollars)

	2017	2016
Assets		
Current assets		
Cash and cash equivalents	\$ 15,963	\$ 15,901
Restricted cash and cash equivalents	7,717	7,708
Accounts receivable, net	4,088	4,658
Notes and other receivables	546	89
Grants receivable	2,250	1,888
Inventories and other assets	1,791	1,657
Total current assets	<u>32,355</u>	<u>31,901</u>
Noncurrent assets		
Restricted assets		
Cash and cash equivalents	11,988	11,660
Investments	5,813	5,892
Restricted for capital projects		
Cash and cash equivalents	2,083	3,516
Notes receivable	140	164
Grants receivable	-	7,775
Capital assets, net, primarily held for lease	699,347	675,581
Total noncurrent assets	<u>719,371</u>	<u>704,588</u>
Total assets	<u>751,726</u>	<u>736,489</u>
Deferred outflow of resources	9,348	11,541
Total assets and deferred outflow of resources	<u>\$ 761,074</u>	<u>\$ 748,030</u>
(continued)		

Jacksonville Port Authority**Statements of Net Position
September 30, 2017 and 2016***(In thousands of dollars)*

	2017	2016
Liabilities		
Current liabilities		
Accounts payable	\$ 2,739	\$ 2,036
Accrued expenses	947	887
Accrued interest payable	3,287	3,368
Construction contracts payable	2,159	1,524
Retainage payable	338	1,276
Unearned revenue	6,276	6,272
Bonds and notes payable	12,799	12,241
Total current liabilities	<u>28,545</u>	<u>27,604</u>
Noncurrent liabilities		
Unearned revenue	116,005	115,036
Derivative instrument liability	202	638
Accrued expenses	4,307	4,323
Other obligations	8,537	8,537
Net pension liability	15,322	13,379
Line of credit note	21,571	8,675
Bonds and notes payable	169,470	182,478
Total noncurrent liabilities	<u>335,414</u>	<u>333,066</u>
Total liabilities	<u>363,959</u>	<u>360,670</u>
Deferred inflow of resources for pensions	<u>712</u>	<u>1,891</u>
Net Position		
Net investment in capital assets	366,820	346,753
Restricted for		
Capital projects	-	7,775
Debt service	19,145	18,993
Repair and replacement	2,948	2,770
Unrestricted	7,490	9,178
Total net position	<u>\$ 396,403</u>	<u>\$ 385,469</u>

See Notes to the Financial Statements.

Jacksonville Port Authority

**Statements of Revenue, Expenses, and Changes in Net Position
For the Years Ended September 30, 2017 and 2016**

(In thousands of dollars)

	2017	2016
Operating revenue	\$ 58,052	\$ 58,439
Operating expenses		
Salaries and benefits	17,596	16,762
Services and supplies	4,366	3,709
Security services	4,177	4,142
Business travel and training	316	400
Promotions, advertising, dues and memberships	874	977
Utility services	967	904
Repairs and maintenance	1,643	1,581
Maintenance dredging	2,266	2,548
Miscellaneous	308	155
Total operating expenses	32,513	31,178
Operating income before depreciation	25,539	27,261
Depreciation expense	30,395	28,095
Operating (loss)	(4,856)	(834)
Non-operating revenues (expenses)		
Interest expense	(8,781)	(9,145)
Investment income	159	139
Shared revenue from primary government	2,626	4,829
Contributions to tenants	(2,866)	(1,699)
Capital contributions to other government agencies	-	(2,000)
Capital contributions from tenants	785	49
Loss on sale/disposition of assets	(5,755)	(365)
Cranes Relocation	(681)	(130)
Other non-operating expense	(398)	(68)
Total non-operating expenses	(14,911)	(8,390)
Loss before capital contributions	(19,767)	(9,224)
Capital contributions	30,701	33,459
Change in net position	10,934	24,235
Net position		
Beginning of year	385,469	361,234
End of year	\$ 396,403	\$ 385,469

See Notes to the Financial Statements.

Jacksonville Port Authority

Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

(In thousands of dollars)

	2017	2016
Cash flows from operating activities		
Receipts from customers	\$ 59,265	\$ 60,433
Payments for services and supplies	(14,164)	(13,988)
Payments to/for employees	(16,273)	(15,644)
Net cash provided by operating activities	28,828	30,801
Cash flows from noncapital financing activities		
Operating grants	-	209
Receipts from primary government	2,626	4,829
Net cash provided by noncapital financing activities	2,626	5,038
Cash flows from capital and related financing activities		
Line of credit advances	12,896	-
Line of credit payments	-	(10,900)
Contributions to tenants	(3,159)	(1,962)
Contributions-in-aid of construction (grants)	38,114	40,364
Acquisition and construction of capital assets	(59,137)	(67,003)
Principal paid on capital debt	(12,242)	(11,701)
Interest paid on capital debt	(8,252)	(8,588)
Proceeds from sale of assets	56	655
Claims against contractor	-	9,228
Cranes Relocation	(681)	(130)
Other	(321)	40
Net cash used in capital and related financing activities	(32,726)	(49,997)
Cash flows provided from investing activities		
Interest on investments	238	208
Purchase of investment securities	-	(5,961)
Net cash provided by (used in) investing activities	238	(5,753)
Net decrease in cash and cash equivalents	(1,034)	(19,911)
Cash and cash equivalents		
Beginning of year	38,785	58,696
End of year	\$ 37,751	\$ 38,785

(continued)

Jacksonville Port Authority

Statements of Cash Flows

For the Years Ended September 30, 2017 and 2016

(In thousands of dollars)

	2017	2016
Reconciliation of operating (loss) to net cash provided by operating activities		
Operating (loss)	\$ (4,856)	\$ (834)
Adjustment to reconcile operating (loss) to net cash provided by operating activities:		
Depreciation expense	30,395	28,095
Decrease in accounts receivable and other current assets	107	768
Increase in Deferred Outflow of Resources – Pension	607	(3,260)
Increase in liabilities:		
Accounts payable and accrued expenses	838	680
Unearned revenue	973	1,227
Pension	1,943	5,027
Decrease in Deferred Inflows (Pension)	(1,179)	(902)
Total adjustments	33,684	31,635
Net cash provided by operating activities	\$ 28,828	\$ 30,801
Noncash investing, capital and financing activities		
Construction costs paid on account	\$ 2,497	\$ 2,800
Decrease in fair value of investments	(79)	(69)
Grants receivable	2,250	9,663
Change in value of derivative instrument	436	464
Capital assets contributed from tenants	949	49
Constructed assets contributed to other government	-	(2,000)

See Notes to Financial Statements.

Jacksonville Port Authority

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies

1. Reporting entity

The Jacksonville Port Authority (the Authority) was created in 1963 by Chapter 63-1447 of the Laws of Florida, to own and operate marine facilities in Duval County, Florida. The Authority is governed by a seven-member board. Three board members are appointed by the Governor of Florida and four are appointed by the Mayor and confirmed by the City Council of the City of Jacksonville, Florida. The City Council reviews and approves the Authority's annual budget.

The Authority is a component unit of the City of Jacksonville, Florida (the City), as defined by Governmental Accounting Standards Board Section 2100 of Codification, *The Financial Reporting Entity*. The Authority's financial statements include all funds and departments controlled by the Authority or which are dependent on the Authority. No other agencies or organizations have been included in the Authority's financial statements.

2. Basic financial statements

The Authority is considered a special purpose government engaged in a single business-type activity. Business-type activities are those activities primarily supported by user fees and charges. The Authority maintains a proprietary fund, which reports transactions related to activities similar to those found in the private sector. As such, the Authority presents only the statements required of enterprise funds, which include the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position and Statements of Cash Flows.

3. Fund structure

The operations of the Authority are recorded in a single proprietary fund. Proprietary funds distinguish operating revenues and expenses from non-operating revenue and expenses. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operation. The principal operating revenue for the Authority's proprietary fund are charges to customers for sales and services. Operating expenses include direct expenses of providing the goods or services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

4. Basis of accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue or capital contributions when all eligibility requirements imposed by the provider are met.

The principal operating revenues of the Authority are from facility operating leases, which are recognized over the term of the lease agreements. Other revenues, such as fees from wharfage, throughput and dockage, are recognized as services are provided.

The Authority's policy is to use restricted resources first, then unrestricted resources, when both are available for use to fund activity.

Jacksonville Port Authority

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (Continued)

5. New Pronouncements not yet adopted

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other Than Pensions* in June 2015. This statement is effective for fiscal years beginning after June 15, 2017.

The implementation of GASB Statement No.75 will require the Authority to record net OPEB liability where we currently record the net OPEB obligation. Management does not believe that this change in accounting principle is not expected to result in a significant change to the Authority's financial position.

GASB Statement No. 87, *Leases* was issued in June 2017, and will be effective for the Authority in fiscal year 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as inflows of resources or outflows of resources based upon payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement also includes an exception for short-term leases and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. Management has not yet determined the impact of GASB Statement No.87 on the Authority's financial statements.

6. Budgeting procedures

The Authority's charter and related amendments, City Council resolutions and/or Board policies have established the following budgetary procedures for certain accounts maintained within its enterprise fund. These include:

Prior to July 1 of each year, the Authority shall prepare and submit its budget to the City Council for the ensuing fiscal year.

The City Council may increase or decrease the appropriation requested by the Authority on a total basis or a line-by-line basis; however, the appropriation from the City Council for construction, reconstruction, enlargement, expansion, improvement or development of any marine project or projects authorized to be undertaken by the Authority, shall not be reduced below \$800,000.

Once adopted, the total budget may only be increased through action of the City Council.

The Authority is authorized to transfer within Operating/Non-Operating Schedules and the Capital Schedule as needed. Transfers between schedules are allowable up to \$50,000. Once the \$50,000 limit is reached, City Council approval must be obtained. Operating budget item transfers require Chief Executive Officer or Chief Financial Officer approval. Line-to-Line capital budget transfers of \$50,000 or less require the same approval levels. Line-to-Line capital budget transfers of more than \$50,000 require the same approval levels, with additional notification to the Board if deemed necessary by either of the above mentioned parties. Any Capital Budget transfer creating a new capital project greater than \$1,000,000 requires Board approval. All appropriations lapse at the end of each fiscal year and must be re-appropriated.

Jacksonville Port Authority

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (Continued)

7. Cash and cash equivalents

Cash and cash equivalents consist of demand deposits, money market funds and the Florida State Board of Administration investment pool. Cash equivalents are investments with a maturity of three months or less when purchased.

8. Investments

The Authority's investments are reported at fair value using quoted market price or other fair value techniques as required by FASB Statement No.72, *Fair Value Measurements*. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. Categories within the fair value hierarchy include: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs, and Level 3 are unobservable inputs.

9. Restricted assets

Certain proceeds of revenue bonds and notes, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position, as their use is limited by applicable debt agreements. Restricted cash also includes renewal and replacement funds restricted for capital improvements, and other funds as specifically designated by contributors or by grant agreement.

10. Capital assets

Capital assets are carried at cost, including capitalized interest, less accumulated depreciation. Capital assets are defined by the Authority as assets with an individual cost of \$5,000 or greater and an estimated useful life of more than one year.

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the assets. The estimated useful lives of property and equipment are as follows:

<u>Asset Class</u>	<u>Estimated Service Life (Years)</u>
Buildings	20 – 30
Other improvements	10 – 50
Equipment	3 – 30

When capital assets are disposed of, the related cost and accumulated depreciation are removed with gains or losses on disposition reflected in current operations, in non-operating activity.

Costs for targeted land expansion, such as legal and design costs, associated with potential land purchases are capitalized initially, and subsequently included in the costs of the land asset when acquired. If determination is made that the land purchase is unsuccessful, not feasible, or determination is made not to proceed with the land purchase, any associated capitalized cost is expensed at the time the Authority determines or opts not to proceed.

Jacksonville Port Authority

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (Continued)

Costs incurred for Harbor Deepening are accounted for as non-depreciable land improvements. Costs incurred for the development of dredge spoil sites are recorded as land improvements and amortized over 20 years. Maintenance dredging is expensed as incurred.

11. Inventories and prepaid items

Inventories are stated at cost using the average cost method. Payments made to vendors for services that will benefit periods beyond the current fiscal year are recorded as prepaid items.

12. Deferred outflows/inflows of resources

In addition to assets, the statement of net position includes a separate section for deferred outflows of resources. This separate financial statement section, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenses) until that time. The Authority currently reports accumulated decrease in fair value of hedging derivatives (see note K), the net deferred loss on refunding of debt, as well as deferred outflows related to pensions in this category.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement section, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Authority currently reports deferred inflows related to pensions in this category.

13. Unearned revenue

Resources that do not meet revenue recognition requirements (not earned) are recorded as unearned revenue in the financial statements. Unearned revenue consists primarily of unearned lease revenue.

14. Compensated absences (accrued leave plan)

Compensated absences consist of paid time off, which employees accrue each pay period. Individual leave accrual rates vary based upon position and years of service criteria. A liability is accrued as the benefits are earned by the employee for services already rendered, and to the extent it is probable the employer will compensate the employees for the benefits. The Authority's accrued leave plan liability at the end of fiscal years 2017 and 2016 was \$1,661,000 and \$1,616,000, respectively. Maximum leave accrual balances cap at 480 hours for all employees.

15. Conduit debt

Conduit debt obligations are certain limited-obligation revenue bonds issued by governmental agencies for the express purpose of providing capital financing for a specific third party that is not a part of the issuer's financial reporting entity. The governmental agency has no obligation for such debt on whose behalf they are issued and the debt is not included in the accompanying financial statements. As of September 30, 2017, total conduit debt was \$75,375,000. The original amount was \$100,000,000 issued as Special Purpose Facilities Revenue Bonds, Series 2007 (Mitsui O.S.K. Lines, Ltd. Project).

Jacksonville Port Authority

Notes to Financial Statements

Note A – Summary of Significant Accounting Policies (Continued)

16. Long-term obligations

In the financial statements, long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the related obligation using the straight-line method, which is not materially different than the effective interest method. Bonds payable are reported net of the applicable premium or discount. Costs of issuance are expensed as incurred.

17. Net position

In the financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This category groups all capital assets into one component of net position. Accumulated depreciation and the outstanding balances of debt and prepaid lease revenues (unearned revenues) that are attributable to the acquisition, construction or improvement of these assets will reduce this category.

Restricted Net Position – This category represents the net position of the Authority which is restricted by constraints placed on the use by external groups such as creditors, grantors, contributors or laws and regulations.

Unrestricted Net Position – This category represents the net position of the Authority, which is not restricted for any project or other purpose.

18. Shared revenue from primary government

Shared revenue from primary government represents the Authority's share of the communications service tax received by the City of Jacksonville (City) and millage payments from the Jacksonville Electric Authority (JEA) pursuant to City Ordinance Code and the November 1, 1996 Interlocal Agreement between the City and the Authority. The first use of these revenues is to service bonds previously issued by the City to fund port expansion projects. The Interlocal Agreement allows the Authority to use future excess funds for general business purposes, including debt service obligations of the Authority. The Authority's share of shared revenue from primary government was \$2,626,000 and \$4,829,000 in 2017 and 2016, respectively.

19. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

20. Reclassifications

Certain reclassifications were made to the 2016 financial statement presentation in order to conform to the 2017 financial statement presentation.

Jacksonville Port Authority

Notes to Financial Statements

Note B – Deposits and Investments

Cash and Deposits

At September 30, 2017 and 2016, the carrying amount of the Authority's cash deposit accounts was \$21,460,000 and \$23,023,000, respectively. The Authority's cash deposits are held by banks that qualify as a public depository under the Florida Security for Public Deposits Act as required by Chapter 280, Florida Statutes. The Authority's cash deposits are fully insured by the Public Deposits Trust Fund.

Cash equivalents consist of amounts placed with the State Board of Administration (SBA) for participation in the Local Government Surplus Funds Trust Fund investment pool created by Section 218.405, Florida Statutes. This investment pool operates under investment guidelines established by Section 215.47, Florida Statutes.

Investments

The Authority formally adopted a comprehensive investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits and issuer limits, credit ratings requirements and maturity limits to protect the Authority's cash and investment assets.

The Authority's investment policy allows for the following investments: The State Board of Administration's Local Government Surplus Funds Trust Fund, United States Government Securities, United States Government Agencies, Federal Instrumentalities, Interest Bearing Time Deposit or Saving Accounts, Repurchase Agreements, Commercial Paper, Corporate Bonds, Bankers' Acceptances, State and/or Local Government Taxable and/or Tax-Exempt Debt, Registered Investment Companies (Money Market Mutual Funds) and Intergovernmental Investment Pool.

In instances where unspent bond proceeds, scheduled bond payments held by a third party trustee, or other bond reserves as prescribed by bond covenants are held, the Authority will look first to the Authority's Bond Resolution for guidance on qualified investments and then to the Authority's investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Authority's investment policy limits interest rate risk by attempting to match investment maturities with known cash needs and anticipated cash flow requirements. The policy of the Authority is to maintain an amount equal to three months, or one quarter, of the budgeted operating expenses of the current fiscal year in securities with maturities of less than 90 days. The weighted average duration of the portfolio will not exceed 3 years at the time of each reporting period.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note B – Deposits and Investments (Continued)

As of September 30, the Authority had the following investments and effective duration presented in terms of years:

2017

(in thousands of dollars)

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Investments Subject to Interest Rate Risk:			
U.S. Government Bonds	\$ 2,254	\$ -	\$ 2,254
Corporate Bonds	3,559	704	2,855
Money market funds	16,291	16,291	-
Total investments	\$ 22,104	\$ 16,995	\$ 5,109

2016

(in thousands of dollars)

Investment Type	Fair Value	Investment Maturities (in Years)	
		Less Than 1	1-5
Investments Subject to Interest Rate Risk:			
U.S. Government Bonds	\$ 2,287	\$ -	\$ 2,287
Corporate Bonds	3,605	-	3,605
Money market funds	15,762	15,762	-
Total investments	\$ 21,654	\$ 15,762	\$ 5,892

Total Investments amounts shown above are classified as Investments (U.S Government Bonds and Corporate Bonds), or within Restricted cash and cash equivalents, reflecting money market funds held for debt service obligations (and related proceeds), on the Statement of Net Position.

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below:

Commercial paper of any United States company or foreign company domiciled in the United States that is rated, at the time of purchase, 'Prime-1' by Moody's and 'A-1' by Standard & Poor's (prime commercial paper), or equivalent as provided by two nationally recognized rating agencies. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated 'A' or better by at least two nationally recognized rating agencies.

Corporate bonds issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum 'A' by Moody's and a minimum long-term debt rating of 'A' by Standard & Poor's, or equivalent as provided by two nationally recognized rating agencies.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note B – Deposits and Investments (Continued)

Bankers' acceptances issued by a domestic bank or a federally chartered domestic office of a foreign bank, which are eligible for purchase by the Federal Reserve System, at the time of purchase, the short-term paper is rated, at a minimum, 'P-1' by Moody's Investors Service and 'A-1' Standard & Poor's, or equivalent as provided by two nationally recognized rating agencies.

State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least 'Aa' by Moody's and 'AA' by Standard & Poor's for long-term debt, or rated at least 'VMIG-2' by Moody's and 'A-2' by Standard & Poor's for short-term debt (one year or less), or equivalent as provided by two nationally recognized rating agencies.

Federal instrumentalities or U.S. Government sponsored agencies which are non-full faith and credit agencies limited to the following:

- Federal Farm Credit Bank (FFCB)
- Federal Home Loan Bank or its Authority banks (FHLB)
- Federal National Mortgage Association (FNMA)
- Federal Home Loan Mortgage Corporation (Freddie Macs)

Money market funds shall be rated 'AAAm' or better by Standard & Poor's or the equivalent by another rating agency. As of September 30, the Authority had the following credit exposure as a percentage of total investments:

2017

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of Portfolio</u>
U.S. Government Bonds	AAA	10.20%
Corporate Bonds	AA3 - A3	16.10%
Money market funds	AAAm	73.70%
Total		<u>100.00%</u>

2016

<u>Security Type</u>	<u>Credit Rating</u>	<u>% of Portfolio</u>
U.S. Government Bonds	AAA	10.56%
Corporate Bonds	AA3 - A3	16.65%
Money market funds	AAAm	72.79%
Total		<u>100.00%</u>

Custodial Credit Risk

This is the risk that in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investment policy, pursuant to Section 218.415(18), Florida Statutes, requires securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the Authority should be properly designated as an asset of the Authority. The securities must be held in an account separate and apart from the assets of the financial institution. A third-party custodian is defined as any bank depository chartered by the Federal Government, the State of Florida, or any other state or territory of the United States which has a branch or principal place of business in the State of Florida, or by a national association organized and existing under the laws of the United States which is authorized to accept and execute trusts and which is doing business in the State of Florida.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note B – Deposits and Investments (Continued)

Concentration of Credit Risk

The Authority's investment policy has established asset allocation and issuer limits on the following investments, which are designed to reduce concentration of credit risk of the Authority's investment portfolio.

A maximum of 100% of available funds may be invested in the Local Government Surplus Funds Trust Fund, in Savings Accounts and in the United States Government Securities; 50% of available funds may be invested in United States Government Agencies with a 25% limit on individual issuers; 100% of available funds may be invested in Federal Instrumentalities with a 40% limit on individual Issuers; 25% of available funds may be invested in Interest Bearing Time Deposit with a 15% limit on individual issuers; 50% of available funds may be invested in Repurchase Agreements with a 25% limit on individual issuers; 20% of available funds may be directly invested in Commercial Paper with a 10% limit on individual issuers; 15% of available funds may be directly invested in Corporate Bonds with a 5% limit on individual issuers; 20% of available funds may be directly invested in Bankers Acceptances with a 10% limit on individual issuers; 20% of available funds may be invested in State and/or Local Government Taxable and/or Tax-Exempt Debt; 50% of available funds may be invested in Registered Investment Companies (Money Market Mutual Funds) with a 25% limit of individual funds; and 25% of available funds may be invested in intergovernmental investment pools.

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by US GAAP. The hierarchy is based upon the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are unobservable inputs. The Authority has the following recurring fair value measurements as of September 30, 2017 and 2016:

2017

	September 30, 2017			
	Fair Value	Level 1	Level 2	Level 3
Investment by type:				
FNMA	\$ 999	\$ 999	\$ -	\$ -
FHLMC	1,255	1,255	-	-
Corporate bonds	3,559	3,559	-	-
Total investments	<u>\$ 5,813</u>	<u>\$ 5,813</u>	<u>\$ -</u>	<u>\$ -</u>
Derivative Instrument Liability	<u>\$ 202</u>	<u>\$ -</u>	<u>\$ 202</u>	<u>\$ -</u>

2016

	September 30, 2016			
	Fair Value	Level 1	Level 2	Level 3
Investment by type:				
FNMA	\$ 1,011	\$ 1,011	\$ -	\$ -
FHLMC	1,276	1,276	-	-
Corporate bonds	3,605	3,605	-	-
Total investments	<u>\$ 5,892</u>	<u>\$ 5,892</u>	<u>\$ -</u>	<u>\$ -</u>
Derivative Instrument Liability	<u>\$ 638</u>	<u>\$ -</u>	<u>\$ 638</u>	<u>\$ -</u>

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note C – Capital Assets

Capital asset activity for the years ended September 30, 2017 and 2016 was as follows:

2017 <i>(in thousands of dollars)</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	\$ 158,448	\$ 1,806	\$ -	\$ 160,254
Port dredging and related costs	55,039	32,284	-	87,323
Construction in progress	83,156	26,371	(95,438)	14,089
Total capital assets not being depreciated	296,643	60,461	(95,438)	261,666
Depreciable capital assets				
Buildings	96,986	-	-	96,986
Improvements	538,965	54,872	(20,547)	573,290
Equipment	114,608	39,888	(2,339)	152,157
Total other capital assets at historical cost	750,559	94,760	(22,886)	822,433
Less accumulated depreciation for:				
Buildings	49,807	3,295	-	53,102
Improvements	251,510	21,458	(15,506)	257,462
Equipment	70,304	5,642	(1,758)	74,188
Total accumulated depreciation	371,621	30,395	(17,264)	384,752
Other capital assets, net	378,938	64,365	(5,622)	437,681
Capital assets, net	<u>\$ 675,581</u>	<u>\$ 124,826</u>	<u>\$ (101,060)</u>	<u>\$ 699,347</u>

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note C – Capital Assets (Continued)

2016 <i>(in thousands of dollars)</i>	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated				
Land and improvements	\$ 158,433	\$ 644	\$ (630)	\$ 158,447
Port dredging and related costs	54,769	270	-	55,039
Construction in progress	75,810	58,587	(51,240)	83,157
Total capital assets not being depreciated	289,012	59,501	(51,870)	296,643
Depreciable capital assets				
Buildings	97,518	-	(532)	96,986
Improvements	497,556	48,480	(7,071)	538,965
Equipment	113,666	1,226	(284)	114,608
Total other capital assets at historical cost	708,740	49,706	(7,887)	750,559
Less accumulated depreciation for:				
Buildings	47,075	3,264	(532)	49,807
Improvements	238,483	20,098	(7,071)	251,510
Equipment	65,855	4,733	(284)	70,304
Total accumulated depreciation	351,413	28,095	(7,887)	371,621
Other capital assets, net	357,327	21,611	-	378,938
Capital assets, net	<u>\$ 646,339</u>	<u>\$ 81,112</u>	<u>\$ (51,870)</u>	<u>\$ 675,581</u>

Note C – Capital Assets (continued)

Land Improvements – Harbor Deepening and Dredge Spoil Sites

The Authority has entered into cooperative agreements with the United States Army Corps of Engineers (USACE) to share in costs to deepen the channel of open access waterways to agreed-upon depths. To date, the Authority's share of these costs amounts to approximately \$87 million. These costs, referred to as harbor deepening costs, are classified as non-depreciable land improvements on the Authority's financial statements. Pursuant to the agreement, the USACE provides for the continued maintenance of the channel at the deepened depth in perpetuity. Similarly, dredge spoil sites are also managed in conjunction with the USACE, and costs associated with the improvement and expansions of these sites are accounted for as improvements made to land, which is included in other capital assets, and amortized over a 20 year life. To date, the Authority's share of these costs total, net of depreciation is approximately \$18.7 million. Costs incurred and paid by the USACE for both harbor deepening and dredge spoil sites, are not capitalized or recorded on the books of the Authority.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note D – Capitalization of Interest

The Authority capitalizes interest expense on construction in progress in accordance with capitalization accounting guidance, which excludes grant funded capital improvements.

The following schedule summarizes capitalization of interest for the Authority for the fiscal years ended September 30, 2017 and 2016:

<i>(In thousands of dollars)</i>	2017	2016
Total interest expense incurred	\$ 9,113	\$ 9,559
Interest expense associated with construction	332	414
Interest capitalized	332	414
Net interest expense	\$ 8,781	\$ 9,145

Note E – Leasing Operations – Lessor

The Authority is the lessor on agreements with various tenants for their use of port facilities. Capital assets held for lease have a cost of \$834,000,000 and accumulated depreciation of \$301,000,000 as of September 30, 2017. Revenues recognized for facility leases for the fiscal year ended September 30, 2017 and 2016, were \$18,469,000 and \$18,489,000, respectively.

Minimum future rental receipts for each of the next five years and thereafter, excluding contingent or volume variable amounts on noncancelable operating facility leases at September 30, 2017, are as follows:

<i>(in thousands of dollars)</i>	Total
2018	\$ 19,745
2019	12,538
2020	8,867
2021	7,995
2022	6,407
Therafter	19,172
	<u>\$ 74,724</u>

Note F – Operating Lease with Mitsui O.S.K. Lines, Ltd. (MOL)

In August 2005, the Authority entered into an Operating and Lease Agreement with Mitsui O.S.K. Lines (MOL), LTD., Japanese Corporation (Lessee), whereby the Authority (Lessor) agreed to construct a 158 acre container terminal for exclusive use by the lessee. The 30 year lease term begins at the date of project completion, which occurred January 2009. The lessee is responsible for all operational costs of the facility over the lease term. At the expiration of the lease term (which is expected to be in 2039), the lessee will have the option to extend the lease agreement in 10 year increments. Per terms of the 30 year agreement, all constructed facilities are owned by and reported as capital assets of the Authority. MOL subsequently assigned the lease to TraPac, Inc., a wholly-owned subsidiary of MOL. MOL remains ultimately responsible for the obligations to the Authority.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note F – Operating Lease with Mitsui O.S.K. Lines, Ltd. (MOL) (Continued)

Financing

The lease agreement stipulates that MOL would provide project financing arrangements for the first \$195 million, the financing includes:

\$100 million in Special Purpose Bonds, Series 2007 (SPB), issued in April 2007 as conduit debt designated for the Mitsui O.S.K. Lines, Ltd. Project. The debt proceeds were remitted to the Authority for project construction and reported as unearned revenue. The Authority has no obligation to pay the Series 2007 bonds, which is payable by MOL and supported by an irrevocable direct-pay Letter of Credit by Sumitomo Mitsui Banking Corporation. See Note A.15 for additional information on conduit debt.

A State of Florida Infrastructure Bank (SIB) Loan of \$50 million issued in 2007 to the Authority, and Port Authority Bonds for the remaining \$45 million, part of the \$90 million, Series 2008 Revenue Bonds.

Revenue Recognition

The revenue for this transaction is recognized on a straight-line basis over the lease term, in accordance with lease accounting guidance. The lease term began in August 2005, concurrent with the start of construction of the terminal and expires in the year 2039. In addition to the \$100 million of prepaid lease revenue, MOL provides scheduled monthly rent payments to the Authority to meet the debt service requirements of the SIB loan and Series 2008 revenue bonds, net of interest offset related to conduit debt. The terms for the SIB rent payments are 12 years through 2018, and the revenue bond related rent payments are for 15 years through 2023. Ongoing cargo throughput fees and other tariff related charges are assessed pursuant to the tenant agreement. Unearned revenue at September 30, 2017 and 2016 totaled approximately \$122 million and \$121 million, respectively.

Note G – Pension Plan

Retirement Benefits

The Authority provides retirement benefits to its employees through the Florida Retirement System (FRS), and the Florida Retire System Health Insurance Subsidy (HIS), and an FRS Deferred Retirement Option Program (DROP). Additionally, the Authority provides an implicit rate subsidy for retiree insurance (an age adjusted premium benefit), which is addressed in note I – Other Post-Employment Benefits.

Governmental Accounting Standards Board Statement No. 68

As a participating employer, the Authority follows accounting guidance under GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, which requires employers participating in cost-sharing multiple employer defined benefit pension plans to report the employers' proportionate share of the net pension liabilities and related pension amounts of the defined benefit pension plans. The GASB 68 component of pension expense captures and records the Authority's proportionate share of Net Pension Liability of both the FRS Pension Plan, and Health Insurance Program (HIS), along with the Authority's related allocation of Deferred Outflows and Deferred Inflows and pension expense impacts. The GASB 68 pension expense accrual has no current year impact on pension funding. The employer share of FRS and HIS pension funding contributions are recorded as expense when contributed. The two elements (accrual and contributions) are combined to show total pension expense of the Authority.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

General Information about the FRS

The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

Essentially all regular employees of the Authority are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple employer defined benefit plans and other nonintegrated programs. A comprehensive annual financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services Web site (www.dms.myflorida.com).

The Authority's pension expense for FRS and HIS totaled \$2,581,669 and \$2,014,465 for the fiscal years ended September 30, 2017 and 2016, respectively. Included in pension expense is the amortization of deferred inflows and outflows as well as the changes in the net pension liability.

Florida Retirement System (FRS) Pension Plan

Plan Description. The FRS Pension Plan (Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* – Members of the FRS who do not qualify for membership in the other classes.
- *Senior Management Service Class (SMSC)* – Members in senior management level positions.

Employees enrolled in the Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service. All members enrolled in the Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Members of the Plan may include up to 4 years of credit for military service toward creditable service.

The Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The Plan provides retirement, disability, death benefits and annual cost-of-living adjustments to eligible participants.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided. Benefits under the Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

	<div>% Value</div>
<i>Regular Class members initially enrolled before July 1, 2011</i>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement at age 63 or with 31 years of service	1.63
Retirement at age 64 or with 32 years of service	1.65
Retirement at age 65 or with 33 or more years of service	1.68
<i>Regular Class members initially enrolled on or after July 1, 2011</i>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement at age 66 or with 34 years of service	1.63
Retirement at age 67 or with 35 years of service	1.65
Retirement at age 68 or with 36 or more years of service	1.68
<i>Senior Management Service Class</i>	2.00

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3% per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

Contributions: The Florida Legislature establishes contribution rates for participating employers and employees. Contribution rates for fiscal years 2017 and 2016, were as follows:

Notes: Employer rates include 1.66% for the postemployment health insurance subsidy program.

Class	Percent of Gross Salary		
	Employee	2017	2016
		Employer	Employers
FRS, Regular	3.00	7.52	7.52
FRS, Senior Management Service	3.00	21.77	21.77
DROP – Applicable to Members from all above classes	0.00	12.99	12.99

The Authority's contributions, for FRS and HIS totaled \$1,248,753, and employee contributions totaled \$333,348 for the fiscal year ended September 30, 2017. The Authority's contributions, for FRS and HIS totaled \$1,145,590, and employee contributions totaled \$325,437 for the fiscal year ended September 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At September 30, 2017, the Authority reported a liability of \$11,070,761 for its proportionate share of the FRS Plan's net pension liability, compared to \$8,917,561 at September 30, 2016. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was .0374%, which was an increase of .0021% from its proportionate share measured as of June 30, 2016, of .0353%.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

For the fiscal year ended September 30, 2017, the Authority recognized the Plan pension expense of \$2,216,098. Fiscal year 2016 showed pension expense of \$1,643,721, which. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources, for 2017 and 2016 as shown:

	<u>2017</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
<u>Description</u>			
Differences between expected and actual experience	\$ 1,016,029	\$ 61,326	
Change of assumptions	3,720,557	-	
Net difference between projected and actual earnings on FRS pension plan investments	-	274,361	
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	809,508	-	
Authority FRS contributions subsequent to the measurement date	188,389	-	
Total	\$ 5,734,483	\$ 335,687	

	<u>2016</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
<u>Description</u>			
Differences between expected and actual experience	\$ 682,798	\$ 83,029	
Change of assumptions	539,486	-	
Net difference between projected and actual earnings on FRS pension plan investments	4,102,411	1,797,328	
Changes in proportion and differences between Authority FRS contributions and proportional share of contributions	742,734	-	
Authority FRS contributions subsequent to the measurement date	266,659	-	
Total	\$ 6,334,088	\$ 1,880,357	

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling \$188,388 for 2017 and \$266,659 for 2016, resulting from Authority contributions to the Plan subsequent to the measurement date, are recognized as a reduction of the net pension liability in the respective subsequent fiscal years. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	Amount
2018	\$ 848.7
2019	848.7
2020	848.7
2021	1,386.1
2022	958.5
Thereafter	319.7

2016	Amount
2017	\$ 555.8
2018	555.8
2019	555.8
2020	555.8
2021	1,251.0
Thereafter	712.9

Actuarial Assumptions. The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%
Investment Rate of Return	7.10%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

In the comprehensive annual financial report issued by FRS for the plan year ended June 30, 2016, management of the plan included a disclosure about the discount rate assumption as set by the 2016 FRS Actuarial Assumption Conference, the body responsible for establishing the actuarial assumptions, and the exception taken (unreasonable assumption) by the Plan Actuary in its Actuarial Valuation report of the Plan as of and for the year ended June 30, 2016. Management of the Authority considered this information, other capital market related information as well as the audited financial statements of the FRS Pension Plan and Employer Allocation Reports issued by the Auditor General of State of Florida as and for the year ended June 30, 2016, which both contained unmodified opinions and concluded that the information provided by the Plan for reporting by the cost-sharing employers was reasonable.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following tables:

July 1, 2017 Actuarial Assumptions:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Total	<u>100.0%</u>			
Assumed inflation – Mean		2.6%		1.9%

July 1, 2016 Actuarial Assumptions:

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.7%
Fixed Income	18.0%	4.7%	4.6%	4.6%
Global Equity	53.0%	8.1%	6.8%	17.2%
Real Estate (property)	10.0%	6.4%	5.8%	12.0%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	11.1%
Total	<u>100.0%</u>			
Assumed inflation – Mean		2.6%		1.9%

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.1%. The Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Authority's Proportionate Share of the Net Position Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.1%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.1%) or 1 percentage-point higher (8.1%) than the current rate:

	1% Decrease (6.1%)	Current Discount Rate (7.1%)	1% Increase (8.1%)
Authority's proportionate share of the net pension liability			
As of July 1, 2017	\$ 20,037,409	\$ 11,070,761	\$ 3,626,389

Pension Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

The Retiree Health Insurance Subsidy Program (HIS)

Plan Description. The HIS Pension Plan (HIS Plan) is a cost-sharing multiple employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided. For the fiscal year ended June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month, pursuant to Section 112.363, Florida Statutes. To be eligible to receive HIS Plan benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions. The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2017, the contribution rate was 1.66% of payroll pursuant to section 112.363, Florida Statutes. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

The Authority's contributions to the HIS Plan totaled \$202,440 for the fiscal year ended June 30, 2017, and \$197,706 for June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At June 30, 2017, the Authority reported a net pension liability of \$4,250,943 for its proportionate share of the HIS Plan's net pension liability, compared to \$4,461,658 at September 30, 2016. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Authority's proportionate share of the net pension liability was based on the Authority's 2016-17 fiscal year contributions relative to the total 2016-17 fiscal year contributions of all participating members. At June 30, 2017, the Authority's proportionate share was .0398%, which was an increase of .0015 from its proportionate share measured as of June 30, 2016, of .0383%.

For the fiscal year ended June 30, 2017, the Authority recognized the HIS Plan pension expense of \$365,571, and for fiscal year 2016 were \$370,744. In addition, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>2017</u>		Deferred Outflow	Deferred Inflow
<u>Description</u>		of Resources	of Resources
Differences between expected and actual experience	\$	-	\$ 8,851
Change of assumptions		597,536	367,584
Net difference between projected and actual earnings on HIS pension plan investments		2,357	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions		222,598	-
Authority HIS contributions subsequent to the measurement date		44,352	-
Total	\$	866,843	\$ 376,435

<u>2016</u>		Deferred Outflow	Deferred Inflow
<u>Description</u>		of Resources	of Resources
Differences between expected and actual experience	\$	-	\$ 10,162
Change of assumptions		700,148	-
Net difference between projected and actual earnings on HIS pension plan investments		2,256	-
Changes in proportion and differences between Authority HIS contributions and proportional share of contributions		119,572	-
Authority HIS contributions subsequent to the measurement date		52,440	-
Total	\$	874,416	\$ 10,162

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

The deferred outflows of resources related to pensions, totaling \$44,352 for 2017 and \$52,440 for 2016, resulting from Authority contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended June 30, 2017 and 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2017	Amount
2018	\$ 87.6
2019	87.6
2020	87.6
2021	87.6
2022	81.6
Thereafter	14.1

2016	Amount
2017	\$ 136.4
2018	136.4
2019	136.4
2020	136.4
2021	153.4
Thereafter	112.8

Actuarial Assumptions. The total pension liability in the July 1, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%
Salary Increase	3.25%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB.

Discount Rate. The discount rate used to measure the total pension liability was 3.58%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 3.58%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.58%) or 1 percentage-point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Authority's proportionate share of the net pension liability			
As of July 1, 2017	\$ 4,850,889	\$ 4,250,943	\$ 3,612,140

Pension Plan Fiduciary Net Position. Detailed information about the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State Administered Systems Comprehensive Annual Financial Report.

FRS – Defined Contribution Pension Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note G – Pension Plan (Continued)

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Authority's Investment Plan pension expense totaled \$305,578 for the fiscal year ended September 30, 2017, and \$294,750 for the fiscal year ended September 30, 2016.

Note H – Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the 457 Plan) created in accordance with IRS Code Section 457. The 457 Plan, which is available to all full-time employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. All plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority's statement of net position.

The Authority also makes matching contributions to a separate retirement plan created in accordance with IRS Code Section 401(a). The Authority contributes a specified amount for each dollar the employee defers to the 457 Plan. All 401(a) Plan assets are held by trustees for the exclusive benefit of plan participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) plan are not reflected on the Authority's statement of position. The Authority's 401(a) matching contributions were \$170,000 and \$161,000 for the years ended September 30, 2017 and 2016, respectively.

Note I – Other Post-Employment Benefits (OPEB)

Plan Description

The Authority maintains a single employer medical benefits plan that it makes available both to current and retired employees. Retiree employees have a one-time benefit option to continue coverage under the group plan upon retirement. Retirees pay the full insurance premium with no direct subsidy from the Authority. The medical plan is an experience rated insurance contract plan that provides medical benefits to employees and eligible retirees and their dependents. The post-retirement benefit portion of the benefits (referred to as OPEB) refers to the benefits applicable to current and future retirees based upon Government Accounting Standard 45 (GASB 45). The Authority currently has 121 active participants in the group medical plan, and one participating retiree.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note I – Other Post-Employment Benefits (OPEB) (Continued)

Annual OPEB / GASB 45 Cost and Net OPEB Obligation

Under GASB 45, the Authority recognizes an implicit rate subsidy (age adjusted premium benefit), which is calculated based on the annual required contribution of the employer, as determined in accordance with parameters of GASB 45. Below is the Authority's OPEB obligation at September 30, 2017:

Annual Required Retiree Cost (ARC)	\$	26,688
Interest on Plan Obligation		14,269
Adjustment to ARC		(13,324)
Annual Plan Retiree Costs		27,633
Less: Contributions Made (estimated premium paid by Authority)		10,077
Change in Plan Obligation		17,556
Plan Obligation – Beginning of Year		392,000
Plan Obligation – End of Year	\$	409,556

The Authority has elected to calculate the ARC and related information using the Entry Age Normal Actuarial Cost Method. The ARC represents a level of normal funding projected to cover normal costs each year and to amortize any unfunded actuarial liability over a period not to exceed 30 years. Annual requirements include a 4.5% discount rate, based on the assumptions that the plan will be unfunded. The valuation uses a health care costs trend rate assumption of 7.0% in the year ending September 30, 2017, grading down by .5% each year until an ultimate health care costs trend rate of 4.5% is reached. Non-claim costs are assumed to be 15% of the premium rates.

Fiscal Year Ended	Annual OPEB Cost	% of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/2015	\$ 15,000	7.14%	\$ 378,000
9/30/2016	15,000	7.14%	392,000
9/30/2017	27,632	36.47%	409,556

OPEB Funding Status

The following data presents the funding status as of September 30, 2017:

Actuarial Valuation Date	October 1, 2016
1. Actuarial Accrued Liability	\$ 319,347
2. Actuarial Value of Assets	-
3. Unfunded Actuarial Accrued Liability (UAAL)	\$ 319,347
4. Funded Ratio	0.0%
5. Annual Covered Payroll	\$ 8,832,866
6. UAAL as a percentage of payroll	3.6%

The required schedule of funding progress presented immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note J – Risk Management

The Authority participates in the City's experience rated self-insurance plan which provides for auto liability, comprehensive general liability and workers' compensation coverage, up to \$1,200,000 per occurrence for workers' compensation claims. The Authority has excess coverage for individual workers' compensation claims above \$1,200,000. The Authority's expense is the premium charged by the City's self-insurance plan. Workers' Compensation and General Liability insurance premiums amounted to \$75,000 and \$156,000 for the years ended September 30, 2017 and 2016, respectively.

The Authority is also a participant in the City's property insurance program which is provided through commercial insurance policies. Premium expense amounted to \$433,000 and \$419,000 for the years ended September 30, 2017, and 2016, respectively.

As a part of the Authority's risk management program, the Authority also purchases certain additional commercial insurance policies to cover exposures such as special risk employees and business interruption coverage. The Authority does not retain any risk on their policies and settlements have not exceeded insurance coverage for each of the last three fiscal years.

Note K – Long-Term Debt and Other Noncurrent Liabilities

Long-term Liabilities

Long-term debt activity for the years ended September 30, 2017 and 2016, was as follows:

(In thousands of dollars)	2017				Amounts Due Within One Year
	Beginning Balance	Additions	Reductions	Ending Balance	
Bonds and notes payable:					
Revenue bonds	\$ 24,980	\$ -	\$ -	\$ 24,980	\$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	61,965	-	(6,995)	54,970	7,372
Revenue Note – Taxable	2,328	-	(750)	1,578	795
State Infrastructure Bank Loan	13,432	-	(4,497)	8,935	4,632
Unamortized original issue premium amounts	4,604	-	(208)	4,396	-
Total bonds and notes payable	194,719	-	(12,450)	182,269	12,799
Liability for pollution remediation	1,241	-	(77)	1,164	-
Derivative instrument liability	638	-	(436)	202	-
Compensated absences and other	2,008	367	(305)	2,070	304
Line of credit	8,675	12,896	-	21,571	-
Reserve for grants assessment	1,377	-	-	1,377	-
Other obligation	8,537	-	-	8,537	-
	<u>\$ 217,195</u>	<u>\$ 13,263</u>	<u>\$ (13,268)</u>	<u>\$ 217,190</u>	<u>\$ 13,103</u>

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

Long-term Liabilities (continued)

	2016				Amounts
<i>(In thousands of dollars)</i>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds and notes payable:					
Revenue bonds	\$ 24,980	\$ -	\$ -	\$ 24,980	\$ -
Revenue and Refunding bonds	87,410	-	-	87,410	-
Revenue Notes – Tax Exempt	68,594	-	(6,629)	61,965	6,994
Revenue Note – Taxable	3,034	-	(706)	2,328	750
State Infrastructure Bank Loan	17,798	-	(4,366)	13,432	4,497
Unamortized original issue premium amounts	4,813	-	(209)	4,604	-
Total bonds and notes payable	206,629	-	(11,910)	194,719	12,241
Liability for pollution remediation	1,568	-	(327)	1,241	-
Derivative instrument liability	1,102	-	(464)	638	-
Compensated absences and other	2,067	356	(415)	2,008	303
Line of credit note	19,575	-	(10,900)	8,675	-
Reserve for grants assessment	1,377	-	-	1,377	-
Other obligation	8,537	-	-	8,537	-
	<u>\$ 240,855</u>	<u>\$ 356</u>	<u>\$ (24,016)</u>	<u>\$ 217,195</u>	<u>\$ 12,544</u>

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

Long-term liabilities at September 30, 2017 and 2016, consisted of the following:

<i>(in thousands of dollars)</i>	<u>2017</u>	<u>2016</u>
Revenue Bonds, Series 2008, including serial bonds due in varying amounts through 2028. Interest rates are fixed at 5.75%.	\$ 24,980	\$ 24,980
Revenue and Refunding Bonds, Series 2012, including serial bonds due in varying amounts through 2038. Interest rates range from 4.00% to 5.0%.	87,410	87,410
Tax Exempt Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 3.765%. See following note on related interest rate swap agreement.	12,936	18,945
Tax Exempt Revenue Note, Series 2010, due in varying amounts through 2030. Interest rates are fixed at 2.69%.	18,976	18,976
Tax Exempt Bank Note Crane Purchase, Subordinate Obligation due in varying amounts through 2034. Interest rates are fixed at 3.04%.	23,058	24,044
Taxable Revenue Note, Series 2009, due in varying amounts through 2019. Interest rates are fixed at 5.68%. See following note on related interest rate swap agreement.	1,578	2,328
Florida State Infrastructure Bank Loan 2007, Subordinate Obligation due in varying amounts through 2018. Interest rates are fixed at 3%.	8,935	13,432
\$50 million Line of Credit Note, Subordinate Obligation, interest due semi-annually in varying rates, 1.65% to 2.11% in 2017. Principal due December 2022, five year renewal executed December 2017.	21,571	8,675
	199,444	198,790
Less current portion	12,799	12,241
	<u>\$ 186,645</u>	<u>\$ 186,549</u>

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

In March 2007, the Authority executed a State Infrastructure Bank (SIB) Loan Agreement with the State of Florida Department of Transportation for a total loan amount of up to \$50,000,000. The SIB loan is a component part of the MOL project funding; the designated source of repayments is MOL lease payments, as prescribed in the MOL lease agreement with Authority. The SIB loan is designated as a Subordinate Obligation. The loan balance outstanding as of September 30, 2017 was \$8,935,000.

In May 2008, the Authority issued \$90,000,000 in Revenue Bonds, Series 2008. The proceeds of the bonds were used in part (\$45 million), for the construction of the MOL terminal, and (\$45 million) designated for other port projects, including the Authority's contribution to the MOL project. In September 2012, \$65,020,000 of the Series 2008 bonds was refunded from proceeds of the Revenue and Refunding Bonds, Series 2012. Outstanding balances of the Series 2008 bonds as of September 30, 2017 were \$24,980,000.

On January 28, 2009, the Authority established a \$50 million multi-year Line of Credit Note with Regions Bank, due and payable December 2022 (five year renewal – executed December 2017). It is the intention of the Authority to use the line for a revolving medium term or longer term (five-year) funding source. The additional balance on the line is designated for the Authority's capital spending program. The outstanding balance on the Line of Credit at September 30, 2017 was \$21,571,000.

In December 2009, the Authority executed loan agreements with Compass Bank for the purpose of refunding the Series 2006 bonds. The Series 2006 bonds were originally issued with an interest rate hedge agreement (swap). The Series 2009 Revenue Note (Tax-Exempt) for \$52,090,000 and Series 2009 (Taxable) Revenue Note for \$6,420,000 were issued to refund the outstanding Series 2006 bonds and related swap agreement, respectively. The outstanding balance at September 30, 2017 on the Tax Exempt Revenue Note was \$12,936,000. The outstanding balance at September 30, 2017 on the Taxable Note was \$1,578,000.

On November 2, 2010, the Authority executed a loan agreement with Regions Bank, Tax-Exempt Revenue Note Series 2010, for the purpose of paying off the Series 2000 Revenue Bonds, and to establish a required reserve account. The outstanding balance as of September 30, 2017 was \$18,976,000.

In September 2012, the Authority issued \$87,410,000 in Revenue and Refunding Bonds, Series 2012. The bonds will be used to: (i) finance or refinance expenditures relating to the cost of portions of the Authority's capital program, (ii) refund \$65,020,000 of the Authority's outstanding Series 2008 Bonds to generate debt service savings, and (iii) fund a reserve. The Series 2012 issue has a final maturity of 2038, consistent with the maturity of the Series 2008 bonds. The outstanding balance as of September 30, 2017 was \$87,410,000.

On September 12, 2014, the Authority executed a loan agreement (SunTrust Bank Note) in the amount of \$25,000,000 to assist in the acquisition of three new cranes. Total costs of the cranes total approximately \$39 million, the remaining balance funded by a grant from the State of Florida. The agreement has a fixed term rate of 3.04%. The SunTrust Bank Note has a final maturity of 2034. The outstanding balance as of September 30, 2017 was \$23,058,000.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

The Authority's debt resolutions place restrictions on the issuance of additional bonds, designates required funding of related bond reserves, and requires certain monies for debt service payments be held in trust funds. The Authority has also agreed in its bond covenants to establish and maintain rates charged to customers that will be sufficient to generate certain levels of operating revenues and operating income in excess of its annual debt service on the various outstanding bonds. The Authority has agreed to maintain net operating revenues in excess of 125% of the senior debt service obligations and 100% of the total subordinate debt service obligations.

Interest Rate Swap Agreements on Series 2009 Notes

In December 2009, the Authority executed two variable rate note agreements, the Series 2009 Revenue Note (Tax-Exempt) for \$52,090,000 and the Series 2009 Revenue Note (Taxable) for \$6,420,000. Concurrent with the issue of the notes, the Authority entered into an interest rate swap agreement whereby the Authority swaps both variable rate debt notes for fixed rate debt. The synthetically fixed rate on the Tax-Exempt note is 3.77%, and the synthetically fixed rate on the Taxable note is 5.68%. Both respective swaps cover the entire principal amounts for the notes, and the term of the swaps are equal to the terms of the notes.

Notional amounts at September 30, 2017 were \$17,990,000 for the Tax-Exempt Note and \$2,209,494 for the Taxable Note. The interest rate swap formula uses identical indexes and variables in the calculation of the swap settlement amounts, and result in monthly variable rate swap payments equal to identical monthly variable rate swap receipts. For the Tax-Exempt note, both parties pay 65% of LIBOR plus 1.69% to the other party. For the Taxable note, both parties pay one-month LIBOR plus 2.60% to the other party. As a result the Authority has no interest rate risk or basis risk concerns.

The credit quality of the bank which holds both notes and the related swaps has long term ratings of BBB+ by Standard & Poors, and Baa3 by Moody's Investor Service. Had the Authority elected to terminate the swap agreement (termination risk) on September 30, 2017, a termination fee of \$171,741 and \$30,174 for the two notes would have been payable by the Authority based upon the current market conditions at that time.

In accordance with accounting standard GASB 53, Accounting and Financial Reporting for Derivative Instruments, the Authority has recorded the above interest rate swap transaction as an effective hedging transaction. The result for the years ended 2017 and 2016, respectively, were an aggregate \$201,915 and \$638,143, a decrease of \$436,228. This transaction is recorded as both a Deferred Outflow of Resources and a corresponding Derivative Instrument Liability on the Statement of Net Position, in the same amount.

Jacksonville Port Authority, Florida

Notes to Financial Statements

K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

Deferred outflow of resources

Deferred outflow of resources as shown on the statements of net position include the amounts for the above mentioned interest rate exchange agreement, and unamortized loss amounts on debt refundings.

<i>(in thousands of dollars)</i>	2017	2016
Deferred loss on debt refundings	\$ 2,545	\$ 3,695
Interest rate exchange agreement	202	638
Deferred outflow pension (see Note G)	6,601	7,208
Total deferred outflow of resources	<u>\$ 9,348</u>	<u>\$ 11,541</u>

Debt Maturities

Required debt service for the outstanding bonds and notes payable for the next five years and thereafter to maturity as of September 30, 2017, was as follows:

<i>(In thousands of dollars)</i>	Interest	Principal
Years ending		
2018	\$ 7,362	\$ 12,799
2019	6,241	12,653
2020	5,323	4,038
2021	5,244	5,314
2022	5,135	5,560
2023 – 2027	23,810	53,579
2028 – 2032	19,455	40,242
2033 – 2037	10,419	45,569
2038 – 2042	997	19,690
	<u>\$ 83,986</u>	<u>\$ 199,444</u>

Original Issue Discount and Deferred Loss on Refundings (in thousands of dollars)

Unamortized premiums on Bonds were \$(4,396) and \$(4,604) in 2017 and 2016, respectively. Unamortized deferred loss on refundings was \$2,545 and \$3,695 in 2017 and 2016, respectively.

Other Noncurrent Liabilities

Unearned revenue balances were \$122,281,000 and \$121,308,000 for years ended September 30, 2017 and 2016, respectively. The current portion was \$6,276,000 and represents one year of rent amortization on MOL rents collected but unearned. See Note F for further explanation regarding MOL rent revenue recognition.

The Authority has accrued reserves in the amount of \$1,164,000 for specific pollution remediation liability. These reserves are reviewed annually for project updates and adjusted accordingly.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note K – Long-Term Debt and Other Noncurrent Liabilities (Continued)

Other post-employment benefits ('OPEB') liabilities for retiree medical benefits were \$410,000 and \$392,000 at September 30, 2017, and 2016, respectively. See Note I for additional information.

The Authority has reserved \$1,377,000 related to a de-obligation of FEMA Grant Funds for prior year's hurricane-related dredge funding. See Note N for additional information.

Note L – Other Obligation

The Authority entered into a Project Cooperation Agreement with the Army Corps of Engineers (USACE) in 2001 for Construction of the Improvement Features of the Jacksonville Harbor Federal Navigation Project. This project was completed in 2010, and cooperatively resulted in 40 feet depth of General Navigation Features in the Jacksonville Harbor.

The Project Cooperation Agreement committed federal government funding of 65% towards project costs and required the Authority to fund 25% of the project costs. In addition to the 25% matching funds, the agreement also required that the Authority be responsible for the remaining 10% of total projects costs, payable over a period of up to a 30-year amortization. As a result, an estimated liability amount of \$8,536,749 is currently recorded as Other obligations by the Authority. As of September 30, 2017, repayment terms had not been determined.

Note M – Commitments and Contingencies

Construction Related

At September 30, 2017, the Authority had commitments for future construction work of approximately \$6,104,000. Significant projects in process include rehabilitation of terminal wharfs in the amount of \$3,916,000 and tenant parking improvements of \$1,070,000.

Environmental Remediation

The Authority owns several parcels of property located at the southernmost portion of the Talleyrand Marine Terminal which were used by previous owners to conduct fertilizer blending and packaging, and other operations involving the use of chemicals. Property adjacent to these parcels, owned by an unrelated third party has also been identified to contain contaminants attributed to its former use. In conjunction with the Florida Department of Environmental Protection (FDEP), the Authority has developed an Interim Remedial Action Plan (IRAP), which includes a site soil and groundwater treatment design, allowing for the groundwater to be captured by wells and discharged to a nearby publically owned treatment works facility (POTW). The groundwater treatment system became fully operational 2017. The Authority had previously established a \$1.5 million reserve for the project costs, of which \$1.1 million remains at September 30, 2017 for ongoing operations and monitoring costs.

The Authority also owns a parcel of property of approximately three acres which is currently leased to a commercial business for use in their operations. This tenant has been working with the FDEP for several years with contaminant clean up (IRAP) on this site. All costs associated with this remediation effort are being paid by the tenant. In 2017 the FDEP issued a Conditional Site Rehabilitation Completion Order (SRCO) on behalf of both the Authority owned and tenant owned property. The Authority has an agreement in place with the tenant to sell the tenant the leased property upon obtaining the SRCO, this land sale is expected to occur in 2018.

Jacksonville Port Authority, Florida

Notes to Financial Statements

Note M – Commitments and Contingencies (Continued)

Collective Bargaining Agreement

The Authority's workforce is made up of approximately 151 employees. Union employees represent about 40% of the total. The current union contract is a three- year contract expiring on September 30, 2019.

Grant Program Compliance Requirements

The Authority participates in federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. In 2013, the Authority recorded a reserve in the amount of \$1,377,000 for a specific de-obligated grant (FEMA) funding, related to a prior years' hurricane related dredging event. This determination made by FEMA was based upon time requirement guidelines available to complete the debris removal work. The Authority's position is that expenditures were proper, and will continue to pursue options regarding this determination.

Note N – Significant Customers

For the fiscal year ended September 30, 2017, the Authority had four customers with significant operating revenues (in excess of 10% of total revenues): Trapac (15%), Tote Marine (14%), APS East Coast (12%), and SSA Cooper (10%).

Note O – Capital Contributions

Federal Contributions

The Authority received monies from federal funding awards designated for constructing various capital assets and capital improvements. Contributions of \$951,569 and \$2,392,861 were recorded for the years ended September 30, 2017 and 2016, respectively.

State Contributions

Amounts from state funding awards totaled \$29,749,651 and \$31,066,590 and for the years ended September 30, 2017 and 2016, respectively.

Note P – Subsequent Events

On November 1, 2017, the Authority issued a Series 2017 Revenue Note with Regions Bank for \$23.1 million, which combined with \$1.8 million in debt reserves, refunded the Series 2008 bonds of \$24.98 million. The interest rate has been reduced to 2.25%, with the maturity schedule remaining the same as the Series 2008 Bonds.

**JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

Jacksonville Port Authority

**Other Post-Employment Benefits Plan (Unaudited)
Schedule of Funding Progress
September 30, 2017**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) – Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
10/01/16	\$ -	\$ 319,347	\$ 319,347	0.0%	\$ 8,832,866	3.6%
10/01/13	\$ -	\$ 393,000	\$ 393,000	0.0%	\$ 8,231,763	4.8%
10/01/10	\$ -	\$ 452,000	\$ 452,000	0.0%	\$ 7,313,837	6.2%

**JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY –
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)**

	2017	2016	2015	2014
Authority's proportion of the FRS net pension liability	0.0374%	0.0353%	0.0352%	0.0330%
Authority's proportionate share of the FRS net pension liability	\$ 11,070,761	\$ 8,917,567	\$ 4,546,261	\$ 2,031,923
Authority's covered-employee payroll	\$ 12,195,198	\$ 11,910,007	\$ 11,486,853	\$ 11,123,222
Authority's proportionate share of the FRS net pension liability as a percentage of its covered-employee payroll	90.78%	74.87%	39.58%	18.27%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.88%	92.00%	96.09%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015, 2016 and 2017 are available.

**JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY –
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)**

	2017	2016	2015	2014
Authority's proportion of the HIS net pension liability	0.0398%	0.0383%	0.0373%	0.0372%
Authority's proportionate share of the HIS net pension liability	\$ 4,250,943	\$ 4,461,658	\$ 3,806,082	\$ 3,472,586
Authority's covered-employee payroll	\$ 12,195,198	\$ 11,910,007	\$ 11,486,853	\$ 11,123,222
Authority's proportionate share of the HIS net pension liability as a percentage of its covered-employee payroll	34.86%	37.46%	33.13%	31.22%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	0.97%	0.50%	0.99%

Note: The amounts presented for each fiscal year were determined as of June 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending June 30, 2014, 2015, 2016 and 2017 are available.

**JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)**

	2017	2016	2015	2014
Contractually required FRS contribution	\$ 1,046,313	\$ 947,884	\$ 948,391	\$ 872,101
FRS contributions in relation to the contractually required FRS	1,046,313	947,884	948,391	872,101
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 12,195,198	\$ 11,910,007	\$ 11,486,853	\$ 11,123,222
FRS contributions as a percentage of cover-employee payroll	8.6%	8.0%	8.3%	7.8%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015, 2016 and 2017 are available.

**JACKSONVILLE PORT AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PENSION PLAN
SEPTEMBER 30, 2017
(amounts expressed in dollars)**

	2017	2016	2015	2014
Contractually required HIS contribution	\$ 202,440	\$ 197,706	\$ 157,222	\$ 135,253
HIS contributions in relation to the contractually required HIS	202,440	197,706	157,222	135,253
HIS contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 12,195,198	\$ 11,910,007	\$ 11,486,853	\$ 11,123,222
HIS contributions as a percentage of cover-employee payroll	1.7%	1.7%	1.4%	1.2%

Note: The amounts presented for each fiscal year were determined as of September 30th. The schedule is presented to illustrate the requirements of GASB Statement No. 68. Currently, only data for fiscal year ending September 30, 2014, 2015, 2016 and 2017 are available.

SUPPLEMENTAL INFORMATION

Jacksonville Port Authority

Revenue Recognition

GAAP to Budgetary Basis Reconciliation

For the Fiscal Year Ending September 30, 2017

GAAP Revenue – per Financial Statements	\$ 58,052,034
Reconciling Adjustment – GAAP to Budgetary Revenues – See Note (1)	973,210
Budgetary Basis Revenues	<u>\$ 59,025,244</u>

Note 1. MOL rent payments are recognized on a straight-line basis over the 30 year lease term for GAAP, while MOL rent payments for budgetary basis are recognized as revenues when received.

APPENDIX B

MARKET DEMAND REPORT

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Market Assessment and Cargo Projections for JAXPORT



Prepared for:
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June 15, 2018

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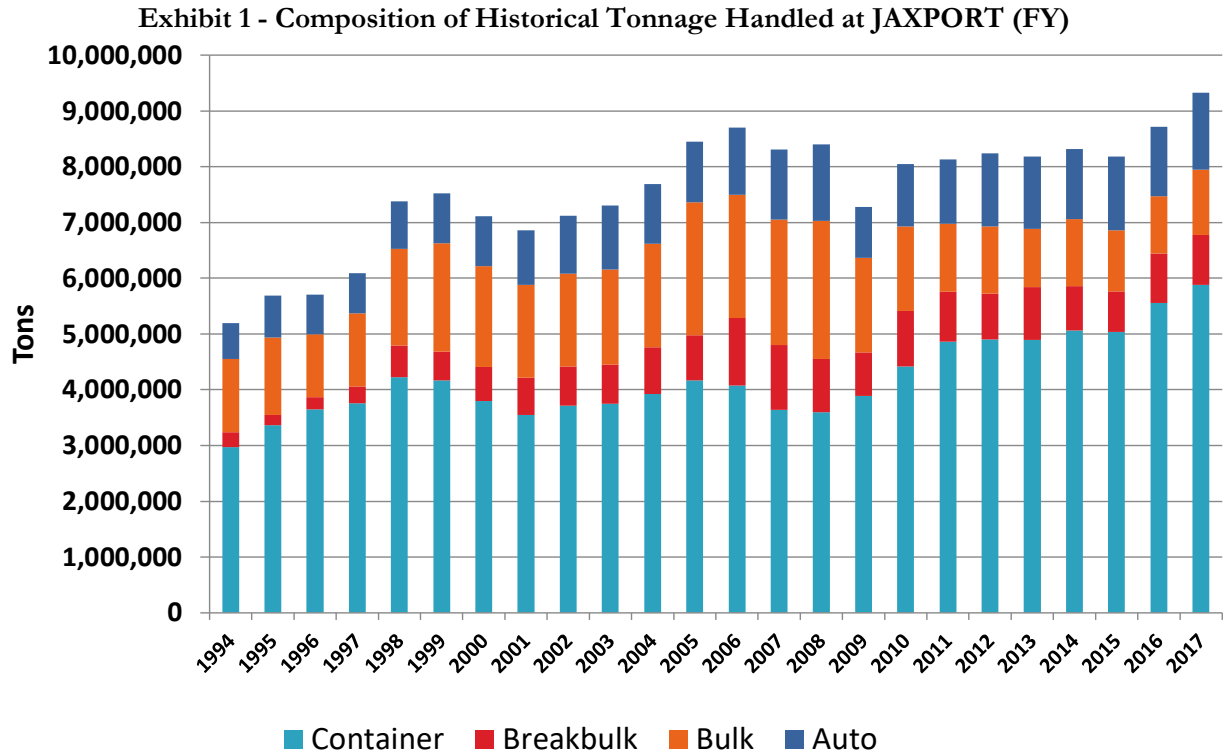
This report consists of a review of the current markets handled at Jacksonville Port Authority (JAXPORT), the development of an understanding of the factors affecting the historical levels of the specific cargoes, the factors that will drive the future levels of the specific commodities, and the development of cargo projections of the key commodity markets served by JAXPORT through 2045.

1. JAXPORT HISTORICAL EXISTING CARGO BASE

At the outset, it is necessary to differentiate between JAXPORT and the Port of Jacksonville. JAXPORT owns, markets, and maintains three public marine terminals within the harbor: Talleyrand Marine Terminal, Blount Island Marine Terminal and Dames Point Marine Terminal. In addition, there are several private marine terminals along the St. Johns River including but not limited to: Crowley Maritime Marine Terminal, Center Point Terminal, Jacksonville Electric Authority (JEA), Keystone, TransMontaigne, United States Gypsum Corporation, U.S. Navy Fuel Depot, BP Oil, Hess Oil, U.S. Marine Corps Command-Blount Island, and U.S. Navy at Mayport. With the exception of the Crowley Terminal, the cargo activities at these docks are related primarily to bulk operations, e.g. petroleum terminals, coal docks for utility companies, and other dry bulk terminals. ***The market analysis in the balance of this chapter focuses only on JAXPORT public terminal activity.***

Since 1998, JAXPORT's three public terminals handled more than seven million tons of waterborne cargo each year. Over the past 23 years, the total tonnage handled has grown at 2.6% annually. JAXPORT's cargo activity is characterized by a wide diversity of cargo types moving over the Port's marine terminals, as well as diversity in the geographical markets and trading partners served. The Port handles a mix of cargo types, including containerized cargo, automobiles, dry bulk cargo, break bulk cargo (steel, paper and other forest products), military cargo and liquid bulk cargo. This diversity of the cargo base and markets has been a positive factor in providing stability to the performance of the Port over time, as changes in market conditions occur.

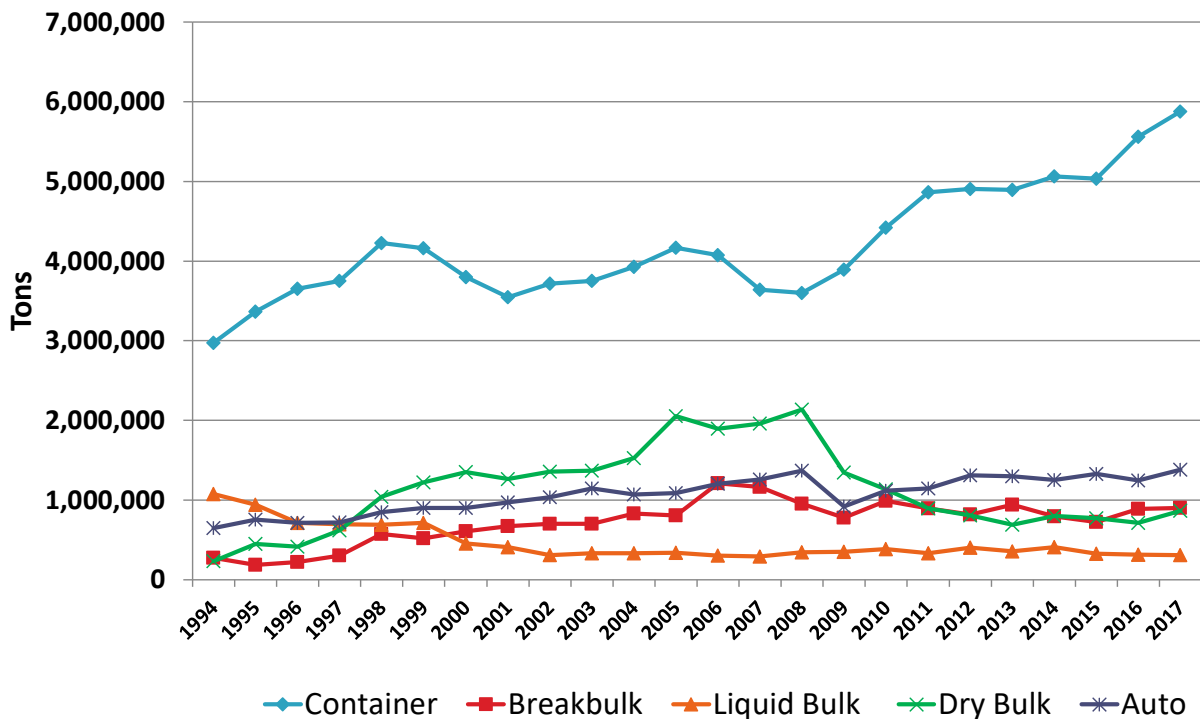
Exhibits 1 and 2 graphically depict the historical annual tonnage handled at the JAXPORT public terminals since 1994. Between 2006 and 2016, the ports overall tonnage remained fairly constant, but the composition of the cargo changed significantly. The impact of the 2009 financial crisis and recession are visible on the Port's tonnage, but since 2009 there has been a strong growth in containerized cargo, posting a 5.3% compound annual growth rate over the past 8 years. In contrast, the bulk cargoes, particularly dry bulk cargo, contracted. Bulk commodities (specifically limestone and aggregates) and autos were impacted by the economic recession, and bulk cargoes have been declining since. Auto tonnage has been recovering to some extent, but still remains below the throughput levels recorded pre-recession in 2006 and 2007.



Source: JAXPORT

Exhibit 2 shows the individual commodity type of activity between 1994 and 2017 at JAXPORT. The impact of the recession on construction activity and ultimately on imported dry bulk cargoes (primarily aggregates) is evident in this chart, as is the strong increase in containerized cargo since 2008. This sustained growth in containerized cargo reflects the opening of the MOL/TraPac container terminal at Dames Point in 2009, and growth of the Asian container market at JAXPORT. Liquid bulk cargoes declined between 1994 and 2002, reflecting the loss of petroleum products handled at JAXPORT, and have since remained relatively constant, reflecting capacity of the liquid bulk operations.

Exhibit 2 - Composition of Historical Tonnage Handled at JAXPORT (FY) by Commodity Group



Source: JAXPORT

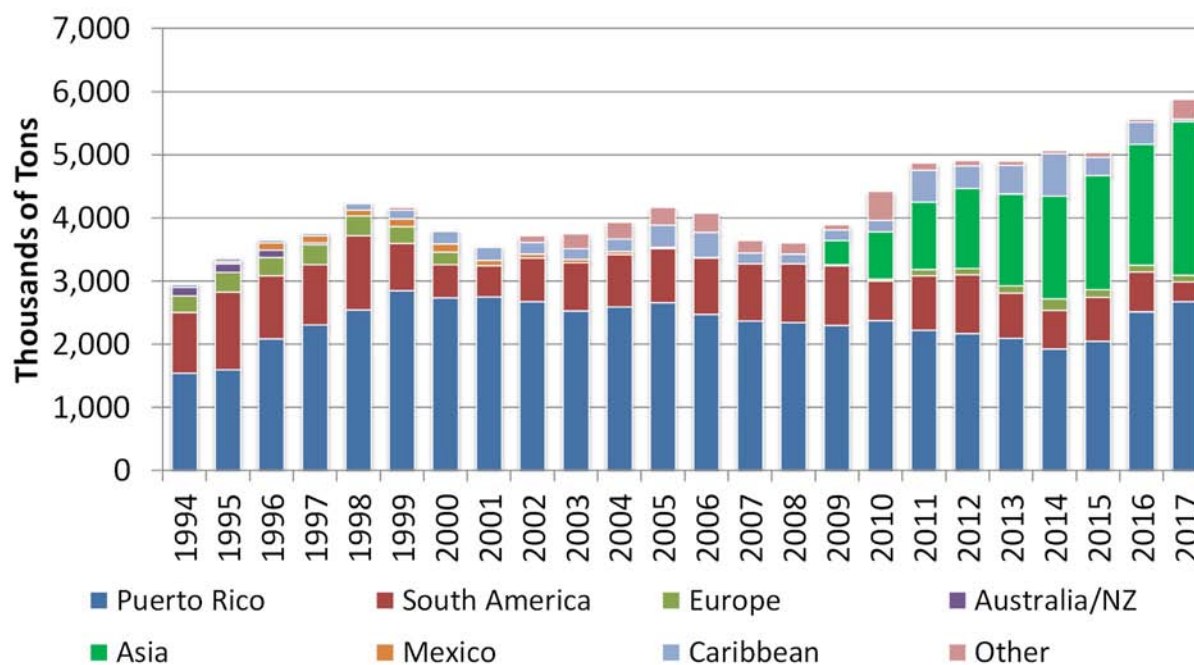
The following sections detail each of the key commodity groups handled at the JAXPORT facilities, and present future projected throughput levels.

2. CONTAINER MARKET

2.1. Historical and Current Container Market at JAXPORT

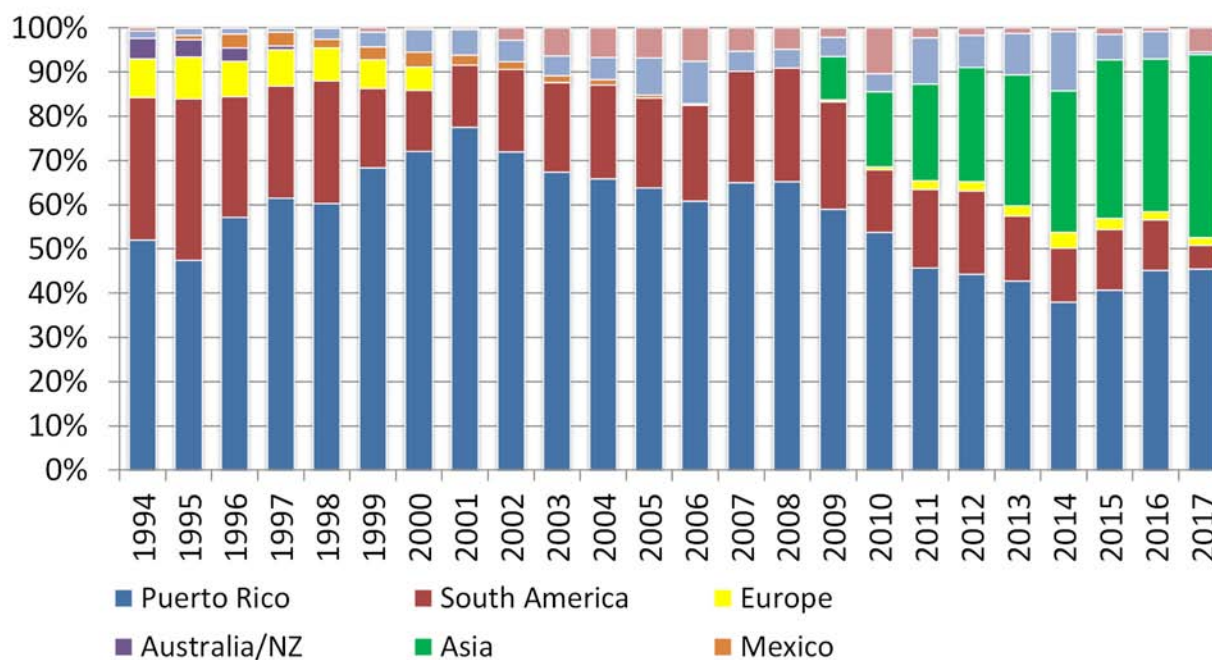
Container tonnage handled at JAXPORT public facilities increased steadily from 1994 through 1998, due to increases in Puerto Rican and South American trade. From 1998 through 2009, containerized cargo tonnage handled at JAXPORT remained relatively flat, moving between 3.5 million and 4 million tons annually. During that time, trade with Puerto Rico and South America dominated the container business at JAXPORT, as shown in Exhibits 3 and 4. Puerto Rico remains the top trading partner with JAXPORT in terms of container tonnage, but its share has fallen from a high of 77% in 2001, to about 45% in 2017. With the opening of the MOL/TraPac terminal in 2009, the share of containerized tonnage moving in trade with Asia has grown from 10% of total JAXPORT containerized tonnage in 2009, to 41% in 2017. Containerized trade with South America has also declined at JAXPORT over the past 23 years.

Exhibit 3 - Historical JAXPORT Container Tonnage by Trade Route



Source: JAXPORT

Exhibit 4 - Share of Historical JAXPORT Container Tons by Trading Partner



Source: JAXPORT

As this historical analysis demonstrates, JAXPORT has become a key player in the Asian trade. However, the ability to handle larger ships that are being deployed in the Asian trade will be key to the degree of JAXPORT's future in this trade. The ability of JAXPORT to complete the St. Johns River Deepening Project to a 47 ft. depth is critical in the continued growth of the containerized cargo market at JAXPORT.

This deepening project started in February 2018, and JAXPORT was just awarded, on June 11, 2018, an additional \$32.7 million by the Federal government for the deepening project. Underscoring the recognized economic importance of JAXPORT by the U.S. Army Corps of Engineers and the Federal Government, JAXPORT is the fact that JAXPORT is one of only four ports that received funding for authorized deepening projects in the Corp's fiscal 2018 budget.

2.2. JAXPORT Container Terminal Operations

JAXPORT owns three terminals which handle containers: the Blount Island Marine Terminal, Talleyrand Marine Terminal and Dames Point Marine Terminal. Each of these is described separately below.

The following are key container operators/carriers located at Blount Island:

- TOTE Maritime – An ocean carrier operating on 53 acres with liner services twice weekly to Puerto Rico and the U.S. Virgin Islands.
- Portus – Terminal operator occupying 27 acres of land, stevedores for several container carriers, including the following: TOTE Maritime; MACS Maritime Carrier Shipping LLC (formerly Gulf Africa Lines), with service to West and South Africa; and Schuyler Line Navigation Company, offering regularly scheduled liner transportation of authorized government and military cargo to Guantanamo Bay. (Schuyler Line is the exclusive carrier for U.S. government cargoes going to/from Guantanamo Bay.)
- Trailer Bridge – Ocean carrier which leases 25 acres of terminal space with two weekly liner service calls to Puerto Rico and the Dominican Republic.
- SSA – Terminal operator occupying 50 acres at Blount Island for container handling to service ocean carriers in the 2M Alliance (Maersk; Mediterranean Shipping Co.; Hyundai Merchant Marine, as well as Hamburg Sud) and the Ocean Alliance (APL; CMA-CGM; Cosco Shipping; Evergreen; and OOCL). These carriers combine for multiple weekly sailings to and from global markets with a focus on Asia.

The Talleyrand Marine Terminal has one major container ocean carrier:

- Crowley – Ocean carrier which operates a combination lift-on/lift-off (LoLo) and RoRo operation on approximately 50 acres of JAXPORT property, offering liner service to the Caribbean and Puerto Rico.

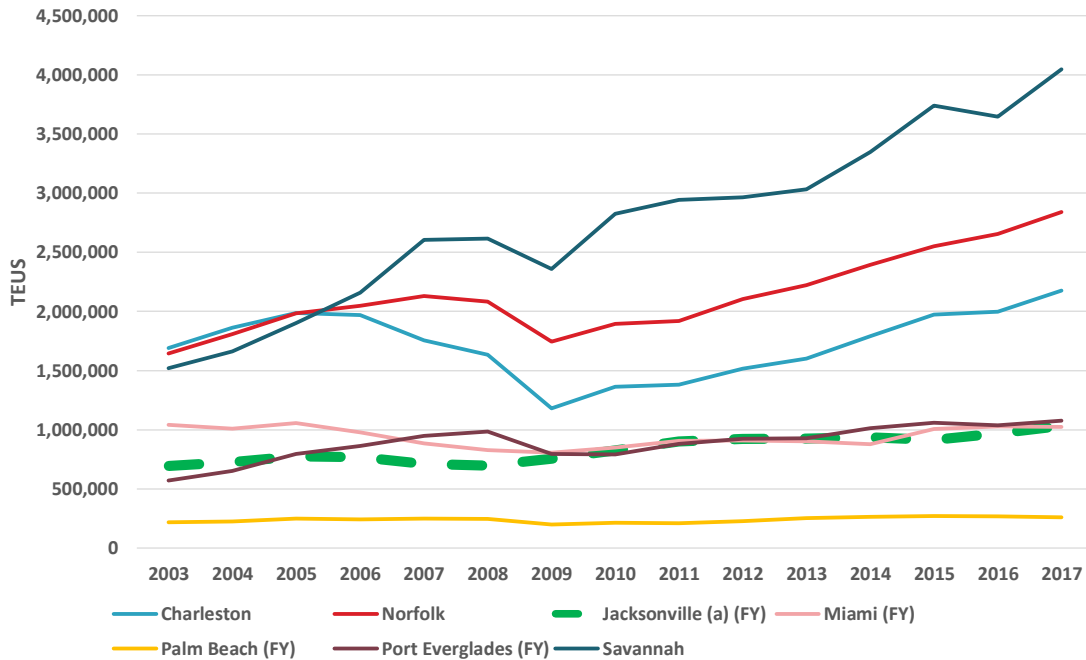
The Dames Point Marine Terminal has one container terminal operator:

- TraPac (a division of Mitsui OSK Lines), which leases 158 acres from JAXPORT and services vessels in The Alliance (Hapag-Lloyd; ONE and Yang Ming) offering three weekly services between JAXPORT and Asia, as well as Hamburg Sud's weekly service with Hapag Lloyd to South America and the Caribbean.

2.3 Competitive Container Market Position of JAXPORT

JAXPORT is located in the South Atlantic port range of the U.S. Within this port range, JAXPORT ranks second amongst the major container ports in Florida in terms of TEUs, only slightly behind Port Everglades, and slightly ahead of Port *Miami*. In terms of the major container ports on the South Atlantic, JAXPORT ranks 5th overall. As the following exhibit shows, the ports of Savannah, Norfolk, and Charleston handle a significantly greater volume of TEUs than JAXPORT and the other major container ports in Florida, and further, based on proximity to the Florida market, Savannah is the major competing port on the South Atlantic.

Exhibit 5 - Historical TEUs Handled at South Atlantic Ports



Source: American Association of Ports Authorities, and includes domestic trade with Puerto Rico

As detailed above, about 45 percent of the containers handled at JAXPORT are on the Puerto Rican trade lane. Jacksonville is unique in that it serves the majority of more than 85% of all containerized exports and imports moving between the U.S. and Puerto Rico. Trade with Puerto Rico is considered domestic trade, and is therefore not included in the international trade statistics reported by the U.S. Census, USA Trade OnLine data base. This data base is the single most comprehensive data base providing comparative statistics for international waterborne trade by port and trade lane. Because of the dominance of JAXPORT in the Puerto Rican trade, the opportunities for JAXPORT to grow its container business is in the international container market, and as demonstrated, JAXPORT's growth in the container market has been due to the ability to increase its handling of international containerized cargo, primarily the Asian market. Therefore, the balance of the competitive analysis of JAXPORT's potential in the container market will focus on international waterborne trade, excluding the Puerto Rican market.

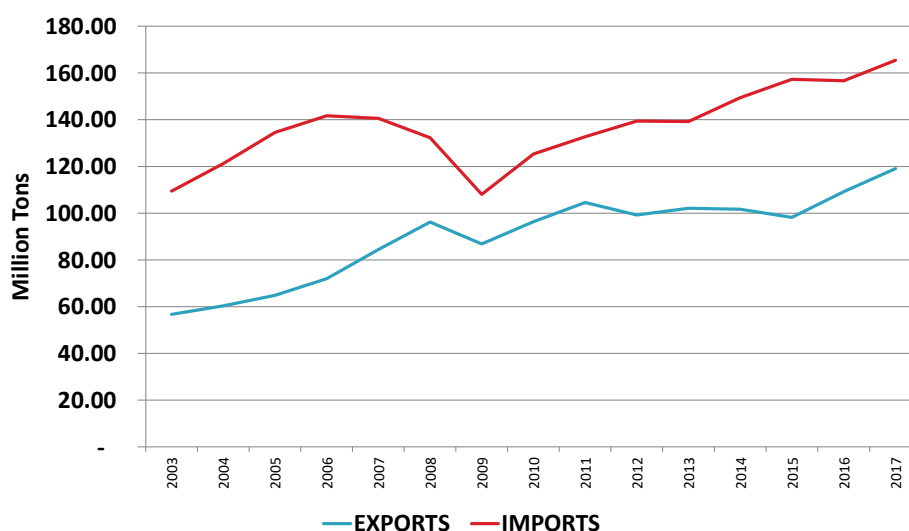
The container terminals at JAXPORT compete with terminals located along the South Atlantic Ocean including Savannah and Charleston, as well as the Florida ports of Miami, Port Everglades, and Palm Beach¹. In addition, the JAXPORT container terminals also compete with the Pacific Coast ports such as Los Angeles, Long Beach, and to a lesser extent Oakland, Seattle and Tacoma, to serve the Asian markets via intermodal rail operations.

Overall historical growth of international containerized cargo in the U.S. has averaged a 3.9% compound annual growth rate since 2003. Export growth has averaged 5.4% compared to a 3.0% growth of imported containerized cargo over the 14 year period. However, since 2009 (the impact of the recession),

¹ In addition there is some limited competition with Norfolk and Wilmington, NC. The Florida ports of Tampa, Canaveral and Pensacola only handle a very limited volume of containerized cargo, and are not considered competitors with JAXPORT to serve the international containerized market. Because of its limited channel depth and land availability, Palm Beach serves the Caribbean markets, but is not considered a competitor in the Asian, European, Middle East and Mediterranean container markets.

overall containerized tonnage has grown at an annual rate of 4.7%, with imports growing at a rate of 5.3% annually and exports growing at a rate of 3.9% annually.

Exhibit 6 - Historical Growth in U.S. International Containerized Cargo



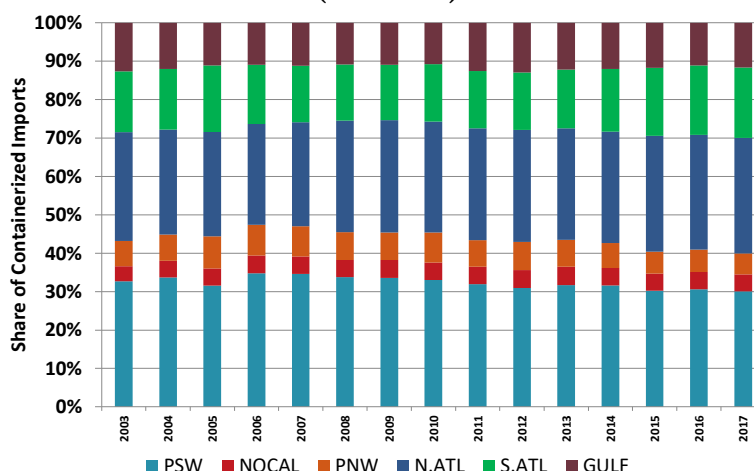
Source: USA Trade OnLine

The following sections report on the historical performance of JAXPORT in the U.S. import and export international container market.

2.3.1 Overview of Imported International Containerized Market

Exhibit 7 shows the historical share of international containerized cargo that is imported into the U.S. by port range.

**Exhibit 7 - Historical Imported Containerized Cargo
(short tons)**



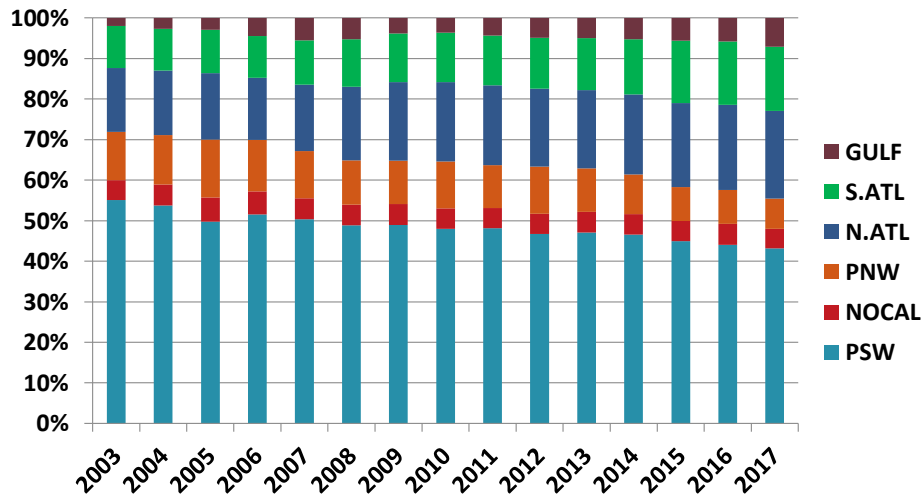
Source: USA Trade OnLine

The West Coast port range consists of the Pacific Southwest (PSW) ports of Los Angeles and Long Beach; the Pacific Northwest (PNW) ports consist of Seattle, Tacoma and Portland; and the Northern California (NOCAL) port range consists primarily of Oakland. The North Atlantic (N. ATL) ports consist of ports from Boston to Baltimore; the South Atlantic (S. ATL) ports consist of ports from Norfolk to Miami;

and the Gulf (GULF) coasts ports include the ports from Port Manatee (FL) to Brownsville (TX). As shown in Exhibit 7, the West Coast port range has gradually lost market share to the other regions, as its share of imported containerized cargo has fallen from nearly 44% in 2003 to about 40% in 2017. This reflects the impact of the West Coast port shutdown that occurred in September, 2002 during the contract negotiations with the International Longshore and Warehouse Union (ILWU) and the Pacific Maritime Association (PMA), the management group representing the ocean carriers and terminal operators along the West Coast. In contrast, the imported containerized cargo market share of the Atlantic Coast ports has grown from about 40% in 2003 to nearly 49% in 2017.

The loss of containerized import market share on the West Coast since 2002 reflects the fact that beneficial cargo owners (BCOs) have increased the use of other port ranges to handle imported containers moving from the Pacific Rim into the U.S. This diversification strategy is evident when the share of imported cargo from Asia moving via the various port ranges is reviewed. As shown in Exhibit 8, the share of Asian imported containerized tonnage moving via the West Coast ports has fallen from about 72% in 2003 to about 55% in 2017, while the share of the South Atlantic and North Atlantic ports have increased from 26% in 2003 to 38% in 2017.

Exhibit 8 - Share of Asian Imported Containerized Cargo by Port Range



Source: USA Trade OnLine

**Exhibit 9 - Imported Containerized Tonnage Handled by Port
(Metric Tons)**

	2003	2006	2009	2012	2015	2017	CAGR 03-17
LA/Long Beach	34,916,936	48,283,193	35,232,198	42,357,005	46,609,045	48,898,825	2.4%
New York/NJ	17,120,118	20,976,470	19,451,660	24,542,930	28,253,709	28,178,325	3.6%
Savannah, GA	4,864,068	6,515,686	6,007,022	8,052,694	11,364,206	12,803,124	7.2%
Houston, TX	6,299,348	7,792,393	5,419,957	8,790,889	9,499,687	10,865,401	4.0%
Norfolk/Newport News	6,438,530	7,341,425	5,171,847	6,596,781	8,300,014	9,541,278	2.8%
Charleston, SC	5,708,897	6,634,146	3,932,562	5,360,036	7,129,474	8,288,967	2.7%
Oakland, CA	3,778,956	5,854,515	4,606,610	5,626,495	6,260,787	6,598,488	4.1%
Baltimore, MD	2,627,924	3,468,951	2,614,751	3,843,282	4,536,160	5,131,414	4.9%
Tacoma, WA	3,308,250	4,405,514	2,667,008	3,811,861	5,347,007	4,653,063	2.5%
Seattle, WA	3,123,635	5,132,582	4,091,397	5,358,058	3,363,154	4,252,352	2.2%
Miami, FL	3,326,244	3,710,028	2,154,958	2,426,719	3,244,348	3,351,148	0.1%
Philadelphia, PA	1,845,681	2,542,251	1,477,171	2,031,144	2,998,419	3,259,928	4.1%
Port Everglades, FL	1,848,069	2,487,123	1,723,281	2,163,099	2,901,182	3,127,573	3.8%
New Orleans, LA	1,625,734	2,253,286	2,236,126	2,663,720	3,398,060	2,669,022	3.6%
Jacksonville, FL	694,294	1,120,964	647,168	1,339,945	1,604,390	1,772,201	6.9%
Mobile, AL	516,786	837,414	1,077,425	1,701,886	1,255,788	1,455,092	7.7%
Wilmington, DE	826,127	801,596	844,652	1,236,458	1,314,740	1,167,159	2.5%
Boston, MA	852,613	805,585	834,924	1,471,508	1,111,561	1,060,734	1.6%
Gulfport, MS	964,906	751,397	767,280	814,001	919,069	890,694	-0.6%
All Other	8,789,506	10,068,018	7,166,753	9,268,767	7,937,593	7,545,117	-1.1%

Source: USA Trade OnLine

Exhibit 9 shows that JAXPORT has posted the third largest growth rate of all major container ports in the U.S. at 6.9% annually over the past 14 years, and international containerized tonnage imports nearly doubled at JAXPORT since 2009 when the MOL/TraPac Terminal opened. While overall imported containerized tonnage at all U.S. mainland ports has shown an annual growth of 3.0% since 2003, the imported international containerized cargo at the JAXPORT terminals has grown at 6.9%.

With respect to the growing trade lanes for imported international containerized cargo, the Asian trade lanes have demonstrated the strongest growth, and also represent the larger market sources for containerized imports into the U.S., as shown in Exhibit 10. Southwest Asia, which consists of countries from Vietnam to Pakistan, has shown the strongest growth in sources of import containers into the U.S. In addition, imported containers from the Middle East have also shown a significant growth over the period, although volumes remain small, relative to the trade with Asia.

Exhibit 10 - Imported Containerized Cargo by Trade Lane for the U.S.

Country Areas	2003	2006	2009	2012	2015	2017	CAGR 03-17
China	33,860,810	56,557,694	43,263,014	52,525,484	61,444,236	65,339,903	4.8%
North Europe	15,430,894	17,544,696	13,659,326	19,174,137	19,187,200	20,936,405	2.2%
SE Asia	8,804,905	11,014,595	9,819,172	12,142,064	14,773,052	16,949,640	4.8%
Mediterranean	9,623,688	11,406,509	7,360,431	9,739,164	12,640,892	13,336,633	2.4%
Japan/Korea	7,945,623	9,906,486	6,517,658	10,667,608	9,837,975	10,127,962	1.7%
South America EC	9,035,601	11,329,607	6,823,880	6,989,297	8,328,190	8,602,472	-0.4%
SW Asia	3,440,553	4,973,582	4,030,501	5,796,797	7,223,368	8,461,313	6.6%
Central America	7,493,652	6,664,426	5,515,141	6,757,754	8,495,987	7,607,378	0.1%
South America WC	3,493,496	4,370,673	4,234,635	4,526,170	5,717,599	5,028,694	2.6%
Australia/NZ	2,429,756	2,772,853	2,135,003	2,438,933	2,968,525	2,327,991	-0.3%
Africa	2,253,236	1,590,960	1,482,756	2,606,860	1,759,178	2,113,045	-0.5%
Middle East	671,194	645,052	376,772	1,247,417	2,277,082	1,880,271	7.6%
Canada	3,336,699	1,397,856	1,112,930	1,691,397	886,104	1,359,352	-6.2%
Caribbean	1,558,073	1,443,802	1,654,877	2,947,545	1,527,575	1,065,241	-2.7%
All Other	98,441	163,751	138,656	206,654	281,430	373,604	10.0%
Grand Total	109,476,622	141,782,541	108,124,752	139,457,279	157,348,393	165,509,905	3.0%

Source: USA Trade OnLine

These trade lanes are well served by the JAXPORT container terminals, and have shown strong growth reflecting the similar trend nationwide, and as noted have driven the growth in containerized cargo at JAXPORT since 2009. JAXPORT has also reported strong growth in imports from Northern Europe, Japan and South Korea, Southeast Asia and the Middle East (although volumes are small on the Middle East trade lane).

Exhibit 11 - Imported International Containerized Cargo by Trade Lane for JAXPORT

Country Areas	2003	2006	2009	2012	2015	2017	CAGR 03-17
China	30,882	107,221	197,439	348,524	503,139	630,131	24.0%
SE Asia	6,203	5,996	44,951	145,943	225,843	367,985	33.9%
South America EC	299,398	299,229	249,977	224,973	474,217	222,436	-2.1%
North Europe	35,154	48,782	31,384	440,998	146,095	187,471	12.7%
Japan/Korea	37,126	28,862	9,890	49,162	69,699	143,351	10.1%
South America WC	26,405	50,988	38,343	37,948	73,758	86,969	8.9%
Central America	16,245	997	33,657	17,343	12,038	45,262	7.6%
Mediterranean	10,622	51,831	11,668	15,899	40,877	28,432	7.3%
SW Asia	5,322	264	1,827	8,240	15,302	26,623	12.2%
Caribbean	200,571	311,300	24,599	40,106	29,848	17,642	-15.9%
Middle East	128			3,598	3,319	8,420	34.9%
Africa	3,875	9,080	3,254	5,469	6,242	4,738	1.4%
Australia/NZ	401	32	149	1,707	3,966	1,601	10.4%
Canada	21,964	206,360	1	32	27	1,034	-19.6%
All Other		23,072	28.89	1,748	19.84	105.25	NA
Grand Total	694,294	1,120,964	647,168	1,339,945	1,604,390	1,772,201	6.9%

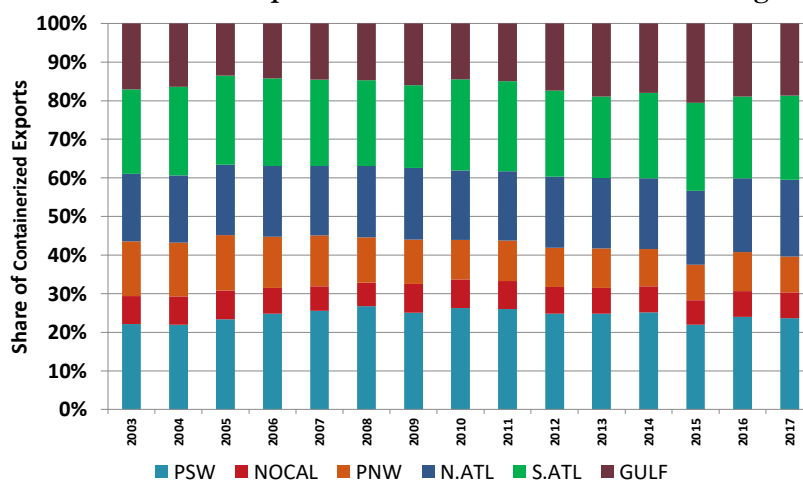
Source: USA Trade OnLine

The 24% annual growth rate in imports from China handled at JAXPORT compares to an annual growth rate since 2003 of 10% at Charleston, 9.1% at Miami, 8% at Norfolk and 8% at Savannah. Similarly, the 33.9% annual growth rate for imports from Southeast Asia at JAXPORT compares to a 7.2% annual growth rate at both Norfolk and Savannah, a 3.7% growth rate at Miami and a 4.9% growth rate at Charleston. These comparisons underscore the success that JAXPORT has enjoyed on the China and Southeast Asian trade lanes since 2009. The volumes on the Southwest Asian routings are small, but showing strong growth recently at JAXPORT.

2.3.2. Overview of Export Containerized Cargo Market

Since 2003, international containerized export tonnage has grown by 5.4% annually, with the Gulf Coast ports showing the strongest growth, at 6.1% annually, followed by a 5.9% annual growth of exported containerized tonnage from the Atlantic Coast ports, and 4.7% from the West Coast ports. The strong growth in international containerized exports via the Gulf Coast ports resulted in an increase in market share of total U.S. international containerized exports, as the export share of total U.S. containerized cargo from the Gulf Coast port range grew from 17% in 2003 to 19% in 2017. The West Coast ports export share fell from 44% in 2003 to 40% in 2017, while Atlantic Coast ports' share of international containerized exports grew from 40% in 2003 to 42% in 2017.

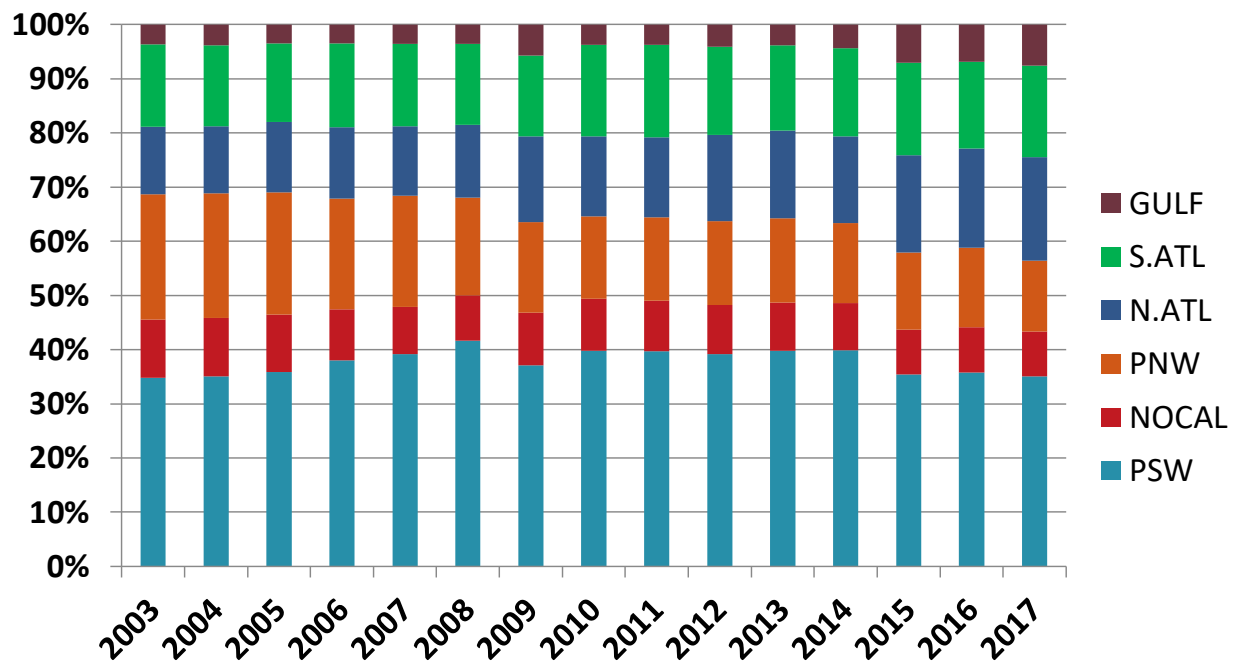
Exhibit 12 - Share of Historical Exported International Containerized Cargo by Port Range



Source: USA Trade OnLine

The loss of market share for the West Coast ports in terms of total international containerized exports from the U.S. ports reflects the growing all water services between Asia and the U.S. East and Gulf Coast ports that have been put in place since the West Coast port shut down in 2002, and the expansion of the Panama Canal in 2016 to handle growing size of container ships now being deployed on this all-water Asian routing. Exhibit 13 presents the market share changes by port range with respect to U.S. exports to Asian destinations. As this exhibit points out, the share of West Coast port exports to Asia declined from nearly 70% in 2003 to about 57% in 2017.

Exhibit 13 - Port Range Share of Exported International Containerized Cargo to Asia



JAXPORT reported a 7% annual growth rate in exports of international containerized cargo between 2003 and 2017, compared to an overall growth rate of U.S. exports at 5.4% annually over the same period. With respect to other South Atlantic ports, Wilmington, NC recorded the largest international containerized cargo export growth rate, 13.6% over the period, driven by exports to China and Northern Europe. Exports from Port Everglades grew by 7.8% annually since 2003, reflecting Port Everglades' strong growth in exports to the Caribbean (excluding Puerto Rico), and both East and West Coasts of South America.

**Exhibit 14 - International Containerized Exports by U.S. Port
(metric tons)**

	2003	2006	2009	2012	2015	2017	CAGR 03-17
LA/Long Beach	12,459,590	17,874,384	21,730,803	24,547,817	21,476,083	28,110,718	6.0%
Houston, TX	5,695,197	6,886,223	9,579,654	10,929,537	11,248,212	12,460,448	5.8%
Savannah, GA	5,403,611	7,772,245	9,636,729	11,357,003	10,678,479	12,346,012	6.1%
New York/NJ	4,880,339	6,808,648	8,366,934	9,352,846	8,563,103	10,598,902	5.7%
Norfolk/Newport News	3,338,059	4,249,885	5,222,405	6,099,149	7,213,266	8,545,432	6.9%
Oakland, CA	4,031,751	4,665,149	6,223,051	6,603,202	5,933,709	7,421,290	4.5%
Charleston, SC	3,973,948	4,550,658	3,729,841	4,672,121	5,455,849	6,597,729	3.7%
Tacoma, WA	2,886,032	3,965,825	4,063,893	4,308,368	4,957,845	5,995,024	5.4%
Seattle, WA	3,178,839	3,977,606	4,454,521	4,886,521	3,645,178	4,599,858	2.7%
New Orleans, LA	1,671,626	1,539,425	1,903,297	2,583,827	3,284,215	3,742,802	5.9%
Baltimore, MD	860,543	1,056,461	1,390,976	1,437,824	1,439,326	2,278,793	7.2%
Miami, FL	1,379,671	1,436,373	1,869,302	2,071,192	1,791,576	2,248,838	3.6%
Port Everglades, FL	680,870	1,081,996	1,318,556	1,609,321	2,048,046	1,943,539	7.8%
Mobile, AL	446,712	367,488	655,880	1,061,300	1,271,124	1,593,271	9.5%
Freeport, TX	334,088	218,122	181,622	234,631	1,026,486	1,277,604	10.1%
Wilmington, NC	185,676	363,908	839,769	793,066	887,983	1,112,741	13.6%
Jacksonville, FL	422,213	583,979	746,062	1,126,619	875,610	1,082,477	7.0%
Boston, MA	218,026	316,635	414,688	422,188	488,089	840,711	10.1%
Gulfport, MS	439,018	395,448	340,846	423,603	348,909	678,581	3.2%
All Other Ports	4,254,347	3,945,468	4,219,748	4,703,502	5,646,742	5,591,187	2.0%
Grand Total	56,740,156	72,055,925	86,888,576	99,223,634	98,279,831	119,065,955	5.4%

Source: USA Trade OnLine

With respect to the key growing trade lanes for exported containerized cargo, Southwest Asia, Southeast Asia and China represent the strongest growth markets in export tonnage, as shown in Exhibit 15. The West Coast of South America, the Middle East and Africa represent smaller but growing export markets.

JAXPORT has a strong presence in these growth export markets, as shown in Exhibit 16. In fact, China, JAXPORT's largest international export trading partner had a near tripling of exports between 2009 and 2017, and exports to Japan/Korea, Southeast and Southwest Asia and the Middle East have also shown strong growth.

**Exhibit 15 - International Containerized Export Tonnage by Trade Lane
(metric tons)**

	2003	2006	2009	2012	2015	2017	CAGR 03-17
China	14,175,870	22,050,462	27,796,380	30,049,694	28,183,816	36,828,999	7.1%
SE Asia	4,706,958	5,634,904	9,150,003	9,478,419	10,326,127	14,568,444	8.4%
Japan/Korea	11,876,319	13,698,909	12,747,303	13,721,974	12,620,728	14,211,184	1.3%
North Europe	8,178,397	9,341,361	8,494,258	10,626,707	11,072,921	12,364,742	3.0%
SW Asia	1,342,350	1,705,969	4,012,493	4,441,803	4,480,432	7,330,961	12.9%
Mediterranean	4,622,126	4,982,324	5,714,615	6,172,406	5,643,926	6,613,062	2.6%
South America EC	2,941,021	4,063,199	4,554,670	6,740,226	7,166,569	5,876,829	5.1%
Central America	2,925,668	3,160,286	3,132,483	4,799,871	5,021,123	5,445,115	4.5%
Middle East	1,083,213	1,334,568	2,631,189	2,984,968	3,334,735	4,086,283	9.9%
South America WC	1,044,362	1,344,486	2,140,947	3,219,082	3,261,984	3,404,967	8.8%
Caribbean	1,748,808	2,160,501	2,370,187	2,482,595	2,696,476	3,035,929	4.0%
Africa	793,618	1,048,166	2,462,257	2,179,881	2,317,716	2,847,765	9.6%
Australia/NZ	1,204,173	1,432,516	1,574,631	2,207,544	2,044,618	2,332,387	4.8%
All Other	97,206	98,048	106,999	118,373	108,467	119,159	1.5%
Canada	66	226	160	94	193	131	5.0%
Grand Total	56,740,156	72,055,925	86,888,576	99,223,634	98,279,831	119,065,955	5.4%

Source: USA Trade OnLine

**Exhibit 16 - JAXPORT International Containerized Export Tonnage by Trade Lane
(metric tons)**

	2003	2006	2009	2012	2015	2017	CAGR 03-17
China	3,619	6,782	102,766	171,975	150,595	449,345	41.1%
South America EC	210,850	353,118	272,927	425,747	364,124	265,274	1.7%
Caribbean	160,581	157,372	140,537	169,327	102,908	80,921	-4.8%
Japan/Korea	361	195	41,316	86,084	74,267	73,630	46.2%
SE Asia	333	690	40,443	46,695	39,074	56,871	44.4%
Central America	26,107	3,093	21,248	24,325	51,284	47,604	4.4%
SW Asia	215	516	35,037	15,548	16,610	32,529	43.1%
Middle East	2,065	8,923	8,413	17,692	26,502	31,954	21.6%
South America WC	11,042	25,547	40,208	27,571	29,795	19,724	4.2%
Africa	637	13,719	11,943	37,775	11,454	14,456	25.0%
North Europe	4,015	8,909	24,165	84,499	3,404	5,413	2.2%
Mediterranean	2,103	5,078	6,925	12,487	5,130	4,251	5.2%
Australia/NZ	192	36	128	6,866	446	495	7.0%
All Other	92	1	5	29	18	9	-15.5%
Grand Total	422,213	583,979	746,062	1,126,619	875,610	1,082,477	7.0%

Source: USA Trade OnLine

The competitive market analysis of the international container market underscores the recent success of JAXPORT in increasing its import and export participation on the South Atlantic port range. As the analysis further underscores, the strongest markets in terms of volume and growth are the Asian markets, in which JAXPORT has shown success. However, the international containerized cargo volume at JAXPORT is considerably smaller than that handled at other non-Florida South Atlantic ports, which suggests that it is important for JAXPORT to increase its participation in the international container market, with emphasis on the growing Asian trade lanes. The identification of potential opportunities facing JAXPORT is the subject of the following section.

2.4 Container Market Potential

In order to compete for additional international containerized cargo, particularly containerized cargo moving on the Asian trade lanes to and from other South Atlantic ports, it is critical to identify the competitive logistics cost hinterland for the JAXPORT container terminals. This includes vessel access and the ability to handle the growing size of container ships. The second step involves the assessment of the hinterland that can be served more cost effectively using JAXPORT compared to competing ports such as Savannah and the South Florida ports of Miami and Port Everglades. The third step in the analysis of the potential container market involves the identification of cargo moving to and from JAXPORT's identified cost effective hinterland but using other ports such as Miami, Savannah, Charleston, Mobile, and the West Coast ports of Los Angeles and Long Beach, Oakland and the Northwest Seaport Alliance ports of Seattle and Tacoma.

2.4.1 Vessel Access

The expansion of the Panama Canal, which was completed in June, 2016, provides the capacity of the Canal's lock chambers to handle container ships up to about 14,000 TEUs. Prior to the expansion, the maximum size vessels that could transit the locks was about 5,000 TEUs. The impact of the larger Panama Canal is already impacting the size of the vessels moving through the Canal. Exhibit 16 shows the average size of the container ships moving to and from Asia through the Panama Canal to the ports of Jacksonville, Charleston, Miami and Savannah, which are the ports on the South Atlantic that have experienced strong growth in Asian cargo over the past several years.

Exhibit 17 - Average Size (in TEUs) of Vessels Deployed Through the Panama Canal on the Asian Trade for Selected South Atlantic Ports

Port	Average TEUS	Average TEUS
	2012	20122
CHARLESTON	4,885	8,401
JACKSONVILLE	5,002	6,566
MIAMI	4,650	6,974
SAVANNAH	5,106	8,366

Source: PIERS

As this exhibit shows, the average size of the container vessels serving the Asian trade via all-water services through the Panama Canal in 2012, prior to the expansion of the Canal, were between 4,500 and 5,100 TEUs. After the opening of the enlarged Canal in 2016, the average container vessel size at Charleston and Savannah was about 8,400 TEUs and between 6,500 and 7,000 TEUs at PortMiami and JAXPORT. As the vessel size increases, deeper channels, super-post Panamax cranes, and efficient terminal operations will become a necessity at those ports participating in the Asian all-water services. In addition, as the ship of larger sizes cascade from one trade lane to another, there will be constant growth in the size of vessels deployed on all trade routes. For example, the largest container vessels, those in the 18,000 TEU and above category are deployed on the Asia-Europe trade, as the economies of the largest container vessels are realized on the longest trade routes with minimal port calls. As these larger ships, the 18,000 TEU vessels and greater, are deployed on the Asia-Europe routings, the current vessels on that route are moved to the Transpacific routing, which is the routing offering the next level of distance and minimal port calls. These newly deployed vessels on the Transpacific trade (from the Asia-Europe trade) displace the current sized fleet on the Transpacific trade, and these displace vessels then cascade to the all-water Asia-U.S. East Coast/Gulf Coast trade via the Panama Canal.

A review of the current order book of container vessels, shown in Exhibit 18, underscores the growing average vessel size of the world container fleet. Of the 45

5 vessels on order as of January 1, 2016, 31% are 12,000 TEUs or greater, while another 25% are in excess of 8,000 TEUs. The balance of the vessels, primarily handymax vessels in 1,000-2,999 TEUs on order are for feeder services throughout Asia and Europe, as well as in the Caribbean trades. As further noted in Exhibit 18, is the fact that the draft of the vessels in excess of 8,000 TEUs range from a low 45 ft. to 50.5 ft. Typically channel depths to handle such vessels require at least 2 feet in addition to the sailing draft of the vessel for a safe transit to the terminal. This suggest that a channel depth of 47 ft. and greater will be needed to handle fully laden vessels that will dominate the future container fleet.²

Exhibit 18 - World Order Book for Container Vessels

WORLD CELLULAR CONTAINERSHIP FLEET IN PROFILE As of January 1, 2016												
CLASS (TEU Range)	AVERAGE SIZE/DIMENSIONS/AGE/SPEED						IN SERVICE			ON ORDER		
	LENGTH (Feet)	BEAM (Feet)	DRAFT (Feet)	DWT (Metric)	Age (Years)	SPEED (Knots)	SHIPS	TEUs	Avg. TEUs	SHIPS	TEUs (000s)	Avg. TEUs
Feeder (100-999)	400.9	64.3	23.0	8,196	16.2	16.1	1,070	648,809	606	1	590	590
Handy +(1,000-2,999)	545.3	84.0	30.5	19,102	12.1	19.2	1,883	3,374,966	1,792	192	382,564	1,993
Sub-Panamax(2,000-2,999)	682.1	100.1	37.4	34,769	12.1	21.7						
Panamax (3,000 & Over)	871.8	105.6	41.0	53,524	10.5	23.8	844	3,549,442	4,206	3	9,910	3,303
Post-Panamax (>8,000)	919.0	130.3	44.9	71,915	9.2	24.1	680	3,916,853	5,760	33	134,440	4,074
Post-Panamax (8,000 - 11,999)	1,080.1	148.3	47.6	108,198	5.8	23.0	533	4,788,135	8,983	83	835,838	10,070
Post-Panamax (12,000 & over)	1,228.1	169.0	50.5	157,978	3.2	23.9	239	3,456,960	14,464	143	2,410,324	16,855
TOTALS	721.5	102.0	36.1	46,954	11.3	21.0	5,249	19,735,165	3,760	455	3,773,666	8,294
Source: Clarkson Research												

To date, PortMiami has successfully been deepened to 50 ft. The Port of Charleston has begun (February, 2018) deepening the channel to a depth of 52 ft.; the Port of Savannah is planning that the deepening of the 18.5 mile outer harbor to 49 ft. and the Savannah River to 47 ft., will be completed as early as 2019; the deepening of the St. Johns River to 47 ft. that serves JAXPORT's container terminals is now underway and plans are in place for a 2021 completion.

In addition to channel depth, state of the art container cranes and terminals are required. Cranes with outreach capacity of 22-26 containers are required, and efficient terminal operations and highway and rail access are essential to handle the growing size of the container vessels. Investments in super Post Panamax cranes, as well as terminal modernization are underway at JAXPORT. The Intermodal Container Transfer Freight Station (ICTF), at Dames Point, has been completed which provides near dock double stack rail access to both Dames Point and Blount Island Marine Terminal.

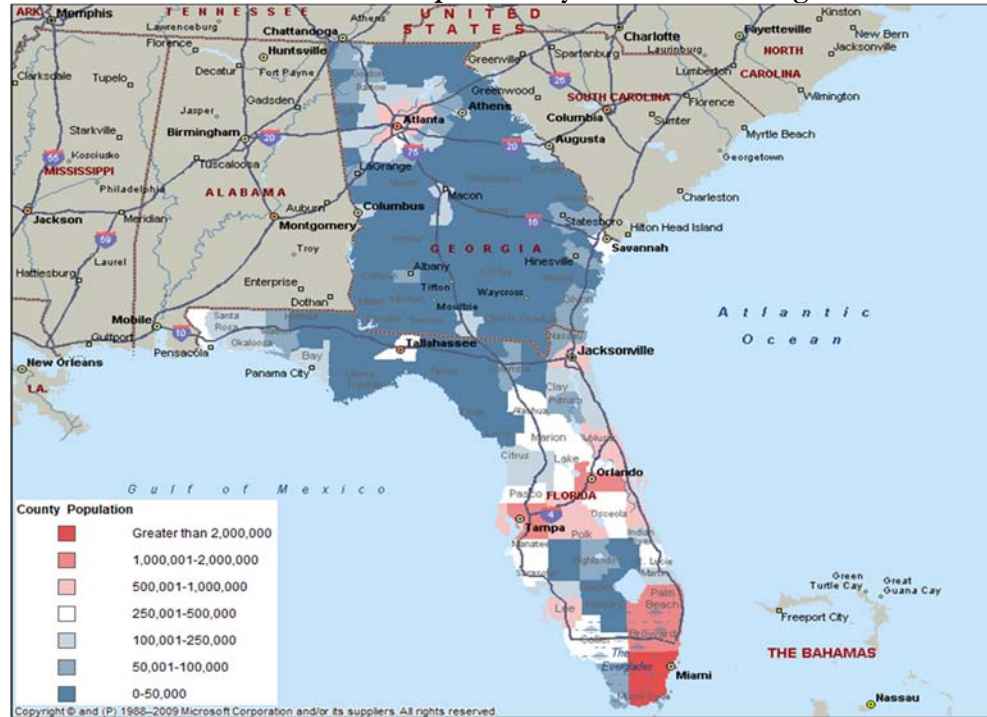
2.4.2 Identification of Local and Regional Container Hinterland

The geographic distribution of population density and the location of distribution centers within the states of Florida and Georgia are key in establishing the cost-effective hinterland that can be served by JAXPORT. Exhibit 19 shows the concentration of population, by county in the states of Florida and

² To emphasize the continually growing size of containerships, Hyundai Merchant Marine (HMM), has just announced plans to build twelve 23,000 TEU vessels, and another eight 14,000 TEU vessels. The 23,000 TEU ships will be delivered in the second quarter of 2020, while the 14,000 TEU ships will be delivered beginning in 2021. "Hyundai Merchant Marine's Building Spree Adds to Global Orderbook", Freightwaves, June 5, 2018

Georgia. As shown in this chart, population density within the two states is concentrated in South Florida (Miami-Dade, Broward and Palm Beach counties), the I-4 Corridor region extending from Tampa through Orlando to Volusia County, and Lee County and the Northeastern Florida region surrounding Jacksonville and extending south along I-95. In Georgia, the population density is greatest in the Atlanta region.

Exhibit 19 - Distribution of Population by Florida and Georgia Counties



Source: U.S. Bureau of the Census

Exhibit 20 shows the location of distribution centers throughout Florida and Georgia. As this exhibit indicates, within Florida, distribution centers are clustered in the population centers, namely Jacksonville, the I-4 Corridor and South Florida. Within Georgia, the distribution centers are located in the region between Savannah and Atlanta, as well as Southeastern Georgia.

Exhibit 20 - Location of Distribution Centers in Georgia and Florida



Source: Retail Chain Store Guide

The location of distribution centers is critical in attracting cargo, particularly consumer goods such as furniture, apparel, electronics, toys, and perishables. The location of distribution centers in proximity to the port is critical in attracting ocean carrier service. Port-centric locations are becoming more critical in attracting ocean carrier service to the nearby port in that a key cost component to an ocean carrier is the ability to control empty containers, and minimize the cost of repositioning the empty containers from the consumption points back to the seaport, with no revenue bearing cargo. In addition, carriers are continuing to price “port-to-port” moves more frequently than “point-to-point” moves. Under the port-to-port moves, the ocean carrier is responsible for the cost of moving the cargo from the foreign port to the U.S. port, including the terminal and stevedoring charges. The BCO is responsible for the inland transportation part of the move. Under the point-to-point move, the ocean carrier is responsible for the inland cost portion as well as the cost of the ocean transportation as well as the terminal and stevedoring operations. With the greater emphasis on port-to-port pricing, BCO’s are incentivized to develop distribution centers closer to the port as well as to population centers, thereby minimizing the inland cost from the port to the consumption point, and further from the import distribution center to a regional distribution center or directly to the consumer from the distribution center. This later method of serving the consumers directly from the distribution center/fulfillment center is very advantageous to the growth in e-commerce, as the distribution center serves not only as an import distribution center, but also as a fulfillment center. At the distribution center, the marine containers are stripped, and cargo is warehoused, orders filled, and transloaded into domestic trailers (often 53 ft. trailers) for delivery to a regional distribution center. In cases where the distribution center also serves as a fulfillment center supporting e-commerce and last mile delivery (often within 24 hours), the imported containers are stripped, and often the cargo is reloaded into less than truckload lots for direct delivery to consumers.

Whether serving as an import center located in proximity to the port or as a fulfillment center, the near port location of distribution centers reduces the drayage cost between the port of discharge and the distribution center, as well as provides the ocean carrier with near port control of its marine container. In addition, with the escalation in trucking costs due to rising fuel prices, strictly enforced driving hours due to the mandatory electronic logging devices (ELD) installed on all trucks, and truck driver shortages, the minimization of trucking costs is critical to beneficial cargo owners. Thus, near port and near consumer market locations to the distribution center is a key factor driving ocean carrier port selection. In addition, the location of fulfillment centers in densely populated regions is further critical not only from the ability to

meet 24 hour order fulfillments, but the fact that 30% of all e-commerce products are returned, compared to 8.9% for purchases from brick and mortar stores.³

As the map of distribution centers in Exhibit 20 indicates, Jacksonville is surrounded by a large concentration of distribution center development, as well as the I-4 Corridor. In 2017, according to Jones Lang LaSalle, the majority of distribution center related construction is occurring in the port centric market of Jacksonville, with about 2.6 million sf currently under development, and additional 7 million sf of development proposed. In addition to current development and proposed development in Jacksonville, the average square foot rent for distribution center operations in Jacksonville is \$3.87 (NNN).⁴ This compares to \$4.12 (NNN) per sf in Savannah, \$8.28 (NNN) per sf in Miami.

In summary, JAXPORT is well positioned to capitalize on the development of additional distribution center square footage within the Jacksonville area, focusing on minimization of total logistics costs to the beneficial cargo owner. These total logistics costs include ocean carrier charges, drayage costs from port to distribution center, rental cost for distribution center development and operation, and drayage cost from the distribution center to population centers, particularly in Northeastern Florida and the I-4 Corridor.

2.4.3 Identification of JAXPORT's Cost Effective Hinterland

As described in the previous sections of this report, JAXPORT competes with the ports of Savannah, Miami, Port Everglades, and to a lesser extent the Port of Mobile in the international container market, particularly the Asian market⁵. Because of the proximity of the ports of Savannah, Jacksonville and Miami, and the fact that each port will be able to serve the 8,000 TEU and greater container vessels due to completed and soon to be completed deepening projects, it is assumed that the actual ocean shipping freight rates from Asia will be equalized. If the channel depth at Savannah and JAXPORT were not deepened to 47 ft., the ocean shipping costs from Asia to these two ports would be about 25-35% per container greater⁶. Based on the Shanghai Shipping Freight Index, which reports average container shipping rates from Shanghai to the East Coast of the U.S., the most recent ocean freight rate for a voyage from Shanghai to the East Coast was \$2,271 per forty foot container⁷. It is further assumed that terminal charges (including stevedoring) at JAXPORT, Savannah and Miami are about the same, ranging from \$235 per box to about \$260 per box. Therefore, the competitive hinterland of JAXPORT is dependent on the trucking cost to serve the population concentrations and distribution center locations, as the ocean costs are assumed to be very similar.

³ <https://www.abivin.com/single-post/2018/04/12/5-fundamental-ways-to-reduce-Last-mile-Delivery-Costs>

⁴ A **triple net lease** (Net-Net-Net or NNN) is a lease agreement on a property where the tenant or lessee agrees to pay all real estate taxes, building insurance and maintenance on the property in addition to any normal fees that are expected under the agreement (rent, premises utilities, etc.). In such a lease, the tenant or lessee is responsible for all costs associated with the repair and maintenance of any common area.

Rental rates and development projects are from *JLL, North America Seaport Outlook*, 2017, Port, Airport and Global Infrastructure

⁵ The other Florida ports of Tampa, Palm Beach, Canaveral, Manatee, and Pensacola handle some of containerized cargo, but have limited channel depth, berth length and terminal infrastructure to handle the growing size of the container ships being deployed particularly on the growing Asian trades.

⁶ Martin Associates' Voyage Costing model estimates that the ocean carrier cost for an 8,500 TEU vessel deployed between Shanghai and the South Atlantic ports provides a 28% per TEU slot cost savings over the use of a 4,800 TEU vessel on the same routing (from \$581 per slot to \$420 slot for an 8,500 TEU vessel). A recent white paper from the U.S. Merchant Marine Academy, "Economies of Scale in Container Ship Costs", Midshipmen William Murray provides a detailed analysis of the cost savings container shipping costs due to the use of larger vessels. The report findings indicate that the use of a 10,000 TEU vessel vs. a 5,000 TEU vessel results in a reduction of daily operating costs from about \$2.10 per TEU (for a 5,000 TEU ship), to about \$1.4 per TEU for the use of a 10,000 TEU vessel. This represents a 33% cost savings.

⁷ Shanghai Shipping Index, May 25, 2018, for U.S. East Coast routing, based on weighted rates for all water services to New York, Savannah, Norfolk and Charleston. Ocean carriers pay the terminal charges from the shipping rate.

To determine the cost effective hinterland of JAXPORT compared to the Port of Savannah, and the South Florida container ports, the distance between each of the ports and the Florida counties was computed. Next, Martin Associates' truck cost model was calibrated with 2018 daily and hourly operating cost data developed from interviews with major trucking companies serving the South Atlantic port markets, as well as the most recent truck operating cost data presented in the American Transportation Research Institute (ATRI), *An Analysis of the Operational Costs of Trucking*, 2017. Finally, for the purposes of the inland trucking cost analysis, it is assumed that there is one hour queuing, drop and retrieval time at each of the container terminals and a 1 hour drop and reload time at the point of delivery. It is assumed that the average operating speed of the truck is 40 miles per hour for long haul deliveries.⁸ Using these assumptions, the cost effective hinterland of JAXPORT was developed and presented in Exhibit 21.



As this map indicates, JAXPORT can more cost effectively serve the key central and northeastern counties extending south to Tampa, Orlando and Brevard County where population is concentrated, along with distribution center developments concentrated along the I-4 Corridor and Northeastern Florida surrounding JAXPORT⁹. The cost effective market represents 51% of the Florida population.

⁸ ATRI, *An Analysis of the Operational Costs of Trucking*, 2015.

⁹ If Tampa and Port Canaveral were included in the competitive truck cost analysis, the cost effective hinterland for JAXPORT and the South Florida ports would contract. However, adding an additional 30% to the shipping rate per FEU to the ocean cost (due to the inability to handle an 8,500 TEU ship and greater at these ports), essentially off sets the total trucking cost advantage of these two ports compared to JAXPORT and the South Florida container ports. In addition to channel depth, the container terminal infrastructure is not in place to handle the 8,500 TEUs and greater sized ships that are deployed in the Asian all-water services. Tampa handled 56,000 TEUs in 2017 while Port Canaveral handled even less, although 2017 numbers are not available at this time. This compares to more than 1 million TEUs handled at JAXPORT, Miami and Port Everglades.

2.4.4 Quantification of Container Market Hinterland

This section addresses how the Florida container market is served, including ports and ocean carriers now serving the market. The results of this analysis provides detailed information as to containerized cargo destined and originating in Florida that now uses ports other than JAXPORT to serve the port's hinterland.

Imported Containerized Cargo Market Potential

The Journal of Commerce PIERS data base provides a starting point to identify the current importers and exporters located in the state of Florida, current ports used and ocean carriers used. While this data base has limitations in terms of identifying the ultimate origin/destination of the exporter or importer by city and state, it provides a guide as to competitive position of the Florida ports to serve the in-state importers and exporters.

Exhibit 22 presents the share of imports destined for Florida that are moved via JAXPORT as well as competing ports, both Florida and non-Florida ports.¹⁰ Based on the PIERS data, about 387,340 loaded TEUs currently move into Florida via non-Florida ports. This does not include associated exports or empty containers that would accompany the imported containers. Overall, JAXPORT handled about 12.7% of the imports consumed in Florida based on the PIERS data, following 21.8% handled by PortMiami and 18.9% handled by Port Everglades. As this exhibit further shows, JAXPORT's leading trade lanes for imports that are consumed in Florida are the Caribbean (primarily Puerto Rico), China and Southeast Asia. In terms of competition, the West Coast ports of Los Angeles and Long Beach supply 75,106 loaded TEUs into Florida from China, while Savannah supplies 17,254 loaded TEUs from China into Florida. Together the three ports supply 92,360 TEUs into Florida on the Chinese tradelines, and represent potential opportunity for JAXPORT. When the Asian markets (China, Southeast Asia and Southwest Asia) are combined, the Ports of Los Angeles/Long Beach handle 93,519 loaded TEUs into Florida, which represents a potential for the ocean carries to divert this cargo from an intermodal rail move from Southern California to a direct all-water service at JAXPORT. Furthermore, the 25,944 TEUs imported via Savannah on the Asian trade lane and destined for Florida represent a possible diversion of cargo from a port call in Savannah to a port call at JAXPORT. The 14,669 TEUs moving to New York and destined for Florida also represents a potential for new services in JAXPORT to carry this cargo now moving via the marine terminals in New York and New Jersey.¹¹

¹⁰ It is important to emphasize that the locations provided for the shippers/consignees may represent a headquarters location, and not an actual origin or destination of the freight. The Port of loading or unloading and the steamship line have a much higher degree of accuracy.

¹¹ The New York cargo as well as the Houston cargo moving to Florida for consumption may also represent the fact that the PIERS data sometimes reports company headquarters locations as a point of consumption, when actual consumption of the imports occur elsewhere. Efforts have been made to control for this potential reporting error, but the possibility still exists with the PIERS data base.

**Exhibit 22 - Imports into Florida by Trade Lane and Port, 2017
(Loaded TEUs)**

Trade Lane	Miami	Port Everglades	Jacksonville	Los Angeles	Savannah	Long Beach	New York	Houston	Charleston	Tampa	Other Florida Ports	Other Non-Florida Ports	Total	Share through FL
China	79,562	974	38,030	37,724	17,254	37,382	11,178	3,533	2,968	8,204	0	27,352	264,160	48.0%
Central America	28,705	66,825	848	5,067	3,800	1,659	1,349	9,712	495	1,032	18,649	26,972	165,112	70.3%
S America	10,056	49,293	3,898	3,593	2,479	2,757	11,430	12,790	5,556	136	24	39,368	141,378	44.8%
SE Asia	17,842	214	25,100	9,174	8,077	4,400	3,291	3,633	3,429	2,689	0	8,303	86,152	53.2%
Caribbean	17,739	17,191	42,439	14	56	4	695	209	55	353	425	3,161	82,341	94.9%
Mediterranean	16,262	24,588	488	749	6,177	1,376	9,372	4,440	787	582	0	5,779	70,599	59.4%
North Europe	14,509	6,933	820	335	10,060	392	5,296	1,919	2,355	37	309	4,364	47,330	47.8%
Japan/Korea	6,397	40	1,351	3,535	941	1,975	675	162	217	224	0	2,074	17,591	45.5%
SW Asia	2,883	1,615	349	614	4,490	200	1,832	314	824	40	0	1,263	14,423	33.9%
Australia/NZ	494	1,447	195	15	346	203	44	32	13	1	0	971	3,763	56.8%
Middle East	764	146	207	15	1,039	15	156	337	46	4	0	624	3,354	33.4%
Africa	226	320	46	6	174	8	814	341	328	6	0	225	2,494	24.0%
Canada	143	17	0	0	4	0	0	0	0	0	17	96	277	63.7%
All Other	0	4	0	15	2	1	13	0	0	0	20	20	75	31.9%
Total	195,582	169,606	113,771	60,857	54,900	50,373	46,146	37,421	17,074	13,307	19,443	120,570	899,048	56.9%
Percent	21.8%	18.9%	12.7%	6.8%	6.1%	5.6%	5.1%	4.2%	1.9%	1.5%	2.2%	13.4%	100.0%	

Source: PIERs

Imports from South America via non-Florida ports reflect the strong level of South American ocean carrier service at Houston, while the 45,920 TEUs imported from other non-Florida ports represents the movement of containerized grapes and berries originating in Chile and South America that move into Florida from the Delaware River ports of Wilmington DE, Philadelphia and Gloucester City, NJ. Federal regulations designed to protect the nation's citrus industry has long barred certain imports from southern U.S. states because they potentially are host materials for pests which could thrive and damage the citrus industries in these warm southern climates. Ports north of the 39th parallel were the only ports that could receive products subject to the "cold treatment" requirements proscribed for these pests. A pilot program was initiated in October, 2013 for PortMiami and Port Everglades to import blueberries and grapes from Peru and Uruguay. Under the strict cold treatment program, these imports were handled primarily through the Delaware River ports, and trucked to Florida. Therefore, this trade lane also represents a potential for JAXPORT as the cold treatment regulations are being relaxed.

Based on this analysis of imports moving into Florida via ports other than JAXPORT and the southern Florida ports, a total, 325,178 loaded TEUs represent a potential market for JAXPORT. The majority of this opportunity exists on the Asian trade lane, which represents a potential market capture of 186,759 annual loaded TEUs, followed by 78,175 TEUs moving into Florida from South America via non-Florida ports, 26,554 TEUs from the Mediterranean, and 24,503 loaded TEUs imported into Florida from Europe.

As identified previously, JAXPORT can provide a truck cost-effective routing over the non-Florida South Atlantic ports to serve about 51% of the Florida population. However, it is critical that JAXPORT demonstrate the ability to cost effectively compete for the intermodal international imports from Asia moving into Florida via Los Angeles and Long Beach. Martin Associates developed a logistics cost analysis using the Martin Associates' Voyage Costing Model to compare vessel voyage cost, marine terminal costs and inland costs to move the cargo from Asia to Florida via the two routes – intermodally via Los Angeles/Long Beach and via all-water service through the Panama Canal via JAXPORT. Orlando was selected as the representative Florida consumption point. Exhibit 23 shows that routing this cargo via JAXPORT provides a nearly \$500 per forty foot container cost savings over the West Coast intermodal routing. The inland cost for the intermodal move from Los Angeles/Long Beach is based on a combination of intermodal rates obtained from Intek Freight and Logistics, Inc, as well as confidential rail contract rates with ocean carriers provided to

Martin Associates. The trucking costs are based on the hourly trucking costs described previously in this report. The marine terminal rates are averages based on information provided to Martin Associates by ocean carriers and terminal operators at the respective ports.

Exhibit 23 - Logistics Cost Comparison For All Water Service vs. Intermodal Service to Serve Asian Import Trade Lanes
(Costs per Forty Foot Container (FEU))

Logistics Costs from Shanghai	Voyage Cost	Terminal Charges	Inland Cost	Total Cost/FEU
Los Angeles/Long Beach	\$850	\$450	\$1,800	\$3,100
JAXPORT	\$1,800	\$250	\$500	\$2,550

The potential market for JAXPORT and the South Florida ports is summarized in Exhibit 24.

Exhibit 24 - Potential Market Represented by Imports into Florida from Non-Florida Ports Loaded TEUs

Trade Lane	Los Angeles	Savannah	Long Beach	New York	Houston	Charleston	Other Non-Florida Ports	Total
Asian Trade Lane	47,247	25,944	46,272	14,669	8,997	6,712	36,917	186,759
European Trade Lane		10,060		5,296	1,919	2,355	4,364	23,994
Mediterranean Trade Lane		6,177		9,372	4,440	787	5,779	26,554
S American Trade Lane		2,479		11,430	12,790	5,556	45,920	78,175
Other Lanes*		2,506		1,703	871	605	4,010	9,695
Total Market Potential	47,247	47,167	46,272	42,470	29,018	16,014	96,989	325,178

*Excludes Caribbean and Central American Trade Lanes

A total of 325,178 loaded TEUs represents the potential market in which JAXPORT can compete for cargo moving directly from other port ranges into Florida. It was determined that JAXPORT can cost effectively compete for cargo destined for portions of Florida that account for 51% of the state's population, and this also applies to the West coast intermodal cargo discussed. The South Florida ports have a cost effective position to serve the remaining 49% of the Florida population, ***Applying the 51% share for JAXPORT to the 325,178 loaded TEUs, it is estimated that JAXPORT can cost effectively compete for 165,841 loaded TEUs that now move directly from other ports into the state of Florida.***

It is to be emphasized that the growing trend in import activity is to transload ocean containers at the Port where they are unloaded into larger 53 ft. domestic truck containers. This practice of transloading or cross-docking is driven by the fact that imports, particularly electronics, apparel, toys, etc. from Asia typically "cube out" the container before "weighing out" the container. This results from the fact that imports are lighter weight and require a container with more volume for inland transportation. Using a 53 ft. container rather than a standard 40 ft. marine container for inland transportation provides a lower cost per ton than using a smaller 40 ft. container. In addition to providing the lower transportation cost to move more cargo in a truckload, the practice of transloading provides better control of the empty container for the steamship line, as the container remains in the port of discharge geographical area, minimizing the repositioning charges and improving equipment inventory control.

As the result of the increasing use of transloading, the cargo that is removed from a marine container and then reloaded into a 53 ft. domestic container is no longer considered international cargo from a U.S. Customs perspective since the cargo is cleared for entry prior to the transload operation. As a result, the PIERS data base does not include this domestic move. Therefore, with a greater degree of transloading, the PIERS data will have a tendency to understate the amount of imported containerized cargo moving into a region or state, since it is arriving at its final destination via a domestic move. A similar situation occurs for cargo that moves from the port of discharge directly into an import distribution center, where it is repackaged and then moved on to the regional distribution center or a retail outlet.

In order to control for this potential under estimation of international containerized cargo imported into Florida via non-Florida ports, two additional data bases were used. The IHS Transearch data base provides truck moves of warehoused cargo from distribution center/warehouse locations near out-of-state ports into Florida. Similarly, this data base also provides rail cargo moves of containers and domestic trailers from key ports of unloading, such as Los Angeles/Long Beach into Florida.

The truckload data shown in Exhibit 25 identifies the volume of warehouse cargo moved by truck into Florida by county from distribution centers in Georgia (most likely supplied to the distribution centers via the Port of Savannah. Assuming 8 tons per TEU, this warehouse cargo represents 146,020 TEUs that move into Florida by non-Florida ports, and therefore represents a strong potential market for the Florida ports to capture this cargo from other ports that have supplied the distribution centers in Georgia. This distribution center truck data was developed at the County level for the state of Florida. The cargo was then grouped into these counties for which JAXPORT provides the most cost effective routing over the South Florida ports and the Port of Savannah.

Exhibit 25 shows the truck cargo moving from distribution centers and warehouses in Georgia, by the defined Business Economic Area (BEA) to Florida Business Economic Areas.

Exhibit 25 - Truck Deliveries from Warehouse and Distribution Centers in Georgia to Florida Destinations

BEA Region For Florida	Georgia BEA Origin For Distribution Center Cargo			
	Atlanta, GA	Savannah, GA	Total Tonnage	Total TEUs
Miami, FL	343,045	27,006	370,051	46,256
Orlando, FL	297,651	57,353	355,004	44,376
Tampa, FL	132,123	10,674	142,798	17,850
Jacksonville, FL	90,279	9,640	99,919	12,490
Fort Myers, FL	61,311	3,843	65,154	8,144
Sarasota, FL	45,058	4,591	49,649	6,206
Tallahassee, FL	44,205	2,876	47,081	5,885
Pensacola, FL	32,910	4,749	37,659	4,707
Dothan, AL*	802	41	843	105
Grand Total	1,047,384	120,772	1,168,157	146,020

*The Dothan, AL BEA is listed as it includes some counties in Florida that are included in the broader Dothan BEA. Only flows into the Florida counties in the Dothan BEA are included.

Source: IHS Transearch, 2016.

Based on the IHS Transearch truck flow data for distribution and warehouse cargo, it is estimated that cargo moving from distribution centers in Georgia into the Florida counties for which JAXPORT provides a cost effective routing represents a 78,584 TEU potential for JAXPORT.

In addition to warehoused cargo that represents cargo movements from distribution centers, the majority of which is imported cargo via Savannah that moved into the distribution centers in Georgia for delivery into Florida, rail is also used to move imported containerized cargo that has been “devanned” and loaded into domestic intermodal containers for intermodal rail transport from distribution centers in the Los

Angeles/Long Beach region, Chicago, and Dallas/Fort Worth. These city regions represent key intermodal regions in which maritime cargo is moved into distribution centers, and then reloaded into domestic rail containers for delivery to regional distribution centers and consumers in Florida. Exhibit 26 presents the volume of domestic intermodal rail cargo that moves from the key distribution center regions into specific areas within Florida. This intermodal rail tonnage represents potential cargo that could also move through Florida ports. It is estimated using the IHS Transearch data that 2.9 million tons of intermodal cargo also moves into Florida from the key distribution centers in Chicago, Los Angeles/Long Beach and Dallas/Fort Worth. Assuming 8 tons per TEU, this represents about 36,159 TEUs. ***The South Florida container ports will provide a more cost effective routing for the intermodal domestic rail cargo destined for the Miami region than a JAXPORT routing, and therefore the potential market for JAXPORT in terms of domestic intermodal rail cargo is estimated at 2.5 million tons or 305,981 TEUs (excluding the rail cargo destined for the Miami Business Economic Area).***

Exhibit 26 - Intermodal Domestic Rail Cargo Destined for Florida Regions from Key Locations of International Import Distribution Centers

Florida Regions	Intermodal Rail Origins Supplying Florida				Total Tonnage TEUs	
	Atlanta, GA	Chicago, IL	Dallas, TX	Los Angeles, CA		
Jacksonville, FL	183,046	709,959	63,120	461,359	1,417,485	177,186
Orlando, FL	221,654	397,462	30,400	155,274	804,790	100,599
Miami, FL	196,732	145,991	19,880	118,816	481,419	60,177
Tampa, FL	52,260	143,856		29,459	225,575	28,197
Grand Total	653,692	1,397,269	113,400	764,909	2,929,269	366,159

Source: IHS Transearch

In summary, using a combination of PIERS Data and IHS warehouse truck data and intermodal domestic rail data, the following potential import container market for JAXPORT is estimated at 550,046 loaded TEUs:

- 165,481 loaded international TEUs that move into the JAXPORT cost effective hinterland via the non-Florida ports, particularly Savannah and Los Angeles/Long Beach, and 72% of this potential containerized imports moves into the JAXPORT hinterland from Asia.
- 78,584 loaded TEUs moving into JAXPORT cost effective hinterland by truck from import distribution centers located in Atlanta and Savannah.
- 305,981 TEUs of domestic intermodal rail cargo moving from key international import centers in Los Angeles/Long Beach, Dallas/Fort Worth, and Chicago.

Exported Containerized Cargo Market Potential

Not only can Florida ports increase their participation in the containerized cargo import market by identifying imports into Florida that are discharged at non-Florida ports, but it is equally important to identify the containers originating in Florida that are exported via non-Florida ports. Exhibit 27 shows the share of exports originating in Florida by trade lane, and the share of the exports moving via Florida and non-Florida ports. As this exhibit shows, overall, nearly 75% of the export containers originating in Florida use Florida ports. The Caribbean is the leading trade lane for exported containers originating in-state, and more than 90% of these containers move via Florida ports. Being that Puerto Rico is the largest Caribbean consumption market, and JAXPORT is the leading port serving the Puerto Rican market, it is not surprising that JAXPORT has the largest share of the export market to the Caribbean. The second largest export market for containers originating in Florida is the Central American lane, in which the Florida ports serve nearly 75% of the exports moving from Florida to Central America. Port Everglades and to a lesser extent PortMiami are the dominate Florida ports on this trade reflecting the strong North-South trade at Port Everglades as well as the Seaboard Marine operations at PortMiami. Houston, New York, Savannah and Charleston are the key ports used for Florida exporters to South America.

It is to be emphasized that the use of Houston and New York to serve the Florida exporters may reflect the headquarters location of exporters (shipping to South America, as well as the other trade lanes) that are located in Florida, but the exports actually originate outside of Florida. The relatively high share of exports from Florida handled at New York and Houston could also reflect the level of South American services at both of these non-Florida ports.

Exhibit 27 - Containerized Exports from Florida by Trade Lane and Port (TEUs)

Trade Lane	Port Everglades	Miami	Jacksonville	West Palm Beach	Houston	New York	Savannah	Charleston	Baltimore	Other Florida Ports	Other Non-Florida Ports	Total	Share Through Florida Ports
Caribbean	129,703	67,668	164,928	85,769	5,319	9,812	4,077	1,705	866	2,302	16,445	488,593	92.2%
Central America	101,466	68,834	1,428	56	10,789	9,982	5,924	2,130	847	4,829	29,711	235,996	74.8%
South America	72,681	22,016	3,145	685	19,367	14,143	8,277	16,021	10,273	95	11,155	177,859	55.4%
North Europe	2,658	6,673	29	70	3,220	5,486	6,697	7,515	291	1,846	2,803	37,289	30.2%
China	8	2,881	4,680	0	7,382	963	3,726	636	217	384	5,367	26,244	30.3%
Mediterranean	266	5,804	27	2	5,623	3,178	3,459	425	404	39	1,657	20,883	29.4%
Middle East	30	2,377	79	0	1,184	1,743	6,772	341	57	0	1,380	13,963	17.8%
Africa	69	922	192	0	1,309	990	2,302	429	65	2	524	6,805	17.4%
Japan/Korea	0	2,215	1,021	0	191	248	1,099	186	0	10	505	5,475	59.3%
SW Asia	15	636	176	0	745	1,652	711	349	112	0	906	5,300	15.6%
SE Asia	3	1,845	905	0	340	270	784	352	63	13	710	5,284	52.3%
Australia/NZ	1,897	973	38	48	25	170	271	478	39	0	140	4,079	72.5%
All Other	376	667	0	371	74	156	157	27	0	0	47	1,875	75.4%
Canada	9	2	0	133	5	9	24	0	0	0	2	184	78.3%
Total	309,180	183,513	176,647	87,135	55,572	48,803	44,281	30,593	13,231	9,520	71,351	1,029,829	74.4%
Percent	30.0%	17.8%	17.2%	8.5%	5.4%	4.7%	4.3%	3.0%	1.3%	0.9%	6.9%	100.0%	

Source: PIERS

Exhibit 28 provides a summary of the loaded export TEUs that move from Florida to international destinations via ports other than JAXPORT. The Caribbean and Central American markets are not included in this exhibit, since the majority of these exports are via Florida ports, that are focused on the North-South trade. With respect to JAXPORT, the most likely export potential is to penetrate the exports market of Florida cargo moving through the ports of Savannah and Charleston. These two ports handle about 52,640 loaded TEUs. At Charleston and Savannah, the majority of exports from Florida move on the South American trade lanes followed by the European trade lanes, reflecting the lack of vessel service on the European trade at Florida ports, as well as the loss of South American exports that have documented at JAXPORT.

Exhibit 28 - Container Exports from Florida via Non-Florida Ports

Trade Lane	Houston	New York	Savannah	Charleston	Baltimore	Other Non-Florida Ports	Total
S American Trade Lane	19,367	14,143	8,277	16,021	10,273	11,155	79,236
European Trade Lane	3,220	5,486	6,697	7,515	291	2,803	26,013
Asian Trade Lane	8,467	2,885	5,221	1,336	391	6,982	25,282
Mediterranean Trade Lane	5,623	3,178	3,459	425	404	1,657	14,747
Other Lanes	1,413	1,325	2,755	934	104	712	7,243
Total	38,089	27,018	26,409	26,231	11,463	23,310	152,520

Source: PIERS

Excludes Caribbean and Central American trade lane exports

In summary, the most realistic potential export market for JAXPORT to penetrate is the 52,640 TEUs originating in Florida and exported through the ports of Savannah and Charleston.

Summary of Potential Container Market

Based on the analysis of the PIERS and IHS Transearch data, the potential market (outside the organic growth of the current container market served by JAXPORT) consists of:

- **550,046 loaded import TEUs:**
 - 165,481 loaded international TEUs that move into the JAXPORT cost effective hinterland via the non-Florida ports, particularly Savannah and Los Angeles/Long Beach, and 72% of this potential containerized imports moves into the JAXPORT hinterland from Asia.
 - 78,584 loaded TEUs moving into JAXPORT cost effective hinterland by truck from import distribution centers located on Atlanta and Savannah.
 - 305,981 TEUs of domestic intermodal rail cargo moving from key international import centers in Los Angeles/Long Beach, Dallas/Fort Worth, and Chicago.
- **52,640 loaded Export TEUs**

In addition to this potential in loaded import and export moves, the import moves will also generate empty containers that will need to be returned by ocean carrier. Furthermore, the additional ocean carrier services that would result from the penetration of the potential import market by JAXPORT would also provide the opportunity for more export cargo capacity, which could be diverted from Savannah, as well as other Florida ports. It is to be emphasized that for each new import TEU captured by JAXPORT, this generates an outbound TEU as well. Therefore the 550,046 loaded TEUs actually represent about 1.1 million TEUs of potential market to JAXPORT. The 52,640 loaded TEU potential export market, are in addition to the TEUs generated by the imports, but could in fact be incorporated in those 1.1 million TEUs supported by the export market. Therefore, from a conservative standpoint, the current cost effective potential market identified for JAXPORT is about 1.1 million TEUs. This potential market will be used in the following section to develop the range of container projections for JAXPORT.

2.5. Container Market Projections

The future market potential for containerized cargo will be driven by several key factors. Export trade, which has been dominated by exports to Puerto Rico, will depend upon the projected growth in the trading countries' economies as well as the recovery in Puerto Rico after the hurricane. In addition, the growth in exports from JAXPORT will also depend on the growth in ocean carrier service and the ability to develop an export base at JAXPORT and in Northeastern Florida through the growth in export generating industries and the development of potential transload operations. The growth in imported containerized

cargo will be driven by two key factors. The organic growth in the local consumption market driven by population and secondly the ability of JAXPORT to compete with other South Atlantic ports and the West Coast ports to capture imported containerized cargo that currently moves into Florida via these non-Florida ports, and thereby increasing container service capacity to handle exports now moving from Florida to non-Florida ports for export.

Therefore, the cargo projection methodology for containerized cargo consists of a two-step process. First, projections are developed for the current container market served by JAXPORT. For the projections of the baseline imported container market, no new market penetration is assumed, and the imported container market will grow based on the organic growth of the regional consumption market, as represented by population growth in the state of Florida. For the baseline export container projections, the GDP of the current trading partners are used to project export containerized cargo.

Next, a set of container projections are developed based on the two scenarios for JAXPORT to penetrate the current identified potential import market.

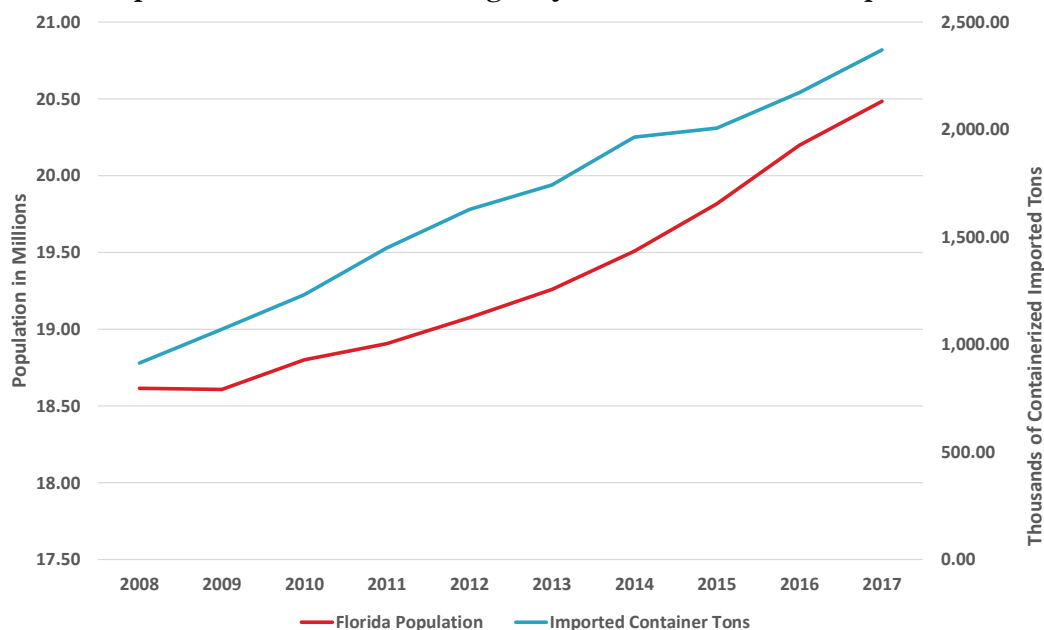
2.5.1 Development of Baseline Containerized Cargo Projections

The focus of this section is the development of containerized cargo projections for the current markets served by JAXPORT. Essentially these projections represent the organic growth of the Port's import and export levels of containerized cargo.

2.5.1.1 Projected Level of Baseline (Organic Growth) Imported Containerized Cargo Market

To develop the baseline or organic projection of containerized imported tonnage, Martin Associates developed a regression model between imported containerized tonnage and Florida population. Exhibit 29 shows imported containerized tonnage and population levels in Florida between 2009 after the opening of MOL/TraPac.

Exhibit 29 - Imported Containerized Tonnage at JAXPORT vs. Florida Population, 2009-2017



This data was used to develop a regression model between Florida population and imported containerized cargo tonnage at JAXPORT, assuming no additional capture of imported containerized cargo now moving into Florida from other ports. Overall, the regression model explains 92.9% of the growth in containerized imported tonnage handled at JAXPORT since 2009. Projected population data for the state of Florida was obtained from the Florida Demographic Estimating Conference, December, 2017 and UF, BEBR, Florida Population Studies, Volume 51, Bulletin 180, January 2018 medium county projections.

Using the regression model and the state of Florida population projections, the baseline organic imported container tonnage projections were developed. It is important to emphasize that when the model was used to estimate the historical levels of imported container tonnage at JAXPORT between 2009 and 2017, and compared with actuals, the average difference in the predicted vs. actual values was 0.7%, as shown in Exhibit 30.

Exhibit 30 - Comparison of Estimated vs. Actual Containerized Import Tonnage

	Actual Auto Import Tonnage	Estimated Auto Import Tonnage	% Difference
2009	376,604	338,839	89.97%
2010	478,160	403,836	84.46%
2011	406,928	438,609	107.79%
2012	503,084	495,379	98.47%
2013	507,017	557,427	109.94%
2014	538,858	640,495	118.86%
2015	740,551	743,676	100.42%
2016	894,340	872,215	97.53%
2017	1,012,843	967,910	95.56%

The imported container tonnage projections were converted into TEUs based on the average import tonnage per imported TEU reported by JAXPORT from 2013-2017. This later period was used to convert tonnage into TEUs to control for the growth in Asian cargo as a share of total cargo. In the absence of Asian cargo, the load factor per TEU is much less due the high ratio of empty containers to full containers on the Puerto Rican trade lane. The projected baseline import tonnage and TEUs are shown in five year increments in Exhibit 31.

Exhibit 31 - Baseline Imported Container Projections JAXPORT - Tonnage and TEUs

Year	2017	2020	2025	2030	2035	2040	2045
Baseline Import Tonnage	2,370,596	3,115,211	4,112,693	4,954,100	5,687,295	6,341,166	6,946,389
Baseline Import TEUs	504,851	711,510	939,333	1,131,509	1,298,970	1,448,313	1,586,545

2.5.1.2 Projected level of Baseline (Organic Growth) Export Container Tonnage

The current containerized export market for JAXPORT is dominated by exports to Puerto Rico, as evidenced by the fact that 65% of the export containerized tonnage is destined for Puerto Rico, followed by nearly 25% of the exported containerized tonnage destined for Asia. To project the baseline export tonnage from JAXPORT, Martin Associates first developed the distribution of exports by trade lane/country, and then applied projected growth rates of the receiving countries' GDP, as developed by Martin Associates from country specific GDP projections from the International Monetary Fund, World Economic Outlook, 2016, Revised May 24, 2018. The GDP projections by country (and associated trade lane) were used to project from 2017 to 2030. Due to uncertainty as to long term country specific performances, from 2030 to 2040, exports across all countries were projected to grow at 2.5% annually, while exports were projected to grow at 1.5%

between 2040 and 2045. For Puerto Rico, it is assumed that exports remain constant over the forecast period.

Exhibit 32 presents the projected baseline containerized export tonnage from JAXPORT.

Exhibit 32 - Baseline Export Container Projections JAXPORT - Tonnage and TEUs

Year	2017	2020	2025	2030	2035	2040	2045
Baseline Export Tonnage	3,537,904	3,728,913	4,129,255	4,663,124	5,021,888	5,437,793	5,835,587
Baseline Export TEUs	528,217	556,735	616,506	696,214	749,778	811,874	871,265

2.6 Total Baseline Container Projections

Exhibit 32 presents the total baseline container projections for JAXPORT through 2045. Overall the baseline containerized cargo is projected to grow at 3.1% annually over the period. As noted, this container projection assumes that JAXPORT does not capture any additional market potential that has been identified.

Exhibit 33 - Total Baseline Container Market Projections

Year Total	2017	2020	2025	2030	2035	2040	2045
Baseline Container Tonnage	5,908,500	6,844,124	8,241,948	9,617,224	10,709,183	11,778,959	12,781,976
Baseline TEUs	1,033,068	1,268,244	1,555,840	1,827,724	2,048,749	2,260,187	2,457,811

2.7 Development of Potential Container Market Projections

In this section, two scenarios are developed regarding the penetration share of the potential import and export market base for JAXPORT. The first scenario, the moderate scenario, assumes that JAXPORT can penetrate 25% of the 1.1 million TEU potential market identified, or 275,023 TEUs. It is further assumed that JAXPORT will gain the 25% market share over a five year period, adding about 55,000 TEUs per year until it reaches a 25% penetration rate. It is additionally assumed that the potential market of 275,023 TEUs grows at the same annual rate to the baseline container TEU import throughout at JAXPORT¹². After the five year incremental addition of potential market, the total TEUs at JAXPORT will grow at the overall annual rate developed for the baseline projections. The TEUs are converted to tonnage based on the non-Puerto Rican average tons per TEU now moved via JAXPORT, about 6.88 tons per TEU on the Asian and non-Puerto Rican trade lanes. The high share of empties moving from Puerto Rico reduces the overall tons per TEU ratio at JAXPORT. However, the future growth potential is in the non-Puerto Rican trades.

Exhibit 34 shows the projected market potential for JAXPORT under the medium scenario, while Exhibit 35 shows the combined baseline and medium market penetration scenario for total JAXPORT TEUs and container tonnage.

Exhibit 34 - Medium Scenario Projected Potential TEUs and Tons

Year	2019	2020	2025	2030	2035	2040	2045
Potential Tonnage	378,432	812,276	3,294,874	3,968,965	4,556,363	5,080,210	5,565,083
Potential TEUs (Medium)	55,005	118,063	478,906	576,885	662,262	738,403	808,878

Exhibit 35 - Projected TEUs and Tonnage for JAXPORT (Medium Market Penetration)

Year Total	2017	2018	2019	2020	2025	2030	2035	2040	2045
Medium Scenario Tonnage	5,908,500	6,286,638	6,942,748	7,656,400	11,536,823	13,586,189	15,265,546	16,859,170	18,347,060
Medium Scenario TEUs	1,033,068	1,151,268	1,264,664	1,386,308	2,034,746	2,404,608	2,711,011	2,998,590	3,266,689

¹² The baseline import throughput annual projected growth rate is used as the imports will drive the exports (of both loaded and empty containers). Under the baseline export projections, the dominance of Puerto Rico trade, and the assumed no growth in that export market would tend to understated future growth in the non-Puerto Rican market.

The same methodology was used to estimate the projected TEUs potential under the aggressive scenario, with the exception of an assumed 50% capture by JAXPORT of the 1.1 million TEU market potential over the next five years, beginning in 2019.

Exhibit 36 shows the projected potential TEUs and tonnage under the aggressive scenario, while Exhibit 37 shows the combined baseline and aggressive market scenario container projections in both TEUs and tonnage for JAXPORT.

Exhibit 36 - Aggressive Scenario Projected Potential TEUs and Tons

Year	2019	2020	2025	2030	2035	2040	2045
Potential Tonnage	756,863	1,624,553	6,193,179	7,460,228	8,564,325	9,548,969	10,460,356
Potential TEUs (Aggressive)	110,009	236,127	900,171	1,084,335	1,244,815	1,387,932	1,520,401

Exhibit 37 - Projected TEUs and Tonnage for JAXPORT (Aggressive Market Penetration)

Year Total	2017	2018	2019	2020	2025	2030	2035	2040	2045
Aggressive Scenario Tonnage	5,908,500	6,286,638	7,321,179	8,468,677	14,435,128	17,077,452	19,273,508	21,327,929	23,242,332
Aggressive Scenario TEUs	1,033,068	1,151,268	1,319,668	1,504,371	2,456,011	2,912,059	3,293,563	3,648,119	3,978,211

Under the medium market capture scenario, containers are projected to grow at an average annual compound growth rate of 3.9% between 2018 and 2045, while under the aggressive market capture scenario, container throughput is projected to grow at an annual rate of 4.7% between 2018 and 2045. For comparison, between 2009 and 2017, total U.S. container traffic grew at a rate of 4.7% annually.

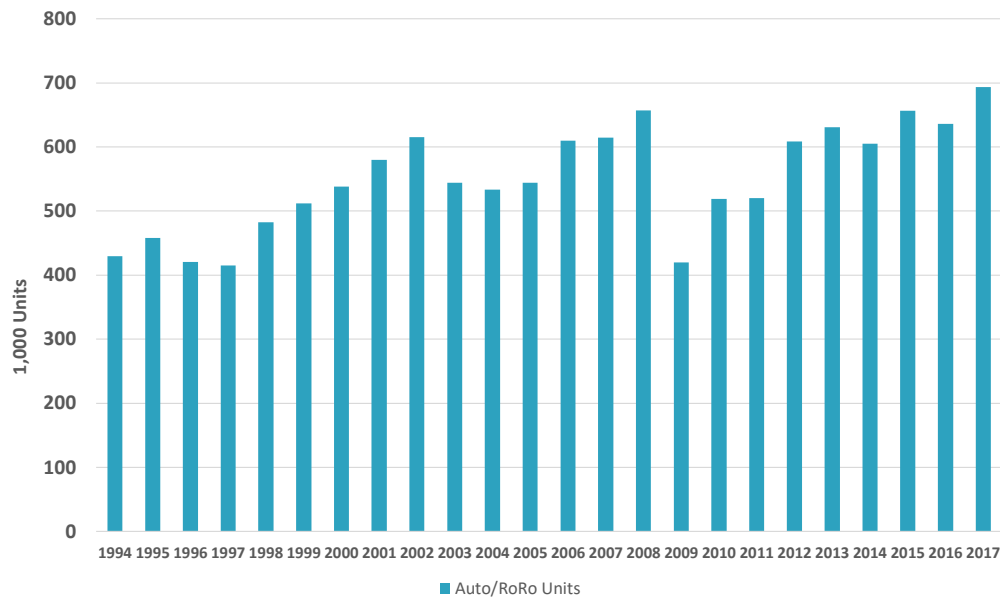
3. AUTOS & RORO CARGO

3.1. JAXPORT Historical And Current Conditions

JAXPORT has historically been a top five North American port for the handling of finished vehicles, either imported from/exported to the major industrial markets of the global economy. The vast majority of autos are handled at dedicated auto/RoRo facilities at Blount Island, while Southeast Toyota at Talleyrand Marine Terminal handles the balance.

Overall, auto and RoRo (heavy construction and agricultural equipment) units handled at JAXPORT facilities grew by 2.1% annually, as shown in Exhibit 38. Auto and RoRo units handled at JAXPORT public facilities showed an overall increasing trend through 2002, but experienced a decline during the 2003 through 2005 period due to the loss of the Hyundai account and then returned to similar levels in 2006 continuing through 2008. The impact of the economic recession is evidenced by the dramatic 35% decline in 2009. Since the recession, auto and RoRo units have shown an overall increasing trend through 2017.

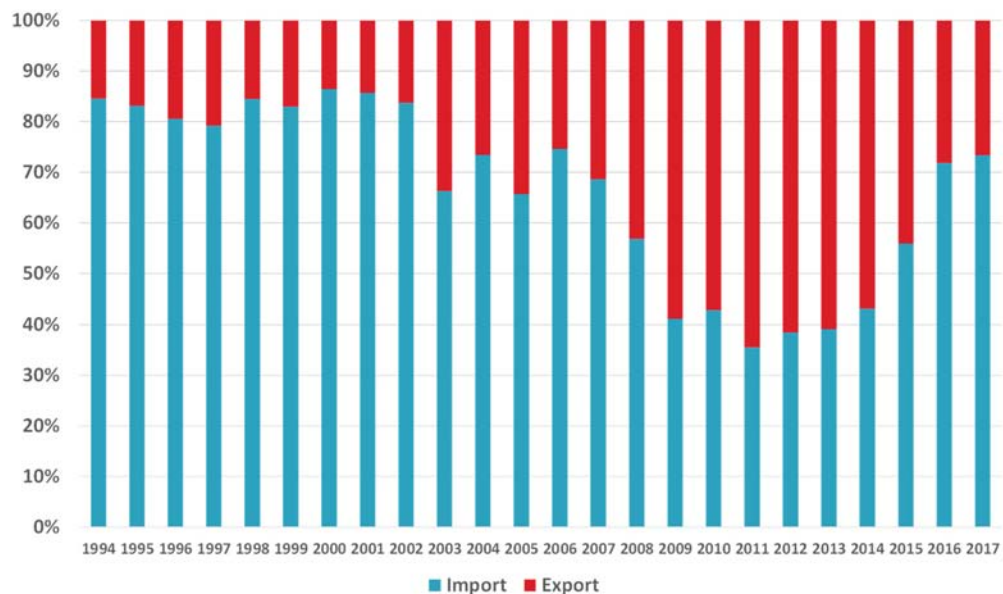
Exhibit 38 - Historical Auto and RoRo Units



Source: JAXPORT

As shown in Exhibit 39, the composition of the auto and RoRo units changes significantly from 2006 through 2011. The growth in auto and RoRo units was driven by a growth in exports, as the share of auto and RoRo units grew from 25% in 2006 to about 60% in 2011. However, since 2011, the share of exports of auto and RoRo units has declined significantly, as imported auto and RoRo units were responsible for the growth since 2011, reaching 75% of total auto and RoRo units handled at JAXPORT in 2007.

Exhibit 39 - Import/Export Composition of Auto and RoRo Units at JAXPORT



Source: JAXPORT

3.2. JAXPORT Auto/RoRo Terminals

A vast majority of JAXPORT's dedicated auto acreage is located at its Blount Island Marine Terminal, with operations conducted by tenants Amports and WWS, while Southeast Toyota Distributors operates at the Talleyrand Marine Terminal. In addition, some container operators handle autos on combination vessels and barges; however these volumes are a small share of the total. Tenants include the following:

- WWS Vehicle Services – Leases 88 acres at Blount Island; handles Nissan and Infiniti imports and exports, as well as Ford, VW, and Mercedes Benz exports.
- APS East Coast (AMPORTS) – Operates on 179 acres at Blount Island and Dames Point; handles Mazda, Mitsubishi, VW, Audi, Porsche, Ford, and Isuzu imports. Honda and Toyota are export customers. General Motors and FCA use Amports for volumes of both imports and exports.
- SE Toyota – Leases 53 acres with a long-term deal in place with Toyota and Lexus. This operator continues to increase market share in the U.S. with imports and also exports Toyotas to Puerto Rico.

The majority of JAXPORT vehicle imports are driven by Japanese, Mexico, and Germany originating cargo. The strongest export trade lanes from Jacksonville are Middle Eastern markets, Central and South America.

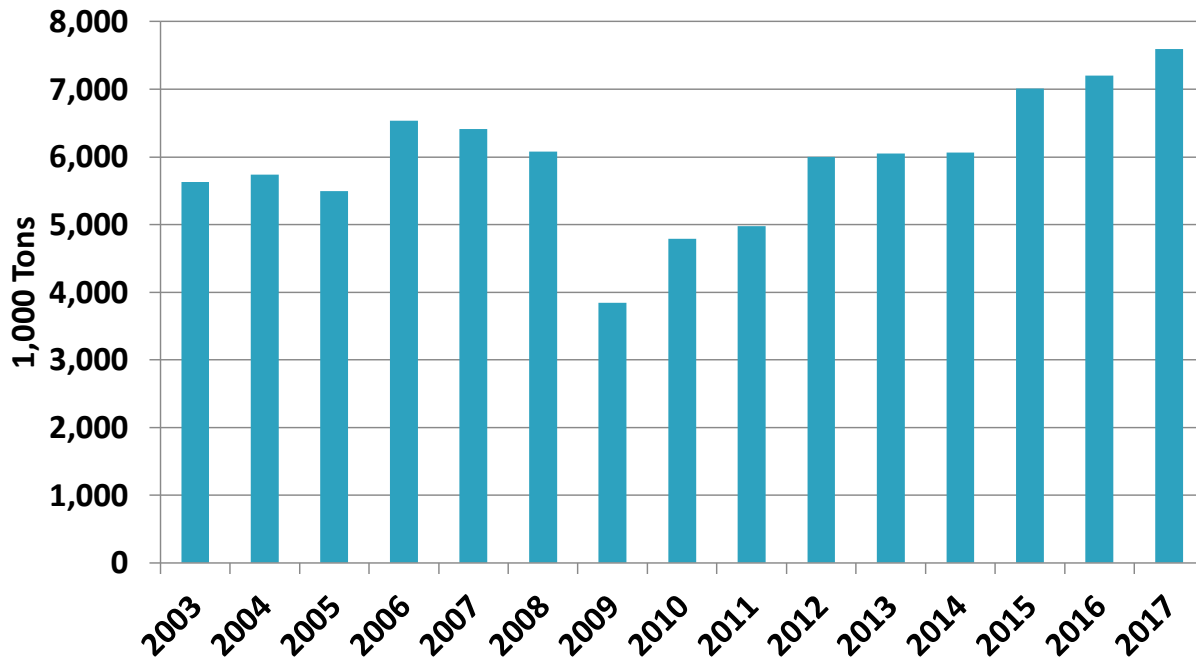
JAXPORT has done very well over the years in maintaining a healthy balance of “proprietary” auto processing, while mixing in substantial volumes of third party processing that the facilities can handle expeditiously and not “park” them on Port properties.

3.3. Market Outlook For Automobile Markets

Auto Import Overview

The overall U.S. automobile imports business has continued to recover from the recession of 2008-2009, as shown in Exhibit 40. Volumes have recovered from the 40% drop in 2009, reaching a record high in 2017.

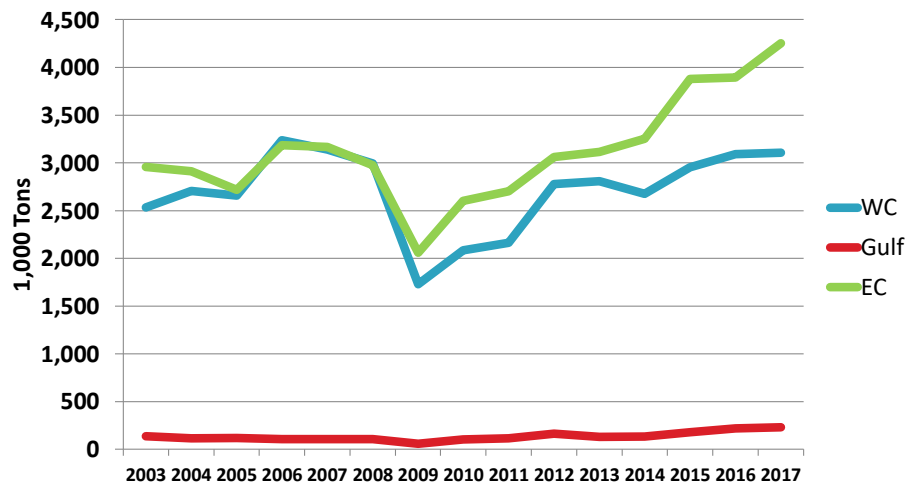
Exhibit 40 - Total U.S. Auto Imports (Includes Light Trucks)



Source: USA Trade OnLine

During the recovery from the recession, the East Coast ports have increased auto import market share, which is specifically evident over the 2013-2017 period.

**Exhibit 41 - U.S. Auto Import by Port Range -
East Coast Ports have been Increasing Share of U.S. Auto Imports**



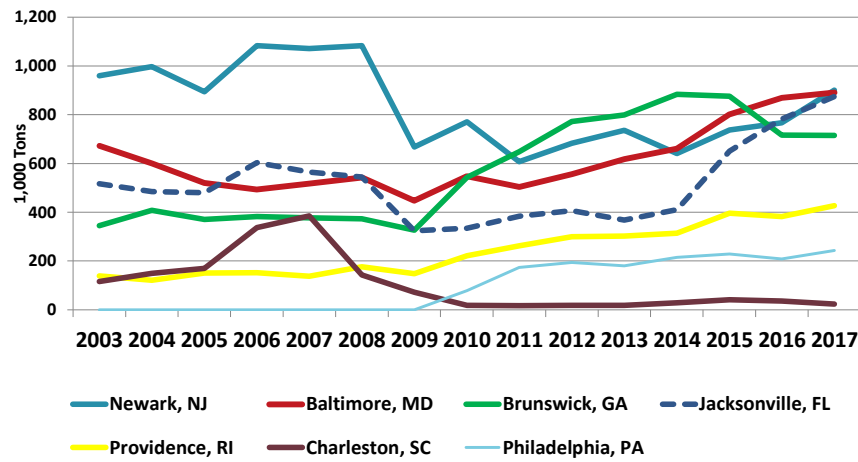
Source: USA Trade OnLine

In terms of the auto imports at individual East Coast ports, JAXPORT, Baltimore and Newark are nearly tied in terms of import auto tonnage¹³. Newark holds a very slight advantage in auto import tons,

¹³ Auto tonnage is used in port comparisons to control for differences in reporting of automobile cargo, as some ports include light trucks and used cars or previously owned vehicles (POV) in their own statistics, while others do not. Therefore USA Trade OnLine data is used for port to port comparisons, and the unit of measure is tonnage.

followed by Baltimore then JAXPORT. Imports at Brunswick have declined steadily since 2015, as JAXPORT surpassed Brunswick in terms of import auto tonnage beginning in 2016.

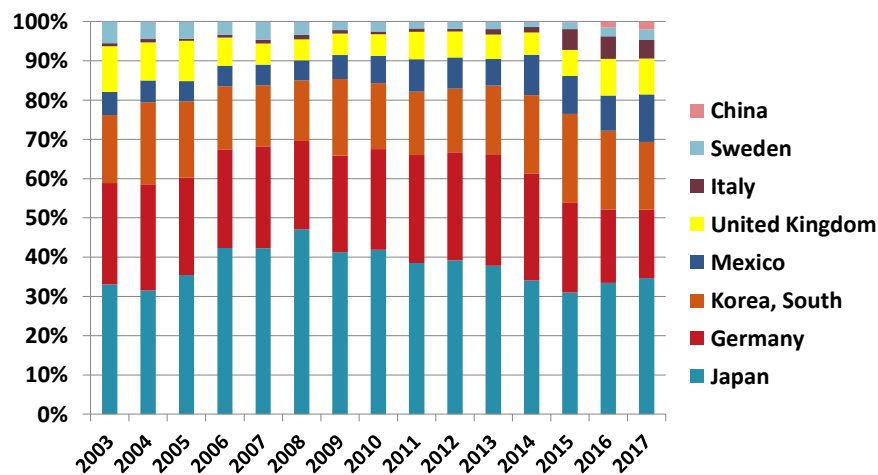
Exhibit 42 - Auto Imports at Key East Coast Ports



Source: USA Trade OnLine

In terms of market share by country of origin of imports handled by East Coast ports, Japanese imports have been decreasing while Mexican models have been on the rise. In 2010, the autos imported from Mexico accounted 7%, and 12% in 2017. From 2008, the share of imports handled from Japan has fallen from nearly 47% in 2008, to slightly more than 35% in 2017.

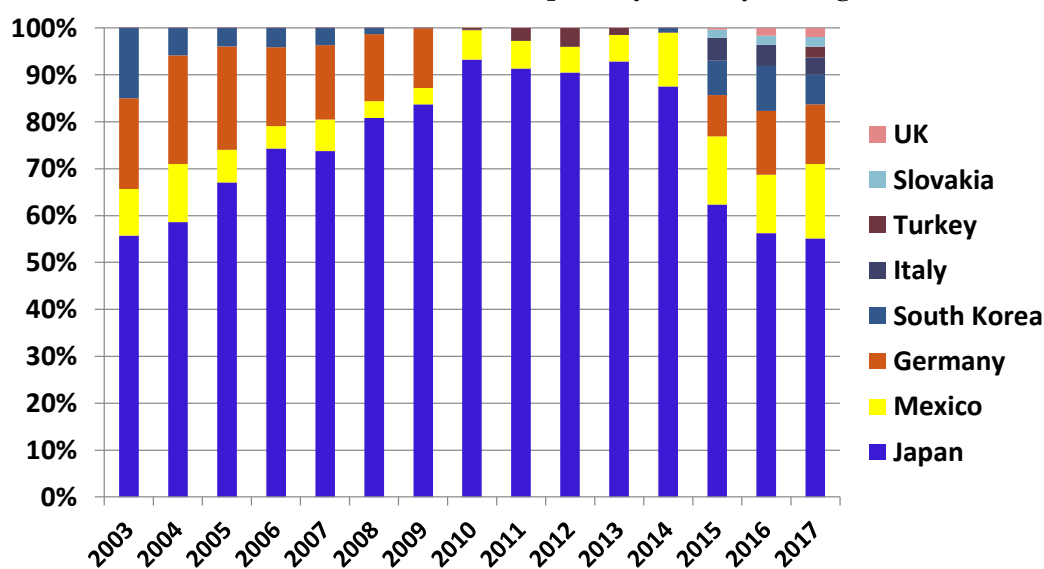
Exhibit 43 - Distribution of Import Trade Lanes by Key East Coast Ports



Source: USA Trade Online

Exhibit 44 shows that Mexico has been a growing source of auto imports at JAXPORT, while the share of imports from Japan has been declining since 2010.

Exhibit 44 - Share of Auto Imports by Country of Origin



Source: USA Trade Online

Mexican auto production has been increasing since 2015. Key passenger vehicle manufacturers now located in Mexico include GM, FCA Group, Ford, Nissan, Honda, Toyota, VW, Mazda, Kia and Audi, which produce more than 40 brands and 500 models in 23 manufacturing plants.

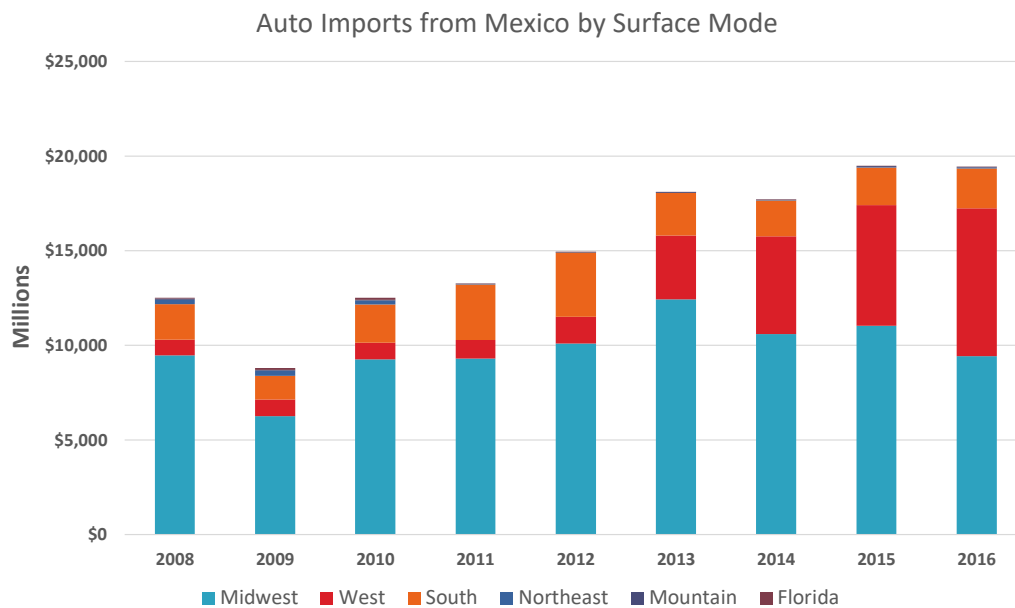
Key investments in the auto manufacturing industry in Mexico include:

- BMW is investing \$1 billion in a new plant in San Luis Potosi which will begin production in 2019 and employ 1,500 employees. Outbound finished vehicles will be transported via railway to market where a majority will stay in North America (61% to U.S), 21% to Europe, rest to South America and Asia.
- Nissan and Daimler signed joint venture investing \$1.36 billion in a new plant in Aguascalientes, which began production in 2017. This facility will build compact vehicles for Infiniti and Mercedes brands. The initial capacity of the plane is 230,000 units.
- Kia invested \$1 billion in Nuevo Leon Mexican auto plant and began production in 2016, with capacity to build 300,000 vehicles annually.
- Toyota is investing \$1 billion to build new plant in Guanajuato, Mexico to produce the Corolla; and is scheduled to begin production in 2019, with a capacity of 200,000 Corollas a year.
- Ford is doubling its vehicle production in Mexico. Ford is investing \$1.5 billion in a new plant in San Luis Potosi that will build 350,000 cars annually by 2020. In addition, Ford had previously announced that it would invest \$2.5 billion for 2 new engine transmission plants and expansion of its diesel engine production in Mexico.
- GM announced in 2014 that it was investing \$5 billion through 2018 to double capacity at its 4 Mexico plants in Coahuila, San Luis Potosi, Mexico (state), and Guanajuato.
- Mazda opened new small-car assembly plant in 2014 – Salamanca, Mexico, with an annual capacity of 200,000 vehicles.

With this growth in the auto manufacturing operations in Mexico, future growth in auto imports at U.S. ports will depend upon the ability to attract the Mexican imports. Mexican auto imports into the U.S. southern states have been historically dominated by surface transportation, as shown by the value of the

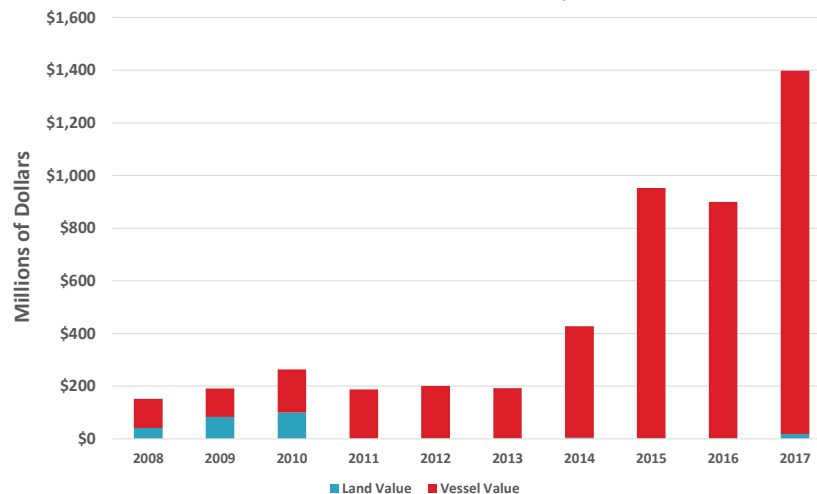
automobiles imported from Mexico by type of transportation mode (Exhibit 45). However, Mexican auto shipments into Florida via water have been increasing as presented in Exhibit 46.¹⁴

Exhibit 45 - Autos Imported from Mexico into the U.S. by Surface Mode



Source: USA Trade Online

Exhibit 46 - Autos Imported into Florida by Surface and Water



Source: USA Trade Online

Exhibit 47 shows the key auto imports from Mexico by U.S. port and manufacturer. Volkswagen and GM are the key manufacturers exporting cars from Mexico into the U.S. and Jacksonville, Davisville, RI and Baltimore are the import ports used.

¹⁴ In terms of trade by mode for Mexican auto imports, US Bureau of Census reports value by mode, not tonnage.

Exhibit 47 - Key Auto Imports from Mexico by U.S. Atlantic Coast Port and Manufacturer

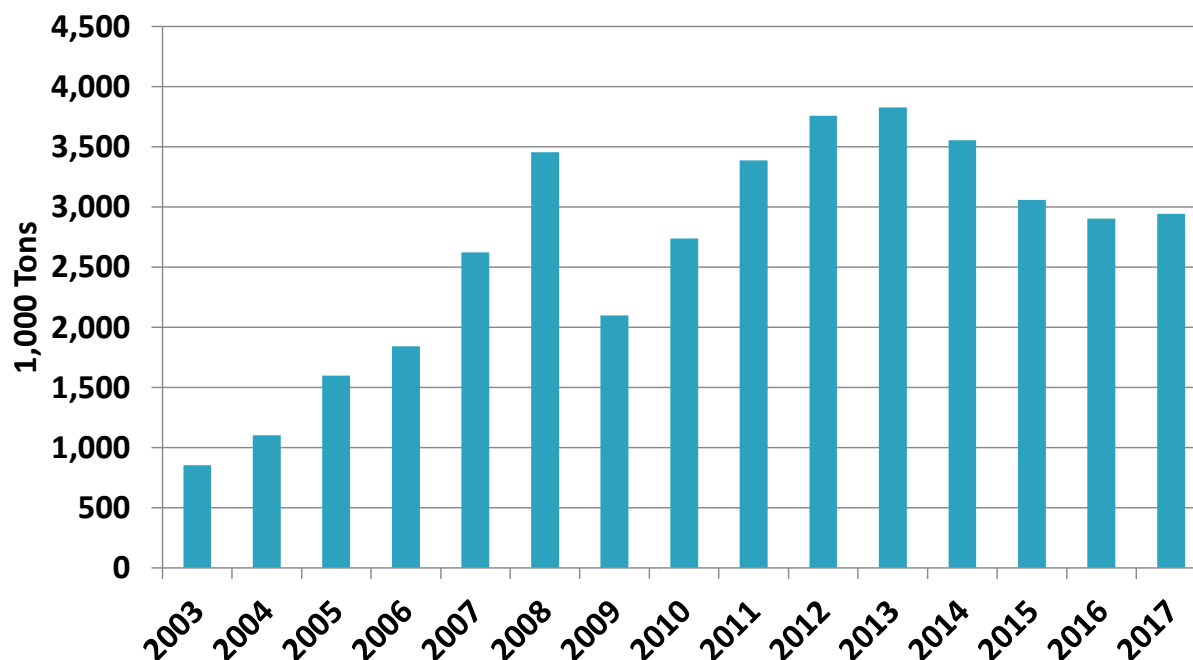
Top Auto Manufacturer Imports by Atlantic Ports, 2017, Metric Tonnes							
AUTO MFR	JACKSONVILLE	PROVIDENCE	BALTIMORE	BRUNSWICK	PHILADELPHIA	NEW YORK	TOTAL
VOLKSWAGEN GROUP	83,099	138,058					221,157
HYUNDAI MOTOR AMERICA	14,280			29,670	26,312		70,261
GENERAL MOTORS	39,264		20,060				59,325
FIAT CHRYSLER AUTOMOBILES	8,060		29,904	471		2,705	41,139
MAZDA MOTOR OF AMERICA	17,146		18,261				35,406
AMERICAN HONDA MOTOR	36	5,926	4,275	1,301			11,539
FORD NORTH AMERICA	8,200		1,851			788	10,839
TOYOTA MOTOR						5,757	5,757
NISSAN NORTH AMERICA	2,987						2,987
THE SAUDI BRITISH BANK	267		16				283
GULF BANK KSC HEAD OFFICE	105		132				237
NOT SPECIFIED	77						77
TOTAL	173,521	143,984	74,499	31,442	26,312	9,250	459,008

Source: PIERS

Export Market Overview

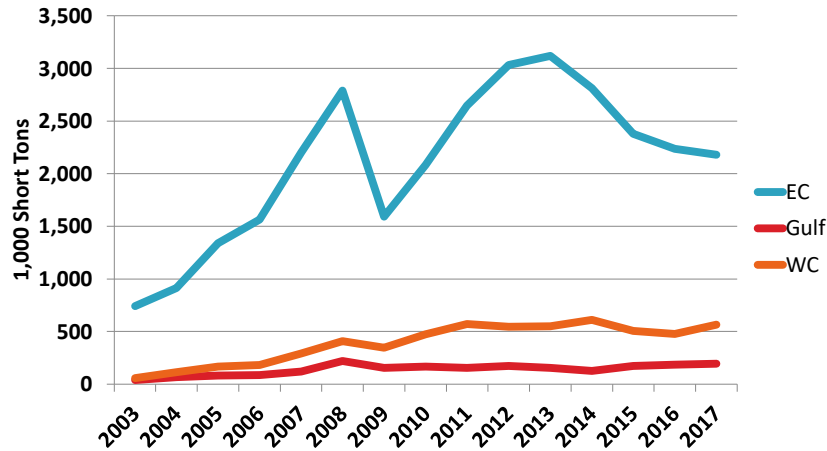
Auto exports grew steadily in the early 2000's through 2008, with the vast majority of the exports originating through East Coast ports, as shown in Exhibits 48 and 49. While the effects of the market downturn are evident in 2009, the subsequent recovery occurred quicker than that of the auto import market, with pre-recession levels of exports being exceeded between 2011 and 2012. However, since 2013, the market has again exhibited decline, and is especially pronounced in the East Coast ports.

Exhibit 48 - Total U.S. Auto Exports (Includes POVs)



Source: USA Trade OnLine

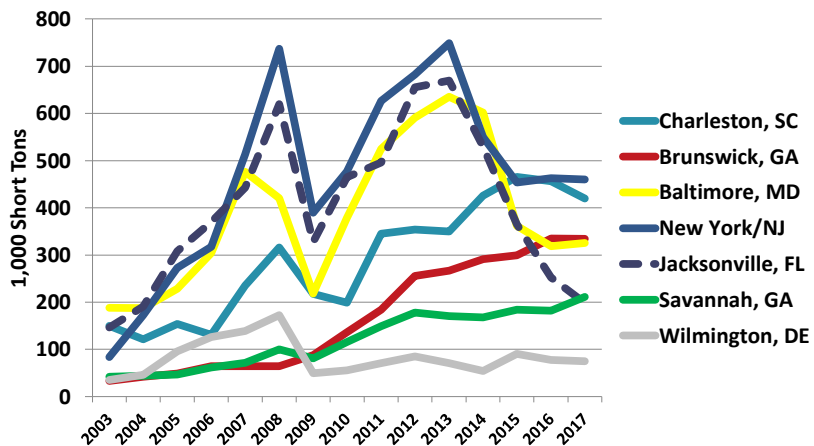
Exhibit 49 - U.S. Auto Exports by Port Range



Source: USA Trade OnLine

As shown in the following exhibit, JAXPORT, Baltimore and the Port Authority of New York and New Jersey all experienced sharp declines beginning in 2013 as production in Mexico increased, displacing exports traditionally manufactured in the midwestern U.S. In contrast, the South Atlantic ports of Charleston, Brunswick and, to a lesser extent, Savannah have demonstrated strong growth in export automobiles, reflecting the growth of auto manufacturing facilities in South Carolina, Georgia and Alabama. With the shifting of auto production to the Southeastern U.S. of both domestic manufacturers as well as transplant manufacturers, exports via the South Atlantic ports of Charleston and Brunswick will likely continue to increase.

Exhibit 50 - Auto Exports at Key East Coast Ports

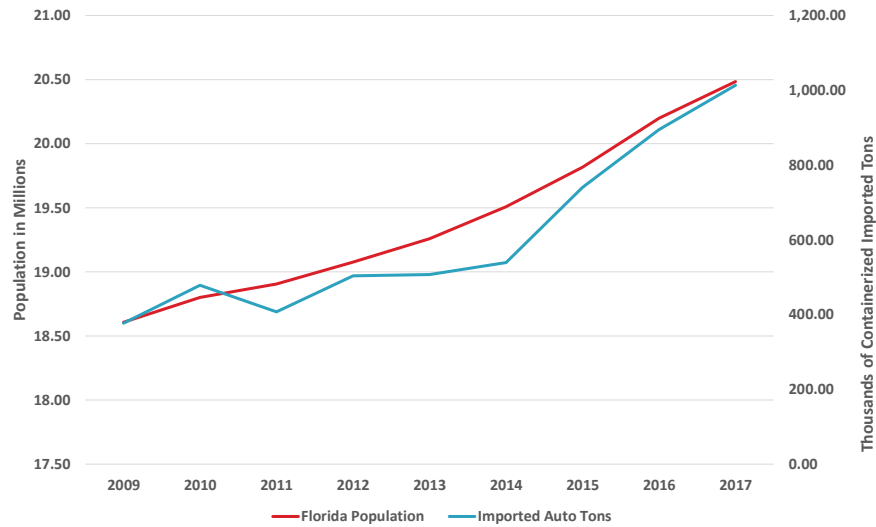


Source: USA Trade OnLine

3.4. JAXPORT Auto/RoRo Forecast

Since 2009, auto imported tonnage at JAXPORT has grown in direct proportion to population growth in Florida. Exhibit 51 shows the direct relationship between auto import tonnage at JAXPORT and Florida population.

Exhibit 51 - Relationship Between Florida Population and Auto Import Tonnage at JAXPORT



Source: JAXPORT auto import tonnage

This data was used to develop a regression model between Florida population and imported auto cargo tonnage at JAXPORT. Overall, the regression model explains 94.2% of the growth in auto imported tonnage handled at JAXPORT since 2009. Projected population data for the state of Florida was obtained from the Florida Demographic Estimating Conference, December, 2017 and UF, BEBR, Florida Population Studies, Volume 51, Bulletin 180, January 2018 medium county projections.

Using the regression model and the state of Florida population projections, auto import tonnage projections were developed. It is important to emphasize that when the model was used to estimate the historical levels of imported auto tonnage at JAXPORT between 2009 and 2017, and compared with actuals, the average difference in the predicted vs. actual values was 0.3%, as shown in Exhibit 52.

Exhibit 52 - Comparison of Estimated vs. Actual Auto Import Tonnage

	Actual Auto Import Tonnage	Estimated Auto Import Tonnage	% Difference
2009	376,604	338,839	89.97%
2010	478,160	403,836	84.46%
2011	406,928	438,609	107.79%
2012	503,084	495,379	98.47%
2013	507,017	557,427	109.94%
2014	538,858	640,495	118.86%
2015	740,551	743,676	100.42%
2016	894,340	872,215	97.53%
2017	1,012,843	967,910	95.56%

Based on the average 1.91 tons per import auto handled at JAXPORT as developed from actual import auto units and import auto tons recorded at JAXPORT, the projected auto import tonnage was converted into auto import units, and presented in Exhibit 53. Overall, imports of autos at JAXPORT are projected to grow at an average rate of 4.3% between 2018 and 2045. This compares to an average annual growth rate of 13.1% for imported auto units at JAXPORT between 2009 and 2017.

Exhibit 53 - Projected Auto Imports

Year	2017	2018	2019	2020	2025	2030	2035	2040	2045
Imported Tonnage	1,012,843	1,097,221	1,207,674	1,317,321	1,831,965	2,266,083	2,644,370	2,981,730	3,293,991
Imported Auto Units	529,008	573,079	630,768	688,037	956,836	1,183,575	1,381,155	1,557,358	1,720,452

As described previously, auto exports at JAXPORT, have been in decline at JAXPORT. In 2012, JAXPORT handled 805,481 tons of automobile exports. In 2017, JAXPORT handled 367,441 tons, a reduction of more than 50%. With the overall decline in exports at other East Coast ports, except Brunswick and Charleston, which serve the auto production facilities in Georgia, Alabama and South Carolina, for projection purposes it is assumed that the decline in export autos at JAXPORT will stabilize, and the 2017 level of auto export units and tonnage is projected to remain constant over the projection period at 164,249 units and 367,441 tons.

Total projected auto imports and exports units and tonnage are presented in Exhibit 54.

Exhibit 54 - Total Projected Auto Exports and Imports

Year	2017	2018	2019	2020	2025	2030	2035	2040	2045
Total Auto Tonnage	1,380,284	1,464,662	1,575,115	1,684,762	2,199,406	2,633,524	3,011,811	3,349,171	3,661,432
Total Auto Units	693,248	737,319	795,008	852,277	1,121,076	1,347,815	1,545,395	1,721,598	1,884,692

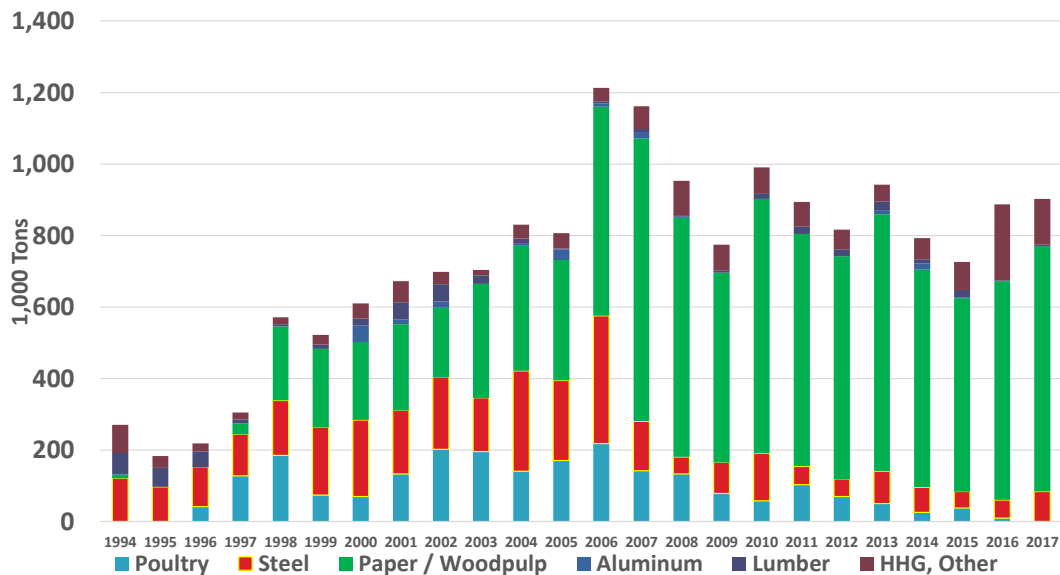
Total auto units are projected to grow at 3.6% annually over the forecast period. This compares to a 6.5% annual growth rate in total auto units handled at JAXPORT between 2009 and 2017. This projection is consistent with the 1.8 million auto units projected in 2040 under the 2013 JAXPORT Strategic Plan.

It is to be emphasized that there is uncertainty as to the impact of tariffs on auto imports under the current administration, but the projections are long term, and due to the diversity of production sites worldwide, it is likely that import vehicles will continue to satisfy a portion of U.S. auto consumption demand. For conservative purposes, a low auto forecast of 50% of the projected growth rate, or 1.3% annual growth could be considered in developing revenue projections for sensitivity purposes.

4. BREAK BULK CARGOES

Exhibit 55 shows that JAXPORT's break bulk cargoes have experienced a declining trend since 2006, falling by more than 300,000 tons, or about 25% since 2006.

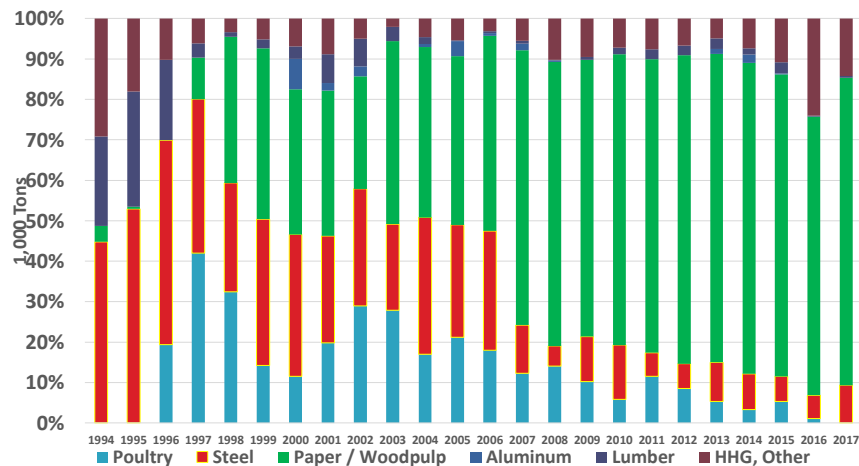
Exhibit 55 - JAXPORT Historical Break Bulk Tonnage



Source: JAXPORT

As shown in Exhibit 56, paper and pulp are the only break bulk cargo that has shown growth at JAXPORT, and now accounts for 75% of all break bulk cargo handled at JAXPORT.

Exhibit 56 - Historical Share of JAXPORT Break Bulk Cargoes by Commodity

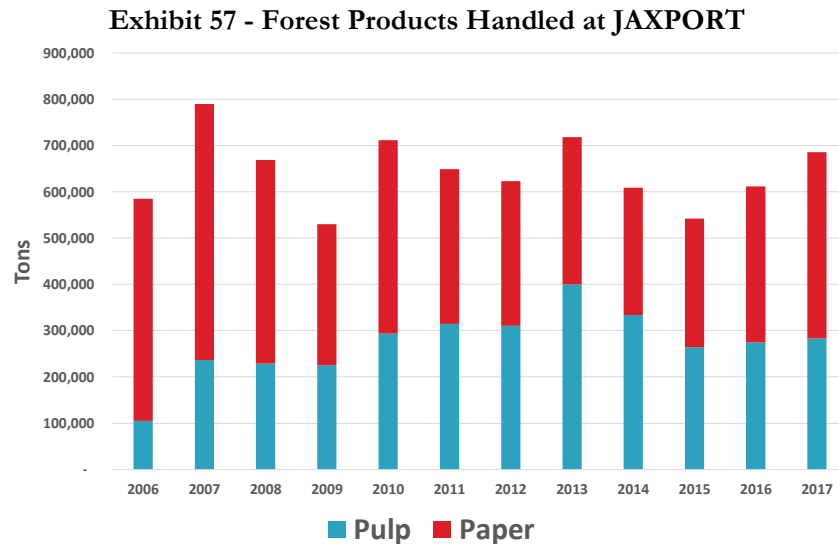


Source: JAXPORT

4.1 Market Outlook And Forecast By Key Commodity

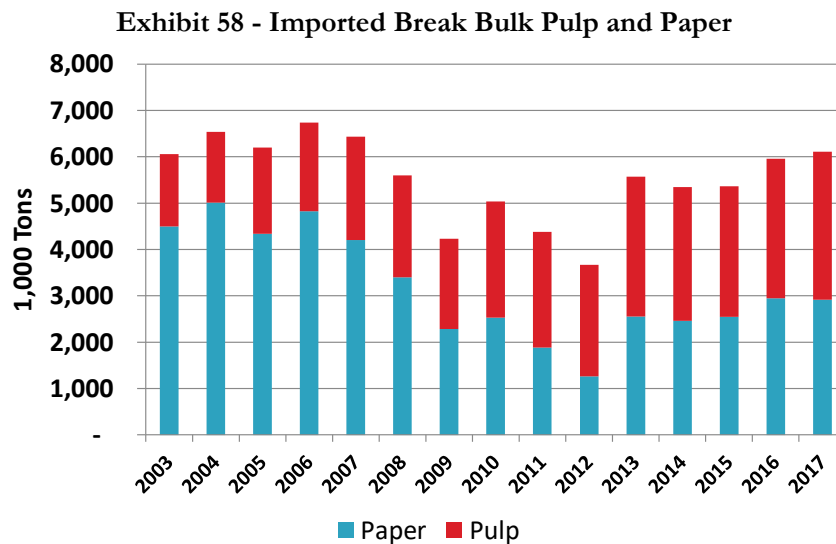
Forest Products

While paper and pulp account for 75% of the break bulk cargo handled at JAXPORT, since 2006, this cargo has shown little growth, as shown in Exhibit 57.



Source: JAXPORT

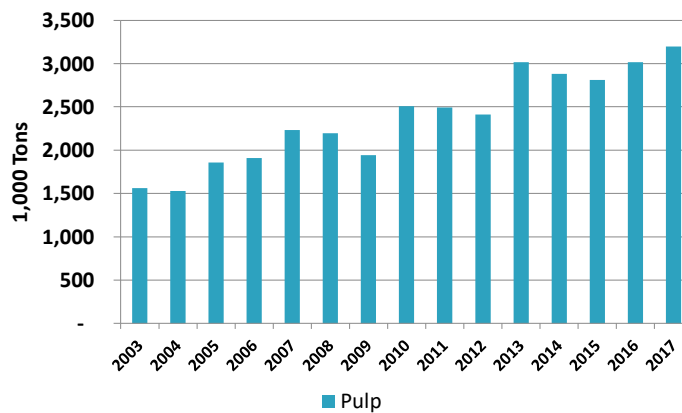
Exhibit 58 shows the historical imported levels of imported break bulk paper and pulp at U.S. ports since 2003. Overall, tonnage levels in 2017 are lower than the peak year in 2006, but have rebounded since reaching a low in 2012.



Source: USATrade OnLine

In contrast, break bulk pulp imports at all U.S. ports have shown a slightly growing market since 2012, with a relatively stable level from 2013-2017.

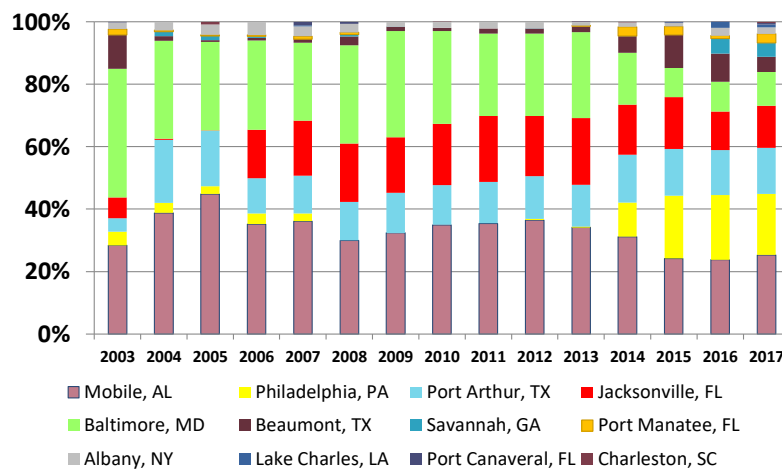
Exhibit 59 - Imported Break Bulk Pulp at U.S. Ports



Source: USATrade OnLine

Exhibit 60 shows the share of imported pulp handled at the major import ports. This exhibit shows the decline in pulp handled at Baltimore as Philadelphia secured a large share of the Baltimore pulp market through aggressive pricing. JAXPORT's share of the import pulp market has declined slightly since 2015.

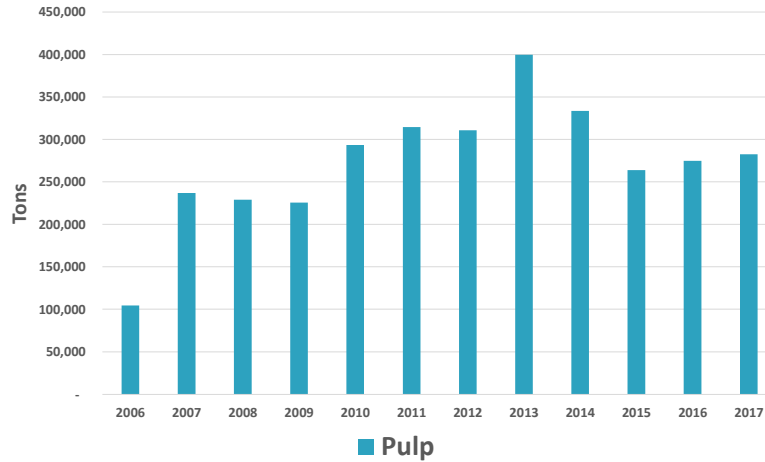
Exhibit 60 - Share of Imported Break Bulk Pulp at U.S. Ports



Source: USATrade OnLine

With respect to the pulp market handled at JAXPORT, Exhibit 61 shows that after reaching a peak in 2013, pulp declined from 400,000 tons in 2013 to about 250,000-275,000 tons through 2017.

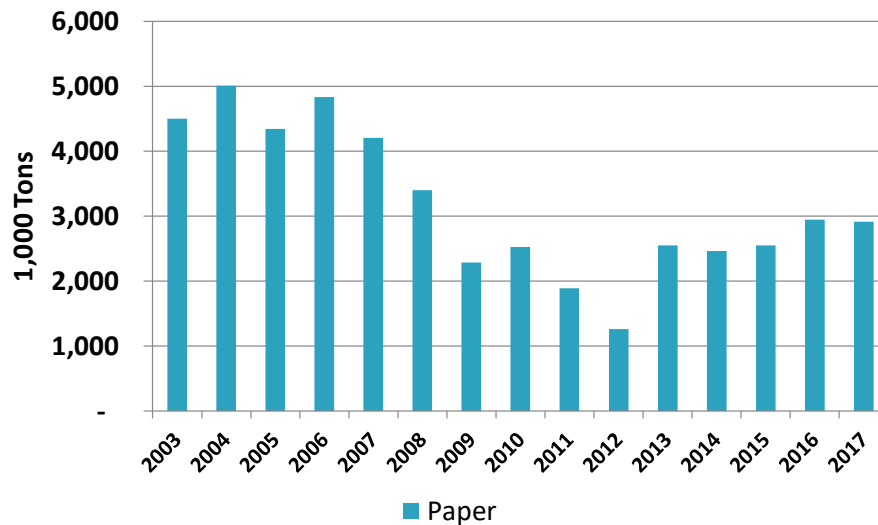
Exhibit 61 - Imported Break Bulk Pulp at JAXPORT



Source: JAXPORT

Exhibit 62 shows that break bulk paper imports handled at U.S. ports have declined from the high of 2004 through 2012, but have stabilized in years after 2012, with small increases in 2016.

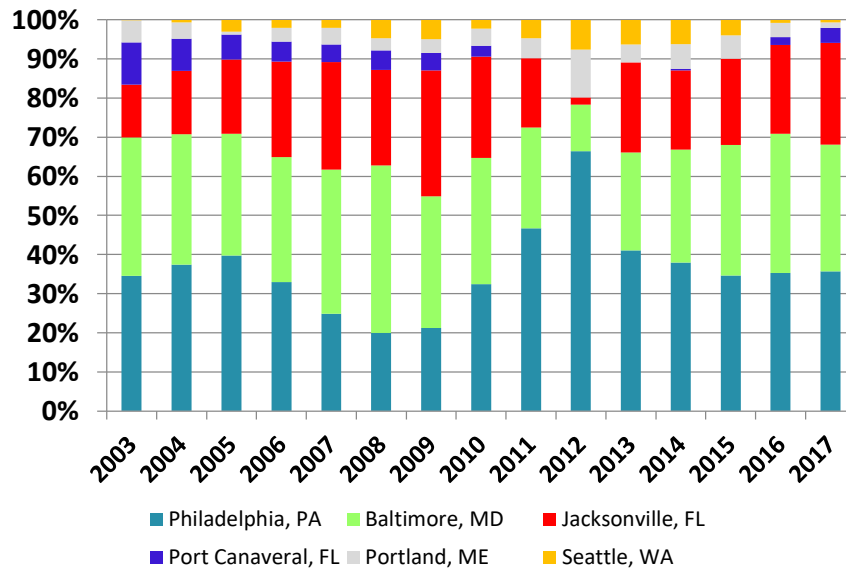
Exhibit 62 - Imported Break Bulk Paper at U.S. Ports



Source: USATrade OnLine

Exhibit 63 shows that JAXPORT increased market share of paper imports in 2017. However this share is significantly less than in 2009, which was the recession period. The year 2012 was the lowest volume of paper imports at U.S. ports for the 14 year historical period, during which Philadelphia handled nearly 70% of the break bulk paper imports. Since that time, Baltimore has increased its share of the imported break bulk paper market, as has JAXPORT.

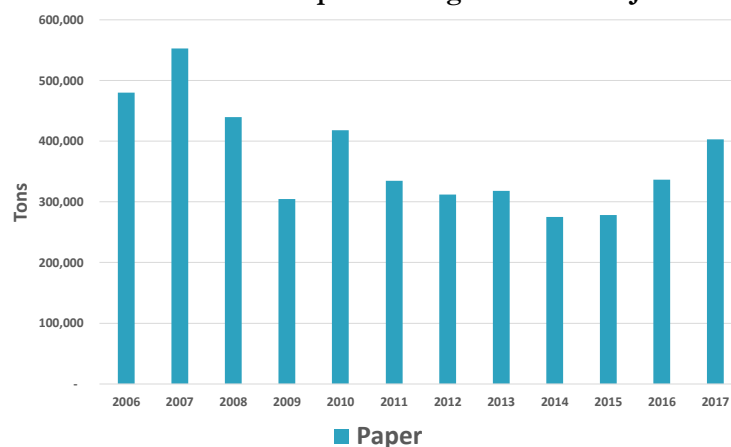
Exhibit 63 - Share of Imported Break Bulk Paper at U.S. Ports



Source: USATrade OnLine

The volume of break bulk paper handled at JAXPORT reached 550,000 tons in 2007, but has never regained that level since. In 2017, 400,000 tons of imported paper were handled at JAXPORT facilities.

Exhibit 64 - Break Bulk Paper Tonnage Handled at JAXPORT



Outlook for Pulp and Paper

In North America more than 90% of the imported eucalyptus pulp is used in tissue production. For additional growth in the North American market, there must be additional closures of production capacity for pulp, which will increase the demand for imported pulp. Factors driving these decisions include the cost to produce pulp internally at these mills and the technical age of the mills and their recovery boilers. Exhibit 65 shows the closure of pulp and paper mills in the U.S. As the closures of U.S. mills continue, and the population is aging, increasing the demand for eucalyptus pulp, the demand for imported pulp is likely to continue. Overall U.S. population is projected to grow at about 0.67% per year through 2045, according to the U.S. Census, and the population is aging with the baby boomers generation. Within the next five years,

pulp consumption worldwide is anticipated to grow at about 4.7% annually.¹⁵ World capacity expansion has been slow in the past few years, resulting in an increase in pulp prices. Through 2020, pulp and paper production capacity is projected to grow by 1.1% annually.¹⁶

Exhibit 65 - Closed Pulp and Paper Mills – 2014-2016



While demand for printing and writing paper has been declining, the demand for paper used in packaging has been increasing with the growth in e-commerce. Overall, in the near term a 1.7% growth is anticipated in the paper and packaging markets worldwide¹⁷.

Based on the above sources, it would appear that pulp is projected to grow at about 4.7% annually over the next five years, while paper is projected to grow at about 1.7%. These growth rates are applied to the 2017 volume of pulp and paper handled at JAXPORT and used to project pulp and paper tonnage through 2015. After 2025, an annual growth rate of 1.0% is applied to the tonnage, reflecting the 0.67% projected long term growth in population. Exhibit 66 summarizes the forest products projections under these assumptions.

Exhibit 66 - Projected Growth in Forest Products

Year	2017	2018	2019	2020	2025	2030	2035	2040	2045
Break Bulk Paper	402,933	409,783	416,749	423,834	451,650	474,688	498,902	524,351	551,098
Break Bulk Pulp	282,769	296,059	309,974	324,543	366,547	385,244	404,896	425,549	447,257
Total Forest Products	685,702	705,842	726,723	748,377	818,196	859,933	903,798	949,901	998,355

By 2045, forest tonnage is projected to reach nearly 1 million tons, which would approach capacity of the current warehouse space at JAXPORT available for forest products.

Under a more conservative set of assumptions, it is assumed that forest products will increase to the highest annual level handled at JAXPORT over the past 10 years, which was about 800,000 tons in 2007.

¹⁵ Paper 360⁰

<https://paper360.tappi.org/2018/02/28/trendspotting-outlook-2018-pulp-in-a-frenzy/>

¹⁶ Food and Agricultural Organization of the United Nations, Pulp and Paper Capacities, 2015-2020.

¹⁷ Paper 360⁰

<https://paper360.tappi.org/2018/02/28/trendspotting-outlook-2018-pulp-in-a-frenzy/>

After that level is reached, the throughput is held constant throughout the balance of the forecast period. These conservative projections are shown in Exhibit 67.

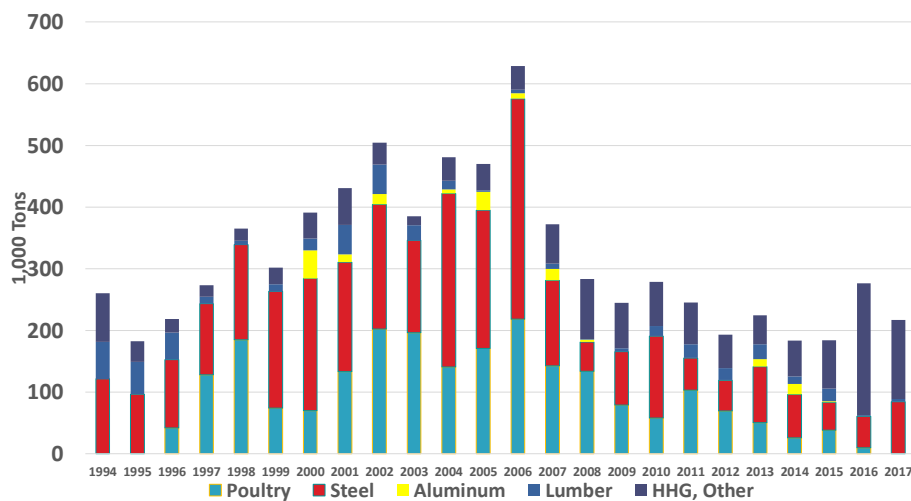
Exhibit 67 - Projected Forest Products - Conservative Projection

Year	2017	2018	2019	2020	2025	2030	2035	2040	2045
Break Bulk Paper - Conservative	402,933	409,783	416,749	423,834	438,367	438,367	438,367	438,367	438,367
Break Bulk Pulp - Conservative	282,769	296,059	309,974	324,543	355,767	355,767	355,767	355,767	355,767
Total Forest Products	685,702	705,842	726,723	748,377	794,133	794,133	794,133	794,133	794,133

4.2 Miscellaneous Break Bulk Cargo

The miscellaneous break bulk cargo handled at JAXPORT consists of steel imports, and project cargo (high and heavy project cargo). Refrigerated poultry is no longer handled at JAXPORT, as the break bulk markets in Russia and China have been closed due to tariff restrictions. While there may be an increasing demand for poultry exports to the Caribbean, as per capita incomes increase in the longer term, these markets would be served via refrigerated containers. Exhibit 68 shows the other break bulk cargoes handled at JAXPORT. As this exhibit indicates these other break bulk cargoes represent highly fluctuating markets. In 2017, these other break bulk cargoes represented 216,000 tons. Because of the highly fluctuating markets of these other break bulk cargoes, it is assumed that the level of tonnage will remain at 216,000 tons throughout the forecast period.

Exhibit 68 - Other Break Bulk Cargo Handled at JAXPORT



Source: JAXPORT

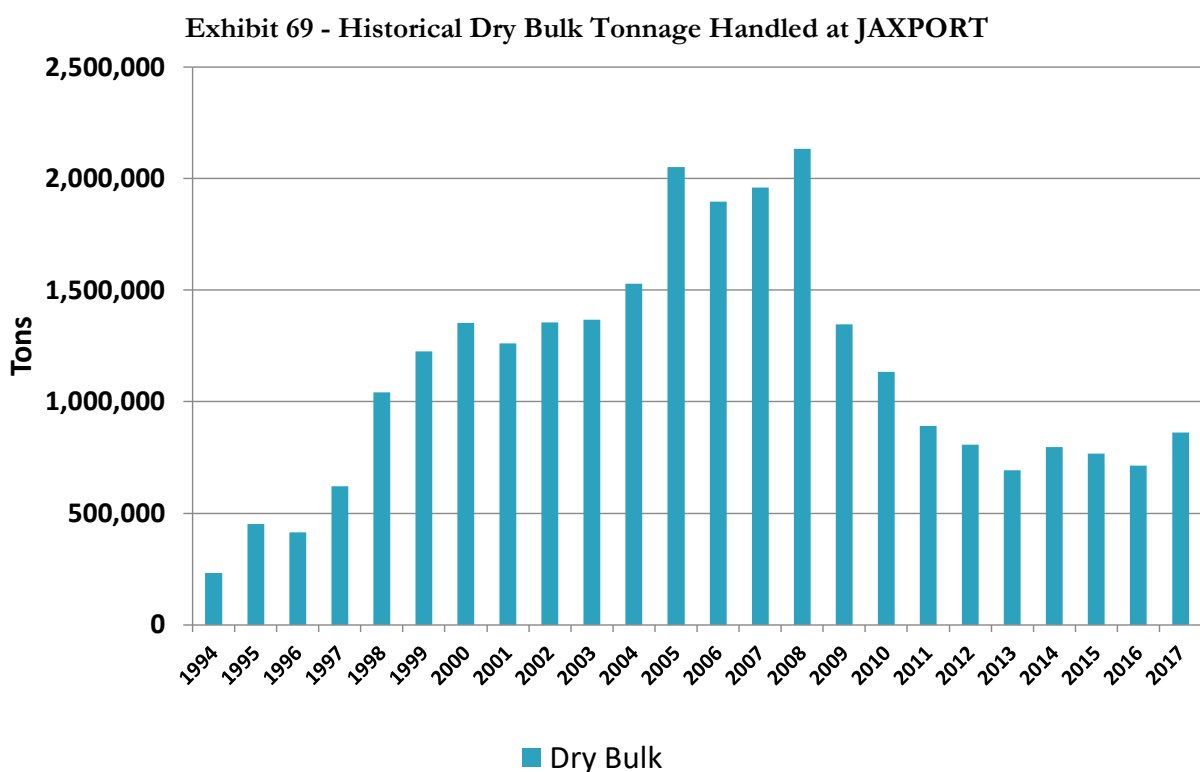
5. DRY BULK

The Martin Marietta facility located on the south end of Dames Point is the key public dry bulk facility at JAXPORT. The 22-acre terminal principally handles inbound cargoes of limestone and granite that are used by the local industries and trucked to their customer's end use facilities. Limestone was consumed by local JEA facilities for certain processes but as this facility is no longer a coal powered facility this demand has vanished. In addition, the limestone and granite is used in the local construction market for cement and concrete manufacturing. Granite, shipped through JAXPORT from a mine in Nova Scotia, is typically consumed by local industries for asphalt production. The current facility had typically handled between 1,000,000-1,500,000 tons annually but is now operating near below its 2 million ton capacity annually.

CEMEX Materials opened a 24-acre import facility at Dames Point in 2008. The facility has been only used sporadically due to the decline in construction activity and the use of domestic aggregates. The majority of the material needed to satisfy current demand is currently railed in from Georgia.

Key dry bulk commodities handled at JAXPORT include limestone and granite and exhibited strong growth through the late 1990's. Between 1994 and 2008, the dry bulk growth rate averaged about 17% annually. However, the effects of the recession and contraction of construction activity since 2009, as well as the closing of the JEA coal fired facility is reflected in the severe decline in tonnage levels since 2009. Exhibit 69 illustrates the dry bulk tonnage handled over the JAXPORT facilities.

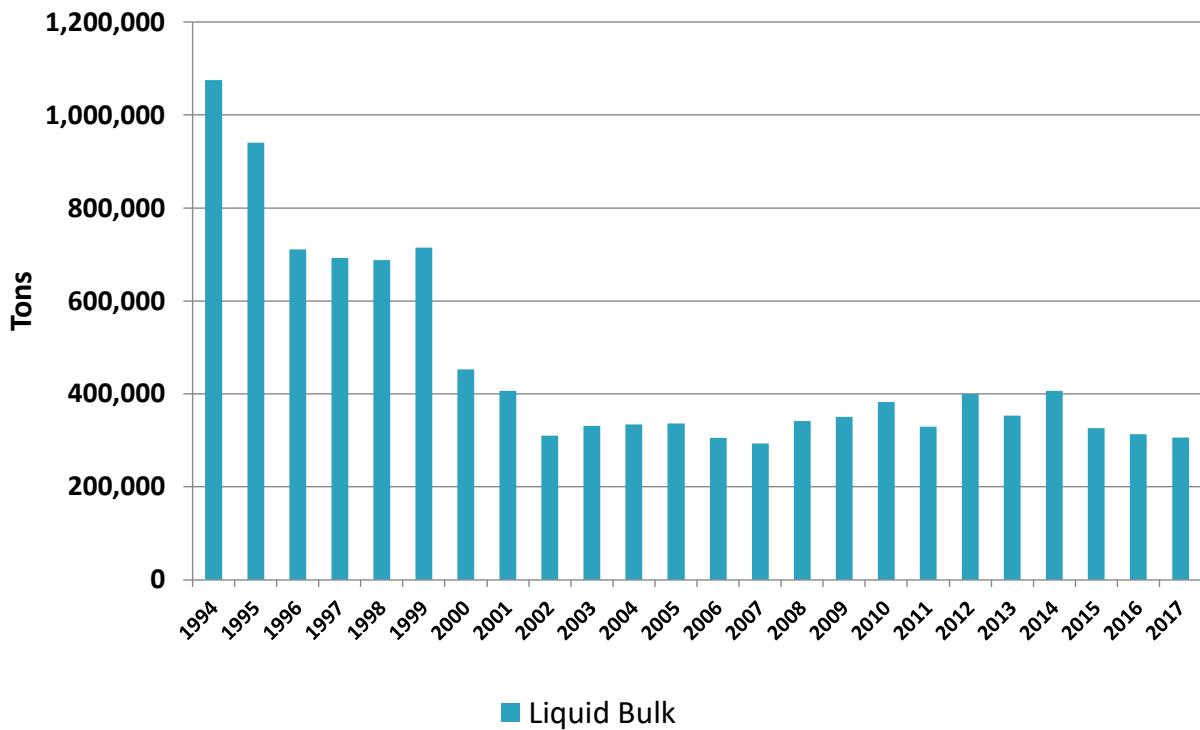
While the demand for imported aggregates could increase in the longer term as domestic supply sources in central and Southern Florida become exhausted, for planning purposes it is assumed that the dry bulk tonnage remains at 2017 levels of 862,000 tons throughout the forecast period. Since a land lease covers the Martin Marietta facility, throughput levels will not impact JAXPORT revenue.



6. LIQUID BULK CARGOES

With respect to JAXPORT, a small portion of the Port's total volume is liquid bulk imports which are primarily handled by Contanda Terminals at Talleyrand Terminal. Contanda Terminals handles about 150,000-250,000 tons of specialty agri-chem products such as caustic and sulphuric products, fertilizers and pesticides. Chemicals that are used in paper mill processes are also handled by this terminal. Along with a portion of liquid bulk exports handled by TOTE, the total JAXPORT volume has remained essentially flat accounting for 300,000-350,000 tons annually since 2003.

Exhibit 70 - Historical Liquid Bulk Tonnage Handled at JAXPORT



Future liquid bulk cargo volumes handled at JAXPORT will be driven by Florida population growth, which over the long term, is expected to grow at 1.3% annually. Also increased demand for gasoline products by both local residents and visitors will affect waterborne tonnage at JAXPORT, as well as, Tampa and Port Everglades. However, potential competition from the liquid bulk facilities at Port Canaveral may erode market share at the other three Florida's ports currently handling petroleum products.

As described, Contanda's liquid bulk cargoes are specialty chemicals used in the agri-chem and paper mill operations. While the liquid bulk tonnage dipped from 2000 levels, 2009 and 2010 demonstrated a rebound. Due to the specific usage of the product, the terminal operator estimates that volumes will remain essentially flat in the near-term.

For planning purposes and revenue projections, it is assumed that the liquid bulk volume will remain at 350,000 tons throughout the forecast period.

APPENDIX C

FORM OF COMPOSITE BOND RESOLUTION

Resolution adopted by the Authority on February 24, 2003, as amended by
Resolutions adopted by the Authority on September 26, 2005,
September 25, 2006, and December 12, 2007

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FORM OF COMPOSITE BOND RESOLUTION

Resolution adopted by the Issuer on February 24, 2003, as amended by
Resolutions adopted by the Issuer on September 26, 2005,
September 25, 2006, December 12, 2007, and July 23, 2012*

A RESOLUTION OF THE JACKSONVILLE SEAPORT AUTHORITY AMENDING AND RESTATING IN ITS ENTIRETY A RESOLUTION ADOPTED BY THE JACKSONVILLE PORT AUTHORITY ON SEPTEMBER 21, 1988, AS HERETOFORE AMENDED AND SUPPLEMENTED, AND ASSUMED BY THE JACKSONVILLE SEAPORT AUTHORITY ON OCTOBER 1, 2001, PURSUANT TO CHAPTER 2001-319, LAWS OF FLORIDA, SPECIAL ACTS OF 2001, WHICH RESOLUTION PROVIDED FOR THE ISSUANCE OF CERTAIN MARINE PORT FACILITIES REVENUE BONDS TO FINANCE AND REFINANCE THE COST OF CAPITAL IMPROVEMENTS TO THE PUBLIC MARINE PORT FACILITIES OF THE PORT OF JACKSONVILLE, FLORIDA; FOR THE PURPOSES OF (A) CONSOLIDATING THE RESOLUTION, AS HERETOFORE AMENDED AND SUPPLEMENTED, INTO A SINGLE RESOLUTION, (B) DELETING CERTAIN PROVISIONS OF THE RESOLUTION RELATING SOLELY TO BONDS WHICH ARE NO LONGER OUTSTANDING UNDER THE RESOLUTION, (C) ADDING CERTAIN PROVISIONS TO ENABLE THE JACKSONVILLE SEAPORT AUTHORITY TO ENTER INTO CERTAIN INTEREST RATE SWAP AGREEMENTS AND OTHER FUNCTIONALLY SIMILAR AGREEMENTS RELATING TO BONDS ISSUED UNDER THE RESOLUTION, AND (D) CLARIFYING THAT THE DEFINITION OF "PLEDGED FUNDS" CONTAINED IN THE RESOLUTION INCLUDES CERTAIN MONEYS RECEIVED BY THE JACKSONVILLE SEAPORT AUTHORITY PURSUANT TO CERTAIN INTERLOCAL AGREEMENTS BETWEEN JEA, THE CITY OF JACKSONVILLE, FLORIDA AND THE JACKSONVILLE SEAPORT AUTHORITY; AND MAKING CERTAIN OTHER COVENANTS AND AGREEMENTS IN CONNECTION THEREWITH; AUTHORIZING A NEGOTIATED SALE OF AN INTEREST RATE SWAPTION AGREEMENT RELATING TO THE OUTSTANDING 1996 PORT FACILITIES REVENUE REFUNDING BONDS TO THE BIDDER SUBMITTING THE MOST FAVORABLE BID CONSISTENT WITH THE TERMS AND CONDITIONS SPECIFIED HEREIN; APPROVING THE FORM AND AUTHORIZING THE EXECUTION AND DELIVERY OF AN INTEREST RATE SWAPTION AGREEMENT BETWEEN THE JACKSONVILLE SEAPORT AUTHORITY AND SUCH BIDDER; PLEDGING CERTAIN PLEDGED FUNDS TO SECURE THE PAYMENT OF THE OBLIGATIONS OF THE JACKSONVILLE SEAPORT AUTHORITY UNDER SAID INTEREST RATE SWAPTION AGREEMENT TO THE EXTENT AND IN THE MANNER PROVIDED HEREIN; AUTHORIZING THE EXECUTION AND DELIVERY OF OTHER DOCUMENTS IN CONNECTION WITH SAID INTEREST RATE SWAPTION AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

*The resolution adopted by the Issuer on February 24, 2003 has also been supplemented, but not amended, by other supplemental resolutions relating to particular Series of Bonds, which include certain additional supplemental provisions, including but not limited to, additional supplemental provisions relating to Municipal Bond Insurance Policies, Reserve Account Insurance Policies and Reserve Account Letters of Credit.

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Exhibit A - 1996 Bond Form [Not reproduced here]

Exhibit B - 2000 Bond Form [Not reproduced here]

Exhibit C – MBIA Consent [Not reproduced here]

Exhibit D – 2003 Swaption Term Sheet [Not reproduced here]

WHEREAS, on September 21, 1988, the Jacksonville Port Authority (the “Jacksonville Port Authority”) duly adopted a resolution (as heretofore amended and supplemented, the “Original Resolution”), pursuant to which the Jacksonville Port Authority provided for the issuance of certain marine port facilities revenue bonds (the “Bonds”); and

WHEREAS, pursuant to Chapter 2001-319, Laws of Florida, Special Acts of 2001, effective October 1, 2001, the Jacksonville Port Authority was abolished, the Jacksonville Seaport Authority (the “Issuer”) was created and established, the assets and liabilities of the Jacksonville Port Authority relating to its marine port facilities and operations were transferred to the Issuer, and the responsibilities and liabilities of the Jacksonville Port Authority relating to its marine port operations, including the obligations of the Jacksonville Port Authority under the Original Resolution, were assumed by the Issuer; and

WHEREAS, the Issuer desires to amend and restate in its entirety the Original Resolution for the purposes of (i) consolidating the Original Resolution into a single resolution, (ii) deleting certain provisions of the Original Resolution relating solely to Bonds which are no longer outstanding under the Original Resolution, (iii) adding certain provisions to enable the Issuer to enter into Qualified Derivative Agreements (hereinafter defined) relating to Bonds issued pursuant to the Original Resolution, and (iv) clarifying that the definition of “Pledged Funds” contained in the Original Resolution includes certain moneys received by the Issuer pursuant to certain interlocal agreements between JEA, the City of Jacksonville, Florida and the Issuer; and

WHEREAS, MBIA Insurance Corporation, as the bond insurer for the 1996 Bonds and 2000 Bonds (hereinafter defined), has consented to the adoption of this resolution amending and restating in its entirety the Original Resolution in the manner provided herein, a copy of which consent is attached hereto as Exhibit C; and

WHEREAS, it is in the best financial interest of the Issuer to amend and restate in its entirety the Original Resolution in the manner provided herein; and

WHEREAS, the Issuer desires to enter into a 2003 Swaption Agreement (as defined herein), in order to effectuate economic savings relating to the debt service payable on the indebtedness evidenced by the 1996 Bonds, upon the terms and conditions specified herein; and

WHEREAS, the Issuer is advised that due to the present volatility of the market for governmental obligations, it is in the best interest of the Issuer to award the 2003 Swaption Agreement by negotiated sale, allowing the Issuer to price the 2003 Swaption Agreement at the most advantageous time, rather than a specified advertised future date, thereby allowing the Issuer to obtain the best possible terms for the 2003 Swaption Agreement and, accordingly, the Issuer hereby finds and determines that it is in the best financial interest of the Issuer that a negotiated sale of the 2003 Swaption Agreement be authorized.

BE IT RESOLVED BY THE JACKSONVILLE SEAPORT AUTHORITY:

ARTICLE I

AUTHORITY FOR RESOLUTION

Section 1.1 Authority for This Resolution.

This resolution is adopted pursuant to the provisions of Chapter 63-1447, Laws of Florida, Special Acts of 1963, as amended, and other applicable provisions of law.

Section 1.2 Definitions.

All terms defined herein shall have the following meanings unless the text otherwise expressly requires. Words importing singular number shall include the plural number in each case and vice versa, and words importing persons shall include firms and corporations:

“1996 Bonds” shall mean the outstanding 1996 Port Facilities Revenue Refunding Bonds, dated August 6, 1996, issued under and pursuant to this Resolution.

“1996 Forward Delivery Bond Purchase Contract” shall mean that certain Forward Delivery Bond Purchase Contract dated October 25, 1995, between the Issuer and Merrill Lynch Fenner & Smith, Incorporated, Goldman, Sachs & Co., Morgan Stanley & Co. Incorporated and Smith Barney Inc., as underwriters, relating to the 1996 Bonds.

“2000 Bond Purchase Agreement” shall mean that certain Bond Purchase Agreement dated November 15, 2000, between the Issuer and PaineWebber Incorporated, Salomon Smith Barney, Morgan Stanley Dean Witter, and Apex Pryor Securities, Inc., as underwriters, relating to the 2000 Bonds.

“2000 Bonds” shall mean the outstanding Seaport Revenue Bonds, Series 2000, dated as of November 1, 2000, issued under and pursuant to this Resolution.

“2003 Swaption Agreement” shall mean that certain International Swap and Derivatives Association, Inc. (“ISDA”) Master Agreement (Local Currency-Single Jurisdiction) (Copyright 1992), as amended by a Schedule and Credit Support Annex, to be entered into between the Issuer and a Counterparty, substantially in the form on file with the Chief Financial Officer of the Issuer, which shall include terms and conditions which are consistent with the provisions of this Resolution and the terms and conditions set forth in the 2003 Swaption Term Sheet.

“2003 Swaption Term Sheet” shall mean the Request for Interest Rate Swap term sheet relating to the 2003 Swaption Agreement, substantially in the form attached hereto as Exhibit D.

“Accreted Value” shall mean, as of any date of computation with respect to any Capital Appreciation Bond, an amount equal to the principal amount of such Capital Appreciation Bond (the principal amount at its initial offering) plus the interest accrued on such Capital Appreciation Bond from the date of delivery to the original purchasers thereof to the interest payment date (on Bonds other than Capital Appreciation Bonds) next preceding the date of computation or the date of computation if it is such an interest payment date, such interest to accrue at a rate not exceeding the legal rate, compounded semiannually, plus, with respect to matters related to the payment upon redemption or acceleration of the Capital Appreciation Bonds, if such date of computation shall not be an interest payment date (on Bonds other than Capital Appreciation Bonds), a portion of the difference between the Accreted Value as of the immediately preceding interest payment date (on Bonds other than Capital Appreciation Bonds) and the Accreted Value as of the immediately succeeding interest payment date (on Bonds other than Capital Appreciation Bonds), calculated based on the assumption that Accreted Value accrues during any semiannual period in equal daily amounts on the basis of a 360-day year.

“Act” shall mean the laws referred to in Section 1.1 hereof.

“Additional Parity Bonds” shall mean additional bonds issued by the Issuer in compliance with the terms, conditions and limitations contained herein which have an equal lien on the Pledged Funds with the 1996 Bonds and the 2000 Bonds.

“Amortization Installment,” with respect to any Term Bonds of a series, shall mean an amount or amounts so designated which is or are established for the Term Bonds of such series, provided that the aggregate principal amount of such installments for each maturity of Term Bonds of such series shall equal the aggregate principal amount of each maturity of Term Bonds of such series delivered on original issuance.

“Annual Debt Service Requirement” as of any date of calculation and with respect to any twelve month period, as applied to the Bonds of any series, shall mean the sum of:

- (1) The amount required to pay the interest becoming due on the Bonds of such series during such period except to the extent that such interest shall have been provided by payments into the Sinking Fund out of bond proceeds;

(2) The amount required to pay the principal of Serial Bonds of such series maturing in such period;

(3) The Amortization Installment for the Term Bonds of such series for such period; and

(4) In computing the Annual Debt Service Requirement for any period for Bonds of any series, the Issuer shall assume that an amount of the Term Bonds of such series equal to the Amortization Installment for the Term Bonds of such series for such period will be retired by purchase or redemption in such period or that payment of such amount of Term Bonds at maturity will be fully provided for in such period. When determining the amount of principal of and interest on the Bonds which mature in any year, for purposes of this Resolution or the issuance of any Additional Parity Bonds, the stated maturity date of Term Bonds shall be disregarded, and the Amortization Installment, if any, applicable to Term Bonds in such year shall be deemed to mature in such year. If any of the Bonds bear interest at a variable rate (or any Qualified Derivative Agreement provides for payment (other than Swap Charges) to be made by the Issuer based on a variable rate or formula), (i) for purposes of calculating Annual Debt Service Requirement pursuant to Section 8.1 hereof, such Bonds shall be deemed to bear interest at a constant rate of interest (and the amount of any such Qualified Derivative Agreement payments made or expected to be made by the Issuer shall be calculated based on a deemed constant rate) equal to the Revenue Bond Index published in *The Bond Buyer* not earlier than fourteen (14) days prior to the sale of the proposed Additional Parity Bonds and (ii) for purposes of calculating Annual Debt Service Requirement pursuant to Section 6.1 hereof, such Bonds shall be deemed to bear interest at a constant rate of interest (and the amount of any such Qualified Derivative Agreement payments made or expected to be made by the Issuer shall be calculated based on a deemed constant rate) equal to the lesser of the maximum short-term rate prevailing in the preceding twelve-month period published in *The Bond Buyer* under the caption "Short-Term Tax Exempt Yield" or the Maximum Rate.

(5) If a Hedge Agreement relating to a series of Bonds is in effect for any period during such twelve month period, the interest rate determined by taking into account the payments expected to be made or expected to be received by the Issuer under such Hedge Agreement (other than Swap Charges) shall be used for such period, such that if the Bonds and the Hedge Agreement taken together result in a net fixed rate or net variable rate payable by the Issuer for such period, such net fixed rate or net variable rate, as applicable, shall be deemed to be the rate of interest on such Bonds for purposes hereof; provided however, if the long-term debt obligations of the Counterparty to such Hedge Agreement are rated by any Rating Agency in a rating category less than "A," then the interest rate used for such period shall be the actual rate to be paid by the Issuer on such Bonds. If two variable rate Bonds taken together result in a net fixed rate payable by the Issuer, such net fixed rate shall be deemed to be the interest rate for such Bonds for the purposes hereof.

(6) If an Interest Rate Agreement is in effect for any period during such twelve month period, the payments expected to be made or expected to be received by the Issuer under such Interest Rate Agreement (other than Swap Charges) shall be netted against each other, and the net result shall be an adjustment to Annual Debt Service Requirement; provided however, if the long-term debt obligations of the Counterparty to such Interest Rate Agreement are rated by any Rating Agency in a rating category less than "A," then the interest rate used for such period shall be the actual rate to be paid by the Issuer on such Bonds.

"Authenticating Agent" shall mean the Registrar for the 2000 Bonds.

"Authorized Investments" shall mean any of the following which shall be authorized from time to time by applicable laws of the State of Florida for deposit or purchase by the Issuer for the investments of its funds:

(1) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(2) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the

United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (b) Farmers Home Administration (FmHA)
Certificates of beneficial ownership
- (c) Federal Financing Bank
- (d) Federal Housing Administration Debentures (FHA)
- (e) General Services Administration
Participation certificates
- (f) Government National Mortgage Association (GNMA or “Ginnie Mae”)
GNMA – guaranteed mortgage-backed bonds
GNMA – guaranteed pass-through obligations
(not acceptable for certain cash-flow sensitive issues)
- (g) U.S. Maritime Administration
Guaranteed Title XI financing
- (h) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures – U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds – U.S. government guaranteed public housing notes and bonds

(3) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (a) Federal Home Loan Bank System
Senior debt obligations
- (b) Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)
Participation Certificates
Senior debt obligations

- (c) Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

- (d) Student Loan Marketing Association (SLMA or “Sallie Mae”)

Senior debt obligations

- (e) Resolution Funding Corp. (REFCORP) obligations

- (f) Farm Credit System

Consolidated systemwide bonds and notes

(4) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAM; or AAm; and if rated by Moody’s rated Aaa; Aa1; or Aa2.

(5) Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

(6) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(7) Investment agreements, including guaranteed investment contracts, forward purchase agreements and reserve fund put agreements acceptable to the Insurer.

(8) Commercial paper rated, at the time of purchase, “Prime-1” by Moody’s and “A-1” or better by S&P.

(9) Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

(10) Federal funds or bankers “acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime-1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P.

(11) Repurchase agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

Repurchase agreements (“Repos”) must satisfy the following criteria or be approved by the Insurer insuring the related series of Bonds.

- (a) Repos must be between the municipal entity and a dealer bank or securities firm described below:

(i) Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s, or

(ii) Banks rated “A” or above by S&P and Moody’s.

(b) The written repo contract must include the following:

(i) Securities which are acceptable for transfer are:

1) Direct U.S. governments, or

2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC).

(ii) The term of the repo may be up to 30 days

(iii) The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before or simultaneous with payment (perfection by possession of certificated securities).

(iv) Valuation of Collateral

1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest.

2) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

(c) Legal opinion which must be delivered to the municipal entity:

Repo meets guidelines under state law for legal investment of public funds.

(12) Units of participation in the Local Government Surplus Funds Trust Fund established pursuant to Part IV, Chapter 218, Florida Statutes, as amended, or any similar common trust fund which is established pursuant to State law as a legal depository of public money.

(13) With the prior written consent of the Insurer or credit bank for a particular series of Bonds, such other obligations as shall be permitted to be legal investments of the Issuer by the laws of the State.

“Bondholder” shall mean the Registered Owner of any Bond.

“Bonds” shall mean the 1996 Bonds, the 2000 Bonds and all Additional Parity Bonds hereafter issued by the Issuer.

“Capital Appreciation Bonds” shall mean Bonds of a series the interest on which shall be compounded semiannually and payable only at maturity or earlier redemption.

“Code” shall mean the Internal Revenue Code of 1986, as amended, and all valid and applicable regulations promulgated or proposed thereunder.

“Consulting Engineers” shall mean such qualified and recognized independent consulting engineers or firms, having a favorable reputation for skill and experience as consultants to facilities similar to the Marine Facilities, at the time retained by the Issuer to perform the acts and carry out the duties as herein provided for such Consulting

Engineers. The functions of the Consulting Engineers hereunder may be divided between or among consulting engineers.

“Construction Fund” shall mean any construction fund established by the Issuer pursuant to supplemental resolution in connection with the issuance of Additional Parity Bonds for the construction and acquisition of additions, extensions and improvements to the Marine Facilities.

“Counterparty” shall mean a party which enters into a Qualified Derivative Agreement with the Issuer; provided that such Counterparty shall be an entity whose long-term debt obligations, or whose payment obligations under a Qualified Derivative Agreement are guaranteed by an entity whose senior long-term debt obligations, in either case are rated (on the date the Qualified Derivative Agreement is entered into) by all Rating Agencies then rating such obligation in a rating category not less than “AA.”

“Derivative Agreement” means (i) any contract known as or referred to or which performs the function of an interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract; (ii) any contract providing for payments based on levels of, or changes or differences in, interest rates, currency exchange rates, or stock or other indices; (iii) any contract to exchange cash flows or payments or series of payments; (iv) any type of contract called, or designed to perform the function of, interest rate floors or caps, options, puts or calls or to hedge or minimize any type of financial risk, including, without limitation, payment, currency, rate or other financial risk; and (v) any other type of contract or arrangement that the Issuer entering into such contract or arrangement determines is to be used, or is intended to be used, to manage or reduce the cost of indebtedness, to convert any element of indebtedness from one form to another, to maximize or increase investment return, to minimize investment return risk or to protect against any type of financial risk or uncertainty.

“DTC” shall mean The Depository Trust Company and its successors and assigns, and any successor securities depository appointed pursuant to Section 2.7 hereof.

“Early Termination Payment” means, with respect to a Derivative Agreement, any payment obligation of the Issuer thereunder due upon the early termination of any transaction governed by such Derivative Agreement, other than an Insured Early Termination Payment.

“Federal Securities” shall mean direct obligations of the United States of America and obligations the principal of and interest on which are fully guaranteed by the United States of America, none of which permit redemption prior to maturity at the option of the obligor.

“Fiscal Year” shall mean the annual period ending on September 30, or such other period as may be prescribed by law as the Issuer’s Fiscal Year.

“Fitch” shall mean Fitch Ratings, Inc., or its successor.

“Gross Revenues” shall mean all rents, fees, charges and other income from any source received by or accrued to the Issuer from its Marine Facilities, and all parts thereof, including all operating revenues determined in accordance with generally accepted accounting principles and, in addition, all investment income on funds related to the Marine Facilities except investment income earned on moneys in the Construction Fund. Gross Revenues shall not include any moneys received by the Issuer pursuant to the Interlocal Agreement.

“Hedge Agreement” shall mean a Qualified Derivative Agreement with respect to which the payments expected to be made or received by the Issuer (other than Swap Charge) under such agreement shall be used in the calculation of the Annual Debt Service Requirement pursuant to paragraph (5) of the definition thereof; provided that such arrangement shall be specifically designated in a certificate of the Chairman, Executive Director or Chief Financial Officer of the Issuer as a “Hedge Agreement” for purposes of this Resolution.

“Insured Early Termination Payment” means, with respect to a Derivative Agreement, any payment obligation of the Issuer thereunder due upon the early termination of any transaction governed by such Derivative

Agreement that is insured under an insurance policy issued by an insurer that has also issued a bond insurance policy with respect to Related Bonds.

“Insured Swap” means any Derivative Agreement wherein the Regularly Scheduled Payments are insured under a swap insurance policy from an insurer who has also insured the Related Bonds, having an outstanding principal amount at least equal to the notional amount of the Derivative Agreement.

“Insured Swap Payments” means, with respect to an Insured Swap, any payment obligation of the Issuer due pursuant to an Insured Swap that is insured under a swap insurance policy.

“Insurer” shall mean such person as shall be in the business of insuring or guaranteeing the payment of principal of and interest on municipal securities whose credit is such that, at the time of any action or consent required or permitted by the Insurer pursuant to the terms of this Resolution, all municipal securities insured or guaranteed by it are then rated, because of such insurance or guarantee, by either Moody’s or S&P, and with respect to any series of Bonds, the Insurer which shall have insured or guaranteed payment of the principal of or interest on such Bonds.

“Interest Rate Agreement” shall mean a Qualified Derivative Agreement with respect to which the payments expected to be made or received by the Issuer (other than Swap Charges) under such agreement shall be netted against each other with the net result being an adjustment to Annual Debt Service Requirement pursuant to paragraph (6) of the definition thereof; provided that such arrangement shall be specifically designated in a certificate of the Chairman, Executive Director or Chief Financial Officer of the Issuer as an “Interest Rate Agreement” for purposes of this Resolution.

“Interlocal Agreement” shall mean, the Second Amended and Restated Interlocal Agreement dated as of December 12, 2007, between the City of Jacksonville, Florida and the Issuer, as amended and supplemented from time to time.

“Interlocal Agreement Revenues” shall mean the moneys received by the Issuer pursuant to the Interlocal Agreement.

“Issuer” shall mean the Jacksonville Seaport Authority, a public body corporate and politic of the State of Florida, created and established pursuant to Chapter 201-319, Laws of Florida, Special Acts of 2001.

“Junior Lien Obligations” shall mean the Equipment Lease-Purchase Agreement dated as of April 14, 1999, by and between GE Capital Public Finance, Inc. and the Issuer, together with any other junior lien obligations issued by the Issuer.

“Marine Facilities” shall mean harbor, port, and marine shipping facilities of all kinds, now or hereafter owned by the Issuer and operated either by the Issuer or by others under contract with or lease from the Issuer including, but not limited to the docks and terminals formerly acquired from the City of Jacksonville and from Duval County, harbors, channels, turning basins, anchorage areas, jetties, breakwaters, water ways, canals, locks, tidal basins, wharves, docks, piers, slips, bulkheads, public landings, warehouses, terminals, refrigerating and cold storage plants, railroads and motor terminals for passengers and freight, rolling stock, car ferries, boats, conveyors and appliances of all kinds for the handling, storage, inspections and transportation of freight and the handling of passenger traffic, mail, express and freight, administration and service buildings, toll highways, tunnels, causeways, and bridges connected therewith or incident or auxiliary thereto, or other facilities authorized by law, and the improvements to be constructed pursuant to this Resolution, and may include all property, structures, facilities, rights, easements and franchises relating thereto and deemed necessary or convenient for the acquisition, construction, purchase or operation thereof. Marine Facilities shall not include Special Purpose Facilities financed with the proceeds of Special Purpose Bonds issued pursuant to Section 8.2 hereof, except to the extent expressly therein provided.

“Maturity Amount” means the amount payable upon the stated maturity of a Capital Appreciation Bond equal to the principal amount thereof plus all accrued interest thereon from the date of issue to the date of maturity.

“Maximum Annual Debt Service Requirement” for any series of Bonds shall mean, as of any particular date of calculation, the Annual Debt Service Requirement as contemplated for the then current or any future Fiscal Year in which such sum is the greatest.

“MBIA” shall mean MBIA Insurance Corporation, as the Insurer for the 1996 Bonds and the 2000 Bonds.

“Moody's” means Moody's Investors Service, or its successor.

“Municipal Bond Insurance Policy” shall mean the municipal bond new issue insurance policy or policies issued by an Insurer guaranteeing the payment of the principal of and interest on any portion of the Bonds.

“Net Revenues” of the Marine Facilities shall mean Gross Revenues after deduction of Operating Expenses.

“Non Scheduled Payments” means any payments under any Derivative Agreement that are not Regularly Scheduled Payments, including but not limited to Early Termination Payments, indemnification payments, tax gross-up payments, expenses and default interest payments.

“Operating Expenses” shall mean the current expenses, paid or accrued, of operation, maintenance and current repair of the Marine Facilities, determined in accordance with generally accepted accounting principles. Operating Expenses shall not include any allowance for depreciation, renewals or extensions or any charges for the accumulation of reserves for capital replacements, renewals or extensions; provided, however, that if the Issuer shall lease or license the Marine Facilities, or any part thereof, under terms providing for the payment of net rentals to the Issuer and whereby the lessee or licensee pays part or all of the cost of operation and maintenance, then the part of such cost of operation and maintenance paid by such lessee or licensee shall not be included under the term Operating Expenses. Operating Expenses shall not include operating expenses of Special Purpose Facilities financed with the proceeds of Special Purpose Bonds issued pursuant to Section 8.2 hereof, except to the extent hereinafter expressly provided therein. Operating Expenses shall not include (i) payments required to be made in lieu of taxes by the Issuer in its own behalf or on behalf of any lessee, (ii) fees or charges made by a governmental agency for fire and police protection, and (iii) ad valorem taxes, charges, excise taxes, penalties or assessments lawfully imposed by other governmental authorities for the payment of which the Issuer is liable.

“Paying Agent” shall mean any paying agent for the Bonds (and may include the Registrar) and its successor or successors appointed pursuant to the provisions of this Resolution.

“Policy Costs” shall mean the aggregate amount of each draw under any Reserve Account Insurance Policy and/or Reserve Account Letter of Credit and related reasonable expenses incurred by the issuer of each such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, plus such other amounts as may be required pursuant to an agreement between the Issuer and the provider of a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit relating thereto.

“Pledged Funds” shall mean (1) the Net Revenues of the Marine Facilities, (2) Interlocal Agreement Revenues, (3) Swap Receipts, (4) until otherwise applied as provided herein, the moneys held in the funds and accounts hereunder (except the Rebate Fund) and the income on investment thereof, and (5) the proceeds of insurance and condemnation awards on the Marine Facilities, except (A) the moneys held in each subaccount of the Reserve Account shall be pledged solely to the payment of the Bonds secured by such subaccount in accordance with the provisions hereof and (B) the moneys in the Rebate Fund.

“Prerefunded Obligations” shall mean any bonds or other obligations of any state of the United States of America or of any political subdivision, agency, instrumentality or local governmental unit of any such state (1) which are (A) not callable prior to maturity or (B) as to which irrevocable instructions have been given to the fiduciary for such bonds or other obligations by the obligor to give due notice of redemption and to call such bonds for redemption on the date or dates specified in such instructions, and the issuer thereof has covenanted not to redeem such bonds other than as set forth in such instructions (2) which are fully secured as to principal, redemption premium, if any, and interest by a fund consisting only of cash and/or Federal Securities, deposited in an irrevocable escrow held by an escrow agent or trustee, which fund may be applied only to the payment of such principal of,

redemption premium, if any, and interest on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as the case may be, and which fund is not available to satisfy any other claims, including those against the trustee or escrow agent (3) as to which the principal of and interest on Federal Securities which have been deposited in such fund along with any cash on deposit in such fund are sufficient, as verified by an independent certified public accountant, to pay principal of, redemption premium, if any, and interest on the bonds or other obligations on the maturity date or dates thereof or on the redemption date or dates specified in the irrevocable instructions referred to in clause (1) above, and (4) which are rated AAA by S&P and Aaa by Moody's, or any successor thereto.

Qualified Derivative Agreement" means (a) a Derivative Agreement, whether it is an Insured Swap or Uninsured Swap, in either case, identified in such Derivative Agreement as being related to a particular series of Bonds (the "Related Bonds") if:

(i) the notional amount for such Derivative Agreement (when taken together with any other Derivative Agreement related to such Related Bonds) will not exceed the outstanding principal amount of such Bonds; provided however that a transaction which reverses, in whole or in part, an existing Qualified Derivative Agreement (with the same provider, the same payment terms and dates, but reversing the obligations of the parties, providing that the two transactions are netted against one another for payment purposes and that one transaction may not be terminated unless either (1) the other transaction is terminated, or (2) the remaining transaction would qualify as a Qualified Derivative Agreement if such determination were made at that point) will be permitted and so long as both remain in effect, will be considered, collectively, to have a zero notional amount for purposes of determining whether the notional amount of such Derivative Agreement will exceed the outstanding principal amount of the Related Bonds,

(ii) the rate to be paid by the Issuer under such Derivative Agreement is not subject to a multiplier;

(iii) the Derivative Agreement does not include a significant loan component (i.e., an obligation to repay money borrowed, credit extended or the equivalent thereof, including, but not limited to, receipt by the Issuer of any payment (or promise of a payment) which effectively increases the rate on the Derivative Agreement which the Issuer would otherwise pay);

(iv) such Derivative Agreement is not a currency swap and all payments under such Derivative Agreement are calculated in U.S. Dollars, and any variable or index-based rate used in such swap are from an index for U.S. Dollar denominated obligations;

(v) any Non-Scheduled Payments (on an Uninsured Swap) or uninsured payments (on an Insured Swap) thereunder are both: (A) Subordinate to all Senior Obligations and (B) payable only if and to the extent that after such payment, the Issuer shall have sufficient funds to make principal and interest payments and Amortization Installments on all Senior Obligations for the next twelve months;

(vi) collateral may be required to be delivered by the Issuer in connection with such Derivative Agreement only if and to the extent that after such delivery, the Issuer shall have sufficient funds to make principal and interest payments and Amortization Installments on all Senior Obligations for the next twelve months;

(vii) the principal amount of any obligation issued to secure a Qualified Derivative Agreement shall be deemed to have a principal amount of zero for purposes of determining any consent or other voting rights under the Resolution, as amended and supplemented; and

(viii) MBIA receives notice of, and a copy of, such Derivative Agreement; or (b) any other Derivative Agreement approved by MBIA.

"Rating Agency" shall mean Fitch, Moody's or S&P, or their successor and assigns.

"Registered Owner" shall mean the person in whose name any Bond is registered, from time to time on the registration books of the Registrar.

“Registrar” shall mean, with respect to the 1996 Bonds, Wachovia Bank, National Association, Jacksonville, Florida, with respect to the 2000 Bonds, The Bank of New York, New York, New York, and with respect to any Additional Bonds, such other person, firm or corporation as may thereafter be from time to time designated by the Issuer by supplemental resolution as the Registrar for the Additional Bonds, which Registrar may also serve as Paying Agent.

“Regularly Scheduled Payments” means any payments scheduled (at the time such Derivative Agreement is executed) for payment on dates related to interest payment days under the Related Bonds and which are intended to be “interest-like” when the interest on the Related Bonds and such payments are reviewed together.

“Reimbursement Obligations” means any payment obligation of the Issuer due to an Insurer which shall have insured or guaranteed payment of the principal or of interest on a series of Bonds pursuant to an insurance or reimbursement agreement with such Insurer or otherwise.

“Reserve Account Insurance Policy” shall mean a surety bond or an insurance policy deposited in a subaccount of the Reserve Account established for the related series of Bonds in lieu of or in partial substitution for cash or a Reserve Account Letter of Credit on deposit therein pursuant to the provisions hereof acceptable in form and substance to each Insurer, if any, of Bonds secured by such subaccount.

“Reserve Account Letter of Credit” shall mean an unconditional letter of credit issued by a bank and then on deposit in a subaccount of the Reserve Account established for the related series of Bonds in lieu of or in partial substitution for cash of a Reserve Account Insurance Policy on deposit therein pursuant to the provisions hereof acceptable in form and substance to each Insurer, if any, of the Bonds secured by such subaccount.

“Reserve Requirement” shall mean, as of any date of calculation for a particular subaccount of the Reserve Account, an amount equal to the following: (1) the least of the following (i) the Maximum Annual Debt Service Requirement for all Bonds which are secured by such subaccount, (ii) 10% of the proceeds of the Bonds which are secured by the subaccount, or (iii) 125% of the average Annual Debt Service Requirements for the Bonds which are secured by such subaccount. Notwithstanding anything to the contrary contained herein, prior to the issuance of any series of Additional Parity Bonds (unless such series of Additional Parity Bonds will be secured by a then-existing subaccount in the Reserve Account pursuant to Section 4.4B(3)(a) hereof), the Issuer may elect in a supplemental resolution to (i) designate a lesser amount as the “Reserve Requirement” with respect to the subaccount of the Reserve Account that secures such series of Additional Parity Bonds, or (ii) not establish any subaccount in the Reserve Account to secure such series of Additional Parity Bonds as provided in Section 4.4B(3)(a) hereof.

“Resolution” shall mean this resolution of the Issuer as hereafter amended and supplemented from time to time in accordance with the provisions hereof.

“Senior Obligations” means the Related Bonds, any obligations on a parity with or senior to the Related Bonds, any related requirements to replenish any Reserve Account or other debt service reserve funds relating to obligations on a parity with or senior to the Related Bonds, any deposits in support of debt service, any Policy Costs and any Reimbursement Obligations.

“S&P” means Standard & Poor’s Corporation or its successor.

“Serial Bonds” shall mean the Bonds of a series which shall be stated to mature in annual installments.

“Special Purpose Bonds” shall mean obligations issued pursuant to Section 8.2 hereof.

“Special Purpose Facilities” shall have the meaning set forth in Section 8.2 hereof.

“Subordinate” means that in the event of: (i) any insolvency or bankruptcy proceedings, and any receivership, liquidation, reorganization, arrangement or other similar proceedings in connection therewith, relative to the Issuer, (ii) any Subordinated Swap Payment is declared or otherwise becomes due and payable under the applicable Derivative Agreement or, (iii) any Event of Default shall occur and be continuing and (1) written notice of

such default shall have been given to the Issuer, the related Insurer and the Bondholders, and (2) judicial proceedings shall be commenced in respect of such Event of Default; then, for so long as any action described in clause (i), (ii) or (iii) hereof shall not have been remedied or cured in the opinion of the related Insurer or, if no Insurer, the Bondholders, the Issuer shall pay in full all principal, premium and interest on all Senior Obligations before the Swap Provider is entitled to receive any Subordinated Swap Payment, and to that end the Issuer shall apply to the payment of the Senior Obligations in accordance with the Resolution any payment or distribution of any kind or character, whether in cash or property or securities, which may be payable or deliverable in any such proceedings in respect of such Subordinated Swap Payment after giving effect to any concurrent payment or distribution in respect to such Senior Obligations.

“Subordinated Swap Payment” means any Non-Scheduled Payment on an Uninsured Swap or any uninsured payment on an Insured Swap.

“Swap Charges” means any Non-Scheduled payments on an Uninsured Swap or uninsured payments on an Insured Swap.

“Swap Obligations” shall mean net payments required to be made by the Issuer under a Qualified Derivative Agreement from time to time as a result of fluctuation in hedged interest rates, or fluctuation in the value of any index of payment. Swap Obligations shall not include Swap Charges.

“Swap Provider” means, with respect to a Derivative Agreement, the person that is identified in such agreement as the Counterparty to, or contracting party with, the Issuer under such agreement.

“Swap Receipts” shall mean net payments received by the Issuer from a Counterparty under a Qualified Derivative Agreement.

“Uninsured Swap” means a Derivative Agreement which is not an Insured Swap.

“Term Bonds” shall mean the Bonds of a series all of which shall be stated to mature on one date and which shall be subject to retirement by operation of the Bond Amortization Account.

Section 1.3 Findings.

It is hereby ascertained, determined and declared that:

A. The Issuer now owns, operates and maintains the Marine Facilities and derives Gross Revenues from fees, rates, rentals and other charges made and collected therefrom.

B. The Net Revenues, Interlocal Agreement Revenues and Swap Receipts are not now pledged or encumbered in any manner, except to the extent described herein.

C. The estimated Pledged Funds will be sufficient to pay (1) all the principal of and interest on the Bonds as the same become due, and (2) all required sinking fund, reserve and other payments required by this Resolution.

D. The principal of and interest on the Bonds and all required sinking fund, reserve and other payments shall be limited obligations, payable solely from the Pledged Funds as provided herein. The Issuer has no power to levy ad valorem taxes and shall never be required to levy ad valorem taxes on any property within its territorial jurisdiction to pay the principal of, premium, if any, and interest on the Bonds or to make any of the required sinking fund, reserve or other payments and such Bonds shall not constitute a lien upon any property owned by or situate within the territorial jurisdiction of the Issuer. The Bonds shall not constitute a general obligation or indebtedness of the Issuer within the meaning of any constitutional or statutory provision or limitation.

Section 1.4 Resolution To Constitute Contract.

In consideration of the acceptance of the Bonds authorized to be issued hereunder by the Registered Owners from time to time, this Resolution shall be deemed to be and shall constitute a contract between the Issuer and such Registered Owners. The covenants and agreements herein set forth to be performed by the Issuer shall be for the equal benefit, protection and security of the Registered Owners of any and all of the Bonds, all of which shall be of equal rank and without preference, priority or distinction of any of the Bonds over any other thereof, except as expressly provided therein and herein.

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

Section 2.1 Authorization of Bonds.

A. 1996 Bonds. A Series of Bonds entitled to the benefit, protection and security of the Resolution is hereby authorized to be issued in an aggregate principal amount not to exceed \$65,000,000 for the purpose of refunding the Issuer's outstanding 1988 Port Facilities Revenue Bonds, funding the Reserve Account to meet the Reserve Requirement for the 1996 Bonds and paying certain costs of issuance incurred with respect to such series. Such Series shall be designated as, and shall be distinguished from, the Bonds of all Series, by the title "1996 Port Facilities Revenue Refunding Bonds."

B. 2000 Bonds. A Series of Bonds entitled to the benefit, protection and security of the Resolution is hereby authorized to be issued in an aggregate principal amount not to exceed \$42,000,000 for the purpose of financing a portion of the cost of the Series 2000 Project, purchasing a Reserve Account insurance policy or surety bond and paying certain costs of issuance incurred with respect to such Series. Such Series shall be designated as, and shall be distinguished from the Bonds of all other Series by the title "Jacksonville Port Authority Seaport Revenue Bonds, Series 2000."

C. Additional Parity Bonds. Additional Parity Bonds entitled to the benefit, protection and security of the Resolution may be authorized to be issued pursuant to and in accordance with this Resolution and pursuant to supplemental resolution.

Section 2.2 Description of Bonds.

A. 1996 Bonds. The 1996 Bonds shall be dated as provided in the 1996 Forward Delivery Bond Purchase Contract; shall be in authorized denominations of \$5,000 or any integral multiple thereof; and shall be designated "R- " and numbered consecutively from one upward in order of authentication. The 1996 Bonds shall mature on such date(s); shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at such rate(s) per annum as shall not exceed the maximum lawful rate, payable on May 1, 1997, and semiannually thereafter on May 1 and November 1 of each year; shall be subject to redemption; and shall contain such other terms as are specified in this Resolution and in the 1996 Forward Delivery Bond Purchase Contract. The 1996 Bonds shall be issued in the form set forth in Exhibit A hereof with such insertions, deletions and modifications as shall be approved by the Chairman of the Issuer.

If the date for payment of the principal of, premium, if any, or interest on the 1996 Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

B. 2000 Bonds. The 2000 Bonds shall be dated as provided in the 2000 Bond Purchase Contract; shall be in authorized denominations of \$5,000 or any integral multiple thereof; and shall be designated "R-_" and numbered consecutively from one upward in order of authentication. The 2000 Bonds shall mature on such date(s); shall bear

interest (calculated on the basis of a 360-day year of twelve 30-day months) at such rate(s) per annum as shall not exceed the maximum lawful rate, payable on May 1, 2001, and semiannually thereafter on May 1 and November 1 of each year; shall be subject to redemption; and shall contain such other terms as are specified in this Resolution and in the 2000 Bond Purchase Contract. The 2000 Bonds shall be issued in the form set forth in Exhibit B hereof with such insertions, deletions and modifications as shall be approved by the Chairman of the Issuer.

If the date for payment of the principal of, premium, if any, or interest on the 2000 Bonds shall be a Saturday, Sunday, legal holiday or a day on which the banking institutions in the city where the corporate trust office of the Paying Agent is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday or legal holiday or a day on which such banking institutions are authorized to close, and payment on such date shall have the same force and effect as if made on the nominal date of payment.

Section 2.3 Execution of Bonds.

The Bonds shall be executed in the name of the Issuer by the Chairman or Vice Chairman and attested and countersigned by the Issuer's Secretary or Assistant Secretary, and the corporate seal of the Issuer or a facsimile thereof shall be affixed thereto or reproduced thereon. The facsimile signatures of such officers shall be imprinted or reproduced on the Bonds. The Certificate of Authentication of the Registrar or Authenticating Agent, as the case may be, hereinafter described, shall appear on the Bonds, and no Bonds shall be valid or obligatory for any purpose or be entitled to any security or benefit under the Resolution unless such certificate shall have been duly executed on such Bonds. The authorized signature for the Registrar or Authenticating Agent, as the case may be, shall at all times be a manual signature. In case any officer whose signature shall appear on any Bonds shall cease to be such officer before the delivery of such Bonds, such signature or facsimile shall nevertheless be valid and sufficient for all purposes the same as if he had remained in office until such delivery. Any Bond may be signed and sealed on behalf of the Issuer by such person who at the actual time of the execution of such Bonds shall hold the proper office with the Issuer, although at the date of such Bonds such person may not have held such office or may not have been so authorized.

Section 2.4 Negotiability.

Subject to the provisions hereof respecting registration and transfer, the Bonds shall be and shall have all the qualities and incidents of negotiable instruments under the laws of the State of Florida, and each successive Registered Owner, in accepting any of the Bonds, shall be conclusively deemed to have agreed that the Bonds shall be and have all of such qualities and incidents of negotiable instruments under the Uniform Commercial Code Investment Securities, being Chapter 678, Florida Statutes, as amended.

Section 2.5 Registration, Exchange and Transfer.

The Registrar shall maintain the registration books of the Issuer and be responsible for the transfer and exchange of the Bonds. The Registrar shall maintain the books for the registration of the transfer and exchange of the Bonds in compliance with the Florida Registered Public Obligations Act, being Chapter 279, Florida Statutes, as amended, and the system of registration as established by the Issuer pursuant thereto.

The Bonds may be transferred upon the registration books, upon delivery to the Registrar, together with written instructions as to the details of the transfer of such Bonds, along with the social security number or federal employer identification number of such transferee and, if such transferee is a trust, the name and social security or federal employer identification numbers of the settlor and beneficiaries of the trust, the date of the trust and the name of the trustee. No transfer of any Bond shall be effective until entered on the registration books maintained by the Registrar.

Upon surrender for transfer or exchange of any Bond, the Issuer shall execute and the Registrar shall authenticate and deliver in the name of the Registered Owner or the transferee or transferees, as the case may be, a new fully registered Bond or Bonds of authorized denominations of the same maturity and interest rate for the aggregate principal amount which the Registered Owner is entitled to receive at the earliest practicable time in accordance with the provisions of the Resolution. The Issuer or the Registrar may charge the owner of such Bond for

every such transfer or exchange an amount sufficient to reimburse them for any tax, fee, or other governmental charge required to be paid with respect to such transfer, and may require that such charge be paid before any such new Bond shall be delivered.

All Bonds presented for transfer, exchange, redemption or payment (if so required by the Registrar), shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form and with guaranty of signature satisfactory to the Registrar, duly executed by the Registered Owner or by his duly authorized attorney in fact or legal representative.

All Bonds delivered upon transfer or exchange shall bear interest from the preceding interest payment date so that neither gain nor loss in interest shall result from the transfer or exchange. New Bonds delivered upon any transfer or exchange shall be valid obligations of the Issuer, evidencing the same debt as the Bond surrendered, shall be secured by the Resolution and shall be entitled to all of the security and the benefits hereof to the same extent as the Bonds surrendered.

The Issuer and the Registrar shall treat the Registered Owner of any Bond as the absolute owner thereof for all purposes, whether or not such Bond shall be overdue, and shall not be bound by any notice to the contrary.

Section 2.6 Bonds Mutilated, Destroyed, Stolen or Lost.

In case any Bond shall be mutilated, or be destroyed, stolen or lost, the Issuer may in its discretion issue and deliver a new Bond of like tenor as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, and upon the Registered Owner furnishing the Issuer proof of loss of ownership thereof and satisfactory indemnity and complying with such other reasonable regulations and conditions as the Issuer may prescribe and paying such expenses as the Issuer may incur. All Bonds so surrendered shall be canceled by the Registrar. If any such Bonds shall have matured or be about to mature, instead of issuing a substitute Bond, the Issuer may pay the same, upon being indemnified as aforesaid, and if such Bond be lost, stolen or destroyed, without surrender thereof.

Any such duplicate Bonds issued pursuant to this Section shall constitute original, additional contractual obligations whether or not the lost, stolen or destroyed Bonds be at any time found by anyone, and such duplicate Bonds shall be entitled to equal and proportionate benefits and rights as to lien on and source and security for payment from the funds, as hereinafter pledged, to the extent as all other Bonds issued hereunder.

Section 2.7 Book Entry Only.

A Depository may act as securities depository for the Bonds. The ownership of one fully-registered, certificated Bond for each maturity, each in the aggregate principal amount of such maturity, may be registered in the name of a Depository or its nominee.

The Bonds in a Book Entry System registered in the name of a Depository or its nominee shall be payable in lawful money of the United States of America in immediately available funds (i) in the case of principal of and any premium on such Bonds, delivered or transmitted to the Depository or its authorized representative when due, and (ii) in the case of interest on the Bonds, delivered or transmitted on any date interest is due to the Depository or nominee that was the Registered Owner of that Bond (or one or more predecessor Bonds) at the close of business on the record date applicable to that interest payment date.

The Issuer will recognize the Depository or its nominee as the Registered Owner for all purposes, including notices. Conveyance of notices and other communications by the Depository to participants, by participants to indirect participants, and by participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from time to time.

In the event that (i) the Depository determines to discontinue providing its service with respect to the Bonds by giving written notice to the Issuer and discharging its responsibilities with respect thereto under applicable law,

and the Issuer fails to appoint a successor Depository for the Bonds, or (ii) the Issuer determines to discontinue the Book Entry System through a Depository, then bond certificates are required to be delivered as described in the Bonds. The purchasers of beneficial ownership interests in the Bonds (the “Beneficial Owners”), upon registration of certificates held in the Beneficial Owner’s name, will become the registered owner of the Bonds.

Neither the Issuer, the Registrar nor the Paying Agent will have any responsibility or obligation to any Beneficial Owner or any other person with respect to (i) the accuracy of any records maintained by the Depository or any persons participating by or through the Depository; (ii) the payment by the Depository or any persons participating by or through the Depository of any amount with respect to the principal or Redemption Price, if applicable, or interest on the Bonds; (iii) any notice which is permitted or required to be given to Registered Owners pursuant to this Supplemental Resolution; (iv) the selection by the Depository or any persons participating by or through the Depository of any person to receive payment in the event of a partial redemption of the Bonds; or (v) any consent given or other action taken by the Depository as Registered Owner.

ARTICLE III

REDEMPTION OF BONDS

Section 3.1 Redemption Provisions.

The Bonds shall be subject to redemption as to determined pursuant to the provisions of Article III hereof.

Section 3.2 Selection of Bonds to be Redeemed.

Bonds in denominations greater than an authorized denomination shall be deemed to be an equivalent number of Bonds in the denomination of an authorized denomination. If a Bond is of a denomination larger than an authorized denomination, a portion of such Bond may be redeemed, in the amount of an authorized denomination or integral multiples thereof.

Section 3.3 Notice of Redemption.

Notice of such redemption, identifying the Bonds or portions thereof called for redemption (i) shall be filed with the Paying Agent and the Registrar; (ii) shall be mailed by the Registrar, first-class mail, postage prepaid, to the Insurer and to all Registered Owners of the Bonds to be redeemed not more than forty five (45) days and not less than thirty (30) days prior to the date fixed for redemption at their addresses as they appear on the registration books to be maintained in accordance with the provisions hereof; and (iii) shall include the CUSIP number of each Bond to be redeemed. Failure to give such notice by mailing to any Registered Owner of Bonds, or any defect therein, shall not affect the validity of any proceeding for the redemption of other Bonds.

Section 3.4 Payment of Redeemed Bonds.

Notice having been mailed and filed in the manner and under the conditions hereinabove provided, the Bonds or portions of Bonds so called for redemption shall, on the redemption date designated in such notice, become due and payable at the redemption price provided for redemption of such Bonds or portions of Bonds on such date. On the date so designated for redemption, notice having been mailed and moneys for payment of the redemption price being held in separate accounts in trust for the Registered Owners of the Bonds or portions thereof to be redeemed, all as provided in the Resolution, interest on the Bonds or portions of Bonds so called for redemption shall cease to accrue, such Bonds and portions of Bonds shall cease to be entitled to any lien, benefit or security under the Resolution, and the Registered Owners of such Bonds or portions of Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Section 3.5 Redemption of Portion of Bonds.

Upon surrender of any Bond for redemption in part only, the Issuer shall issue and deliver to the Registered Owners thereof, the costs of which shall be paid by the Registered Owner, a new Bond or Bonds of authorized denominations in aggregate principal amount equal to the unredeemed portion surrendered.

ARTICLE IV

SECURITY FOR BONDS, FUNDS, AND APPLICATION THEREOF

Section 4.1 Bonds not to be Indebtedness of Issuer.

The Bonds shall not be or constitute general obligations or indebtedness of the Issuer as “bonds” within the meaning of any constitutional or statutory provision, but shall be special obligations of the Issuer, payable solely from and secured by a lien upon and pledge of the Pledged Funds in accordance with the terms of this Resolution. No Registered Owner of any Bond or any Insurer or Counterparty shall ever have the right to compel the exercise of the ad valorem taxing power of the Issuer to pay such Bond or any Swap Obligations or Swap Charges or shall be entitled to payment of such amounts from any moneys of the Issuer except the Pledged Funds, in the manner provided herein.

Section 4.2 Security for Bonds.

The payment of the principal of or premium, if any, and interest on the Bonds, Reimbursement Obligations and all Swap Obligations shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Funds; provided, however, that moneys held in each subaccount of the Reserve Account shall be pledged solely to and shall only secure the payment of the Bonds secured by such subaccount in the Reserve Account in the manner provided herein. The Pledged Funds shall be subject to the lien of this pledge immediately upon the issuance and delivery of the Bonds, without any physical delivery by the Issuer of the Pledged Funds or further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind against the Issuer, in tort, contract or otherwise. The Issuer does hereby irrevocably pledge the Pledged Funds to the payment of the principal of or premium, if applicable, and interest on the Bonds, the reserves therefor, Reimbursement Obligations, Swap Obligations, and all other required payments hereunder in the manner and with the priority of application provided by this Resolution.

The Issuer does hereby irrevocably pledge and grant a lien upon the Pledged Funds, subject and subordinate to the application of Pledged Funds for the purposes and in the manner provided herein, to the payment of Swap Charges pursuant to and as provided in Section 4.4 B(10) hereof.

Section 4.3 Additional Security for Bonds.

Anything herein to the contrary notwithstanding, the Issuer may cause the Bonds to be further secured by a credit facility or a bond insurance policy not applicable to any one or more other Series of Bonds, as shall be provided hereby or by Supplemental Resolution, in addition to the security provided herein.

Section 4.4 Flow of Funds.

For as long as any of the principal of and interest on any of the Bonds shall be outstanding and unpaid, or until payment has been provided for as herein permitted, and until all Swap Obligations, Reimbursement Obligations and Swap Charges have been paid, the Issuer covenants with the Registered Owners of any and all Bonds as follows:

A. Revenue Fund. All Gross Revenues derived from the operation at the Marine Facilities shall upon receipt thereof be deposited in the Marine Facilities Revenue Fund (the “Revenue Fund”) hereby created and established. The Revenue Fund shall constitute a trust fund for the purposes herein provided, and shall be accounted for separately and distinctly from all other funds of the Issuer and used only for the purposes and in the manner herein provided.

B. Disposition of Gross Revenues. All Gross Revenues at any time remaining on deposit in the Revenue Fund shall be applied and allocated on a monthly basis only in the following manner and in the following order of priority:

(1) Gross Revenues in the Revenue Fund shall first be spent for the monthly Operating Expenses at the Marine Facilities.

(2) (a) Gross Revenues shall next be applied and allocated to a separate fund which is hereby created and designated "Port Facilities Revenue Bonds Sinking Fund" (hereinafter called "Sinking Fund"), and into a separate Principal and Interest Account and Bond Amortization Account therein as provided in this paragraph (2). The Issuer shall deposit all Interlocal Agreement Revenues and Swap Receipts upon receipt thereof into the Principal and Interest Account and shall pay all Swap Obligations and Reimbursement Obligations when due from such Account. Amounts deposited into the Principal and Interest Account, including any Swap Receipts, shall be in such sums as will be sufficient to pay (i) one-sixth of all interest becoming due on the Bonds on the next semi-annual interest payment date and any Swap Obligations and any Reimbursement Obligations, (ii) one-twelfth of all principal maturing on the Serial Bonds on the next Serial Bonds maturity date occurring within the next ensuing twelve months, and (iii) the fees and charges of the Paying Agent.

(b) (i) On a parity with allocations under (2)(a) above, and if Term Bonds are issued, Gross Revenues shall simultaneously be applied and allocated to a Bond Amortization Account in the Sinking Fund, if and to the extent required, in such sum as will be equal to one-twelfth of the amount of the Amortization Installment for Term Bonds which shall next become due and payable within the next ensuing twelve months. Such allocations shall be credited to a separate special account for each series of Term Bonds outstanding, and if there shall be more than one stated maturity for Term Bonds of a series then into a separate special account in the Bond Amortization Account for each such separate maturity of Term Bonds. The funds and investments in each separate account shall be pledged solely to the payment of principal of the Term Bonds of the series or maturity within a series for which it is established, and shall not be available for payment, purchase or redemption of Term Bonds of any other series or within a series, or for transfer to the Sinking Fund to make up any deficiencies in required payments therein.

(ii) Upon the sale of any series of Term Bonds, the Issuer shall, by resolution, establish the amounts and maturities of such Amortization Installments for each series and if there shall be more than one maturity of Term Bonds within a series, the Amortization Installments for the Term Bonds of each maturity.

(iii) Moneys on deposit in each of the separate special accounts in the Bond Amortization Account shall be used for the open market purchase or the redemption of Term Bonds of the series or maturity of Term Bonds within a series for which such separate special account is established or may remain in said separate special account and be invested until the stated date of maturity of the Term Bonds. The ordinance or resolution establishing the Amortization Installments for any series or maturity of Term Bonds may limit the use of moneys to anyone or more of the uses set forth in the preceding sentence.

(c) Credit shall be allowed against the total interest, Amortization Installment and principal due on the next ensuing payment dates, respectively, for any other funds on hand and available for such purpose in the Sinking Fund (other than in the Reserve Account). All payments shall be adjusted on the first due date so as to have sufficient amounts on hand to make all required payments.

(d) With respect to any Bonds bearing interest at a Variable Rate (or Qualified Derivative Agreement requiring payments from the Issuer based on a variable index or formula) and/or payable other than semiannually, the amount specified in this subparagraph (2) for the payment of interest (or Swap Obligations or Reimbursement Obligations) shall be that amount necessary to provide substantially equal monthly payments for the payment of such interest (or Swap Obligations or Reimbursement Obligations) on the payment dates thereof, assuming a constant rate of interest equal to the average of the Bond Buyer 25

Year Revenue Bond Index published in *The Bond Buyer* at the end of each of the twelve months immediately preceding the first day of the month in which the payment is to be made.

(3) (a) There is hereby created and established in the Sinking Fund a Reserve Account. The Reserve Account shall consist of the separate subaccounts established within the Reserve Account as provided herein. There is hereby created and established within the Reserve Account a separate subaccount for each series of Bonds issued hereunder, except that (i) a single subaccount in the Reserve Account shall secure on a parity basis the Series 2008 Bonds, the Revenue Note, Series 2009 (Tax-Exempt), the Taxable Revenue Note, Series 2009, the Revenue Note, Series 2010 and any other series of Bonds outstanding on the Effective Date of the Reserve Account Amendments, (ii) with respect to any series of Bonds other than the Series 2008 Bonds, the Revenue Note, Series 2009 (Tax-Exempt), the Taxable Revenue Note, Series 2009, the Revenue Note, Series 2010 and any other series of Bonds outstanding on the Effective Date of the Reserve Account Amendments, the Issuer may elect in a supplemental resolution adopted prior to the issuance of such series of Bonds that any then-existing separate subaccount of the Reserve Account (including the subaccount described in the immediately preceding clause (i) above) shall secure such additional series of Bonds on a parity basis (if permitted by the supplemental resolution which established such subaccount) and (iii) with respect to any series of Bonds other than the Series 2008 Bonds, the Revenue Note, Series 2009 (Tax-Exempt), the Taxable Revenue Note, Series 2009, the Revenue Note, Series 2010 and any other series of Bonds outstanding on the Effective Date of the Reserve Account Amendments, the Issuer may elect in a supplemental resolution adopted prior to the issuance of such series of Bonds that such series of Bonds shall not be secured by any subaccount in the Reserve Account and, accordingly, not to establish any subaccount in the Reserve Account to secure such series of Bonds. Any resolution supplemental hereto providing for the issuance of a series of Bonds which establishes a separate subaccount in the Reserve Account shall specify (i) whether such subaccount shall secure only such series of Bonds or may secure additional series of Bonds on a parity basis, and (ii) the Reserve Requirement applicable to such subaccount.

(b) The Pledged Funds shall next be applied and allocated to ~~a~~ each subaccount in the Reserve Account on a pro rata basis, based upon the respective Reserve Requirements for the various subaccounts in the Reserve Account, so as to maintain in each subaccount an amount equal to the Reserve Requirement for such subaccount, which may be provided initially from the proceeds of each series of Bonds secured by such subaccount, or from other legally available funds.

(c) Moneys in each subaccount of the Reserve Account shall be used only for the purpose of the payment of maturing principal of or interest on the related series of Bonds, or maturing Amortization Installments, or Reimbursement Obligations or Swap Obligations when due, in each case secured by such subaccount, when the other moneys allocated to the Sinking Fund are insufficient therefor, and for no other purpose. However, whenever the moneys applied and allocated to a subaccount of the Reserve Account exceed the principal, interest and redemption premium, if any, on all then outstanding Bonds secured thereby, becoming due in the current or any ensuing Bond Year on all then outstanding Bonds secured thereby, or exceed the amount required to be on deposit pursuant to paragraph (3)(b), such excess may be withdrawn and applied and allocated into the Principal and Interest Account or Bond Amortization Account.

(d) Any withdrawals from the subaccounts of the Reserve Account shall be subsequently restored on a pro rata basis, based upon the respective Reserve Requirements from the various subaccounts in the Reserve Account, from the first receipts of Gross Revenues available after all current monthly payments of Operating Expenses and current applications and allocations to the Sinking Fund, including all deficiencies for prior payments, and current applications and allocations to the subaccounts of the Reserve Account have been made in full.

(e) No further application or allocation of funds need be made into a subaccount of the Reserve Account as long as there is on deposit therein and allocated thereto an aggregate sum equal to the Reserve Requirement applicable thereto.

(4) Upon the issuance of any Additional Parity Bonds under the terms, limitations and conditions as herein provided, the applications and allocations into the subaccounts in the Reserve Account, the Bond

Amortization Account and the Principal and Interest Account in the Sinking Fund shall be increased in such amounts as are necessary to make the respective amounts on deposit in the subaccounts of the Reserve Account equal to the related Reserve Requirements applicable thereto, if any, and to make the payments required above for the principal of and interest on such Additional Parity Bonds, all on the same basis as hereinabove provided with respect to the Bonds issued under this Resolution.

(5) The Issuer shall not be required to make any further applications or allocations to the accounts in the Sinking Fund in any Bond Year when the aggregate sums applied and allocated thereto are and remain at least equal to the amounts required pursuant to subsections paragraphs (1) - (4) hereof.

(6) Notwithstanding the foregoing provisions, in lieu of the required deposits into the subaccounts in the Reserve Account, the Issuer may, at its sole option and discretion, cause to be deposited a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in an amount equal to the difference between the applicable Reserve Requirement and the sums, if any, remaining on deposit in the related subaccount in the Reserve Account after the deposit of such Reserve Account Insurance Policy and/or Reserve Account Letter of Credit. The following requirements shall be fulfilled to the satisfaction of the issuer of each other Reserve Account Insurance Policy and/or Reserve Account Letter of Credit, if any, on deposit in such subaccount of the Reserve Account in the event the applicable Reserve Requirement is fulfilled by the deposit of a Reserve Account Insurance Policy and/or Reserve Account Letter of Credit in lieu of cash:

(a) A Reserve Account Insurance Policy issued to the entity serving as Paying Agent (the "Fiduciary"), as agent of the Bondholders of the related series of Bonds, by a company licensed to issue an insurance policy guaranteeing the timely payment of debt service on such series of ~~the~~ Bonds (a "municipal bond insurer") may be deposited in the related subaccount of the Reserve Account to meet the Reserve Requirement applicable thereto if the claims paying ability of the issuer thereof shall be rated or in one of the two highest rating categories by any Nationally Recognized Statistical Rating Organization ("NRSRO") (as defined by the Securities and Exchange Commission or any successor thereto (without regard to gradations and modifiers).

(b) A Reserve Account Insurance Policy issued to the Fiduciary, as agent of the Bondholders of the related series of Bonds, by an entity other than a municipal bond insurer may be deposited in the related subaccount of the Reserve Account to meet the Reserve Requirement applicable thereto if the form and substance of such instrument and the issuer thereof shall be approved by the issuer of each other Reserve Account Insurance Policy and or Reserve Account Letter of Credit, if any, then deposit in such subaccount.

(c) A Reserve Account Letter of Credit issued to the Fiduciary, as agent of the Bondholders of the related series of Bonds, by a bank may be deposited in the related subaccount of the Reserve Account to meet the Reserve Requirement applicable thereto if the issuer thereof is rated in one of the two highest rating categories by any NRSRO (without regard to gradations or modifiers). The Reserve Account Letter of Credit shall be payable in one or more draws upon presentation by the Fiduciary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal or interest on the related series of Bonds. The draws shall be payable within two days of presentation of the sight draft. The Reserve Account Letter of Credit shall be for a term of not less than eighteen (18) months. The issuer of the Reserve Account Letter of Credit shall be required to notify the Issuer and the Fiduciary, not later than six (6) months prior to the stated expiration date of the Reserve Account Letter of Credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Issuer shall deposit in the related subaccount of the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in such subaccount of the Reserve Account together with any other qualifying credit instruments, to equal the Reserve Requirement on all outstanding Bonds secured by such subaccount, prior to the date that shall be three weeks prior to the expiration or termination of such Reserve Account Letter of Credit, unless such Reserve Account Letter of Credit is replaced by a Reserve Account Letter of Credit or Reserve Account Insurance Policy meeting the requirements provided herein prior to such date. The Reserve

Account Letter of Credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such Reserve Account Letter of Credit if the Reserve Account Letter of Credit has not been replaced or renewed. The Fiduciary is hereby directed to draw upon the Reserve Account Letter of Credit prior to its expiration or termination unless an acceptable replacement is in place or such subaccount of the Reserve Account is fully funded in its required amount.

(d) The use of any Reserve Account Insurance Policy or Reserve Account Letter of Credit (jointly, a “Reserve Account Credit Facility”) pursuant to this Section 4.4B(6) shall be subject to receipt of an opinion of counsel acceptable to each such Insurer of the Bonds secured by such subaccount (if any) and in form and substance satisfactory to each such Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors’ rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to each such Insurer. In addition, the use of a Reserve Account Letter of Credit shall be subject to receipt of an opinion of counsel acceptable to each such Insurer and in form and substance satisfactory to each Insurer to the effect that payments under such Reserve Account Letter of Credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the Issuer (or any other account party under the Reserve Account Letter of Credit).

(e) The obligation to reimburse the issuer of a Reserve Account Credit Facility for any fees, expenses, claims or draws upon such Reserve Account, Credit Facility shall be subordinate to the payment of debt service on the related series of Bonds. Cash replenishment of a particular subaccount in the Reserve Account shall be subordinate to the right of the issuer of a related Reserve Account Credit Facility to payment or reimbursement of its fees and expenses.

(f) If (a) the revolving reinstatement feature described above is suspended or terminated or (b) the issuer, or the claims paying ability of the issuer, as applicable, of the Reserve Account Credit Facility is no longer rated in one of the two highest rating categories by any NRSRO (without regard to gradations and modifiers), the Issuer shall either (i) deposit into the subaccount in the Reserve Account that secures such series of Bonds an amount sufficient to cause the cash or permitted investments on deposit in such subaccount of the Reserve Account to equal the Reserve Requirement applicable thereto, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a Reserve Account Credit Facility meeting the requirements provided herein within six months of such occurrence. In the event (aw) the issuer, or the claims paying ability of the issuer, as applicable, of the Reserve Account Credit Facility is no longer rated in one of the three highest rating categories by any NRSRO (without regard to gradations or modifiers) or (x) the issuer of the Reserve Account Credit Facility defaults in its payment obligations or (dy) the issuer of the Reserve Account Credit Facility becomes insolvent, the Issuer shall either (I) deposit into the related subaccount of the Reserve Account an amount sufficient to cause the cash or permitted investments on deposit in such subaccount of the Reserve Account to equal the Reserve Requirement applicable thereto, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (II) replace such instrument with a Reserve Account Insurance Policy or Reserve Account Letter of Credit meeting the requirements provided within six months of such occurrence.

(g) Where applicable, the amount available for draws or claims under the Reserve Account Credit Facility may be reduced by the amount of cash or Authorized Investments deposited in the related subaccount of the Reserve Account pursuant to the preceding subparagraph (f).

(h) If the Issuer chooses to deposit a Reserve Account Credit Facility to the credit of any subaccount of the Reserve Account, any amounts owed by the Issuer to the issuer of such Reserve Account Credit Facility as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to this Resolution for any purpose.

(i) The Issuer shall ascertain the necessity for a claim or draw upon the Reserve Account Credit Facility and provide notice to the issuer of the Reserve Account Credit Facility in accordance with its

terms and to the Fiduciary not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Account Credit Facility) prior to each interest payment date.

(j) Repayment of Policy Costs shall be made prior to the time as cash deficiencies in any subaccount of the Reserve Account are made up pursuant to the first paragraph of this Section 4.4B(6) and the obligation to maintain and replenish such subaccount of the Reserve Account shall be subordinate to the repayment of the Policy Costs. Repayment of Policy Costs shall commence in the first month following each draw, and each such monthly payment shall be in an amount at least equal to one-twelfth (1/12) of all Policy Costs.

If the Issuer shall fail to repay any Policy Costs in accordance with the requirements of the immediately preceding paragraph, the issuer of each Reserve Account Credit Facility shall be entitled to exercise any and all remedies available at law or under this Resolution other than (i) acceleration of the maturity of the Bonds or (ii) remedies which would adversely affect the Bondholders.

This Resolution shall not be discharged or defeased in accordance with Section 9.1 hereof until all Policy Costs owing to the issuer of each Reserve Account Credit Facility shall have been paid in full.

As security for the Issuer's repayment obligations with respect to each Reserve Account Credit Facility, the issuer of each Reserve Account Credit Facility is hereby granted a pledge of and lien on and security interest in the Pledged Funds.

Each Reserve Account Credit Facility shall be held by the Paying Agent as Fiduciary for the Bondholders of the related series of Bonds.

(7) The Issuer shall next pay, from Pledged Funds, but only if and to the extent available, any obligations or indebtedness of the Issuer payable from the Pledged Funds junior and subordinate to the payments above required for the benefit of the Registered Owners of the Bonds, including, but not limited to, the Junior Lien Obligations, in the manner and upon such priority of payment as may be provided by resolution of the Issuer; provided, however, that the insufficiency of Pledged Funds to make any required payments under this paragraph (7) shall not constitute a default hereunder.

(8) Pledged Funds shall next be used for deposit into a fund to be known as the "Renewal and Replacement Fund," which is hereby created and established, in an amount equal to one-twelfth (1/12) of five per centum (5%) of the Gross Revenues for the preceding Fiscal Year. Such payments shall continue to be made by the Issuer into the Renewal and Replacement Fund until there shall be on deposit therein and as long as there shall remain on deposit therein the sum of \$300,000 or a sum equal to five per centum (5%) of the previous Fiscal Year's Gross Revenues, whichever amount is the greater. The moneys on deposit in the Renewal and Replacement Fund shall be used only for the purpose of paying the cost of extensions, improvements or additions to or the replacement of capital assets of the Marine Facilities or any part thereof, including extraordinary repairs; provided, however, that if at any time moneys in the Revenue Fund are insufficient to make the deposits required to be made in paragraphs (1) through (4) above, moneys on deposit in the Renewal and Replacement Fund shall be withdrawn therefrom and deposited by the Issuer in the Sinking Fund to the extent of any deficiencies therein.

(9) The Issuer shall next pay, from Pledged Funds, any amounts due under an insurance or reimbursement agreement with an Insurer other than amounts relating to the principal and interest of the Bonds insured by such Insurer.

(10) The Issuer shall next pay, from Pledged Funds, Swap Charges due and payable to a Counterparty pursuant to a Qualified Derivative Agreement but only if and to the extent that after payment of such Swap Charges, the Revenue Fund shall have sufficient funds to make principal and interest payments and Amortization Installments on all Senior Obligations for the next twelve months (the "Swap Charge

Payment Condition”); provided that if such payment may not be made due to failure to satisfy the Swap Charge Payment Condition then such nonpayment shall not constitute an event of default under this clause (10).

(11) If on any monthly payment date, the Pledged Funds are insufficient to place the required amount in any of the Accounts or Funds above provided, the deficiencies shall be made up on the subsequent payment dates in addition to the payments which would otherwise be required to be made into such Accounts or Funds on the subsequent payment dates; provided however, that with respect to payments of Swap Charges, the deficiencies may only be paid on subsequent payment dates if and to the extent that the Swap Charge Payment Condition would be met after giving effect to the deficiencies and the payments which would otherwise be due on the subsequent payment dates.

(12) The balance of any Pledged Funds remaining after the above required applications and allocations have been made may be used for any lawful purpose of the Issuer, subject to any applicable provisions of the Interlocal Agreement.

Section 4.5 Investment of Funds.

A. Trust Funds. The Principal and Interest Account, the Bond Amortization Account, the Reserve Account, the Renewal and Replacement Fund, the Construction Fund and any other special funds or accounts herein established and created, except the Rebate Fund, shall constitute trust funds for the purposes provided herein for such funds. All such funds shall be continuously secured in the manner required by the laws of the State of Florida. Moneys on deposit in any of such funds and accounts may be invested and reinvested in Authorized Investments.

B. Description of Investments. Investments made with moneys in the Sinking Fund (except the Reserve Account and Bond Amortization Account therein), the Renewal and Replacement Fund and the Construction Fund must mature not later than the date that such moneys will be needed or, in the case of the Renewal and Replacement Fund, not later than 10 years from the date of the investment. Investments made with moneys in the accounts in the Bond Amortization Account and in the Reserve Account must mature, in the case of the sub-accounts in the Bond Amortization Account not later than the stated date of maturity of the Term Bonds to be retired from the sub-accounts in the Bond Amortization Account from which the investment is made, and in the case of the Reserve Account not later than the final maturity of any Bonds then outstanding. Any and all income received by the Issuer from all such investments except the Construction Fund shall be deposited in the Revenue Fund.

C. Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Authorized Investments shall be valued at the lower of the cost or the market price, exclusive of accrued interest, except investments in the Reserve Account, which shall be valued at fair market value. With respect to all funds and accounts, valuation shall occur annually except in the event of a withdrawal from the Reserve Account, whereupon securities shall be valued immediately after such withdrawal. If amounts on deposit in the Reserve Account shall, at any time, be less than the applicable Reserve Requirement, each Insurer of outstanding Bonds shall be notified immediately of such deficiency, and such deficiency shall be made up from first available moneys after required deposits to the Sinking Fund (i) over a period of not more than four (4) months, in four (4) substantially equal payments, in the event such deficiency results from a decrease in the market value of the Authorized Investments on deposit in the Reserve Account and (ii) over a period of not more than twelve (12) months, in twelve (12) substantially equal payments, in the event such deficiency results from a withdrawal from such Account.

D. Investment of Amounts Representing Accrued Interest and Capitalized Interest. All amounts representing accrued and capitalized interest shall be held by the Issuer in the Sinking Fund, pledged solely to the payment of interest on the Bonds and invested only in United States Obligations, as defined in paragraph (1) of “Authorized Investments” or in Prerefunded Obligations maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

The cash required to be accounted for in each of the foregoing funds and accounts established herein except the Rebate Fund may be deposited in a single bank account, and funds allocated to the various accounts established herein may be invested in a common investment pool, provided that adequate accounting records are maintained to reflect and control the restricted allocation of the cash on deposit therein and such investments for the various

purposes of such funds and accounts as herein provided, including, but not limited to, demonstrating compliance with the rebate requirements of the Code.

ARTICLE V

MUNICIPAL BOND INSURANCE POLICIES AND RESERVE ACCOUNT INSURANCE POLICIES

Section 5.1 Provisions Relating to Municipal Bond Insurance Policies and Reserve Account Insurance Policies for 1996 Bonds and 2000 Bonds

Notwithstanding any provision to the contrary contained in the Resolution, the following provisions shall apply as long as MBIA is providing the Municipal Bond Insurance Policy for the 1996 Bonds (the "Series 1996 Policy"), a Reserve Account Insurance Policy with respect to the 1996 Bonds (the "Series 1996 Reserve Insurance Policy") issued by MBIA, the Municipal Bond Insurance Policy for the 2000 Bonds (the "Series 2000 Policy") or a Reserve Account Insurance Policy with respect to the 2000 Bonds (the "Series 2000 Reserve Insurance Policy") issued by MBIA, any of such policies are in full force and effect, and any of the 1996 Bonds or 2000 Bonds remain outstanding under the Resolution:

A. Copies of any material modifications or amendments to the Resolution which shall have been consented to by the Insurer shall be furnished to S&P.

B. A Reserve Account Insurance Policy may not be deposited in the Reserve Account to meet the Reserve Requirement unless the issuer thereof is an insurance company rated in the highest rating category by S&P and Moody's and, if rated by A. M. Best & Company, is rated in the highest rating category by A. M. Best & Company.

C. Each Reserve Account Insurance Policy and/or Reserve Account Letter of Credit shall be subject to the approval of the Insurer.

D. A default under either the Financial Guaranty Agreement (the "Financial Guaranty Agreement") executed between the Issuer and MBIA in connection with the 1996 Reserve Insurance Policy or the Financial Guaranty Agreement executed between the Issuer and MBIA in connection with the 2000 Reserve Insurance Policy, shall constitute an Event of Default under the terms of the Resolution.

E. Each of the paying agents for the 1996 Bonds (the "Paying Agent," or "Paying Agents" as referred to in this Section 5.1) and for the 2000 Bonds shall deliver to the Insurer a Demand for Payment as described in the 1996 Reserve Insurance Policy or 2000 Reserve Insurance Policy, as applicable, at least three days prior to the date on which funds are required. It will be the responsibility of each Paying Agent to maintain adequate records, verified by the Insurer, as to the amount available to be drawn at any time under the related Reserve Insurance Policy and as to the amounts paid and owing to MBIA under the terms of the related Financial Guaranty Agreement.

F. The Issuer agrees to pay or cause to be paid all amounts owed to MBIA under the terms of each Financial Guaranty Agreement. All such amounts shall be paid before this Resolution may be defeased pursuant to Section 9.1 herein. There may be no optional redemption of Bonds, refunding or distribution of funds to the Issuer unless all amounts owed to the Insurer under the terms of each Financial Guaranty Agreement shall have been paid in full.

G. No amendment to any substantive provisions of the Resolution or supplements to the Resolution may be made without the prior written consent of MBIA, such consent not to be unreasonably withheld.

H. The Issuer shall furnish to MBIA a copy of any notice to be given to the Bondholders or to any Paying Agent and any certificate rendered pursuant to the Resolution at the following address: 113 King Street, Armonk, New York 10504, Attention: Insured Portfolio Management..

I. For purposes of a defeasance pursuant to Section 9.1 herein, the types of deposits which may be used to effect such a defeasance are limited to cash, non-callable United States Obligations or Prerefunded Obligations.

J. If any Bonds insured by MBIA is refunded and the refunding utilizing a forward supply contract, the MBIA's consent to use such forward supply contract as required.

K. The following procedures shall apply for payments pursuant to the 1996 Policy and the 2000 Policy and the Issuer and the related Paying Agent for the 1996 Bonds and 2000 Bonds shall comply with the following procedures:

(1) In the event that, on the second business day, and again on the business day, prior to the payment date on the 1996 Bonds or 2000 Bonds, as applicable, the related Paying Agent has not received sufficient moneys to pay all principal of and interest on the 1996 Bonds or 2000 Bonds, as the case may be, due on the second following or following, as the case may be, business day, the related Paying Agent shall immediately notify MBIA or its designee on the same business day by telephone or telegraph, confirmed in writing by registered or certified mail, of the amount of the deficiency.

(2) If the deficiency is made up in whole or in part prior to or on the payment date, the related Paying Agent shall so notify MBIA or its designee.

(3) In addition, if the related Paying Agent has notice that any Bondholder has been required to disgorge payments of principal or interest on any 1996 Bond or 2000 Bond, as the case may be, to a trustee in Bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Bondholder within the meaning of any applicable bankruptcy laws, then the related Paying Agent shall notify MBIA or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(4) Each Paying Agent is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Registered Owners of the 1996 Bonds or 2000 Bonds, as applicable as follows:

(a) If and to the extent there is a deficiency in amounts required to pay interest on the 1996 Bonds or 2000 Bonds, the related Paying Agent shall (i) execute and deliver to State Street Bank and Trust Company, N.A., or its successors under the Municipal Bond Insurance Policy (the "Insurance Paying Agent"), in form satisfactory to the Insurance Paying Agent, an instrument appointing MBIA as agent for such Registered Owners in any legal proceeding related to the payment of such interest and an assignment to MBIA of the claims for interest to which such deficiency relates and which are paid by MBIA, (ii) receive as designee of the respective Registered Owners (and not as Paying Agent) in accordance with the tenor of the related Municipal Bond Insurance Policy payment from the Insurance Paying Agent with respect to the claims for interest so assigned, and (iii) disburse the same to such respective Registered Owners; and

(b) If and to the extent of a deficiency in amounts required to pay principal of the 1996 Bonds or 2000 Bonds, the related Paying Agent shall (i) execute and deliver to the Insurance Paying Agent in form satisfactory to the Insurance Paying Agent an instrument appointing MBIA as agent for such Registered Owner in any legal proceeding relating to the payment of such principal and an assignment to MBIA of any of the 1996 Bond or 2000 Bond, as the case may be, surrendered to the Insurance Paying Agent of so much of the principal amount thereof as has not previously been paid or for which moneys are not held by the Paying Agent and available for such payment (but such assignment shall be delivered only if payment from the Insurance Paying Agent is received), (ii) receive as designee of the respective Registered Owners (and not as Paying Agent) in accordance with the tenor of the related Municipal Bond Insurance Policy payment therefor from the Insurance Paying Agent, and (iii) disburse the same to such Registered Owners.

(5) Payments with respect to claims for interest on and principal of 1996 Bonds or the 2000 Bonds disbursed by the related Paying Agent from proceeds of the related Municipal Bond Insurance Policy shall not be considered to discharge the obligation of the Issuer with respect to such 1996 Bonds or 2000 Bonds,

as the case may be, and MBIA shall become the owner of such unpaid 1996 Bond or 2000 Bond and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this subsection or otherwise.

(6) Irrespective of whether any such assignment is executed and delivered, the Issuer and each Paying Agent hereby agree for the benefit of MBIA that:

(a) They recognize that to the extent MBIA makes payments, directly or indirectly (as by paying through the related Paying Agent), on account of principal of or interest on the 1996 Bonds or 2000 Bonds, MBIA will be subrogated to the rights of such Registered Owners to receive the amount of such principal and interest from the Issuer, with interest thereon as provided and solely from the sources stated in the Resolution and the 1996 Bonds or the 2000 Bonds, as the case may be; and

(b) They will accordingly pay to MBIA the amount of such principal and interest (including principal and interest recovered under subparagraph (ii) of the first paragraph of the related Municipal Bond Insurance Policy, which principal and interest shall be deemed past due and not to have been paid), with interest thereon as provided in the Resolution and the 1996 Bonds or 2000 Bonds, as the case may be, but only from the sources and in the manner provided herein for the payment of principal of and interest on the 1996 Bonds or 2000 Bonds to Registered Owners, and will otherwise treat MBIA as the owner of such rights to the amount of such principal and interest.

(7) In connection with the issuance of Additional Parity Bonds, the Issuer shall deliver to MBIA a copy of the disclosure document, if any is circulated with respect to such Additional Parity Bonds.

(8) Copies of any amendments made to the documents executed in connection with the issuance of the 1996 Bonds or 2000 Bonds which are consented to by MBIA shall be sent to S&P.

(9) MBIA shall receive notice of the resignation or removal of any Paying Agent and the appointment of a successor thereto.

(10) MBIA shall receive copies of all notices required to be delivered to Bondholders and, on an annual basis, copies of the Issuer's audited financial statements and annual budget.

Notices: Any notice that is required to be given to a Registered Owner of any 1996 Bond or 2000 Bond or to any Paying Agent pursuant to the Resolution shall also be provided to MBIA. All notices required to be given to MBIA shall be in writing and shall be sent by registered or certified mail addressed to MBIA Insurance Corporation, 113 King Street, Armonk, New York 10504 Attention: Insured Portfolio Management.

L. Anything provided herein to the contrary notwithstanding, MBIA shall not be entitled to any benefits of this Resolution or any rights specifically granted to it hereunder, including the right to consent to, approve or participate in any actions proposed to be taken by the Issuer, a 1996 Bondholder a 2000 Bondholder, or any of them pursuant to this Resolution if:

(1) MBIA shall be in default in the due and punctual performance of its payment obligations under the related Municipal Bond Insurance Policy or the related Reserve Account Insurance Policy with respect to the 1996 Bonds or 2000 Bonds or if either of such policies for whatever reason is not then enforceable and in full force and effect; or

(2) MBIA shall apply for or consent to the appointment of a receiver, custodian, trustee or liquidator of MBIA or of all or a substantial pan of its assets, or shall admit in writing its inability, or be generally unable, to pay its debts as such debts become due, or shall make a general assignment for the benefit of its creditors, or commence a voluntary case under the Federal Bankruptcy Code (as now or hereafter in effect) or shall file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or shall fail to contest in a timely and appropriate manner, or acquiesce in writing to, any other petition filed against MBIA in any

involuntary case under said Federal Bankruptcy Code, or shall take any other action for the purpose of effecting the foregoing; or

(3) a proceeding or case shall be commenced without the application or consent of MBIA, in any court of competent jurisdiction seeking the liquidation, reorganization, dissolution, winding up or composition or readjustment of debts of MBIA or the appointment of a trustee, receiver, custodian, liquidator, sequestrator (or other similar official) or the like, of MBIA or of all or a substantial part of its assets, or similar relief with respect to MBIA under any law relating to bankruptcy, insolvency, reorganization, winding up or composition or adjustment of debts, or for relief, rehabilitation, reorganization, conservation, liquidation or dissolution under the law of any state and such proceeding or case shall continue undismissed and an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed in effect for a period of one hundred twenty (120) days from commencement of such proceedings or case, or any order for relief against MBIA shall be entered in an involuntary case under said Federal Bankruptcy Code.

The Authority shall, not later than 150 days after the end of each Fiscal Year for which audited financial statements of the Issuer are reported upon by independent certified public accountants, file with MBIA a copy of such audited financial statements as of the end of such fiscal reporting period, accompanied by the opinion of independent certified public accountants. Such financial statements shall be prepared in accordance with generally accepted accounting principles and shall include such statements necessary for a fair presentation of the financial position, results of operations and changes in unrestricted net assets and cash flows as of the end of such fiscal reporting period.

M. No Additional Parity Bonds may be issued pursuant to the Resolution without the prior consent of MBIA, unless such Additional Parity Bonds are issued solely to refund outstanding Bonds to obtain debt service savings.

N. Notwithstanding any provision of the Resolution to the contrary, MBIA shall at all times be deemed the registered owner of each 1996 Bond and of each 2000 Bond for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on such Bonds prior to payment by MBIA of the principal of an interest on any of such Bonds. So long as either the 1996 Policy or the 2000 Policy is in effect and MBIA is not in default thereunder, MBIA shall have the exclusive right to direct any action or remedy to be undertaken by the Bondholders or by any other party pursuant to the Resolution, and no acceleration shall be permitted, and no event of default shall be waived, without MBIA's prior written consent.

O. Any Paying Agent or Funds Trustee appointed with respect to the 1996 Bonds and 2000 Bonds must be commercial banks with trust powers.

P. The rate covenant described in Section 6.1 herein shall include, in addition to all other coverage requirements, sufficient moneys to pay all Policy Costs.

Q. With respect to Additional Parity Bonds issued after the issuance of the 2000 Bonds, a separate subaccount within the Reserve Account shall be established for such Additional Parity Bonds, and the Reserve Account for the 1996 Bonds and 2000 Bonds shall not be available as a reserve for such Additional Parity Bonds without MBIA's written consent. Any revenues available in the Bond Sinking Fund shall be distributed between all then-outstanding Bonds on a pro rata basis without regard to the existence of a funded debt service reserve fund or a surety bond.

R. The Issuer hereby grants to MBIA a security interest in all amounts pledged to the payment of the principal of, premium, if any, and interest on the 1996 Bonds and 2000 Bonds, subject only to the security interest held the Bondholders.

S. After the payments from the Revenue Fund required by Section 4.4B(8) herein, Gross Revenues shall be applied to the payment to MBIA of interest on amounts advanced under the Reserve Account Insurance Policies, if any, and then as provided in Section 4.4B(12) hereof.

ARTICLE VI

COVENANTS OF THE ISSUER

Section 6.1 Rates and Other Charges.

The Issuer will fix, establish, maintain and collect such rates, fees, rentals and other charges for the use and services of the Marine Facilities and revise the same from time to time whenever necessary, as will (1) always provide Net Revenues which, together with Interlocal Agreement Revenues, will be sufficient to pay one hundred twenty-five per centum (125%) of the then current Annual Debt Service Requirement on the Bonds then outstanding in any Fiscal Year and as will (2) always provide Gross Revenues which, together with Interlocal Agreement Revenues, in any Fiscal Year will be sufficient to pay all reserve and other payments provided for in this Resolution, and also sufficient to pay all other obligations and indebtedness payable out of the revenues of such Marine Facilities, and that such rates, fees, rentals and other charges shall not be reduced so as to be insufficient to provide adequate funds for such purposes.

Section 6.2 Non-Pledged Funds.

All moneys, ad valorem taxes, proceeds or funds, other than Pledged Funds, may upon receipt thereof be used by the Issuer, at its discretion, for any lawful purpose. Nothing herein shall be deemed or construed to create in favor of the Bondholders any lien on any of such moneys nor prevent the Issuer from pledging hereafter any of such moneys for other purposes.

Section 6.3 Books and Records.

The Issuer shall also keep books and records of the operation of the Marine Facilities which such books and records shall be kept separate and apart from all other books, records and accounts of the Issuer, and any Bondholder shall have the right at all reasonable times to inspect all records, accounts and data of the Issuer relating thereto.

Section 6.4 Annual Audits.

The Issuer shall, within 120 days after the close of each Fiscal Year, cause the books and records relating to the Marine Facilities to be properly audited by an independent certified public accountant of recognized standing and shall make available, upon request, and make generally available, the report of such audit to any Bondholder. Such audits shall include a certificate by the auditors disclosing any default on the part of the Issuer under this Resolution.

Section 6.5 No Mortgage or Sale of the Marine Facilities.

A. The Issuer irrevocably covenants not to sell, encumber or in any manner dispose of the Marine Facilities as a whole until all of the Bonds shall have been paid in full as to both principal and interest, or payment shall have been duly provided for under this Resolution.

B. The Issuer shall have and hereby reserves the right to sell or otherwise dispose of any of the property comprising a part of the Marine Facilities which the Issuer shall hereafter determine, in the manner provided herein, to be obsolete, deteriorated or no longer necessary, useful or profitable in the operation of the Marine Facilities. Prior to any such sale, or other disposition, if the amount to be received therefor is not in excess of \$10,000, the Managing Director of the Issuer or other duly authorized officer in charge thereof shall make a finding in writing determining that such property is obsolete, deteriorated or no longer necessary, useful or profitable in the operation of the Marine Facilities. If the amount to be received from such sale or other disposition shall be in excess of \$10,000 but not in excess of 5% of the value of fixed assets of the Marine Facilities according to the most recent annual audit report, such finding shall be confirmed by the governing body of the Issuer by resolution.

C. The Issuer may sell or dispose of, for fair market value, any properties or parts of the Marine Facilities valued at an amount in excess of 5% of the value of fixed assets of the Marine Facilities according to the most recent annual audit report, which the Consulting Engineer shall certify in writing are not necessary for the continued

operation of the Marine Facilities and that the sale or disposal of which will not adversely affect the Net Revenues to be derived from the Marine Facilities to such an extent that, after application of the proceeds of sale, the Issuer will fail to comply with the covenants contained herein, including specifically the rate covenant in Section 6.1 hereof, within any of the next five Fiscal Years.

D. The proceeds derived from any sale or disposal of any properties or parts of the Marine Facilities as provided for in the above paragraphs B and C shall, in the discretion of the Issuer, be (i) used exclusively for the purpose of paying the cost of extensions, enlargements or additions to, or the replacement of capital assets of the Marine Facilities and for unusual or extraordinary repairs thereto, or for the construction or acquisition of additions, extensions and improvements to the Marine Facilities, or (ii) applied for the purchase or retirement of the Bonds then outstanding. However, if the Consulting Engineer certifies that proceeds are necessary for the purposes stated in clause (i) above, such proceeds shall be used solely for such purpose until such certified requirements are satisfied, and the proceeds shall not be used for any other purpose allowed by this Resolution.

Section 6.6 Maintenance of Marine Facilities.

A. The Issuer will maintain or cause to be maintained the Marine Facilities and all parts thereof in good condition and will operate the same in an efficient and economical manner, making such expenditures for equipment and for renewals, repairs and replacements as may be proper for the economical operation and maintenance thereof.

B. The Issuer shall make or cause to be made an annual inspection of the Marine Facilities. Immediately following such inspection the Issuer shall certify in writing that such Marine Facilities are in a good state of repair and preservation.

C. At least once every thirty-six months the Issuer shall cause an inspection of the Marine Facilities to be made by the Consulting Engineers. The Issuer shall make available a copy of the inspection report prepared by both the Issuer and the Consulting Engineers to any Bondholder requesting the same.

D. In the event that the results of any inspection of the Marine Facilities show that such facilities are not in a good state of repair and preservation, the Issuer shall immediately make or cause to be made such repairs as, in the opinion of the Consulting Engineers, shall be necessary to place the Marine Facilities in a good state of repair and preservation.

Section 6.7 Insurance and Condemnation.

A. The Issuer will carry or cause to be carried adequate fire, windstorm and explosion insurance on all buildings and structures of the works and properties of the Marine Facilities which are subject to loss through fire, windstorm or explosion, will carry or cause to be carried adequate public liability insurance, and will otherwise carry or cause to be carried insurance of all kinds and in the amounts normally carried in the operation of similar facilities and properties in Florida, including use and occupancy insurance; provided, that in lieu of insurance, the Issuer may establish a qualified plan of self insurance in accordance with Florida law. Any such insurance shall be carried for the benefit of the Issuer and the Bondholders. All moneys received for losses under any of such insurance, except public liability, are hereby pledged by the Issuer as security for the Bonds until and unless such proceeds are used to remedy the loss or damage for which such proceeds are received, either by repairing the property damaged or replacing the property destroyed as soon as practicable.

B. All moneys received by the Issuer as a result of any eminent domain proceedings on the Marine Facilities are hereby pledged by the Issuer as security for the Bonds until and unless such moneys are used to replace the Marine Facilities condemned or to acquire or construct improvements or additions to the Marine Facilities.

C. Proceeds of insurance and condemnation awards not used or appropriated for use as provided in paragraphs (A) and (B) of this Section 6.7 within 6 months after receipt shall be deposited in the Principal and Interest Account or Bond Amortization Account and applied as provided therein.

Section 6.8 Enforcement of Collections.

The Issuer will diligently enforce and collect the fees, rentals, and other charges for the services and use of the Marine Facilities, and will take all steps, actions and proceedings for the enforcement and collection of such fees, rentals and other charges as shall become delinquent to the full extent permitted or authorized by law, and will maintain accurate records with respect thereof.

Section 6.9 Operating Budget.

The Issuer, after receiving the recommendations of its Managing Director in regard thereto, shall annually prepare, approve, and adopt by resolution, a detailed budget of the estimated expenditures for operation and maintenance of the Marine Facilities during such next succeeding Fiscal Year. No expenditures for the operation and maintenance of the Marine Facilities shall be made in any Fiscal Year in excess of the amounts provided therefor in such budget without a written finding and recommendation by the Managing Director, which finding and recommendation shall state in detail the purpose of and necessity for such increased expenditures for the operation and maintenance of the Marine Facilities and no such increased expenditures shall be made until the Issuer shall have approved such finding and recommendation by resolution duly adopted. The Issuer shall make available copies of such annual budgets and all resolutions authorizing increased expenditures for operation and maintenance to any nationally recognized rating service which publishes a rating on the Bonds and, on request, to any Bondholder.

Section 6.10 Issuance of Additional Obligations.

The Issuer will not issue any other obligations, except under the conditions and in the manner provided herein, payable from the Pledged Funds, nor voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or other charge having priority to or being on a parity with the lien of the Bonds and the interest thereon, upon the Pledged Funds. Any other obligations issued by the Issuer, in addition to the Bonds or Additional Parity Bonds provided for in Section 8.1 hereof, payable from the Pledged Funds, shall contain an express statement that such obligations are junior and subordinate in all respects to the Bonds as to lien on, source and security for payment from the Pledged Funds.

Section 6.11 Consulting Engineers.

The Issuer will retain Consulting Engineers from time to time as necessary to comply with the requirements of this Resolution to inspect and to make reports of the Marine Facilities and the operation, maintenance and management thereof. The term "Consulting Engineers" shall include architects wherever the context of this Resolution so requires.

Section 6.12 No Competing Facilities.

To the extent permitted by law, the Issuer will not grant, cause, consent to or allow the granting of any franchise or permit to any person, firm, corporation, body, agency or instrumentality whatever, for the operation of any business or furnishing of any services similar in nature to those performed by the Issuer which in the opinion of the Consulting Engineers would materially adversely affect the amount of the Gross Revenues to be received by the Issuer from the operation of its Marine Facilities. The Issuer will not acquire or construct any project, to be financed or paid for from funds other than the proceeds of Additional Parity Bonds, if in the opinion of the Consulting Engineers the operation of such project will reduce the Net Revenues to be received by the Issuer from the operation of its Marine Facilities to an amount less than 1.25 times the Annual Debt Service Requirements on the Bonds outstanding in any of the five full Fiscal Years following completion of such project.

Section 6.13 No Free Services.

The Issuer will not render or cause to be rendered free services of any nature by the Marine Facilities. In the event the Issuer, or the City of Jacksonville or any other public body, agency, instrumentality or any department thereof, shall avail itself of and use the Marine Facilities or any part thereof, reasonable rates, rentals, fees or other charges shall be paid by such governmental agency. Such charges shall be paid as they accrue and the income so

received shall be deemed to be Gross Revenues. The Issuer shall require all lessees and licensees to observe and enforce the provisions of this subsection.

Section 6.14 Issuer To Comply with All Lease Terms and Provisions.

The Issuer shall perform all acts and comply fully with all of the terms and conditions required pursuant to the terms of all leases to which the Issuer is a party and from which the Issuer derives Gross Revenues.

Section 6.15 Tax Compliance.

A. In General. The Issuer at all times while the Bonds and the interest thereon are outstanding will comply with all applicable provisions of the Code and any valid and applicable rules and regulations promulgated thereunder in order to ensure that the interest on the Bonds will be excluded from gross income for federal income tax purposes.

B. Rebate Fund. (1) The Issuer shall establish a Rebate Fund which shall include a Rebate Principal Account and Rebate Interest Account. The Issuer shall cause an independent firm of certified public accountants or tax compliance firm to make and promptly provide to the Issuer the rebate calculations required by the Code, on which the Issuer may conclusively rely in taking action under this Section. The Issuer shall make deposits and disbursements from the accounts of the Rebate Fund in accordance with the Code and shall deposit income from such investments immediately upon receipt thereof in the Rebate Interest Account. This Subsection B may be superseded or amended by new calculations accompanied by an opinion of bond counsel addressed to the Issuer to the effect that the use of the new calculations are in compliance with this Resolution and will not cause the interest on the Bonds to become included in gross income for Federal income tax purposes.

(2) Interest and income earned on investments in the Rebate Fund shall be transferred to or retained in the Rebate Interest Account.

(3) The Issuer shall cause an independent firm of certified public accountants or tax compliance firm to annually make and promptly forward to the Issuer within fifteen (15) days after the end of the Bond Year the computation of the Rebate Deposit required by the Code, on which the Issuer may conclusively rely in taking action under this Subsection B. If a deposit to the Rebate Principal Account is required as a result of such computation, the Issuer at the time required, shall deposit into the Rebate Principal Account the amount of the Rebate Deposit from legally available funds. If a withdrawal from the Rebate Principal Account is permitted as a result of such computation, the Issuer shall transfer the amount of such permitted withdrawal to the Revenue Fund. Records of the determinations required by this Subsection B and the Code shall be retained by the Issuer until six (6) years after the Bonds are no longer outstanding.

(4) Not later than thirty (30) days after the end of the fifth Bond Year, as defined in the Code, and every five (5) years thereafter, the Issuer shall pay to the United States of America ninety percent (90%) of the amount required to be on deposit in the Rebate Principal Account as of such payment date, as shown by the computations of the certified public accountants or tax compliance firm, and one hundred percent (100%) of the amount on deposit in the Rebate Interest Account as of such payment date. Not later than sixty (60) days after the final retirement of each applicable series of Bonds, the Issuer shall pay to the United States of America one hundred percent (100%) of the balance remaining in the Rebate Principal Account and the Rebate Interest Account. Each payment required to be paid to the United States of America pursuant to this Subsection B shall be filed with the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255. Each payment shall be accompanied by a copy of the Form 8038-G originally filed with respect to each applicable series of Bonds and a statement summarizing the determination of the amount to be paid to the United States of America.

Section 6.16 Continuing Disclosure.

The Issuer agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate executed by the Issuer and dated the date of issuance of the 2000 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof (the "Continuing Disclosure Certificate").

Notwithstanding any other provision of this Resolution, failure of the Issuer to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Registered Owner or Beneficial Owner (as hereinafter defined) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Section 6.16. For purposes of this Section 6.16, "Beneficial Owner" means any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2000 Bonds (including persons holding 2000 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2000 Bonds for federal income tax purposes.

ARTICLE VII

DEFAULTS & REMEDIES

Section 7.1 Events of Defaults.

It shall be an event of default under this Resolution if:

A. The Issuer shall fail to deposit with the Paying Agent on the due date thereof sufficient funds to pay maturing principal and interest on the Bonds and any Swap Obligations or Reimbursement Obligations;

B. The Issuer shall fail to deposit into the Bond Amortization Account any Amortization Installment on the due date thereof;

C. The Issuer shall fail to call for redemption any Term Bonds subject to mandatory redemption, in accordance with the provisions of this Resolution;

D. The Issuer shall fail to deposit or pay within ten days after the due date thereof any other required deposit or payment under this Resolution; provided however that the failure to pay Swap Charges will only constitute a default under this Section 7.1D if the payment of such Charges was otherwise permitted under Section 4.4B(10);

E. The Issuer shall fail to comply with any other covenant made in this Resolution, which failure shall continue for more than thirty days;

F. There shall occur the filing by the Issuer of a voluntary petition in bankruptcy, or the commission by the Issuer of any act of bankruptcy, or the adjudication of the Issuer as a bankrupt, or the assignment by the Issuer for the benefit of its creditors, or the entry by the Issuer into an agreement of composition with its creditors, or the approval by a court of competent jurisdiction of a petition applicable to the Issuer in any proceeding for its reorganization, instituted under the provisions of the Federal Bankruptcy Act, as amended, or any similar act in any jurisdiction which may now be in effect or hereinafter amended; or

G. An order or decree shall be entered, with the consent or acquiescence of the Issuer, appointing a receiver or receivers of the Marine Facilities, or any part thereof or of the rents, fees, charges or other revenues therefrom, or if such order or decree, having been entered without the consent or acquiescence of the Issuer, shall not be vacated or discharged or stayed within 90 days after the entry thereof.

Section 7.2 Remedies.

Any Bondholder or trustee acting for the Bondholders, may, upon the occurrence of an event of default under this Resolution, either at law or in equity, by suit, action, mandamus or other proceedings in any court of competent jurisdiction, protect and enforce any and all rights, including the right to the appointment of a receiver, existing under the laws of the State of Florida, or granted and contained herein, and may enforce and compel the performance of all duties required herein or by any applicable statutes to be performed by the Issuer or by any officer thereof.

A. Notwithstanding any provision of this Resolution to the contrary, each Insurer shall at all times be deemed the exclusive owner of the Bonds it insures for all purposes except for the purpose of payment of the principal of and premium, if any, and interest on such Bonds prior to the payment by the Insurer of the principal of and interest on such Bonds. So long as a Municipal Bond Insurance Policy is in effect and the Insurer is not in default thereunder, the Insurer shall have the exclusive right to direct any action or remedy to be undertaken pursuant to the Resolution by the Bondholders or by any other party relating to the Bonds insured by such Municipal Bond Insurance Policy, and no acceleration shall be permitted, and no event of default shall be waived, without such Insurer's consent.

B. The Issuer shall give immediate notice to each Insurer of the occurrence of any event of default.

C. To the extent that an Insurer makes payment of the principal of or interest on a series of Bonds, it shall become the owner of such Bonds, or right to payment of principal of or interest on such Bonds and shall be fully subrogated to all of the Registered Owners' rights thereunder, including the Registered Owners' right to payment thereof. To evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Registrar upon receipt of proof from the Insurer as to payment of interest thereon to the Registered Owners of such Bonds and (ii) in the case of subrogation as to claims for past due principal, the Registrar shall note the Insurer's rights as subrogee on the registration books of the Issuer maintained by the Registrar upon surrender of such Bonds by the Registered Owners thereof to the Insurance Trustee.

D. In the event that the principal of and/or interest on a series of Bonds shall be paid by an Insurer pursuant to the terms of a Municipal Bond Insurance Policy, (i) such Bonds shall continue to be "outstanding" under the Resolution, (ii) the assignment and pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Registered Owners shall continue to exist, and the Insurer shall be fully subrogated to all of the rights of such Registered Owners in accordance with the terms and conditions of paragraph C. above and the Municipal Bond Insurance Policy for such Bonds, and (iii) the Issuer shall reimburse the Insurer (or the amounts paid by the Insurer under the policy and, to the extent permitted by law, shall pay interest to the Insurer on amounts so paid by the Insurer at the lower of the maximum rate permitted by law and the rate that Bankers Trust Company, New York, New York, announces from time to time at its principal office as its prime lending rate for domestic commercial loans, such rate to change on the effective date of each change in the announced rate. Amounts paid to the Insurer as bond owner and subrogee shall, to the extent of such payment, be credited against the amounts to be paid to the Insurer pursuant to clause (iii) of this paragraph D.

E. In the event that any Insurer shall make any payments of principal of, and/or interest on, any series of Bonds pursuant to the terms of a Municipal Bond Insurance Policy, and such Bonds are accelerated pursuant to the terms of this Resolution, the Insurer may, at any time and at its sole option, pay to the Registered Owners of such Bonds all or any portion of amounts due under the Bonds, as applicable, prior to the stated maturity dates thereof.

F. Each Insurer shall be notified (i) in advance of the execution of any supplemental resolution in the event Bondowner consent is not required and such supplemental resolution affects Bonds insured by such Insurer, and (ii) immediately upon the occurrence of any event of default or of any event that with notice and/or with the lapse of time could become an event of default.

Nothing herein, however, shall be construed to grant to any Bondholder any lien on the Marine Facilities or any real or personal property of the Issuer.

ARTICLE VIII

ADDITIONAL PARITY BONDS AND SPECIAL PURPOSE BONDS

Section 8.1 Additional Parity Bonds.

The Issuer reserves the right to issue Additional Parity Bonds payable from and secured by a pledge of the Pledged Funds. Any such Additional Parity Bonds may be issued for the purpose of financing the acquisition and

construction of extensions, additions and improvements to the Marine Facilities or for the purpose of refunding any obligations theretofore issued for such purposes.

A. The Issuer may issue Additional Parity Bonds for the construction and acquisition of additions, extensions and improvements to the Marine Facilities (“Improvements”) subject to the following conditions:

(1) There shall have been obtained and filed with the Secretary of the Issuer a certificate of an independent certified public accountant of suitable experience and responsibility:

(a) stating that the books and records of the Issuer relating to the collection, receipt and expenditure of Gross Revenues and Interlocal Agreement Revenues have been reviewed by him;

(b) setting forth the amount of Gross Revenues, Net Revenues and Interlocal Agreement Revenues received by the Issuer during each of the two most recent Fiscal Years for which an annual audit report is available preceding the date of delivery of such Additional Parity Bonds (the “Test Period”); and

(c) stating that such Gross Revenues, Net Revenues and Interlocal Agreement Revenues during the Test Period were in compliance with the rate covenant in Section 6.1 herein.

(2) There shall have been obtained and filed with the Secretary of the Issuer either (i) a certificate of the independent certified public accountant described in Section 8.1A(1) stating that the aggregate amount of Net Revenues plus Interlocal Agreement Revenues during each of the two most recent Fiscal Years for which an annual audit report is available have equaled at least 1.50 times the Maximum Annual Debt Service Requirement on all outstanding Bonds and on the proposed Additional Parity Bonds, or (ii) a report of the Consulting Engineer stating (A) from the date of issuance of the proposed Additional Parity Bonds until the end of the Fiscal Year in which the project to be financed by the proposed Additional Parity Bonds is estimated to be completed, the estimated aggregate amount of Net Revenues plus Interlocal Agreement Revenues and the estimated aggregate amount of Gross Revenues plus Interlocal Agreement Revenues will be sufficient to comply with the covenants in Section 6.1 hereof, and (B) that the estimated aggregate amount of Net Revenues plus Interlocal Agreement Revenues during each Fiscal Year through five full Fiscal Years after estimated completion of the project to be financed from the proceeds of such Additional Parity Bonds will at least equal 1.25 times the Maximum Annual Debt Service Requirement on the Bonds and on the proposed Additional Parity Bonds. In estimating Gross Revenues, Net Revenues and Interlocal Agreement Revenues for purposes of (ii) above, the Consulting Engineer may base its estimate on such factors, specified in the report, as it shall consider reasonable.

(3) Each resolution authorizing the issuance of Additional Parity Bonds will recite that all of the covenants contained in this Resolution will be applicable to such Additional Parity Bonds.

(4) The Issuer shall not be in default in performing any of the covenants and obligations assumed under this Resolution, and all payments required by this Resolution to have been made into the accounts and funds, as provided hereunder, shall have been made to the full extent required.

B. Additional Parity Bonds may be issued to refund the Bonds or any portion thereof if either (a) the Maximum Annual Debt Service Requirement in any Fiscal Year following such refunding shall not be increased during the life of any series of Bonds issued prior to such refunding and not refunded thereby, or (b) the Issuer shall comply with the conditions in paragraph (1)(a), (b) and (c) above.

Section 8.2 Special Purpose Bonds.

A. The construction or acquisition of Special Purpose Facilities is hereby authorized under and pursuant to the terms and conditions hereinafter set forth in this Section. For the purposes of this Section the term “Special Purpose Facilities” shall mean lands, buildings, facilities and structures, the cost of construction or acquisition of which are authorized by the Act and are financed with the proceeds of Special Purpose Bonds issued pursuant to this Section.

B. Before any Special Purpose Facilities shall be constructed or acquired by the Issuer, the Issuer, pursuant to this Section, shall adopt a resolution describing in reasonable detail sufficient for identification thereof, the Special Purpose Facilities to be constructed or acquired by the Issuer, authorizing the issuance of Special Purpose Bonds to finance the cost of construction or acquisition of such Special Purpose Facilities and prescribing the rights, duties, remedies and obligations of the Issuer and the owners, from time to time, of such Special Purpose Bonds.

C. The Special Purpose Bonds authorized by the resolution referred to above shall be revenue bonds payable solely from (1) rentals or other charges derived by the Issuer under and pursuant to a lease or leases relating to the Special Purpose Facilities entered into by and between the Issuer, as lessor, and such person, firm or corporation, either public or private, as shall lease, as lessee, the Special Purpose Facilities from the Issuer, or (2) the repayment of a loan made by the Issuer from the proceeds of the Special Purpose Bonds to the user of the Special Purpose Facilities for the purpose of financing the cost of acquisition and construction of the Special Purpose Facilities. Special Purpose Bonds may be issued by the Issuer notwithstanding the limitations, restrictions and conditions hereinbefore contained in this Resolution relating to the issuance of Additional Parity Bonds or other obligations; provided, however, that no Special Purpose Bonds shall be issued by the Issuer unless the Consulting Engineers shall have, prior thereto, filed with the Issuer a certificate, certifying that the estimated rentals or other charges to be derived by the Issuer under and pursuant to the lease or leases relating to the Special Purpose Facilities then being financed with such Special Purpose Bonds, or the proceeds to be received from repayment of the aforesaid loan, will be at least sufficient to pay the principal of and interest on such Special Purpose Bonds as the same mature and become due, all costs of operating and maintaining such Special Purpose Facilities not paid for by the lessee thereof and all sinking fund, reserve and other payments required by the resolution authorizing the Special Purpose Bonds as the same become due, and further certifying that the construction and operation of such Special Purpose Facilities will not decrease the Gross Revenues or Net Revenues below an amount sufficient to meet the requirements of the rate covenant in Section 6.1 of this Resolution; and provided, further that no such Special Purpose Bonds shall be issued by the Issuer until the Issuer has entered into a ground lease, as aforesaid, which ground lease shall be for a term at least as long as the period during which such Special Purpose Bonds are outstanding and unpaid and which ground lease shall provide for annual payments to the Issuer, in addition to all rentals and other charges for the use of the Special Purpose Facilities, of ground rent in an amount which is determined by the parties to such lease to be a fair and reasonable rental for the land on which the Special Purpose Facilities are constructed.

D. All ground rents received by the Issuer under and pursuant to the ground lease referred to above shall be deemed to be part of the Gross Revenues of the Issuer and shall be used and applied by the Issuer in the same manner as Gross Revenues are hereinbefore required to be used and applied.

E. All rentals and other charges received by the Issuer for the use of the services and facilities of Special Purpose Facilities under and pursuant to the leases referred to above, except ground rents hereinbefore referred to, and all repayments of any loan as hereinbefore referred to, shall be used by the Issuer to the full extent necessary for the payment of the principal of and interest on the Special Purpose Bonds issued to finance the cost of construction of the Special Purpose Facilities from which said rentals and other charges, or loan proceeds, are derived and for all other payments required by the resolution authorizing the issuance of such Special Purpose Bonds.

F. After such Special Purpose Bonds have been fully paid and retired, all rentals and other charges derived by the Issuer from any lease or leases relating to the Special Purpose Facilities constructed or acquired with the proceeds of such Special Purpose Bonds shall be deemed to be part of the Gross Revenues of the Issuer and shall be used and applied by the Issuer in the same manner as the Gross Revenues are hereinabove required to be used and applied and all costs of operating and maintaining such Special Purpose Facilities not paid for by the lessee thereof shall be deemed to be Operating Expenses of the Issuer, and the Special Purpose Facilities shall thereafter be deemed to be part of the Marine Facilities of the Issuer.

ARTICLE IX

MISCELLANEOUS

Section 9.1 Defeasance.

A. If, at any time, the Issuer shall have paid, or shall have made provision for payment on, the principal, interest, Amortization Installments and redemption premiums, if any, with respect to all or any part of the Bonds, then, and in that event, the pledge of and lien on the Pledged Funds, and all other covenants and pledges made in this Resolution in favor of the Bondholders of such Bonds shall no longer be in effect. For purposes of the preceding sentence, deposit of cash, United States Obligations or Prerefunded Obligations in irrevocable trust with a banking institution or trust company, for the sole benefit of the Bondholders, in respect to which such United States Obligations or Prerefunded Obligations, the principal and interest received will be sufficient to make timely payment of the principal, interest, Amortization Installments and redemption premiums, if any, on the outstanding Bonds, shall be considered "provision for payment." Nothing herein shall be deemed to require the Issuer to call any of the outstanding Bonds for redemption prior to maturity pursuant to any applicable optional redemption provisions, or to impair the discretion of the Issuer in determining whether to exercise any such option for early redemption.

B. Prior to any defeasance becoming effective under this Resolution, so long as a Municipal Bond Insurance Policy is in effect (i) the Insurer of the Bonds being defeased thereof shall have received an opinion of counsel, in satisfactory form, to the effect that (a) interest on any Bonds being defeased will not, by reason of such defeasance, become includable in gross income for purposes of federal income taxation and (b) any deposit of cash or securities and any deposit of investment earnings thereon to effect such defeasance shall not constitute a voidable preference in a case commenced under the Federal Bankruptcy Code by or against the Issuer, (ii) the amounts required to be deposited in the escrow fund pursuant to this Resolution and the escrow deposit agreement shall be invested only in Defeasance Obligations (as defined below) and (iii) the Insurer of the Bonds being defeased shall have received (a) the final official statement delivered in connection with the refunding bonds, if any, (b) a copy of the accountant's verification report, (c) a copy of the escrow deposit agreement in form and substance acceptable such Insurer, and (d) a copy of an opinion of bond counsel, dated the date of closing and addressed to such Insurer, to the effect that such Bonds have been paid within the meaning and with the effect expressed in the Resolution, and that the covenants, agreements and other obligations of such Issuer to the holders of such Bonds have been discharged and satisfied. The opinion required by (i)(b) above may be waived in the discretion of the Insurer at the time of such defeasance. The opinion required by (i)(a) above need only be delivered if the Bonds being paid bear interest at a variable rate.

C. In the event that the principal of and/or interest on any series of Bonds shall be paid by the Insurer pursuant to the terms of the Municipal Bond Insurance Policy relating to such Bonds, the assignment and pledge of the Pledged Funds and all covenants, agreements and other obligations of the Issuer to the Bondowners shall continue to exist, such Bonds shall be deemed to be "outstanding" and such Insurer shall be fully subrogated to the rights of such Bondowners.

D. For purposes of this Section, "Defeasance Obligations" shall mean the United States Obligations and Prerefunded Municipal Obligations defined in paragraphs (1) and (3) of the definition of Authorized Investments.

Section 9.2 Modification or Amendment.

A. No material modification or amendment of this Resolution or of any resolution amendatory hereof or supplemental hereto may be made without the consent in writing of the issuer of any bond insurance policy insuring payment of all or any of the Bonds, as to the Bonds insured, or, as to all Bonds not so insured, the consent in writing of the Registered Owners of more than one-half of the principal amount of the Bonds then outstanding; provided, however, that no modification or amendment shall permit a change in the maturity of such Bonds or a reduction in the rate of interest thereon or in the amount of the principal obligation thereof or affecting the promise of the Issuer to pay the principal of and interest on the Bonds as the same shall become due from the Pledged Funds or reduce the percentage of the Registered Owners of the Bonds required to consent to any material modification or amendment hereof, without the consent of the Registered Owners of all such Bonds.

B. The Issuer, in determining whether any amendments or supplements to the Resolution may be made without the consent of Bondholders, shall consider the effect on the rights of the Bondholders as if any Municipal Bond Insurance Policies were not in effect.

Section 9.3 Reporting Requirements.

A. The Issuer agrees that immediately, in the case of Additional Parity Bonds, and annually, in the case of other indebtedness, it will file or cause to be filed with each Insurer any official statement issued by, or on behalf of, the Issuer in connection with the incurrence by the Issuer of any such indebtedness.

B. The Issuer agrees promptly to provide or cause to be provided to an Insurer such financial, statistical and other factual information as such Insurer shall from time to time reasonably request regarding such Issuer.

C. The Issuer agrees to provide not more than 90 days after the end of each Fiscal Year, a certificate of its Chief Financial Officer to the effect that the Issuer is in compliance with the terms and conditions of the Resolution, or specifying the nature of any noncompliance and the remedial action taken or proposed to be taken to cure such noncompliance.

D. The Issuer agrees promptly to provide to each Insurer (i) audited (or, if no audited then unaudited) financial statements and quarterly financial statements, (ii) its annual report, (iii) all budgets, budget amendments, reports, certificates, opinions and financial information required by this Resolution available at the request of Bondowners and (iv) all reports and certificates prepared by the Consulting Engineer pursuant to this Resolution.

Section 9.4 Award of Swaption Agreement.

The Chief Financial Officer of the Issuer (the “Chief Financial Officer”) and the Director of Finance of the Issuer (the “Finance Director”) are hereby authorized to bid the 2003 Swaption Agreement pursuant to the terms of the 2003 Swaption Term Sheet. The Chief Financial Officer and the Finance Director are hereby authorized and directed to negotiate the final terms of the 2003 Swaption Agreement with the bidder submitting the most favorable bid consistent with the terms and conditions specified in the 2003 Swaption Term Sheet. A negotiated sale and award of the 2003 Swaption Agreement is hereby authorized and the Chief Financial Officer is hereby authorized to award the sale of the 2003 Swaption Agreement to the bidder selected by the Chief Financial Officer following the negotiations described above.

Section 9.5 Authorization of 2003 Swaption Agreement.

The 2003 Swaption Agreement in substantially the form on file with the Chief Financial Officer and containing such terms and conditions as shall be consistent with the 2003 Swaption Term Sheet, is hereby approved, with such omissions, insertions and variations as may be necessary or desirable and approved by the Chief Financial Officer prior to the execution and delivery thereof, such necessity or desirability and approval to be presumed by the execution thereof by the Chief Financial Officer. The Chief Financial Officer and the Finance Director are hereby authorized to execute and deliver on behalf of the Issuer the 2003 Swaption Agreement as provided herein.

Section 9.6 General Authorization.

The Chief Financial Officer, the Finance Director and other employees or agents of the Issuer are hereby authorized to execute and deliver such documents, certificates, instruments and contracts, and are hereby authorized and directed to do all acts and things required, as may be necessary for the full, punctual and complete performance of all the terms, covenants, provisions and agreements herein contained, or as otherwise may be necessary or desirable to effectuate the purpose and intent of this Resolution or the 2003 Swaption Agreement.

Section 9.7 Limited Obligation.

The Issuer hereby designates the 2003 Swaption Agreement as a “Hedge Agreement” for purposes of this Resolution. The Issuer’s payment obligations under the 2003 Swaption Agreement will constitute Swap Obligations

and Swap Charges under this Resolution, and will be limited obligations of the Issuer payable solely from the Pledged Funds to the extent and in the manner provided in this Resolution. The obligations of the Issuer pursuant to the 2003 Swaption Agreement shall not constitute a debt, liability or obligation of Duval County, the City of Jacksonville, or of the State of Florida or any political subdivision or agency thereof, or a pledge of the faith and credit or taxing power of the Issuer, Duval County, the City of Jacksonville, or the State of Florida or any political subdivision or agency thereof, but shall be payable solely from the Pledged Funds to the extent and in the manner provided in this Resolution.

Section 9.8 No Personal Liability.

No representation, statement, covenant, warranty, stipulation, obligation or agreement herein contained, or contained in the 2003 Swaption Agreement or any certificate or other instrument to be executed on behalf of the Issuer in connection with the execution and delivery of the 2003 Swaption Agreement, shall be deemed to be a representation, statement, covenant, warranty, stipulation, obligation or agreement of any member, officer, employee or agent of the Issuer in his or her individual capacity, and none of the foregoing persons nor any officer of the Issuer executing the 2003 Swaption Agreement or any document referred to herein or any certificate or other instrument to be executed in connection with the 2003 Swaption Agreement shall be liable personally thereon or be subject, to any personal liability or accountability by reason of the execution or delivery thereof.

Section 9.9 Severability of Invalid Provisions.

If any one or more of the covenants, agreements, or provisions herein contained shall be held contrary to any express provision of law or contrary to the policy of express law, though not expressly prohibited, or against public policy, or shall for any reason whatsoever be held invalid, then such covenants, agreements or provisions shall be null and void and shall be deemed separable from the remaining covenants, agreements or provisions and shall in no way affect the validity of any of the other provisions hereof or of the Bonds issued hereunder.

Section 9.10 Effective Date.

This Resolution shall become effective immediately upon its adoption.

Passed and adopted this ____ day of February, 2003.

JACKSONVILLE SEAPORT AUTHORITY

Chairman

(SEAL)

Attest:

Secretary

APPENDIX D
SUMMARY OF INTERLOCAL AGREEMENT
and
INTERLOCAL AGREEMENT REVENUES

Interlocal Agreement Revenues

“Interlocal Agreement Revenues” consist of certain moneys received by the Authority pursuant to the Second Amended and Restated Interlocal Agreement between the City and the Authority dated as of December 12, 2007 (the *“Interlocal Agreement”*). Interlocal Agreement Revenues consist of the excess of “Pledged Interlocal Revenues” after providing for payment of the accrued debt service on any outstanding ETR Bonds (as defined below), and shall be paid by the City to the Authority monthly. Pledged Interlocal Revenues are comprised of three separate sources of revenues, in the following order of priority: (1) a percentage of the increase in the communications services tax revenues received by the City over a base amount of public services taxes on local telephone services collected in Fiscal Year 1991-1992, which base is increased annually by an index (*“Authority Allocation No. 1”*); (2) a portion of the annual contribution made by the JEA to the City equal to one-quarter of one mill (\$0.00025) multiplied by the gross kilowatt hours delivered by the JEA during the twelve month period ending April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such calculation is made (*“Authority Allocation No. 2”*); and (3) an annual appropriation of \$800,000 to be remitted by the City to Authority pursuant to Section 5 of the Act (the *“Section 5 Contribution”* and with Authority Allocation No. 1 and Authority Allocation No. 2, such amounts collectively, the *“Pledged Interlocal Revenues”*). Each element of the Pledged Interlocal Revenues is described in more detail below.

Authority Allocation No. 1 means for each Fiscal Year an amount equal to fifty percent (50%) of the difference between the amount stated in Section 793.104(c)(ii) of the Ordinance Code of the City (which amount represents the former public service tax on telecommunications now included in the discretionary communications services tax) over the “base tax amount,” which allocation commenced as of the first day of the Fiscal Year beginning October 1, 1992. The “base tax amount” is defined in Section 793.104 of the Ordinance Code of the City as the stipulated amount that reasonably represents the public service taxes collected on local telephone services for Fiscal Year 1992, as increased by five percent (5%) for Fiscal Year 1993 and thereafter increased each Fiscal Year by the lesser of five percent (5%) or the annual percent increase in the amount of revenues produced by the discretionary communications services tax pursuant to Sections 793.101 and 793.102 of the Ordinance Code of the City over the previous Fiscal Year. Pursuant to Chapter 202, Florida Statutes, the City’s former tax on telephone services was replaced by a discretionary tax on telecommunications services which originate or terminate within the City. Pursuant to City Ordinance 2001-427-E, the City has elected to levy this tax and to add on certain additional permitted rates. The amount of the Communications Services Tax revenues received by the City is subject to increase or decrease due to the dollar volume of taxable sales of telecommunications services within the City, legislative changes and technological advances which could affect customer preferences and lead to usage of non-taxable services, such as voice over internet protocol, in lieu of taxable telecommunications services.

Authority Allocation No. 2 means for each Fiscal Year an amount calculated by multiplying one-quarter of one mill (\$0.00025) by the gross kilowatt hours delivered by the JEA during the twelve month period ending April 30 of the Fiscal Year immediately preceding the Fiscal Year for which such calculation is made, which allocation commenced as of the first day of the Fiscal Year beginning October

1, 1993. Authority Allocation No. 2 consists of a portion of the JEA assessment to the City made pursuant to Section 21.07(c) of the City Charter, and the City has agreed pursuant to Section 106.218 of the Ordinance Code of the City to appropriate an amount equal to Authority Allocation No. 2 to the Authority each Fiscal Year. Authority Allocation No. 2 shall be applied for the purpose of land acquisition and development of Marine Facilities, or for the issuance of the Authority's Bonds, notes and other obligations, and for the refunding thereof, and for funding reserves, and for payment of costs of issuance and all other financing or project expenditures as deemed necessary, desirable or incidental. The amount paid by the JEA to the City is in consideration for the use by JEA of the public rights-of-way in connection with its electric distribution system and its water and sewer distribution and collection system, and is payable from net cash available after JEA satisfies its other obligations, including operating expenses, debt services, and provision for required reserves. The amount of the JEA contribution paid to the City varies from year to year, and is dependent upon the amount of electricity delivered by the JEA and the JEA's net income.

Section 5 Contribution means the \$800,000 annual contribution to be remitted from the City to the Authority as described in Section 5 of the Act.

Payments of the Interlocal Agreement Revenues to the Authority by the City are dependent upon receipt by the City of sufficient revenues from local and state taxes and the JEA, among other sources, to make such payments, net of debt service on the ETR Bonds. The City has covenanted not to take any action to impair the right of the Authority to receive Pledged Interlocal Revenues under the Interlocal Agreement, but there can be no assurance that such revenues will be available to the City.

For further information relating to the City of Jacksonville, including downloadable copies of the City's Comprehensive Annual Financial Reports, please refer to the City's website, <https://www.cityofjaxinvestors.com/>. For further information relating to the JEA, including downloadable copies of the JEA's annual reports, please refer to the JEA's website at https://www.jea.com/about/investor_relations/financial_reports. Neither of these websites nor any of the materials referenced herein or therein are incorporated into this Official Statement, by reference or otherwise, and the Authority makes no representation or warranty of any sort regarding such materials or financial data, and the Authority assumes no obligation to provide any annual updates of such materials or data.

Summary of Interlocal Agreement

The Second Amended and Restated Interlocal Agreement (the "***Interlocal Agreement***"), is dated and effective as of December 12, 2007 and has been entered into by and between the City and the Authority. The Interlocal Agreement amends and restates in its entirety the Amended and Restated Interlocal Agreement dated as of July 1, 1996 (the "***Amended and Restated Interlocal Agreement***"), between the City and the Authority, which amended and restated in its entirety the Interlocal Agreement dated as of February 23, 1993 (the "***Original Interlocal Agreement***"), between the City and the Authority.

Pursuant to the Original Interlocal Agreement, initially, and then pursuant to the Amended and Restated Interlocal Agreement, the City agreed to assist the Authority in financing the costs of developing certain marine facilities by the issuance by the City of its ETR Bonds (as defined below) pursuant to the City Bond Ordinance (as defined below), and the Authority pledged the Pledged Interlocal Revenues (as defined below) to the City to be applied by the City to the payment of debt service on ETR Bonds.

Pursuant to the Original Interlocal Agreement, initially, and then pursuant to the Amended and Restated Interlocal Agreement, the City issued its ETR Bonds for such purpose in several

series. As of the date hereof, only the Series 2012E Special Revenue Bonds (as defined in the Official Statement), which refunded prior ETR Bonds, are outstanding.

In lieu of issuing additional ETR Bonds, the City and the Authority amended and restated the Amended and Restated Interlocal Agreement to provide that (i) no additional series of ETR Bonds (other than ETR Refunding Bonds) will be issued by the City, and (ii) the Pledged Interlocal Revenues shall be allocated and applied on a monthly basis by the City, first, to the City to provide for the payment of accrued debt service on any outstanding ETR Bonds, and, second, to the payment to the Authority, thereby allowing such excess Pledged Interlocal Revenues to support the timely payment of periodic debt service payments on indebtedness to be incurred directly by the Authority to pay the costs of development of marine facilities in the City.

DEFINITIONS.

As used in this Appendix C, the following words have the following meanings unless the context clearly requires otherwise:

City Act means Chapter 92-341, Laws of Florida (which repealed and readopted the Charter of the City of Jacksonville, formerly Chapter 67-1320, Laws of Florida, as amended and supplemented), as amended and supplemented from time to time.

City Bond Ordinance means Ordinance 77-469-204 enacted by the City on June 28, 1977, as amended and supplemented from time to time, or such other bond ordinance of the City pursuant to which ETR Bonds are issued.

Costs mean those “costs” as defined in Sections 2(7) and (8) of the Act.

ETR Bonds means one or more series of City revenue bonds issued to finance or refinance the Costs of Marine Facilities and for the payment of which the City pledged its Excise Taxes, including ETR Refunding Bonds. As of the date hereof, only the Series 2012E Special Revenue Bonds are currently outstanding.

ETR Refunding Bonds means one or more series of ETR Bonds issued for the purpose of refunding any ETR Bonds then outstanding, provided that the issuance of such ETR Refunding Bonds shall not result in an increase in the aggregate amount of principal of and interest on the outstanding ETR Bonds becoming due in the current Fiscal Year and in each subsequent Fiscal Year.

Excise Taxes means, collectively, the Utilities Services Taxes and the Occupational License Taxes as defined in the City Bond Ordinance.

Interlocal Agreement Revenues means the excess Pledged Interlocal Revenues, after providing for the payment of accrued debt service on any outstanding ETR Bonds, paid by the City to the Authority monthly as provided in the Interlocal Agreement.

Marine Facilities mean harbor, port, and marine shipping facilities of all kinds now or hereafter owned by the Authority and operated either by the Authority or by others under contract with or lease from the Authority.

Pledged Interlocal Revenues means, in the following order of priority as a source of payment by the Authority to the City, (1) the Authority Allocation No. 1 (together with earnings on investments on

the sinking fund(s) established for the ETR Bonds), (2) the Authority Allocation No. 2, (together with earnings on investments on the Sinking Fund(s) established for the ETR Bonds) and (3) the Section 5 Contributions.

PROJECT; ETR BONDS; APPLICATION OF PLEDGED REVENUES.

The Authority has undertaken certain projects at its Marine Facilities, and the City has issued ETR Bonds to assist in defraying the Costs of the Marine Facilities. The City and the Authority have covenanted and agreed that no additional series of ETR Bonds, the debt service on which is payable from the Pledged Interlocal Revenues, except for ETR Refunding Bonds, will be issued.

Pursuant to Section 793.104 of the Ordinance Code of the City, Section 106.218, Ordinance Code of the City and Section 5 of the Act, the City has provided for the payment to the Authority of the Authority Allocation No. 1, the Authority Allocation No. 2 and the Section 5 Contributions, respectively. The Pledged Interlocal Revenues shall be allocated and applied by the City on a monthly basis, no later than the last business day of each month following the month in which the City receives the Pledged Interlocal Revenues, commencing with initial application of the Pledged Interlocal Revenues on January 31, 2012, first, to the City to provide for the payment of debt service which shall have accrued or shall accrue during such month on any outstanding ETR Bonds, and, second, to the payment to the Authority, thereby allowing such excess Pledged Interlocal Revenues (i.e., the Interlocal Agreement Revenues) to support the timely payment of periodic debt service payments on Bonds.

To the extent that any of the Pledged Interlocal Revenues consist of annual amounts, one-twelfth of such annual amount shall be allocated and applied by the City monthly, not later than the last business day of each month, commencing with initial application of the Pledged Interlocal Revenues on January 31, 2012; and to the extent that any of the Pledged Interlocal Revenues consist of amounts received periodically on other than a monthly or an annual basis, the pro rata temporis monthly share of such periodic amount shall be allocated and applied by the City monthly, not later than the last business day of each month, commencing with initial application of the Pledged Interlocal Revenues on January 31, 2012. To the extent that the debt service on any outstanding ETR Bonds is payable periodically on other than a monthly basis, such Pledged Interlocal Revenues shall be applied each month in an amount equal to the pro rata temporis share of the amount which shall be sufficient to pay in full such periodic debt service when the same becomes due; provided if there is any shortfall in the amounts held by or on behalf of the City necessary to pay debt service on any outstanding ETR Bonds at any time, such greater amount of Pledged Interlocal Revenues as may be necessary to cover such shortfall shall be applied from Pledged Interlocal Revenues before any payment of Interlocal Agreement Revenues is made to the Authority.

PAYMENT OF ETR BONDS AS BETWEEN THE CITY AND THE AUTHORITY.

As long as any ETR Bonds are outstanding, the Pledged Interlocal Revenues shall be allocated and applied by the City monthly, no later than the 15th day of each month, to provide for the payment of accrued debt service on the ETR Bonds, prior to paying the Interlocal Agreement Revenues to the Authority.

It is the sole obligation of the City to pay the ETR Bonds in accordance with the terms of the City Bond Ordinance and the Authority has no obligation to any third party or parties to pay the ETR Bonds; provided, however, as between the City and the Authority, the Authority shall be responsible for and liable solely to the City for payment only from the Pledged Interlocal Revenues of an amount which would be sufficient to pay all payments arising from or in connection with the ETR Bonds, including but

not limited to principal and interest and redemption premium, if any; all costs of issuance; bond insurance costs; and such additional or continuing or necessary or incidental payments, charges, costs, expenses or reimbursements (including but not limited to fees of trustee, registrar, paying agent, costs of redemption notices, costs of and payments for arbitrage rebate compliance, opinions or certificates of bond counsel, independent certified public account or consulting engineer, or other such similar or dissimilar bond matters).

ALLOCATION OF DEBT.

The ETR Bonds are reflected on the Authority's financial statements as Authority debt to properly match up outstanding debt and the related assets for which such debt was incurred.

LIMITED OBLIGATIONS OF AUTHORITY.

The obligations of the Authority to make payments to the City under the Interlocal Agreement shall not be or constitute general obligations or indebtedness of the Authority as "bonds" within the meaning of any constitutional or statutory provision, but shall be special limited obligations of the Authority, payable solely from and secured by a lien upon and pledge of the Pledged Interlocal Revenues in accordance with the terms of the Interlocal Agreement.

The Authority has irrevocably pledged the Pledged Interlocal Revenues to the payment of all payments required to be paid by the Authority to the City pursuant to the Interlocal Agreement and all such payments shall be secured forthwith equally and ratably by a pledge of and lien upon the Pledged Interlocal Revenues which lien shall be prior and superior to all other liens or encumbrances on the Pledged Interlocal Revenues.

PAYMENT OF INTERLOCAL AGREEMENT REVENUES TO AUTHORITY; PAYMENT OF BONDS.

The Authority shall use the Interlocal Agreement Revenues (i) to pay for improvements to the Marine Facilities not paid with the proceeds of ETR Bonds, (ii) to pay debt service on any outstanding Authority Bonds and make payments with respect to related hedging transactions, fund debt service reserves, pay costs of issuance, and to pay costs of credit enhancement and all other financing expenditures relating to the Authority's Bonds as may be deemed necessary, desirable or incidental, to finance or refinance the costs of improvements to the Marine Facilities, or (iii) for any other lawful purpose.

TRUE-UP PROVISIONS.

The total amount paid to the Authority for each Fiscal Year in accordance with the Interlocal Agreement cannot be calculated precisely until after the City has received all 12 payments for the Fiscal Year related to Authority Allocation No. 1. Therefore, the monthly payments to be made pursuant to the Interlocal Agreement are estimates. Within ninety (90) days following the end of each City Fiscal Year, the City shall calculate the amount of any excess or any deficiency in the amount of Pledged Interlocal Revenues that have been applied. If the City determines that the amount owed from the City to the Authority for a Fiscal Year exceeded the estimated payments made during that Fiscal Year, the City shall allocate and apply the amount of the difference on or before December 31 following the end of the Fiscal Year for which such additional amount is owed. If the City determines that the estimated payments made in a Fiscal Year exceeded the amount actually owed in that Fiscal Year, the City shall deduct the amount

of the difference from subsequent payments to the Authority, beginning with the next payment due in December following the end of the Fiscal Year in which such excess payments were made.

NON-INTERFERENCE AND NON-IMPAIRMENT OF INTERLOCAL AGREEMENT.

Notwithstanding anything contained in the Interlocal Agreement to the contrary, the City and Authority have agreed that:

(1) The City and the Authority, shall not, directly or indirectly, initiate or take any action which may have the effect, directly or indirectly, of impairing the right of the Authority to receive Pledged Interlocal Revenues under the Interlocal Agreement;

(2) The City and the Authority shall exercise each and every right and remedy available under the Interlocal Agreement and at law to collect all Pledged Interlocal Revenues due to the Authority thereunder; and

(3) The City and the Authority will not take any action and will use its best reasonable efforts not to permit any action to be taken by others that (a) would release any person from any of such person's covenants or obligations under the Interlocal Agreement or (b) would result in the, termination or discharge of, or impair the validity or effectiveness of the Interlocal Agreement or waive timely performance or observance under such document.

APPENDIX E

FORM OF BOND COUNSEL OPINION

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FORM OF BOND COUNSEL OPINION

[Closing Date]

Jacksonville Port Authority
Jacksonville, Florida

Re: \$_____ Jacksonville Port Authority Revenue Bonds, Series
 2018B (Non-AMT)

Ladies and Gentlemen:

We have examined certified copies of the proceedings of the Jacksonville Port Authority (the “Issuer”) and other proofs submitted relative to the authorization, issuance and sale of and the security for the Issuer’s Revenue Bonds, Series 2018B (Non-AMT) (the “Series 2018B Bonds”), dated their date of delivery.

The Series 2018B Bonds are issued pursuant to the Constitution and laws of the State of Florida, including particularly Chapter 2004-465, Laws of Florida, as amended (the “Act”), and a resolution adopted by the Board of the Issuer on February 24, 2003 (which resolution amended and restated in its entirety a resolution adopted by the Jacksonville Port Authority on September 1, 1988, as amended and supplemented, and assumed by the Jacksonville Seaport Authority (now known as the Issuer) on October 1, 2001, pursuant to Chapter 2001-319, Laws of Florida), as amended and supplemented, and a resolution adopted by the Board of the Issuer on June 4, 2018 (the “Bond Resolution”). All terms used herein in capitalized form and not otherwise defined herein shall have the respective meanings assigned to such terms in the Bond Resolution.

The proceeds of the Series 2018B Bonds will be used to (i) pay a part of the costs of the Series 2018B Project; (ii) repay the Issuer’s outstanding Line of Credit Revenue Note, No. 11 (Non-AMT), for amounts drawn thereunder to pay costs of the Series 2018B Project; (iii) fund the composite subaccount in the Reserve Account to the extent required by the Bond Resolution; and (iv) pay the costs of issuing the Series 2018B Bonds.

The Series 2018B Bonds, and the interest and premium, if any, thereon are payable solely from and secured by a lien upon and a pledge of (1) the Net Revenues of the Marine Facilities of the Issuer, (2) Interlocal Agreement Revenues, (3) Swap Receipts, (4) until applied as provided in the Bond Resolution, moneys held in the funds and accounts created by the Bond Resolution and the income from the investment thereof, and (5) the proceeds of insurance and condemnation awards on the Marine Facilities, except (A) the moneys held in each subaccount on the Reserve Account shall be pledged solely to the payment of the Bonds secured by such subaccount and (B) the moneys in the Rebate Fund (collectively, the “Pledged Funds”).

Concurrently with the issuance of the Series 2018B Bonds, the Issuer is issuing its Revenue Bonds, Series 2018A (the “Series 2018A Bonds.”) The Series 2018B Bonds are payable on a parity with the Series 2018A Bonds and the Issuer’s outstanding Revenue Note, Series 2009, dated November 2, 2009, the Issuer’s outstanding Taxable Revenue Note, Series 2009, dated December 15, 2009, the Issuer’s outstanding Revenue Note, Series 2010, dated October 1, 2010, the Issuer’s outstanding Revenue and Refunding Bonds, Series 2012, dated September 26, 2012, and any Additional Parity Bonds which may be issued in the future, and all Swap Obligations and Reimbursement Obligations incurred by the Issuer.

The Series 2018B Bonds and the interest thereon do not constitute a general indebtedness of the Issuer, the City of Jacksonville, Florida (the “City”), Duval County, Florida (the “County”), or the State of Florida (the “State”), or of any political subdivision thereof, or a pledge of the faith and credit of the Issuer, the City, the County, or the State, or of any political subdivision thereof, but are payable solely from the Pledged Funds in the manner provided in the Bond Resolution. Neither the taxing power of the Issuer, the City, the County, or the State, nor of any political subdivision thereof, is pledged to the payment of the principal of, premium, if any, or interest on the Series 2018B Bonds.

In rendering the opinions set forth below, we have examined a certified copy of the Bond Resolution and we have relied upon the representations and covenants of the Issuer contained in the Bond Resolution. We also have examined certified copies of the proceedings of the Issuer and other proofs submitted to us relative to the issuance and sale by the Issuer of the Series 2018B Bonds. In addition to the foregoing, we have examined and relied upon such other agreements, documents and opinions, including certificates and representations of public officials, and officers and representatives of various other parties participating in this transaction, as we have deemed relevant and necessary in connection with the opinions set forth below. We have not undertaken an independent audit, examination, investigation or inspection of the matters described or contained in such agreements, documents, certificates, representations and opinions, and have relied solely on the facts, estimates and circumstances described and set forth therein.

The description of the Series 2018B Bonds in this opinion and other statements concerning the terms and conditions of the issuance of the Series 2018B Bonds do not purport to set forth all of the terms and conditions of the Series 2018B Bonds nor of any other document relating to the issuance of the Series 2018B Bonds, but are intended only to identify the Series 2018B Bonds and to describe briefly certain features thereof. This opinion shall not be deemed or treated as an offering memorandum, prospectus or official statement, and is not intended in any way to be a disclosure document used in connection with the sale or delivery of the Series 2018B Bonds.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Issuer is a validly existing public body corporate and politic of the State of Florida with the power to adopt the Bond Resolution, perform the agreements on its part contained therein and issue the Series 2018B Bonds.
2. The Bond Resolution has been duly adopted by the Issuer and constitutes a valid and binding obligation of the Issuer enforceable upon the Issuer in accordance with its terms.

3. The Series 2018B Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special obligations of the Issuer enforceable in accordance with their terms.

4. Interest on the Series 2018B Bonds (i) is excluded from gross income of the owners thereof for federal income tax purposes as of the date hereof, and (ii) is not an item of tax preference for purposes of the federal alternative minimum tax imposed on all taxpayers; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. We observe that federal tax legislation enacted in December 2017 repeals the federal corporate alternative minimum tax for tax years beginning after 2017.

The opinion set forth in paragraph 4 above is subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986, as amended (the “Code”), that must be satisfied subsequent to the issuance of the Series 2018B Bonds in order that interest thereon be (or continue to be) excluded from gross income for federal income tax purposes. Failure to comply with certain of such requirements could cause the interest on the Series 2018B Bonds to be so included in gross income retroactive to the date of issuance of such Bonds. The Issuer has covenanted to comply with all such requirements.

We express no opinion regarding other federal tax consequences arising with respect to the Series 2018B Bonds.

5. The Series 2018B Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Bond Resolution is exempt from qualification as an indenture under the Trust Indenture Act of 1939, as amended.

Our opinions expressed herein are predicated upon present laws and interpretations thereof. We assume no affirmative obligation with respect to any change of circumstances or law that may adversely affect after the date hereof the exclusion from gross income for federal income tax purposes of interest on the Series 2018B Bonds. Certain agreements, requirements and procedures contained or referred to in the Bond Resolution, the Tax Agreement or other relevant documents may be changed and certain actions (including, without limitation, defeasance of the Series 2018B Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to the effect on the exclusion from gross income of interest on the Series 2018B Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The rights of the owners of the Series 2018B Bonds and the enforceability of the Series 2018B Bonds and the Bond Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

Respectfully,

FOLEY & LARDNER LLP

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

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APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “**Disclosure Certificate**”) is executed and delivered by the Jacksonville Port Authority (the “**Issuer**”), in connection with the issuance of \$ _____ in aggregate principal amount of its Revenue Bonds, Series 2018B (Non-AMT) (the “**Series 2018B Bonds**”). The Series 2018B Bonds were issued pursuant to a resolution adopted by the Issuer on February 24, 2003, as amended and supplemented, particularly as supplemented by a resolution adopted by the Issuer on June 4, 2018 (collectively, the “**Resolution**”). The Issuer agrees as follows:

Section 1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer in order to assist the Participating Underwriter (as hereinafter defined) in complying with the Rule (as herein after defined).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the Issuer pursuant to, and as described in Section 3 and Section 4 of this Disclosure Certificate.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Series 2018B Bonds (including persons holding Series 2018B Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Series 2018B Bonds for federal income tax purposes.

“Dissemination Agent” shall mean the Issuer, or any successor Dissemination Agent designated in writing by the Issuer and which has filed with the Issuer a written acceptance of such designation.

“Holder” means the Person in whose name a Series 2018B Bond is registered on the Bond Register.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934, or any successor thereto or to the functions of the MSRB contemplated by this Disclosure Certificate. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (“EMMA”) website of the MSRB, currently located at <http://emma.msrb.org>.

“Participating Underwriters” shall mean the original underwriters of the Series 2018B Bonds required to comply with the Rule in connection with offering of the Series 2018B Bonds.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“SEC” shall mean the United States Securities and Exchange Commission.

“State” shall mean the State of Florida.

Section 3. Provision of Annual Reports.

(a) The Issuer shall, or shall cause the Dissemination Agent to, not later than the date which shall be 180 days after the end of the Issuer’s Fiscal Year (presently September 30), commencing with the report for the Fiscal Year ending September 30, 2018, provide to the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the Issuer may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to the date set forth in Section 3(a) above, the Issuer shall provide the Annual Report to the Dissemination Agent (if other than the Issuer). If the Issuer is unable to provide to the MSRB an Annual Report (other than the audited financial statements described in Section 3(a) by the date required in Section 3(a), the Issuer shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) If the Dissemination Agent is other than the Issuer, the Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or include by reference the following:

(a) The audited financial statements of the Issuer for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Issuer’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the Official Statement relating to the Series 2018B Bonds, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) An update of the following portions of the Official Statement relating to the Series 2018B Bonds:

- (i) The operating data of the Issuer contained in the text and tables under the headings “THE MARINE FACILITIES – Leasing of Port Facilities,” “– Trading Partners and Trade Lanes,” and “– Annual Tonnage”; and
- (ii) The financial information of the Issuer contained under the headings “FINANCIAL INFORMATION – Historical Pledged Revenue and Debt Service Coverage” and “– Management’s Discussion of Historical Operating Results” and related footnotes.

The information provided under Section 4(b) may be included by specific reference to other documents, including official statements of debt issues of the Issuer or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Issuer shall clearly identify each such other document so included by reference.

Section 5. Reporting of Listed Events.

(a) The Issuer shall give notice, or shall cause the Dissemination Agent to give notice, in accordance with subsection 5(b) below, of the occurrence of any of the following events with respect to any Series 2018B Bonds:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults, if material.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Series 2018B Bonds, or other material events affecting the tax status of the Series 2018B Bonds.
- (vii) Modifications to rights of any Holders or Beneficial Owners of the Series 2018B Bonds, if material.
- (viii) Optional, contingent or unscheduled calls of Series 2018B Bonds, if material, and tender offers.
- (ix) Defeasance of any Series 2018B Bonds or any portion thereof.
- (x) Release, substitution or sale of property securing repayment of any Series 2018B Bonds, if material.

- (xi) Rating changes.
- (xii) Bankruptcy, insolvency, receivership or similar event of the Issuer.*
- (xiii) The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (xiv) Appointment of a successor or additional trustee or the change of name of the Trustee, if material.

(b) Upon the occurrence of a Listed Event, the Issuer shall, in a timely manner not in excess of ten (10) business days after the occurrence of the event, file, or cause the Dissemination Agent to file, a notice of such occurrence with the MSRB.

(c) Anything in this Section 5 to the contrary notwithstanding, the Issuer shall have no obligation to give notice of or otherwise report any Listed Event with respect to any series of Bonds as to which another obligated person (as such term is defined in the Rule) has entered into an undertaking to provide such notice in accordance with the Rule.

Section 6. Transmission of Information and Notices. Unless otherwise required by law, all notices, documents and information provided to the MSRB shall be provided in electronic format as prescribed by the MSRB and shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Series 2018B Bonds. If such termination occurs prior to the final maturity of the Series 2018B Bonds, the Issuer shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

Section 8. Dissemination Agent. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer pursuant to this Disclosure Certificate.

* As noted in the Rule, this event is considered to occur when any of the following occur: (i) the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or (ii) the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that each of the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Section 3(a), Section 4 or Section 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of the Issuer, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Series 2018B Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Holders of the Series 2018B Bonds in the same manner as provided in the Resolution for amendments to the Resolution with the consent of Holders; or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the Series 2018B Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Certificate, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a) and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Holder or Beneficial Owner of the Series 2018B Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer to comply with its obligations under

this Disclosure Certificate; provided, however, the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the Issuer agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including reasonable attorneys' fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of the Issuer under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Series 2018B Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Series 2018B Bonds, and shall create no rights in any other person or entity.

Dated as of _____, 2018.

JACKSONVILLE PORT AUTHORITY

By: _____
Chief Executive Officer

Attest:

Chief Financial Officer

APPENDIX G

BOOK-ENTRY ONLY SYSTEM

The Depository Trust Company (“**DTC**”), New York, NY, will act as securities depository for the Series 2018B Bonds. The Series 2018B Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered Series 2018B Bond certificate for each series will be issued for each maturity, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“**Direct Participants**”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“**DTCC**”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“**Indirect Participants**”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Series 2018B Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2018B Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2018B Bond (“**Beneficial Owner**”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018B Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Series 2018B Bonds, except in the event that use of the book-entry system for the Series 2018B Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018B Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018B Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018B Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Series 2018B Bonds are

credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2018B Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Series 2018B Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Series 2018B Bonds may wish to ascertain that the nominee holding the Series 2018B Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2018B Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to Series 2018B Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018B Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal payments, and payments of interest on the Series 2018B Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name" and will be the responsibility of such Participant and not of DTC nor its nominee, Paying Agent, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Series 2018B Bonds at any time by giving reasonable notice to the Authority or the Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Series 2018B Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities repository). In that event, Series 2018B Bonds will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority believes to be reliable, but the Authority takes no responsibility for the accuracy thereof.

Authority Disclaimer

NEITHER THE AUTHORITY NOR THE PAYING AGENT NOR THE REGISTRAR SHALL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC, THE PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE SERIES 2018B BONDS. THE AUTHORITY CANNOT AND DOES NOT GIVE ANY ASSURANCES THAT DTC, PARTICIPANTS OR OTHERS WILL DISTRIBUTE PAYMENTS OF PRINCIPAL OF, PREMIUM, IF ANY, OR INTEREST ON THE SERIES 2018B BONDS PAID TO DTC OR ITS NOMINEE, AS THE REGISTERED OWNER, OR ANY NOTICES TO THE BENEFICIAL OWNERS OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC WILL ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT OR FOR THE SELECTION BY DTC OR ANY PARTICIPANT OR ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018B BONDS; OR ANY OTHER ACTION TAKEN BY DTC AS BONDHOLDER.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE SERIES 2018B BONDS, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE SERIES 2018B BONDS (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE SERIES 2018B BONDS.

For every transfer of ownership interests in the Series 2018B Bonds, the Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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