

SPECIAL BOARD OF DIRECTORS MEETING
Jacksonville Port Authority
2831 Talleyrand Avenue
February 26, 2016

A special meeting of the Jacksonville Port Authority Board of Directors was held on Friday, February 26, 2016 in Conference Room II, 2831 Talleyrand Avenue, Jacksonville, Florida. Chairman Newman called the meeting to order at 9:05AM and welcomed all attendees. Board Member John Falconetti led the group in the Pledge of Allegiance and a moment of silence.

Board Members Attending:

Dr. John Allen Newman, Chairman
Mr. Jim Citrano, Vice Chairman
Mr. Ed Fleming, Treasurer
Mr. John Falconetti, Member

Absent: Mr. Joe York, Secretary
Mr. John D. Rood, Member
Mr. John Baker, Member

Other Attendees:

Mr. Brian Taylor, Chief Executive Officer
Mr. Roy Schleicher, Executive VP/Chief Commercial Officer
Mr. Chris Kauffmann, Chief Operating Officer
Mr. Mike Poole, Chief Financial Officer
Mr. David Kaufman, Sr. Director, Planning & Commercial Development
Mr. Eric Green, Sr. Director, Gov't. & Community Relations
Ms. Nancy Rubin, Sr. Director, Communications
Ms. Becky Dicks, Board Secretary

Public Comments

Chairman Newman called for public comments. There were none.

Master Plan Review & Update

Dr. Newman began the meeting by stating that after the January 8th Board Workshop, the Board agreed that they would weigh in on some of the upcoming and critical pieces of moving forward on the master plan that would involve tenant relocation and the harbor deepening project. Dr. Newman stated that since there were meetings scheduled next week with TraPac, he felt it was important that the Board have an opportunity to weigh in on how the port moves forward and for the Board to give its opinion on what needs to be done. Dr. Newman then asked Mr. Taylor, or his designee, to give the Board a brief synopsis on these issues and then open it up to the Board members for discussion.

Mr. Taylor stated that it had come to his attention that the Board may think that he and the staff have reached some sort of agreement with TraPac. He stated that he wanted to be absolutely clear that this has not taken place and that we are still significantly far apart on several issues and also that some of the issues may be irreconcilable. He does not know that yet because we have not had further discussions with TraPac and that this is the intent of the meetings that will take place next week.

Mr. Taylor went on to say that the port has exchanged a draft lease agreement with TraPac and the term of that agreement is potentially 20 years; it does not include any preferential use of the berths or cranes. It is for acreage of 74.45 acres of property which is all that the port has available, and it would not be occupied by other tenants. There would be a rate of \$64.50 per container which is both on containers and empties. Mr. Taylor stated that what we are trying to do is put in a whole new standard for our international business, and this would be the first of those agreements that would set this new standard.

JAXPORT has indicated that it would have 3 cranes available for them, but not under a preferential use term, that we would have a minimum annual guarantee for them, which today they do not have, that they would be subject to security fees, which today they are not subject to security fees because they provide their own security over at Dames Point, and they would also be subject to our new harbor fees.

Mr. Taylor stated that this draft agreement was sent to TraPac back in December. Their response back to us was that they are not happy with these terms this since it significantly raises their rates and is more than double what other operators are provided by the Port Authority because they all have the same access to all of our other agreements. They came back to us with a list of items that they have said are critically important to them for this process to move forward which are:

The facility at Blount Island would include preferential use of Berths 32-35 and that the 3 new cranes that we are bringing in at the associated backlands at approximately 103 acres east of the Tote facility would be made available to them. Obviously some of that land is currently occupied by other tenants and we have had discussions with them about relocating them at this point and that is why we originally indicated to TraPac that the only acreage we are able to offer at this point is 75.45. They have asked us to work towards relocating other tenants and we will work on that at the appropriate time. An appraisal would need to be performed on the Dames Point facility and reconciliation of value for that property that we would have to compensate them for in the event of a swap. They have asked us to assume the debt on the facility that they would vacate, and finally the parties would mutually agree not to raise fees to exceed terminal charges with competing South Atlantic ports.

Mr. Taylor stated that these are the items they have come back to us with providing an initial draft term sheet that we gave them. We have not yet responded to any of these items. That is basically where we stand right now and we would like to receive some input from the Board on their "must haves."

Mr. Citrano asked the Chairman if we reach an impasse on this agreement, what our alternatives are.

Chairman Newman stated if that is the case, then we look at other options. The deepening project is the most critical. When it comes down to how we move forward, at the end of the day we must do what's best for JAXPORT with or without TraPac. If we can't move forward, we have to find an alternative.

Mr. Taylor stated that the harbor deepening is a critical component of our strategy moving forward, not just for today but for the next 20 years, and as we have said it is one of our key objectives here – we have to do everything possible to deliver a 47 foot shipping channel for JAXPORT. TraPac has always been, and still is, a critical component in our ability to deliver a 47 foot shipping channel. They are not exclusively the only game in town, but clearly they helped us get to where we are and we want to do everything we can to assure they remain here, but it is clearly possible that we may not reach a set of terms that is acceptable to them or acceptable to us. We do have other companies that are interested in securing our facilities at Blount Island that are in the international shipping sector. Mr. Taylor stated our desire was to try and take our discussions with TraPac – because they were here first – to the farthest degree we could to see if we could reach an agreement.

Mr. Citrano asked what TraPac's options are if there is a failure to come together.

Mr. Taylor stated it depends ultimately on what we decide to do in terms of the harbor deepening. Do we take it all the way to mile marker 13? Is TraPac still going to have 47 ft. of water at their facility? Then they have a decision to make - are they comfortable being on other side of bridge and are they comfortable with the other expenses they have to cover at that facility or are they not? Frankly, I don't know the answer to that.

Mr. Taylor stated that when we signed the agreement with TraPac, we told them at the time, and it is written in the contract, that we would do everything in our power to get them 45 ft. of water. That is all that they asked for at that time. So, going to 47 ft. and all the things that we are doing now is subsequent to anything that was in the agreement with TraPac when it was signed.

Mr. Falconetti stated that there seems to be some worry about the thought that a deal has been made. He has absolutely no anxiousness that a deal has been made because there is no possible way that either ethically or legally that the CEO and team could have made a deal with TraPac. He does, however, have a concern or reservation with the process and lack of visibility to a process that could very well result in generational transformation for our City's economy. He defers to Board Member Citrano who has done hundreds of deals during his long career and he's sure he has adopted a methodology approach or formula in negotiating and processes. The visibility to a process of a conversation that can change a generation of Jacksonville is worthy of this conversation.

Chairman Newman stated that it would be helpful if perhaps Mr. Citrano could accompany the team to Los Angeles as a Board Member. With his background and expertise, his presence and input would be invaluable.

Mr. Falconetti stated that he would quickly support that. It would certainly avail ourselves to wisdom and could only help the situation.

Mr. Citrano stated he is available and agreed to go on the trip to Los Angeles to help with the TraPac negotiations.

Mr. Taylor stated that gives him great comfort that we have the right players in our negotiations with a couple of representatives from our team plus he is bringing in some outside expertise that he thinks is invaluable. With the addition of Mr. Citrano, it takes it to another level.

Mr. Taylor stated that the meeting next week is clearly not going to be the end of negotiations. We are still miles apart on these issues and so it is going to take multiple discussions with them before we can even get close to a point where we are actually in the realm.

Mr. Taylor asked Chairman Newman for suggestions on how he and the team should communicate with the Board members as we move forward to keep them informed. He stated his is trying to speak with Board members individually as we move through the process, but if they prefer to have more of these types of discussions, we can.

Mr. Fleming stated that since we are dealing with sensitive issues, he would prefer to be briefed individually. The other Board members agreed.

Chairman Newman stated that we came here today to get some consensus on how we move forward. He thinks the conversation has presented a number of caveats in areas of concern and with the addition of Mr. Citrano accompanying the team, he feels comfortable. He also asked that Mr. Taylor get with Vice Chairman Citrano to establish a long term process for negotiations.

Mr. Taylor mentioned that he believes a part of this process will actually come out of the discussions with TraPac scheduled for next week.

Mr. Citrano asked Gayle Petrie if it would be acceptable for him to attend this meeting with the team and then brief the CEO upon his return and then have Mr. Taylor communicate his briefing to the Chairman and then share with the other Board members.

Mr. Petrie stated that the CEO can share the results of the meeting individually with other Board members and the Chairman.

There being no further business of the Board, the meeting was adjourned at 10:27AM.